

NATIONAL CHARACTER EDUCATION FOUNDATION ENDOWMENT

The board of directors of National Character Education Foundation, (NCEF) does hereby establish an endowment fund, which shall be named as follows: National Character Education Foundation Endowment Fund, and shall be referred to hereafter as "The Fund."

I. Definitions

1.1 The Fund. The total endowment fund created by this resolution. The Fund may contain both donor-designated endowment and board-designated endowment and may have separate named endowments within both donor-designated endowment and board-designated endowment.

1.2 Donor-designated endowment. Any gift in which the donor, at the time of making the gift, imposes a limitation permitting use only of income received from the gift and preventing the use of the principal from the gift. A gift that includes words that state the gift is for endowment or identifying the name of The Fund or any named endowment within

The Fund shall be treated as donor-designated endowment unless the language of the gift clearly states or implies that the principal may be used. The board may not use the principal of any donor-designated endowment funds except as provided in this resolution.

1.3 Board-designated endowment. Includes any gift or other asset that the board may place in The Fund and that includes no donor restriction on the use of principal.

Example: A donor gives money to the NCEF without specifying that it be for the endowment. The board places it in the fund. The board may or may not restrict the use of the income for any particular purpose. Later, the board may remove and use the principal and/or income from the board-designated endowment for any purpose it chooses.

1.4 Restricted endowment. Any donor-designated or board-designated endowment gift that places restrictions upon the particular use for the income derived from investing the principal, such as a gift "to the endowment to be used for programs."

1.5 Unrestricted endowment. Any donor-designated or board-designated endowment gift that places no restrictions on the purpose for which the income is to be used.

1.6 Named endowment. Any portion of the principal within The Fund that is segregated from the other monies within The Fund under a separate name.

1.7 Principal. The initial amount of any gift or board-designated contribution to The Fund.

1.8 Income. Any interest, dividends, unrealized gains, or other financial returns received from investment of the principal.

II. Creation of The Fund

2.1 The board hereby establishes The Fund, which shall contain initially the following named endowments:

A. Donor-designated endowment

1. Restricted donor-designated endowment
2. Unrestricted donor endowment

B. Board-designated endowment

2.2 The board may, at its discretion, establish additional named endowments within The Fund.

2.3 Any person may contribute or bequeath devise money or other personal or real property to The Fund subject to the provisions of this resolution, as amended or modified. All property contributed or bequeathed to The Fund shall become the property of the NCEF and shall be held, managed, invested, and spent in strict accordance with the terms of this resolution.

2.4 The Fund created by this resolution shall not be a separate legal entity but instead shall be considered a part of the NCEF under the authority of the board of directors of the NCEF.

2.5 No gift shall be added to The Fund without board acceptance of the gift and approval of the donor-designated use of the gift.

III. Purpose and Use of The Fund

3.1 The purpose of The Fund is to provide financial support for either operating expenses or capital expenses of the NCEF.

3.2 No income or principal from the fund shall be used for any purpose other than educational and charitable purposes or for any purpose that would be inconsistent with the NCEF's standing as a charitable not-for-profit institution under the laws of this state and of the United States of NCEF and specifically under §501(c)(3) of the Internal Revenue Code. No funds shall be used directly or indirectly for the benefit of any individual person, including but not limited to any employee or board member of the NCEF.

IV. Investment of The Fund

4.1 The board shall appoint an investment committee composed of people having knowledge and experience in the investing of funds. The board may retain a bonded institution or investment advisor to advise the investment committee and the board on how to invest the principal and to make investments of the principal.

4.2 The investment committee shall present to the board an investment policy and investment allocation plan for board approval, which may take into consideration the following factors:

- A. The security and preservation of the principal
- B. Investment for income
- C. Investment for growth
- D. Such other factors that the board shall determine from time to time

4.3 Within 30 days after the end of the NCEF's fiscal year, the investment committee shall present a written report to the board stating the balance of principal, the income earned on the principal during the preceding year, any unrealized gain on investments of the principal, and the amount of any income used during the preceding fiscal year. The report shall have separate itemization of these matters for each named endowment in The Fund.

4.4 In no event shall any principal from any donor-designated endowment be loaned to, invested in, or otherwise used by the NCEF or any of its branches, subdivisions, or other related entities, except in accordance with the provisions of this resolution.

V. Making Income Available for the NCEF's Use

5.1 The board may, in its discretion

A. reinvest all or any portion of the income received from the principal in The Fund and

B. use all or any portion of the income received from the principal in The Fund for any purpose consistent with the purpose of The Fund as stated in this resolution subject to any restrictions.

5.2 The board may adopt from time to time a formula for determining the amount of distributable income that shall be made available for use. The formula shall be reasonably calculated to approximate the income (as that term is defined in this resolution) derived from the principal in The Fund. Initially, the formula shall be as follows:

A. At the end of the NCEF's fiscal year, the preceding three-year average return on 30-year United States Treasury notes will be determined.

B. At the end of the NCEF's fiscal year, the preceding three-year average of the balance of The Fund will be determined. During the first three years of The Fund, this determination shall be the average balance of The Fund from its beginning.

C. The distributable income to be made available for NCEF use shall be the product of the three-year average return multiplied by the three-year average balance.

5.3 The distributable income calculated in accordance with the formula above, or in accordance with any different formula the board shall establish from time to time, shall be made available for use during the fiscal year following the date of calculation.

VI. Use of Principal from The Fund

6.1 The board may not use the principal from any donor-designated endowment within The Fund, except under the following circumstances:

A. As part of a proceeding involving the dissolution or ending of the existence of the NCEF

B. Cessation of the operation of the NCEF

C. As part of a bankruptcy proceeding as to the NCEF

D. In accordance with requirements mandated by the law of this state or of the United States of America

E. With the written permission of the donor or the heirs of the donor In no event shall the principal or any income from The Fund be used for purposes other than permitted under §501(c)(3) of the Internal Revenue Code.

6.2 The board, in using any of the principal from a donor-designated endowment permitted under the above circumstances, shall, if possible, use that principal for a purpose consistent with the perceived intentions of the donor subject to any requirements imposed by law. If such use is not possible, the board may use the principal in accordance with the articles of incorporation of the NCEF. If neither of the foregoing purposes is possible, the board may use the principal for any other charitable or educational purpose it determines in accordance with law and in accordance with §501(c)(3) of the Internal Revenue Code.

6.3 The board may use the principal from any board-designated endowment at any time by majority vote of the board.

VI. Amendment

7.1 The board may amend this resolution at any time by majority vote, but no amendment shall be in contravention of law, and no amendment may have the effect of circumventing or abrogating a legal obligation of the board to any donor of a gift placed within The Fund.

CERTIFICATION This resolution has been approved by a majority vote of the board of directors on this ____ day of _____, ____.

Name _____ Chair of board _____

Name _____ Secretary of board _____