Examples of Koch demanding undue influence - Expanded Edition

Florida State University (more at bottom)

- FSU's faculty senate found that the gift from the Charles Koch Foundation came with a Koch appointed Advisory Committee, which was granted an active role (including veto power) over tenure and non-tenure track hiring. The Koch "gift" was conditional on the selection of department chair, and granted direct influence over curricular and extracurricular programming, graduate fellowships, post-doctoral programming, and the creation of a certificate program.
- A 2011 Faculty Senate investigation of the agreement found that it "**allows undue, outside influence over FSU's academic content and processes**, a codified danger that the doctrine of academic freedom is designed to avoid." The report cited **more than ten examples where Koch's terms or actions violate academic freedom and faculty governance**, including two conflicts of interest.
- If at any point Koch's Advisory Committee determined that the university was not in "compliance" with section 1.a of the agreement, "Objectives and Purposes," Koch maintained the right to withdraw any or all funding from students/faculty/programming, with only 15 days notice.
- A faculty memo showed that Koch's interests were conditional on furthering their own agenda, "they want to support and mentor students who share their views. Therefore, they are trying to convince us to hire faculty who will provide that exposure and mentoring. [...] If we are not willing to hire such faculty, they are not willing to fund us." (Center for Public Integrity 2014)
- A 2011 memo from Interim Dean of the Faculties echos the curricular issues mentioned in the Faculty Senate report, "**many more could occur any time under our current procedures for faculty review of courses, certificates, majors, and degrees. This results from the fact that once a gift agreement is settled by the donor, the Foundation, and the academic unit, that agreement becomes invisible in the faculty governance process** designed to make decisions regarding the shape of the curriculum."

Suffolk University

- Suffolk university announced earlier this week that it will cut ties with the Koch funded Beacon Hill Institute (BHI). The center has received over $800,000 from the Charles Koch Foundation since 2008 and has been criticized by economists and scientists for its inaccurate and faulty research, especially around energy policy. The center director cited newly enforced academic protections for the closure, "I think the entire administration made up their mind that they were troubled by what we were doing in some way, where we were getting money, how we were using the money, what we were saying, and they wanted things to change. [...]I couldn't raise money under the guidelines that were being issued."
- Suffolk administration were first alerted to BHI's activities in 2013 when the Guardian showed revealed grant proposals where BHI "appeared to have already arrived at its conclusions in advance, admitting from the outset that the aim of the research was to arm

opponents of cap-and-trade with data for their arguments, and to weaken or destroy the initiative." The proposal read, "Success will take the form of media recognition, dissemination to stakeholders, and legislative activity that will pare back or repeal [Regional Greenhouse Gas Initiative]."

- In a prepared statement, Suffolk University made clear it had not been consulted about Beacon Hill's research plans – and would not have authorised the grant proposal if it had been. "The stated research goals, as written, were inconsistent with Suffolk University's mission," Greg Gatlin, the university's vice-president for marketing and communications, said in an email.

University of Kansas

- In September at the University of Kansas, records revealed details about the entirely Koch funded Center for Applied Economics. In another instance of non-academic research with foregone conclusions, the center's founding director (and former Koch lobbyist) Dr. Art Hall, was seen receiving money predicated on the creation of "intellectual products" for "use as a tool in economic policy debates." Specifically, Hall was paid to generate research against renewable energy in Kansas, yet failed to disclose this funding when presenting the research to the legislature (Sept 2015).
- Hall told reporters that his congressional testimony was the only published work that came from his research, making it clear that his scholarship served a single, non-academic purpose. He describes the objectives of his non-peer reviewed research in contrast to academic settings, saying "They're two distinct marketplaces. The public policy arena is not nearly as formal and peer-reviewed, but at the same time if you're going to be effective and compelling, you can't be blowing smoke, you've got to have evidence." The donor's political interests required that Hall's work to be "effective" and "compelling," while going completely unexamined by peer review.
- Documents revealed that the center, its effectiveness is measured by how well its research can be disseminated. As stated in the documents released, "The best measurement proxy for this test of effectiveness involves citation by other researchers and discussion by news media – particularly print and Web media." This is not how the effectiveness of faculty members is evaluated. In academia, effective research and effective researchers are those who have been vetted through the peer-review process and are then published in peer-reviewed journals.

College of Charleston

- At the College of Charleston in South Carolina, documents show that the Charles Koch Foundation made future funding **centrally** contingent upon being given access to extensive information about students, with the aim of "to notify students of opportunities" through both the Charles Koch Foundation and the Institute for Humane Studies at George Mason University. Koch's foremost reporting requirement seeks names and email addresses —specifying addresses "preferably not ending in .edu"— of any student who participated in a Koch-sponsored class, reading group, club or fellowship. In another email, a Koch foundation official says that "[...] information regarding students who pursue additional opportunities connected to these ideas (**regardless of whether they were direct program participants**) is vital to understanding our grant's impact.

We suggest updating a list of interested students throughout the year in order to avoid omitting important information in your final report." (pg 43, 54)

- The Koch foundation also requires, as at other universities, final authority over any information that university officials disseminate about the Koch program.

University of Illinois at Urbana-Champaign

- The Chancellor of the University of Illinois at Urbana-Champaign commissioned the Faculty Senate to study a Koch funded center on campus. **The report finds that the creation of an "extra-academic board, self-perpetuating on the basis of ideological sympathy with the donors' intent" is an infringement on "institutional academic freedom."**
- In addition, it was found that the center's affiliation with the university violated two principles of a 'free and distinguished university': institutional neutrality (because the overly-narrow ideological research mission was inconsistent with the university's standards of open and free inquiry) and institutional autonomy (as the center and its academic mission were unaccountable to traditional administrative and faculty governance oversight).
- The faculty wrote of the center's Free Market research mission, "Whether one agrees with these views or not, they are statements of doctrine, not questions to be examined in an open-minded academic investigation." (pg 11)
- The Chancellor dissolved the agreement with the center 2008, described as a "friendly divorce."
    - The Academy that didn't go away, Inside Higher Ed (Sept. 8, 2009) extended history:
        - [In 2007], it appeared that the University of Illinois at Urbana-Champaign had resolved a conflict with faculty leaders over the Academy on Capitalism and Limited Government.
        - Faculty members said that they didn't object to professors teaching about capitalism, but that research centers at universities shouldn't be devoted to any one ideology and that donors shouldn't be able to pick the ideological views of work to be supported. The solution -- generally praised by those on all sides -- was for the the academy to sever its ties to the university. It could still support faculty members at the university and sponsor programs on the campus, but as a price of keeping control of the use of funds (and a political perspective), the academy couldn't be part of the University of Illinois. There's just one problem: the ties were never cut, and a new agreement kept the academy as an affiliate of the university's foundation.
        - The Faculty Senate has just completed a report on what actually happened, describing an agreement "negotiated in secret" that has maintained the ties to the foundation that the university had pledged to sever. This deal was signed without faculty involvement -- and the lack of faculty oversight, the Senate report alleges, has led to the funds for the academy going to support the faculty members who are on its advisory

board, raising questions about conflict of interest. A resolution adopted by the leaders of the Senate calls for the university to do what it told faculty members it was doing two years ago: sever ties to the institute.

- Hoover in the Heartland, Inside Higher Ed (Sept. 20, 2007)
    - “This has been an end run around faculty governance,” said Cary Nelson, an English professor at Illinois who is president of the American Association of University Professors. He said that the funds had been accepted by the university without appropriate review and said that he feared that committees now being created to oversee the program were not real governance but would just amount to people with the power to “whisper in the chancellor’s ear.”
    - Brown said he was “not an expert on university rules,” so he didn’t know the specifics of how funds would be given out to support projects. But he said that since this was a “donor-initiated fund” and that the goal was to involve professors from a range of disciplines, it made sense to house it in the university’s foundation.
- Report of the Ad Hoc Committee of the Senate of the University of Illinois at Spring**field on The Academy on Capitalism and Limited Government.**

University of Dayton

- In a 2015 statement, University of Dayton spokeswoman Cilla Shindell explained that the school **did reject a recent proposal** from a “foundation that is in part funded by the Koch family” **because it “would have been structured in a way that would limit oversight by the university in such areas as curriculum and faculty hiring**.” [Center for Public Integrity]

Auburn University

- A Koch center at Auburn University was found to have violated its standard hiring procedure in order to fast-track the donor intended hires. Alabama State House Representative Craig Ford wrote to Auburn President Gogue, "...it has been brought to my attention, by persons both inside and outside the university, that there may have been a number of administrative 'irregularities' in both the creation of the center, the design of the center's administrative structure, the funding of the center, and in the hiring of its director."

Clemson University

- Clemson’s Koch contract includes similar hiring control and “Objectives” as Florida State, Utah State University, and West Virginia University, with explicit language ensuring that Koch-funded professors would “support the research into the causes, measurements, impact, and appreciation of economic freedom.”
- It’s a red flag for Koch to narrow its programs at Clemson to promote “economic freedom,” a concept that’s actually created by Koch itself through the Fraser Institute in Canada, working in conjunction with professors in Florida State University’s Koch-funded

economics department, like James Gwartney (see Charles Koch Institute's Economic Freedom website and Fraser Institute's 2013 Economic Freedom of the World report, supported by Charles Koch Foundation, p. 251, written by by James Gwartney Charles G. Koch Doctoral Scholarship recipient Alice M. Crisp, p.250).

Hamilton University

- Questions were raised about governance, specifically about the role of the dean of faculty and president in overseeing the center on campus, and also how faculty would be involved in the center. The Alexander Hamilton Center, The Continental (student-run magazine) (April, 2007)
  - Professor Steve Orvis helped write the faculty resolution, and acknowledged that the faculty "had no actual power." Orvis, who chairs the government department, believed that the main problem with the AHC's governance was its Board of Overseers, the key governing board of the AHC. "The dean has oversight over all similar campus organizations, but he would not have oversight over the AHC, and the faculty was concerned about this," said Orvis. He also found it problematic that an on-campus college organization could have a board of members that were mostly people from outside of Hamilton.
  - Pellman noted that the faculty's anxieties with the charter did not concern their own involvement, but rather the involvement of the administration in the governance of the AHC. "I truly don't think anyone on the faculty was interested in being 'in the loop' of the governance of the center," said Pellman. "But the faculty was very concerned that the president and the dean were not going to be substantively included in the loop."
  - On November 27, 2006, Hamilton announces the Alexander Hamilton Center will not go forward, notwithstanding the prior announcements of Sept. 6th and Oct. 13th: The Failure of the Alexander Hamilton Center (Nov. 29, 2006).

Florida State University (Continued)

1. **Suppressed faculty account of "threats" and "intimidation" used to violate academic freedom and governance**

   a. In the very first finding of the original faculty senate report detailed the corrupt circumstances regarding how the "agreement" came to be implemented. All mention of this main finding was stripped from the final version of the report:

      > **Dissenting faculty reported an atmosphere of intimidation and administrative dictate by the Dean for a "done deal" that prevented faculty input on academic integrity or curricular issues**. [...] Faculty specifically requested a vote on accepting the Koch agreement and this was rejected by the Dean who told us he did this because he did not intend to take their input. The

> Faculty Senate Constitution and generally accepted discourse on academic freedom place curricular issues under the province of faculty. The Dean erred in not allowing established faculty governance process to function.
> It should be noted that each department within the university establishes its own by-laws for faculty governance. Traditionally, the Economics department has elected an Executive Committee and left all issues of curricular development, faculty hiring, and departmental development to this group. This trusting, governance at a distance process functioned well when issues were within established, traditional bounds, but was inadequate to handle the intense controversy of the Koch issue. Attempts to move into a more active governance mode by the faculty on the Koch issue were stifled by the Dean and by the Department Chair who regularly emailed interpretations of the Dean's wishes. It was repeatedly stated by faculty that an atmosphere of intimidation was thus generated. It was reported that the Dean made threats about future teaching assignments if Koch money was not available, that dissent with the Koch agreement was viewed as faculty disloyalty by the department chair, and that memos from the department chair were argumentative and angry. Many faculty were loathe to speak to the Koch issue in this atmosphere, particularly the untenured ones. (pg 2)

It is seen in a 2014 email that Dr. Jayne Standley, a co-chair of the faculty senate committee and author of this suppressed draft, was under the impression that her draft was "softened" by the other co-chair, Dr. Eric Walker. She appears to be unclear as to the differences between her draft and the final draft:

> Here is the file on my computer. Unfortunately, I don't know if it is the draft or the final copy. Eric tweaked my draft and softened the wording but changed none of the essence or the recommendations. Eric Walker may have the later file that is the official final report.

Dr. Walker has said in several instances that he and President Eric Barron edited the final version of the report. It is now apparent that they substantially altered the findings and recommendations of her draft, while curiously leaving her name first in the final report.

b. In the second finding of the original report, the committee findings determine the terms of the Koch MOU violate academic freedom, as it "allows undue outside influence over FSU's academic content and process, a codified 'danger that the doctrine of academic freedom is designed to avoid.'"

2. Conflict of Interest

a. The 2008 MOU was declared a "two-fold conflict-of-interest" by the Faculty Senate findings (pg 7). The arrangement involved a student and a faculty member, and was approved by the signatories of the 2008 MOU

1. The MOU was negotiated by a graduate student, Matt Brown, who was also a Koch Foundation employee. According to CKF tax documents, Matt Brown made over $500,000 between 2007-2009, and was CKF's highest paid employee in 2008. He also received a graduate fellowship through the agreement. The original faculty findings called this part of the conflict "egregious."

2. CKF's "gift" was contingent upon then Chair Bruce Benson remaining Chair. Benson explains,

   > Koch has indicated that they would not be willing to commit the proposed level of funding if I do not continue to serve as chair until the proposal is implemented. They are willing to help induce me to do so, and this [$105,000] line item reflects that effort.

   In turn, Dr. Benson served as co-chair of Matt Brown's doctoral committee.

3. This was affirmed by President Eric Barron in a 2011 letter to FSU's Dean of the Faculties, saying "This is a clear conflict of interest and it should have been revealed and then avoided."

3. Ideological Influence over Academics

a. In a 2007 department memo, Benson described CKF's plan for "Constrained hiring", saying

   > [t]hese organizations have an explicit agenda. They want to expose students to what they believe are vital concepts about the benefits of the market and the dangers of government failure, and they want to support and mentor students who share their views. Therefore, they are trying to convince us to hire faculty who will provide that exposure and mentoring. If we are not willing to hire such faculty, they are not willing to fund us. There clearly is a danger in this, of course (pg 3)

b. The final faculty senate report found that, despite being denied access by department officials to the interview process for the Koch supported positions, the Koch Foundation conducted its own parallel interviews of those interviewing for the positions at a meeting of the American Economic Association in January 2009 (pg 6). According to the original draft of the 2011 faculty report, Koch also was granted "prior approval of the advertisement used for filling positions" (pg 3).

c. The final faculty senate report expressed "concern" at the Koch Foundation's intent to "design and propose an Undergraduate Program [...] consistent with the Objectives and

Purposes set forth in Section 1(a)" (pg 7). Though omitted from the final draft, the original faculty senate findings explicitly cite the violation of departmental governance, noting:

> Koch funded non-tenure track faculty have been assigned to teach the service courses in Economics. Criticism of this administrative move asserts that faculty oversight of these positions and content no longer rests with the Economics department at large, but with the SPEFE Program. These courses teach approximately 7000 FSU students/yr. Further criticism concerns implementation of issues related to the Koch agreement and that a free market firewall was established in the department with issues like content of service courses behind this firewall that did not allow for usual faculty input or governance process" (pg 4).

d. The Undergraduate Program eventually created a "Markets and Institutions" Certificate Program using a process that the Faculty Senate Ad Hoc Committee described as having "fallen short of a usefully functioning standard of transparency and openness" (pg 13), and as documented in the original faculty findings, it was implemented "without faculty input" (pg 5).

e. CKF was granted involvement in faculty evaluations:

> Individuals holding the Professorship Positions will [...] have included in the services component of their annual review by the FSU Department of Economics an evaluation of their performance at advancing the objectives of this Memorandum" 3.e.(iv), 2008 MOU

It was recognized by the faculty senate reports that this likely violated the faculty collective bargaining agreement.

f. The system of graduate fellowships is described in the original faculty findings, and is completely absent from the final report:

> The Koch fellowships for graduate students may have targeted a specific type of graduate student that is not representative of the diversity of the Economics department and determination of awards have not been implemented with input from the Graduate Admissions Committee. (pg 4)

g. The original findings of the faculty senate described several problems with extra-curricular donor influence and the lack of department control:

> The "Economics Club" conceived by the Koch agreement is not representative of the diversity of departmental curricular offerings. There were repeated reports that it promotes dogma rather than academic inquiry. Scholarships of

$200/semester are given for reading books on a list developed by the Koch funded program, not the Economics faculty as a whole. The club website now shows legislative initiatives, an activity specifically prohibited by the Koch Memorandum of Understanding (pg 4)

4. CKF maintains explicit control over funds after giving to FSU

Section 1.1.7. of FSU gift acceptance policy reads "A donor may not retain any explicit or implicit control over the use of a gift after acceptance by the institution. " (FSU Gift 2013, pg 4)

a. All aspects of the programs (curriculum, tenure track faculty hiring, non tenure track faculty hiring, undergraduate curricular and extracurricular programming, etc.) at FSU are obliged to comply at all times with the Koch Foundation's Objectives and Purposes 1(a) in the 2008 MOU[1]

b. An entirely Koch appointed advisory committee, whose decision rule is a unanimous vote (7.(b)), is charged with "Ensur[ing] compliance with the terms of this Memorandum through appropriate administrative or legal channels" 7.a.(iv) 2008 MOU. This structure remains despite the recommendation of its restructure or removal by both faculty and administration.

c. FSU President Eric Barron in 2011 acknowledges that "*the agreement did provide the opportunity for outside influence*."

5. A Revocable "Gift"; CKF maintained the freedom to withdraw/withhold funding at anytime under a great many circumstances

a. Veto power over instructor hiring with Koch funds; "No funding for a Professorship Position or any other Affiliated Program or Position will be released without the review and approval of the SPEFE-EEE Advisory Board." 3.d.(iii), 2008 MOU

b. Influence after hiring; "annual renewal [of teaching specialist funding] dependent upon satisfactory evaluation of the FSU Economics Department and the SPEFE-EEE Advisory Board that the individual is advancing the Objectives and Purposes set forth in Section 1(a)" 4.(d), 2008 MOU

c. The ability to withdraw funding for noncompliance at any point with 15 days notice; "Such termination shall be deemed effective upon the expiration of said fifteen (15) days from the date notice was provided by Donor to Donee and University, if Donee and/or

[1] from Objectives and Purposes 1(a) "*to advance the understanding and practice of those free voluntary processes and principles that promote social progress, human Well-being, individual freedom, opportunity and prosperity based on the rule of law, constitutional government, private property and the laws, regulations, organizations, institutions and* social norms upon which they rely." This are, in effect, the values of the Charles Koch Institute.

University have not therefore corrected the events of default or performed the acts described in the notice." 2008 MOU Attachment C, section V.(H)

d. Koch Graduate Fellows are approved through a committee comprised solely of SPEFE/EEE faculty, who determine whether the student will comply with the Objectives and Purposes, though "should their interests ever change", their fellowship is withdrawn, and they revert to department support; a 50% pay cut and a doubled workload (from 10 hrs/week on Koch Fellowship to 20 hrs/week or more on department support). These faculty are beholden to CKF's Purposes and Objectives in their selection of fellowship students, as the BB&T and CKF fellowships are explicitly "part of a larger grant-supported set of programs: the program for the Study of Political Economy and Free Enterprise (SPEFE) and the program for Excellence in Economic Education (EEE)," and as such, are under the purview of the Koch Advisory Committee.

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A Student Review of FSU Gift Acceptance Policy:

Undue Influence and Charles Koch Foundation

A joint report from FSU Progress Coalition and UnKoch My Campus

UNKOCH MY CAMPUS

May 2015

A Student Review of FSU Gift Acceptance Policy:

Undue Influence and Charles Koch Foundation

Table of Contents

Introduction

This document is to serve as public comment for the 2015 revision of Florida State University's gift acceptance and counting policy, otherwise known as FSU Policy 8-1. The comment period closes June 3rd. This gift policy determines if and how the FSU Foundation accepts private donations, and as such, directly affects faculty governance and academic freedom. This report is intended to reveal several necessary revisions, as well as to serve as comment on the revisions currently being proposed by FSU administration.

As this gift policy is responsible for preventing undue donor influence, we have reviewed it relative to the agreement between the Charles Koch Foundation and the FSU Foundation. We identify policy and governance issues that currently expose students and faculty to excessive donor influence. We find that current gift policy contains language that is vague and ineffective, and worse, several provisions that are being clearly violated by the Koch agreement. This weak and unenforced gift policy allows the Koch Foundation, and other donors, to make "gifts" whose conditions violate academic policy. An account of the particular violations of academic policy is included in the form of a report by the 2011 Faculty Senate Ad Hoc committee which, records requests now reveal, was drastically revised before being released. This, like several other documents this report references, are being released publicly for the first time, having been retrieved by public records requests over the past 6 months.

The report goes on to examine the revisions proposed the by FSU Foundation. These revisions are found to introduce vague language while weakening existing policy for the largest donors. Our recommendations and revisions to the gift policy are included at the end of the report, based on the concerns laid out below.

Ralph Wilson
ralph.wilson.ralph@gmail.com
FSU Progress Coalition
Unkoch My Campus

1. Background

Counting Policy

In the context of university fundraising, "counting" refers to a contribution being counted towards a university fund-raising goal. The Florida State University Foundation oversees charitable donations to FSU, and the FSU Research Foundation oversees grant money awarded for sponsored research. Grants are not generally counted toward fundraising goals. The gift/grant distinction is central to university advancement professionals whose careers are tied to fundraising campaigns with specific dollar targets. In the case of FSU, there is the $1 billion "Raise the Torch" campaign. The gift/grant distinction is also of great interest to donors, as it determines whether their contribution is tax deductible.

The Charles Koch Foundation and Florida State University

In 2008, the FSU Foundation and the Charles Koch Foundation (CKF) signed a gift agreement in the form of a Memorandum of Understanding (2008 MOU). This agreement established the Program for the Study of Political Economy and Free Enterprise (SPEFE) and the Program for Excellence in Economic Education (EEE). The agreement has been described locally[1], nationally[2], and internationally [3] as granting undue influence to the Koch Foundation. The memorandum outlined conditions under which CKF would provide funding for faculty, instructors, curricular and extracurricular undergraduate programming, and a postdoctoral program within the Department of Economics.

The agreement was made public in 2011 by FSU faculty members calling attention to violations of governance and academic freedom policies. Later that year, the agreement was reviewed by a Faculty Senate Ad Hoc committee which documented numerous concerns and recommendations in a report. President Eric Barron and the Student Senate immediately affirmed these findings. It has since been discovered that this report was heavily revised before being released. The full text of the unedited version is included and discussed in Chapter 4.

In 2013, the MOU was amended and reauthorized (2013 MOU). This was not generally known until being made public by FSU students in the spring of 2014. No notice had been given to the public,

[1] United Faculty of Florida-FSU Statement Regarding Donor Agreements, Jan 2015
[2] Center for Public Integrity, Sept 2014
[3] The Guardian, Sept 2014

the faculty, or even the members of the Faculty Senate Ad Hoc committee. Since 2008, further agreements have been made between CKF that involve several partner donors and establish a growing program of Graduate Fellowships.

Also amended, in 2013, was the gift acceptance policy of the FSU Direct Support Organizations (FSU Gift 2013), including the FSU Foundation. This revision was a direct result of the 2011 controversy surrounding the Koch agreement. In a 2011 letter, President Barron specifically wrote, “I have tasked Vice President Jennings to review Foundation policies and to take actions to ensure that all gift agreements adhere to our academic principles.” These revisions were approved and implemented in 2013.

When donor gift agreements impact academics, oversight from the FSU Foundation is relied upon to protect academic policy. The following report surveys ineffective and apparently violated gift policy provisions that allowed the approval of the 2008 and 2013 MOU with the Charles Koch Foundation. It also surveys the violations of academic policy that resulted from the Koch MOU.

2. Effectiveness of Existing Gift Policy and Governance

The Role of the Vice President for Advancement

According to the FSU’s Office of University Advancement website, the office oversees the FSU Foundation “[u]nder the leadership of Vice President Tom Jennings.” Dr. Jennings also serves as the President of the FSU Foundation, with a seat on the Foundation’s Board of Trustees (and all seven standing committees). The university defines a conflict of interest as “any conflict between the private interests of the [individual] and the public interests of the University” (FSU Faculty Handbook, pg 39). Clearly, it is in the (private) interest of the FSU Foundation President to maximize the amount of contributions that are counted toward the $1 billion fundraising goal, while it is the role of the VP of Advancement to oversee the Foundation and protect the (public) interests of the university.

In a 2014 memo[4] sent to President Thrasher from the Deans Development Committee, seven Deans of various FSU Colleges raise the concern that:

[4] retrieved through a records request.

> An organizational structure exists that, through no fault of the incumbent administrators, undermines accountability. The positions of Vice-president for University Advancement and President of the FSU Foundation are held by the same person, which blurs the lines of authority between the University and the Foundation as well as complicating the relationship between the President of the Foundation and the Executive Vice-president of the Foundation.

This conflict is made worse given the explicit oversight authority granted to the Vice President for University Advancement in FSU's gift policy. The entirety of Section 12 simply states, "Exceptions to any of the requirements summarized in the Gift Acceptance and Counting Policies above can only be granted by the Vice President for University Advancement. Written documentation approving any exception must be obtained" (FSU Gift 2013 and 2015, pg 37). In other words, University oversight enforcing this policy consists of Dr. Jennings as Foundation President seeking written permission from Dr. Jennings as Vice President for Advancement .

Despite the broad authority to grant exceptions in Section 12, several specific instances are given as examples of the VP of Advancement's exception-granting power, including: any policies regarding real estate appraisal (6.3), all policies and procedures regarding the Real Estate Foundation (6.21), and any part of the gift policy (12). Several troublesome circumstances specifically require the authorization of the VP, including: allowing donors to serve on committees (1.1.7), accepting securities that are not publicly traded (2.1), accepting pledge durations longer than 5 years (3.2, 3.4), accepting anonymous gifts of questionable legality/desirability (10). Section 1.1.7 is written so that the decision to allow donors to serve on committees also requires the approval of the Provost or Vice President of Academic Affairs (though, like everything else in the gift policy, this requirement is subject to exception as allowed per Section 12).

This governance structure creates an inherent conflict of interest that can not be continued in good faith. The Deans point out in their memo that "[t]he Foundation's leadership advises and informs its Board, which in turn is a strong advocate of the Foundation without regard for the effectiveness with which the Foundation serves the university." We recommend that this clear appearance of impropriety be resolved before any new policy is finalized.

Ineffective Language

Several places in the gift policy are of concern simply because the wording is so weak as to make it unclear what is forbidden or allowed.

Gift vs. Grant (CASE vs. IRS)

Section 7 of FSU's current gift policy distinguishes the FSU Foundation from the FSU Research Foundation. It states that the FSU Foundation "solicits gifts and charitable grants from private sources for all approved University programs for which **no services and/or products are required,"** whereas the FSU Research Foundation administers "awards funded with private monies for research and development activities of University faculty, staff, and students for which services and/or products are required and there is a commitment of University personnel" (pg 33). The latter are not charitable donations and are not tax deductible.

Though this distinction suffices to allow for compliance with IRS regulations, the gift policy goes on to explain important, more nuanced gift acceptance guidelines. It states that the FSU Foundation "intend[s] to follow the guidance provided on the acceptance and counting of charitable grants by the Council for Advancement and Support of Education (CASE).[5]" The specific guidance is taken from one of CASE's "advancement products," namely CASE's *Reporting Standards and Management Guidelines for Education Fundraising* (*4th Edition)*.[6]

However, a public document from the Arizona State University Foundation website points out that CASE guidelines "confuse the issue" of what is a gift or a grant when compared

[5] CASE is a professional association serving advancement (fundraising) professionals working on behalf of educational institutions. They also offer a variety of advancement products and services, and provide standards and an ethical framework for the profession. Dr. Tom Jennings, a self described "respected leader" in CASE, currently serves on the CASE District III Board of Directors and leads its Legislative Advocacy Committee.

[6] This resource itself is not publicly available, despite the fact that it is being used as the basis of university policy. A spiral bound copy is available from CASE at a list price of $78.50.

to the legal definitions established by the IRS. Indeed, FSU's gift policy allows the Foundation very broad interpretive power over what counts as a gift as opposed to a grant. As "per the CASE Reporting Standards":

> … a grant is defined as a contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution [...]. An institution may determine what a donor calls a grant is, for internal recordkeeping, a gift. (FSU Gift 2013, pg 32)

The policy goes on to clarify that tax deductible contributions do "not include corporate grants for programs in which the grantor receives a product or service **commensurate with the fee paid**" (pg 32, emphasis added). On the very next page, the policy claims that the Foundation solicits donations "for which no services and/or products are required." This suggests that the Foundation currently reserves the right to count a grant, for which the donor receives *some* services, as a gift. No guidelines or resources are cited for how it might be determined that a service is "commensurate" with the fee paid. This would allow the Foundation to count such a conditional grant toward their fundraising goal, and offer a tax relief to the donor.

In contrast, Villanova University's gift acceptance policy bases their definition of gift entirely on IRS guidelines, specifically Internal Revenue Code §170(c)(2)(B) and (D), and IRS Publication 526:

> Villanova defines a philanthropic grant according to current **federal tax law**. A philanthropic grant is a voluntary donation made, without expectation of exchange for anything of significant commercial value …
>
> …
>
> Philanthropic grants are processed by the Office of University Advancement and are counted towards the University's fundraising totals. Sponsored research grants

> or contracts are processed by the Office of Research Administration, and are, with few exceptions, not counted in fundraising totals. (Villanova Gift Policy, pg 14)

Interestingly, there are more than 40 places in the FSU gift policy where IRS compliance is explicitly mentioned, but there is not a single mention of IRS compliance in the gift vs. grant section (Sec. 7). In contrast, section 4.0 stipulates that the value of non-cash gifts be reported "[p]er CASE and FASB guidelines and IRS regulations" (pg 10). In sec 4.11, the charitable status of non-cash gift is reported "[p]er CASE guidelines and IRS regulations" (pg 15). Yet the gift vs. grant distinction is made solely "[p]er the CASE Reporting Standards" (pg 32). Given the extensive and explicit inclusion of IRS regulations in other parts of the gift policy, it seems that the exclusion in section 7 may well be intentional.

The other consequence of not adhering to IRS definitions (and using CASE's instead) is that, if a donor's contribution is improperly counted as a "gift" and processed through the FSU Foundation, then it is improperly counted as tax deductible and shields the donor from significant tax liability on what may be very large donations.

Vague Language in 1.1.7

Consider Section 1.1.7 of the current gift policy:

> ... It is the preference of Florida State University that a donor not serve on committees involved in the selection or evaluation of students or faculty members who would benefit from the gift, unless authorized by the Vice President for University Advancement and the Provost/Executive Vice President for Academic Affairs. If approval is given to serve on such a committee, care must be taken that the donor does not control more than 49 percent of votes and that the donor does not possess perceived additional control by virtue of his ability to make additional gifts. (FSU Gift 2013 and 2015, pg 5)

By using language such as “it is the preference” and “care must be taken”, the university at once condemns and allows excessive donor influence. Such a committee was established by the Koch Foundation and a CKF representative serves on it (to be explained in more detail in the next section). This violates the “preference” above.

Furthermore, none of the appropriate “care” is being taken regarding this advisory board. Firstly, the requirement that a donor “not control more than 49 percent of the votes” is clearly meant to prevent the donor from having veto power, yet this presumes that the committee voting rule is simple majority. A CKF representative controls 33% of the vote on the three person advisory board, but because the voting rule is unanimity, they retain veto power. Secondly, the remaining two board members are faculty members that Koch selects, who are beholden to CKF’s objectives under penalty of defunding through the 2013 MOU (to be explained in more detail in the next section). This is a clear example of CKF exerting “additional control by virtue of [their] ability to make additional gifts.” Again, the language is so weak that these egregious circumstances are not a violation of anything other than preference and prescribed caution.

Section 1.1.7 continues with further, weaker language (discussed at length in the next section):

> ... Conditional pledges are those that place requirements on the university to perform some task or take some action that it might not otherwise initiate. [...] *The university discourages the acceptance* of conditional pledges. (FSU Gift 2013, pg 4, emphasis added)

Not only does this fail to protect the university from donor conditions, but it is inexplicably vague language that has no place in policy.

Previous Gift Policy (2005)

Prior to the 2013 version of the gift policy, such policies were outlined in the 2005 Florida State University Fund-Raising Policy and Procedure Statement (FSU Gift 2005)for the Florida State University Foundation. The section analogous to 1.1.7 read much more resolutely:

> 7. The donor of a gift *may not* serve on any selection, evaluation or advisory committees involved in the selection or evaluation of students or faculty members who would benefit from the gift, unless authorized by the University President (FSU Gift 2005, pg 11, emphasis added)

Also in the 2005 gift policy, blanket authority to grant exceptions is granted, though not to a single individual:

> The following policies and procedures set forth the guidelines for FSU's fund-raising program. The Foundation Board of Trustees or its Executive Committee may grant exceptions to these policies, where appropriate. (FSU Gift 2005, pg 4)

This was the policy at the time that the 2008 and 2013 MOU's were signed with CKF. Unless explicit authorization was given at the time by the President, the Foundation Board, or the Foundation Executive Committee, both Koch MOU are in clear violation of this policy as they establish an entirely Koch appointed committee, where the donor has veto power over use of Koch funds. This is detailed in the following chapter.

3. Violations of Current Gift Acceptance Policy

FSU's gift policy is the only policy that would be able to prevent a donor from attaining excessive influence over academic decisions. Effective gift policy would forbid agreements that contain provisions explicitly allowing for the violation of academic principles. Enforcement of effective policy would, in effect, prevent the authorization of agreements with such provisions. The following is an account of FSU gift policies that are currently being violated by the agreements with the Charles Koch Foundation. These provisions are almost entirely unchanged in the 2015 revisions the Foundation has proposed.

Violations of Section 1.1.7

Section 1.1.7.

> A donor may not retain any explicit or implicit control over the use of a gift after acceptance by the institution. ... (FSU Gift 2013, pg 4)

This clause is violated in several instances where CKF maintains explicit control over funds after they are given to FSU. All aspects of the programs set forward in the MOU are obligated to comply with the Koch Foundation's "Objectives and Purposes,"[7] and compliance is actively enforced by CKF, which:

> ...reserves the right to discontinue or revoke any part of this Memorandum (including withholding any amounts to be made under any Donor Agreement to which CKF is a party regarding the Affiliated Programs and Positions) [...] if in CKF's reasonable discretion, such action is necessary to protect the Objectives and Purposes set forth in Section I(a) above. (Section 12, 2008 and 2013 MOU, pg 9)

Koch's ability to withdraw funding for noncompliance requires only 15 days notice to the university. During this period, the department/university is to have "*corrected the events of default or performed the acts described in the notice*" in order to avoid losing funding (2008 MOU Attachment C, section V.H).

[7] **1. Objectives and Purposes.** (a) The purpose of the Affiliated Programs and Positions is to advance the understanding and practice of those free voluntary processes and principles that promote social progress, human well-being, individual freedom, opportunity and prosperity based on the rule of law, constitutional government, private property and the laws, regulations, organizations, institutions and social norms upon which they rely, These goals will be pursued by supplementing the academic talent that is currently at FSU to create a strong program that will focus on building upon and expanding research and teaching efforts related to economic institutions and political economy. (2008 and 2013 Koch MOU)

The mechanism for explicit control is a three person "SPEFE-EEE Program Advisory Board," created to **"**preserve and safeguard the philanthropic and educational intent of CKF." In both the 2008 and 2013 MOU, CKF is allowed to appoint the entire board, which operates by unanimous vote. The agreement was revised in 2013 to require two of the board members to be department faculty, but these members are still selected by Koch. Furthermore, the board's decisions still require a unanimous vote, so that a non-university CKF representative maintains veto power in all decisions. (7(a) and 7(b) of 2008 and 2013 MOU)

Through "periodic assessments" the board is to "[e]nsure compliance with the terms of this Memorandum through appropriate administrative or legal channels" (7.a.(iv) 2008 and 2013 MOU, pg 7). This influence can not be construed as anything less than everpresent. In the event that faculty or administrators want to ignore CKF input, they are not free to do so, as is made clear in Section 7.b.(vi): "FSU agrees to take the input of the SPEFE-EEE Advisory Board into consideration when evaluating the performance of the SPEFE and EEE Programs" (pg 8).

The Advisory board's freedom to withdraw/withhold funding is unequivocally spelled out in the MOU: "*No funding for a Professorship Position or any other Affiliated Program or Position will be released without the review and approval of the SPEFE-EEE Advisory Board*" (3.d.(iii), 2008 MOU, pg 4). Although in 2013 the provision was revised superficially, the above quote is still true of the arrangement: CKF has veto power over what hiring is done with Koch funds.

Aside from explicit and total control over hiring with "gift" funds, the advisory board retains the explicit ability to fire instructors by withholding funds for their renewal, as "*annual renewal [of teaching specialist funding is] dependent upon satisfactory evaluation of the FSU Economics Department and the SPEFE-EEE Advisory Board that the individual is advancing the Objectives and Purposes set forth in Section 1(a)*" (4.(d), 2008 and 2013 MOU, pg 6). Thus, not only does the board have veto power over instructor hiring with Koch funds, but no funding can proceed without their explicit approval.

These same rigorous compliance obligations exist for the graduate fellowships from CKF and partner donors. It is clearly stated in the department's description of the fellowships that they most certainly are subject to conditions specified in the MOU:

> The BB&T and CKF fellowships are part of a larger grant-supported set of programs: the program for the Study of Political Economy and Free Enterprise (SPEFE) and the program for Excellence in Economic Education (EEE). Their purposes and objectives are "[full text of Objectives and Purposes 1(a) 2008 and 2013 MOU (see footnote 7)]." Therefore, these fellowships are to support students who wish to pursue a course of study that combines rigorous technical economic training in the core areas of applied economic theory and applied econometrics with a focus on the political economy of contemporary economic issues, and particularly, on the roles and impacts of institutions on market processes and economic well-being. Additional sources of fellowship funding associated with these programs may be secured over time.

A 2014 Graduate Policy Committee report reveals the process by which Koch and BB&T Graduate Fellows are screened and monitored by a "screening committee" comprised solely of SPEFE/EEE faculty (beholden to Koch Objectives and Purposes 1.a) who determine whether the student will comply with CKF objectives and purposes. The report states that "students on Koch funding are also instructed that should their interest ever change, they will be switched to a department teaching assistantship" (GPC, pg 8), a switch that results in a significant pay cut and a doubled departmental workload. Koch's active monitoring of scholarly compliance is yet another explicit control that CKF has over the "gift" after it is given to FSU.

Further "Violations" of Section 1.1.7

> Section 1.1.7.
>
>> [...] Conditional pledges are those that place requirements on the university to perform some task or take some action that it might not otherwise initiate. [...] The university discourages the acceptance of conditional pledges. (FSU Gift 2013, pg 4)

It must be incontrovertible, then, that Florida State University "discourages the acceptance of" the Charles Koch Foundation agreement. In Attachment C of the 2008 MOU, the entirety of the CKF agreement is seen to exemplify the description of a "conditional pledge." The parties literally agreed on it, as a matter of fact:

> The Parties agree and acknowledge that, if not for the Donor's contributions to be made pursuant to this Agreement, FSU would not otherwise undertake to hire individuals to hold such Professorship Positions set forth in this Agreement and the MOU nor implement the programs mentioned in both documents. (Attachment C, Section V.H, pg 4)

This admission seems to disarm the university's claim that CKF's intentions are to support the mission or goal of the university:

> Two programs – the Study of Political Economy and Free Enterprise (SPEFE) and Excellence in Economic Education (EEE) – support the department's overarching goal by developing innovative ideas and original analysis that advance economic understanding among students and society as a whole. These programs have been strengthened with the support from CKF. (FSU 2014 Q&A)

Another powerful instance of explicitly conditional giving from CKF is found in the admission of former Economics Chair Dr. Bruce Benson in a 2007 memo to the department:

> I also told Koch representatives that I did not intend to stay on as Chair after the current three year term. However, Koch has indicated that they would not be willing to commit the proposed level of funding if I do not continue to serve as chair until the proposal is implemented. They are willing to help induce me to do so…(pg 2)

Dr. Benson was indeed induced by a $105,000 bonus. This was later deemed a "clear conflict of interest" by President Eric Barron, and Benson was forced to step down as chair, and yet in spite of this, he remains the Principal Investigator of the CKF agreement with FSU.

Violations of Section 1.1.5

Section 1.1.5 of FSU's current gift acceptance policy reads, "*Gifts that restrict or impede the work or scholarly activity of a faculty member, fellowship holder or student will not be accepted*" (pg 4). The above section on violations of 1.1.7 detail the way in which CKF actively monitors scholarly activity to determine whether actions taken by students, instructors, or administrators warrant a withdrawal of donor support. This creates a clear circumstance in which the scholarly activity of students and faculty come with punitive constraints. In order to maintain funding, students and faculty must restrict their scholarly activities to those which the donor explicitly approves.

Specifically, if a CKF supported student or instructor is led by free inquiry into a research interest that CKF disapproves of, they are forced to either abandon that research in order to maintain funding (restricted work) or to proceed in their research but forego such support (impeded work). This language in section 1.1.5 is identical to the language in the 2005 Gift Policy (FSU Gift 2005, pg 11), and was policy when both the 2008 and 2013 MOU were signed.

Violation of Section 7

Whatever the gift/grant guidelines are, we see that the CKF agreement violates several other parts of Section 7.

As explained above, the CKF graduate fellowship program grants explicit control to the donor through faculty monitored student scholarship, with continued funding explicitly dependent on compliance with Koch's Objectives and Purposes (2008 and 2013 MOU, 1.a, see footnote 7). This compliance is actively monitored by CKF. Section 7 describes the circumstances under which gifts may be accepted in the form of fellowships. The gift policy states explicitly "[w]hile an expectation of services may exist solely to advance an educational experience, such funds are not compensation for any performance" (FSU Gift 2013, pg 33). The system of actively-monitored conditional funding seen in the Koch/BB&T fellowships (and the entire MOU) may be unambiguously identified as a system of performance-based funding, contrary to what would be allowed under current policy.

In yet another violated provision of section 7, the gift policy describes "criteria that will cause a grant to be excluded for gift reporting purposes." Among those specifically excluded are "[g]rants that are in excess of 5 years" (pg 33). The CKF agreement has a length of 10 years.

Violations of Section 1.0

Section 1.0 of the gift policy states that "[a]ll gift agreements in support of academic, research, and co-curricular initiatives require all of the following signatures" (FSU Gift 2013, pg 3). In addition to listing all the officials who were signatories of the CKF agreement, the Vice President for Research is included "for gifts supporting research."

The agreement with the Charles Koch Foundation clearly establishes academic programming, research stipulations, curricular and extracurricular content. Section 2 of the 2013 MOU stipulates that the SPEFE Program and the EEE Programs will

> build upon and advance research, publication, dissemination, and public knowledge of the role and importance of economic institutions and the study of political economy. CKF is supportive of these efforts, and the Parties agree that the activities of the SPEFE Program and the EEE Program will include but not be limited to: (a) yearly production and publication of high-quality academic research focusing on economic institutions and political economy, (b) economic education efforts aimed at the broad dissemination of research related to economic institutions and political economy, (c) support of faculty and students advancing research into and the dissemination of economic institutions and political economy, and (d) collaboration and cooperation with other centers and organizations

> working to advance complementary research and activities related to economic institutions and political economy. (2008 MOU, pg 2)

Despite the clear requirement of in 1.0, the Vice President for Research is not a signatory of either of the CKF gift agreements. If the FSU Research Foundation had been required to sign, it would have affirmed the necessity for the "gift" to be counted as a grant and processed through the Research Foundation instead of the FSU Foundation.

Violations of Section 7.0

Several of the above violations further the suggestion that the Koch Foundation MOU are incorrectly denominated as gifts through the Foundation, and are instead grants. In section 7, the FSU Foundation is designated a solicitor of "gifts and charitable grants from private sources for all approved University programs **for which no services and/or products are required**" (pg 33, emphasis added). In the case of the CKF MOU, it is clear that service *is* required, and thus they should not be counted as charitable donations through the FSU Foundation.

Clearly, these donors are not providing irrevocable charitable donations. The contracts are completely revocable, and as such can not be construed as a gift or a donation. CKF maintains control of its funds entirely. Furthermore, this funding is not charitable. The MOU's are contracts that establish a heavily monitored system of performance pay. This is admitted explicitly in the section V.H of Attachment C of the 2008 MOU (quoted in the context of "conditional funding" above), describing how "if not for the Donor's contributions [...], FSU would not otherwise undertake to hire individuals to hold such Professorship Positions set forth in this Agreement and the MOU nor implement the programs mentioned in both documents."

Even more clearly, in the Koch MOU, section 3(e) entitled "Performance Obligations of Professorship Positions", the Koch hires have to "agree to support the Objectives and Purposes as set forth in Section I (a) above and to complete the following activities in accordance with these Objectives and Purposes," with explicit objectives of "research, teaching, publishing, print and electronic media" (pg 5). Further, professors are to report on how their "activities have advanced the Objectives and Purposes set forth in Section 1(a). ” This is monitored scholarly performance.

These revocable contracts require services of the students, faculty, and administrators in the form of monitored compliance with explicit academic and research objectives. This constitutes a service that is perhaps best described by the Principal Investigator of the Koch grant, Dr. Bruce Benson, in his 2007 memo:

> These organizations have an explicit agenda. They want to expose students to what they believe are vital concepts about the benefits of the market and the dangers of government failure, and they want to support and mentor students who share their views. Therefore, they are trying to convince us to hire faculty who will provide that exposure and mentoring. If we are not willing to hire such faculty, they are not willing to fund us. (pg 3)

Clearly, the CKF "gift" is wrongly denominated as such. This raises questions about the tax deductions that CKF and their partner donors have taken on this multimillion dollar activity.

4. Violations of Academic Policy

In a 2011 letter to President Barron, Interim Dean of the Faculties and Deputy Provost Dr. Jennifer Buchanan wrote:

> [t]here are several curricular issues mentioned in the Faculty Senate Ad Hoc Committee report related to the specific circumstances of the Koch gift, and many more could occur at any time under our current procedures for faculty review of courses, certificates, majors, and degrees. This results from the fact that once a gift agreement is settled by the donor, the Foundation, and the academic unit, that agreement becomes invisible in the faculty governance processes designed to make decisions regarding the shape of the curriculum.

The Charles Koch Foundation's gift agreements with the FSU Foundation have created an avenue of undue influence for the Charles Koch Foundation and any "partner donor" willing to agree to their Objectives and Purposes. The agreements have egregiously violated, and continue to violate, FSU academic policy including governance and academic freedom policy. At its root, this is a result of the lack of effectiveness and enforcement of FSU gift acceptance policy. As revealed through recent records requests, it turns out that there were additional factors, previously unpublished, that enabled these contracts to be put in place.

In 2011, President Eric Barron called for a Faculty Senate Steering Ad Hoc Committee to review the CKF agreement. The co-chairs of that committee were Dr. Eric Walker and Dr. Jayne Standley. Recently recovered emails have revealed an early draft of the report written by Dr. Standley. It is clear from the correspondence that Dr. Standley believed her draft was not substantially changed through the final edits. However, much significant information in the earlier draft, including key findings and recommendations, was drastically altered in, or entirely missing from, the final report.

The earlier findings in Dr. Standley's report do not support the main conclusions in the final faculty report. In the final report, what is described as "the donor agreement express[ing] an inappropriate interest in department chair selection", or "conditions for the Economics Department undergraduate program that are of concern", or "phrases that could open the possibility of undue outside influence" are explicitly referred to as violations of faculty governance and academic freedom policy. No such violations are acknowledged in the final report. Dr. Standley's draft also fails to support the conclusions drawn by President Barron that "FSU acted in a manner consistent with academic principles." Furthermore, the early draft provides information about administrative intimidation as context that is completely missing from the final report. This context easily motivates the primary recommendation in Dr. Standley's report, namely to terminate the CKF agreement. This is in stark contrast to the final report's primary recommendation, to partially suspend certain provisions until the agreement may be revised.

Dr. Standley's early draft is the most complete and intellectually honest account of the circumstances surrounding the CKF agreement, and the various violations of academic policy. We will include the text of the original 2011 report in full immediately below:

Koch Foundation Memorandum of Understanding
Ad Hoc Committee Review Report

Process

In the interest of conducting this review as quickly as possible, we received input in a variety of configurations: individual meetings with the full ad hoc committee, partial committee, or with one of the co-chairs only; meetings via Skype; and email or telephone communications. We reviewed copies of the Koch Memorandum of Understanding and emails from the Department Chair, Dean and faculty members during discussion, adoption, and implementation of the agreement.

The 5 person ad hoc committee communicated with current members of the Economics faculty, prior Economics faculty at FSU when the agreement was negotiated who have since left the department, the department chair, the Dean, the Acting Provost, the Foundation Director, the University Counsel, and the two individuals who wrote the first op-ed newspaper article about this issue. Approximately one-half of the faculty in the department approached us for input. Our findings follow.

Summary of Findings

1. **The committee feels that this issue is not about the study of free-market economics. It is about outside control and undue influence over the academic endeavors of the FSU Economics department and about abatement of faculty control over the curriculum of the Economics department**.

2. **The committee found that there was extreme dissent among faculty on this issue at its inception which continues to this time some 3 years later**. **Dissenting faculty reported an atmosphere of intimidation and administrative dictate by the Dean for a "done deal" that prevented faculty input on academic integrity or curricular issues**. During the discussions on development of the Koch proposal, no formal process for considering these opinions was allowed. Faculty specifically requested a vote on accepting the Koch agreement and this was rejected by the Dean who told us he did this because he did not intend to take their input. The Faculty Senate

Constitution and generally accepted discourse on academic freedom place curricular issues under the province of faculty. The Dean erred in not allowing established faculty governance process to function.

It should be noted that each department within the university establishes its own by-laws for faculty governance. Traditionally, the Economics department has elected an Executive Committee and left all issues of curricular development, faculty hiring, and departmental development to this group. This trusting, governance at a distance process functioned well when issues were within established, traditional bounds, but was inadequate to handle the intense controversy of the Koch issue. Attempts to move into a more active governance mode by the faculty on the Koch issue were stifled by the Dean and by the Department Chair who regularly emailed interpretations of the Dean's wishes. It was repeatedly stated by faculty that an atmosphere of intimidation was thus generated. It was reported that the Dean made threats about future teaching assignments if Koch money was not available, that dissent with the Koch agreement was viewed as faculty disloyalty by the department chair, and that memos from the department chair were argumentative and angry. Many faculty were loathe to speak to the Koch issue in this atmosphere, particularly the untenured ones.

3. **The committee determined that the Koch Memorandum of Understanding as currently written allows undue, outside influence over FSU's academic content and processes, a codified "danger that the doctrine of academic freedom is designed to avoid"** (S. Fish, New York Times Blog). Specific examples of undue outside influence on FSU academic issues:

> a. There was Koch control over selection of FSU tenure-track faculty for funded positions via veto power, Koch prior approval of the advertisement used for filling positions, and Koch establishment of parallel interview activities at the professional conference where the FSU search committee was interviewing applicants.

b. The agreement states that the promotion and tenure process for Koch fund ed faculty must include an evaluation of their contribution to Koch objectives. This may be a violation of the UFF contract.

c. The agreement mandated a particular individual to serve as chair of the department. The departmental by-laws state that the Dean appoints the chair with input from the faculty. The re-appointment of Bruce Benson with the implementation of the Koch agreement did not include faculty input. Again, the Dean erred on a faculty governance issue.

d. Administrative raises for the department chair constituted a conflict of interest.

e. A further egregious conflict of interest was apparent in the development and implementation of the Koch agreement. An FSU PhD student for whom the department chair was major professor worked for Koch, wrote the initial proposal, received a Koch fellowship funded via the agreement, helped negotiate the agreement proposing that Benson remain chair and be given administrative pay raises, and reported to Benson on Koch interests in faculty selection and hiring, etc.

f. The Koch fellowships for graduate students may have targeted a specific type of graduate student that is not representative of the diversity of the Economics department and determination of awards have not been implemented with input from the Graduate Admissions Committee.

g. The "Economics Club" conceived by the Koch agreement is not representative of the diversity of departmental curricular offerings. There were repeated reports that it promotes dogma rather than academic inquiry. Scholarships of

$200/semester are given for reading books on a list developed by the Koch funded program, not the Economics faculty as a whole. The club website now shows legislative initiatives, an activity specifically prohibited by the Koch Memorandum of Understanding.

h. Specific course content is dictated by the funding agreement implemented through the Devoe Moore Center, specifically that an academic course requiring "Atlas Shrugged" as a text be taught. This book is given free with enrollment. FSU course content and assignments should not be for sale.

i. Koch funded non-tenure track faculty have been assigned to teach the service courses in Economics. Criticism of this administrative move asserts that faculty oversight of these positions and content no longer rests with the Economics department at large, but with the SPEFE Program. These courses teach approximately 7000 FSU students/yr. Further criticism concerns implementation of issues related to the Koch agreement and that a free market firewall was established in the department with issues like content of service courses behind this firewall that did not allow for usual faculty input or governance process.

j. A Certificate program in free market economics was established, again without faculty input.

National media discussion has had tremendous negative impact on the entire Economics department. FSU's academic integrity has been damaged. It was reported that professional websites are questioning the quality of FSU Economics scholarship and asserting that bias is evident and assertions that faculty publications are being analyzed for such bias with suggestion that FSU research should be viewed skeptically by refereed journals in the field. Some Economics faculty discounted the importance of this particular website.

Recommendations

To protect and restore the academic integrity of The Florida State University, we recommend the following actions:

1.Consider terminating the Koch amendment. It is very tainted by having crossed the line on giving undue influence in return for money and the receipt of negative national publicity on this issue. It may not be "fixable" since FSU's academic integrity has been jeopardized. If fixing is attempted via amendment and re-negotiation with the Koch Foundation, then it would be imperative to remove outside "control" elements:

a. the Advisory Committee should be made advisory only by removing approval and oversight functions

b. Faculty lines should be filled by a search committee comprised only of Economics faculty members who would select faculty with no direct Koch involvement;

There are no recommendations with respect to changing any of the employment conditions of the 2 current faculty on the Koch tenure-track line. The Economics faculty unanimously agreed that these individuals were outstanding scholars making excellent progress toward tenure, that they had no limitations on research or teaching content, and there was no fear of undue outside influences creating bias in their scholarship. Some Economics faculty expressed fear that they might be stigmatized by the negative national publicity and, to protect them, that they should be removed from Koch funded lines to non-Koch lines.

2. The Economics Club as constituted is in danger of promoting dogma vs. stimulating economic inquiry. There are 3 alternatives: terminate the

"Economics" Club, retain the club in its present format but label it appropriately, i.e. "Free Market Economics Interest Group," or keep the Economics club but ensure that it is representative of all types of Economic principles. If it continues to exist in any format, faculty should be charged to:

a. ensure that Economics students are taught academic discourse (formal rules of debate or deliberate, nonjudgmental voicing of pro and con opinions of issues under discussion)
b. ensure that all reading lists for scholarship money are determined by the entire departmental faculty without undue, outside influence

3. The BB&T agreement to teach a course using *Atlas Shrugged* must be discontinued. This agreement is selling academic credit to outside influence. We must stop the distribution of free books in an academic course which implies greater importance for this text.

4. Re-establish faculty governance of the department that is balanced and inclusive of all areas.

a. Consider forming a departmental committee to determine if bylaws changes are necessary. Many Economics faculty questioned the definition of faculty in the department and confusion over who got to vote on what.

b. Re-elect an Executive Committee for the coming academic year that is representative of the entire department with the objective of strengthening its involvement in governance.

c.Re-establish the role of the Graduate Admissions Committee guidelines and recommendations for selection of graduate students for all fellowships, including the Koch ones.

d. Return control of introductory courses to the departmental curriculum committee for content, department tests, etc.

e. Solicit faculty input on selection of a chair. Some faculty feel that the atmosphere is so volatile that an interim chair should be appointed for the coming year while a search committee is formed for the selection of a new chair.

f. When the new Provost arrives, re-orient all deans to the role of faculty in governance and control of curricular content, particularly the Dean of Social Sciences.

5. Comment on FSU Foundation Proposed Policy Revisions

On May 12th 2015, the FSU Foundation posted its proposed revisions to its Gift Acceptance and Counting Policy (FSU Policy 8-1). This revision, in accordance with FSU Policy 2-1, is to be posted for a 21 day comment period, concluding June 3rd. We take considerable issue with revisions proposed by the FSU Foundation, and call for them to be withdrawn.

The proposal by the Foundation changes section 1.0, allowing the Vice President for Advancement to relax guidelines on what constitutes an acceptable gift agreement document. Gifts over $25,000 would no longer require a "formal gift agreement", as they could be made using less formal "written forms of communication", including a "signed letter, pledge form, memorandum of understanding, or email from the donor". The exact changes to the section are below.

Section 1.0

The terms of all gifts of $25,000 or more to the DSOs that support Florida State University will be specified in an acceptable written document ~~a written gift agreement~~, signed by the donor and the authorized representatives of the university. Generally, and preferably, the written document is a formal gift

> agreement outlining the program to be supported, and the schedule of contributions. However, the University DSOs may choose to accept other written forms of communication to document gifts of $25,000 or more, with the written approval of the University Vice President for Advancement or designee.
> Gifts of less than $25,000 may also be committed through a gift agreement signed by the donors or an acceptable form of written communication, such as a signed letter, pledge form, memorandum of understanding or email from the donor. Emails directing gifts will also receive a written response from the appropriate direct support organization, confirming that the gift commitment has been received. (pg 3)

It is unclear what good faith circumstances would require the above revisions. It is not clear what impact this would have on disclosure or records keeping. For instance: could a signed, handwritten letter take the place a gift agreement? Would it matter if it were on a sheet of paper, or a napkin? If an email from the donor is acceptable written communication, would a text message suffice just as well? The policy change makes already ambiguous language less clear, and allows unlimited amounts of money to be accepted with less formality.

Much like “discouraging” conditional gifts in Section 1.1.7, this is yet another example of vague language that is simply poor policy. Policy is not an ambiguous stipulation of “preferences” or things “generally” required. Policy is a set of formal guidelines. In this case, the Gift Acceptance and Counting Policy happens to be the sole policy capable of protecting the university from entering into donor agreements that violate federal law or academic policy. The use of words like “generally” and “preferably” in official policy introduces unnecessary ambiguity into university policy.

This problem is compounded further given that the university “oversight” official (the VP for Advancement) is also the President of the Foundation, and that section 10 reads, “[i]n the event the [Foundation] is uncertain about the desirability/legality of accepting an institutionally anonymous gift, the ultimate decision of acceptance will be taken to the Vice President for Advancement” (pg 37). Any diminution of documentation furthers the possibility of impropriety already apparent in the current Foundation policy and governance.

6. Recommendations and Proposed Revisions to [Gift Acceptance and Counting Policy (8-1)]

We have detailed several weaknesses in both governance and policy overseeing FSU's gift acceptance practices. It remains to collect our recommendations and propose revisions we find necessary to protect the university from undue donor influence.

Recommendations

1. The gift agreement with the Charles Koch Foundation should be terminated. It has become increasingly that this agreement has irreversibly harmed FSU's academic integrity, and will continue to do so. The agreement is the product of actions that violated academic policies, donor policies, and ethics policies. In the event that the Foundation's 2015 revisions pass as proposed, the Koch agreement still stands in clear violation of the same provisions.

2. The positions of FSU Foundation President and Vice President for University Advancement should not be held by the same person. This impropriety should be resolved before any further policy decisions are made.

3. All provisions of university gift acceptance and counting policies should comply with IRS regulations.

4. The gift/grant status of the Charles Koch Foundation (and partner donor) agreement should be established definitively. This will determine whether the university is providing an illegal designation of Koch funds as charitable donations, or an inappropriate count of "gifts" toward Foundation fund-raising goals.

5. The circumstances under which the Koch agreement was allowed to violate FSU gift acceptance policy should be made clear. If written permission was given to authorize all the provisions that violate FSU policy, then these authorizations should be produced publicly. If no such exceptions were explicitly granted, then the circumstances surrounding the lack of gift policy compliance should be made clear.

6. All gift agreements over $25,000 should be publicly disclosed for a 30 day period before being authorized.

7. Gift agreements should be amended to contain
   a. any written permissions for non-compliance with gift policy
   b. copies of any partner donor agreements utilizing the gift agreement

Several of these recommendations are encompassed in the proposed revisions below. Other issues pointed out in earlier chapters are also addressed below. ~~Strikethrough~~ denotes deletion, and underline denotes insertion.

Revisions

1.0 Gift Agreements
The terms of all gifts of $25,000 or more to the DSOs that support Florida State University will be specified in a written gift agreement outlining the program to be supported and the schedule of contributions. Prior to any gift agreement being signed by the donor and the authorized representatives of the university, the proposed agreement must be posted on the Foundation's website for 30 days in which time all interested parties may provide comments to the Vice President for Advancement. ~~outlining the program to be supported, and the schedule of contributions~~. After the 30 day notice period elapses and after the Vice President for Advancement and the Office of the General Counsel has considered the submitted comments, the Vice President for Advancement may issue a final policy. Donors wishing to remain anonymous may choose to have their information redacted from such gift agreements.

1.1 Gift Agreement Guidelines

[...]

3. Fellowships are defined as funds that are typically given to graduate students to help defray the costs of tuition and related expenses, or to postdoctoral scholars. While an expectation of services to the university may exist solely to advance an educational experience, these services are not to be such funds are not compensation for any performance. Gifts from any donor for a fellowship or scholarship, made on the condition or with the understanding that the award will be made to a student of the donor's choice, will not be accepted. Money received subject to such restrictions may be credited to a depository account within the University Office of Student Financial Aid, but will not be recorded as a gift to FSU.

4. The terms of any gift should be: (1) as flexible as possible to permit the most productive use of the funds, ~~and~~ (2) as ~~nearly~~ consistent as possible ~~to be consistent~~ with the original intent of the donor, without FSU policies of academic freedom, faculty governance, and conflict of interest, and (3) clearly prioritizing the interest of the university over the interest of the donor.

5. Gifts that ~~restrict or impede or~~ place restrictions or revocable conditions on work or scholarly activity of a faculty member, fellowship holder or student will not be accepted.

6. No fellowship or scholarship gift will be accepted if the terms of the gift in any way include a commitment for the future employment of the student recipient.

7. A donor may not retain any explicit or implicit control over the use of a gift after acceptance by the institution. ~~It is the preference of Florida State University that a~~ A donor may not serve on committees involved in the selection or evaluation of students or faculty members who would benefit from the gift, nor create a situation where~~, unless authorized by the Vice President for University Advancement and the Provost/Executive Vice President for Academic Affairs. If approval is given to serve on such a committee, care must be taken that the donor does not control more than 49 percent of votes and that the donor does not possess~~ the donor possesses perceived additional control by virtue of ~~his~~ their ability to make additional gifts. Conditional pledges are those that place requirements on the university to perform some task or take some action that it might not otherwise initiate. A conditional pledge may also depend on some future event over which neither the university nor the donor may have control. The university ~~discourages the acceptance of~~ shall not accept conditional pledges.

8. A gift is defined as a voluntary donation made, without expectation of exchange for anything of significant commercial value, to a tax-exempt organization that is operated exclusively for religious, charitable, scientific, literary, or educational purposes (Internal Revenue Code §170(c)(2)(B) and (D); IRS Publication 526).

[...]

1.3: Multiple Donors

More than one donor may agree to participate in a gift agreement for a common purpose or fund, in which case all parties to the agreement must sign individual pledge forms indicating their dollar commitments. If the various individuals or entities are planning different gift payment schedules, those different schedules should be clearly indicated. Any gift agreement involving multiple donors shall be amended to include partner donor agreements. Any new donor pledge to an existing gift agreement shall require the same 30 day public notice as the original gift agreement.

[...]

SECTION 7.0: GRANTS

The DSOs of the Florida State University intend to follow the guidance provided on the acceptance and counting of charitable grants by the Council for the Advancement and Support of Education (CASE) and IRS Regulations.

In accordance with IRS regulations, a gift is defined as a irrevocable donation made, without expectation of exchange for anything of significant commercial value, to a tax-exempt organization that is operated exclusively for religious, charitable, scientific, literary, or educational purposes. (Internal Revenue Code §170(c)(2)(B) and (D); IRS Publication 526).

Per the CASE Reporting Standards and Management Guidelines for Education Fundraising (4th Edition), a grant is defined as a contribution received by an institution for either unrestricted or restricted use in the furtherance of the institution that typically comes from a corporation, foundation, or other organization, rather than an individual. An institution may determine what a donor calls a grant is, for internal recordkeeping, a gift. Ultimately, such agreements must also adhere to the IRS definition of a charitable gift.

[...]

In section 3.1.2, the CASE Standards state that research gifts are those "that the donor restricts for scientific, technical and humanistic investigation (excluding all clinical trials). This includes private grants for individual and/or project research as well as grants for institutes and research centers. It does not include corporate grants for programs in which the grantor receives a product or service ~~commensurate with the fee paid~~ of significant commercial value (sponsored or contract research)." Sponsored research that is not contracted, and falls under the heading of "Grants", should be included in VSE and CASE reporting totals.

[...]

SECTION 10.0: ANONYMOUS GIFTS

Each DSO is authorized to accept publicly and institutionally anonymous gifts. In the event the DSO is uncertain about the desirability/legality of accepting an institutionally anonymous gift, the DSO shall seek an opinion from the Office of the General Counsel, and the decision shall ultimately be made by the Provost and the Vice President for Advancement ~~the ultimate decision of acceptance will be taken to the Vice President for Advancement~~. Written documentation explaining and approving such a gift must be obtained and included in the gift agreement prior to being posted for public comment.

[...]

SECTION 12.0: EXCEPTIONS

Exceptions to any of the requirements summarized in the Gift Acceptance and Counting Policies above can only be granted by the Vice President for University Advancement. Written documentation explaining and approving any exception must be obtained and included in the gift agreement. No exceptions will be made allowing gift agreements to violate university academic or governance policy, or the public disclosure of gift agreements.

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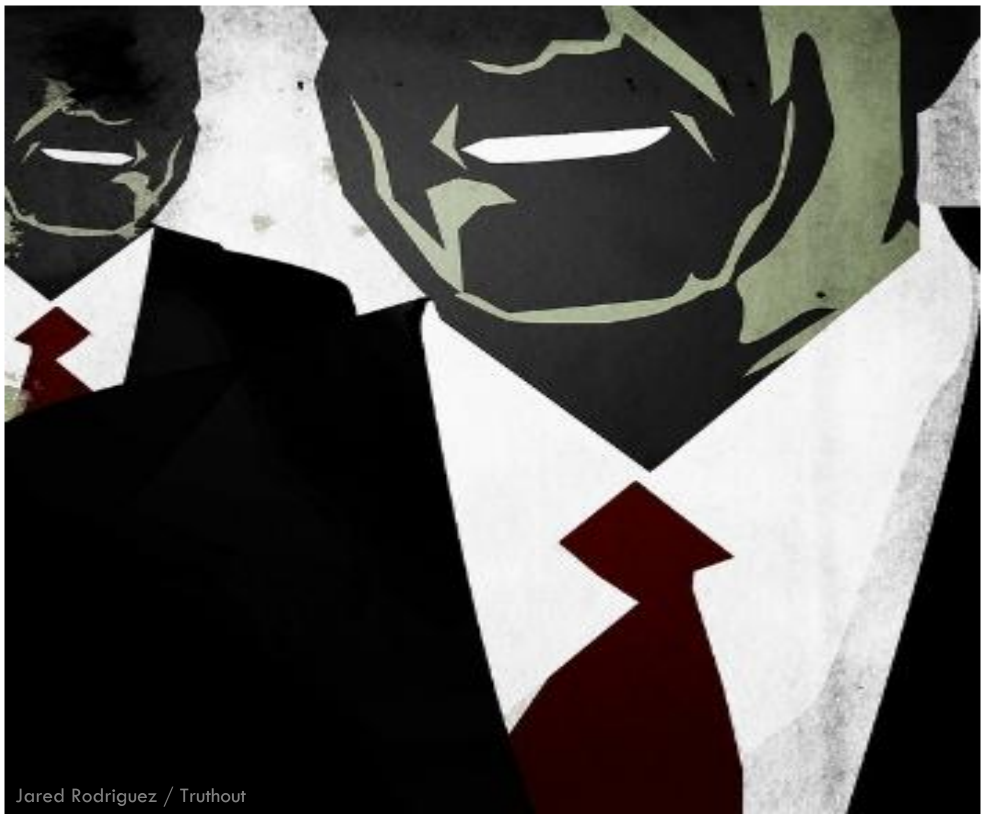
Quid Pro Koch:

Koch's Secret Higher Ed Agenda



3/29/2016

An UnKoch My Campus Whitepaper

Executive Summary

As the epicenter of modern-day lobbying veers farther away from Washington, D.C. and into our daily lives, our college campuses are increasingly subject to the influence of corporations. There are many culprits we can point to in this arena, but one billionaire donor has distinguished himself for his aggressively coordinated spending and wielding of political influence through university grants.

Charles Koch, CEO of Koch Industries, has overseen $109 million in grants to over 360 universities since 2005.[1] Unlike other philanthropists backing higher education, Koch gives to schools with the explicit goal of creating intellectual fodder for his network of political interest groups, and recruiting and training students to integrate into that network.[2]

In an essay by longtime Koch Industries executive Richard Fink (who was nicknamed "Charles Koch's Brain" by Koch biographer Daniel Schulman), Fink notes that universities are the first investment in a three-part process to create and implement policy. In this sense, Mr. Koch's financing of universities around the country forms the foundation of his infamous political machinations.

Koch gives to schools with the explicit goal of creating intellectual fodder for his network of political interest groups.

Charles Koch himself has advocated for business leaders to selectively invest in universities, based on how much control is afforded to the donors. In a 1974 speech as president of the Institute for Humane Studies, Charles Koch emphasized, "We should cease financing our own destruction and follow the counsel of David Packard, former Deputy Secretary of Defense, by supporting only those programs, departments or schools that 'contribute in some way to our individual companies or to the general welfare of our free enterprise system.'"

Koch's decades-long campaign to build intellectual capital for his political machine has escalated in recent years. Mr. Koch increased university support from just seven schools in 2005 to well over 300 cumulative schools in 2015. His growing network of political donors is now following his lead, sparking several multi-million dollar campus contributions in 2014 and 2015.[3] And Mr. Koch shows no sign of slowing, telling *USA Today* that a sizeable chunk of his donor network's $889 million budget during the 2016 election cycle is for university grants and research.[4]

Working in partnership with other millionaire and billionaire political donors, Charles Koch has taken advantage of schools suffering from dried-up state budgets, doling out grants to universities on the condition that his preferred economics theories are given more prominence in the curriculum. (In a self-reinforcing cycle,

[1] Connor Gibson & Lindsey Berger, "Koch Pollution on Campus," Greenpeace, January 2016, http://www.greenpeace.org/usa/global-warming/climate-deniers/koch-pollution-on-campus/
[2] Dave Levinthal, "Koch foundation proposal to college: Teach our curriculum, get millions," Center for Public Integrity, September 12, 2014, http://www.publicintegrity.org/2014/09/12/15495/koch-foundation-proposal-college-teach-our-curriculum-get-millions
[3] Ibid, Gibson & Berger
[4] Fredreka Schouten, "Charles Koch: We like 5 GOP candidates in primaries," USA Today, April 21, 2015, http://www.usatoday.com/story/news/politics/2015/04/21/charles-koch-republican-candidates-2016/26142001/

Koch's lobbying army is often the reason that state budgets fall short[5], opening up the opportunity for Koch to privatize various cultural, educational and social institutions.)

Rather than trusting credentialed educators to use grants however they see fit, Charles Koch exerts control in the departments he funds using carefully-worded contracts, with specific objectives provided by Koch and frequently including mandates to tenure-track any professors financed by Koch. These controversial contracts are widely regarded by professors as a threat to academic freedom and shared governance, validating widespread student concerns of undisclosed corporate influence in higher education.

Koch-funded professors have helped legitimize Koch Industries' lobbying efforts by adding their name—and the institutional credibility of their employer universities—to Koch's efforts. These financial ties to Charles Koch are often undisclosed. Consider these two examples:

- Public records just released by the University of Kansas show how Professor Art Hall was secretly paid by the Fred & Mary Koch Foundation with the specific purpose of attacking clean energy incentives, which Koch was actively lobbying against.[6] Similarly, Koch-financed academics at Utah State University and Suffolk University wrote reports attacking not only Kansas' clean energy law, but also similar laws in North Carolina and Ohio[7] and, more recently, the Obama Administration's Clean Power Plan in 16 states.[8]

- The Mercatus Center at George Mason University (GMU) was founded by Charles Koch and Richard Fink, both of whom remain on the Board. Mercatus, which has taken $8.7 million from Koch since 2005, is frequently cited in the political arena for its anti-regulatory reports and is linked with GMU's economics department, the main program supported by Charles Koch at GMU which is now known as the pre-eminent hub for studying Austrian economics, Mr. Koch's favored school of thought.

The UnKoch My Campus Campaign

Unless we increase transparency and put policies in place to protect the classroom from outside ideological control, donor politics will take precedence over the education of tuition-paying students while the quality of higher education will continue to erode irreparably.

UnKoch My Campus (UKMC) was founded by students and activists who are fighting to maintain the university as an institution of high-quality learning. In a nation-wide push for transparency, students and professors at Koch-funded schools have amassed evidence demonstrating Charles Koch's disregard for academic freedom in the classroom, an arena he considers to be up for sale to the highest bidder.[9] In the pages that follow, we have provided an overview of active UKMC campuses where students are attempting to uncover the true intent of Koch contributions to their schools, and encourage greater transparency. We hope that by making these facts known, we will inspire others to join our growing movement.

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[5] "A Reporter's Guide to the Koch-funded Rich States, Poor States ALEC Report," The Progressive, April 14, 2014, http://www.progressive.org/news/2014/04/187636/reporters-guide-koch-funded-rich-states-poor-states-alec-report

[6] Lee Fang, "Emails show Koch Industries backed effort to undermines renewable energy in Kansas," The Intercept, August 28, 2015, https://theintercept.com/2015/08/28/emails-show-koch-industries-backed-effort-undermine-renewable-energy-kansas/

[7] Scott Peterson, "Utah State's Ryan Yonk: Same Soup, Different Bowl," Checks & Balances Project, July 16, 2015, http://checksandbalancesproject.org/utah-states-ryan-yonk-same-soup-different-bowl/

[8] Naveena Sadasivam, "Koch-Supported Group Offers Skewed Argument Against Clean Power Plan," Inside Climate News, April 16, 2015, http://insideclimatenews.org/news/16042015/koch-supported-group-offers-skewed-argument-against-clean-power-plan

[9] See references under "Charles Koch Foundation vs. Academic Freedom," PolluterWatch, http://polluterwatch.org/charles-koch-university-funding-database#KochAcademicFreedom

For more information, including a searchable database of schools receiving Koch funding and details about how to get involved, please visit our website: www.UnKochMyCampus.org. Also, be sure to follow us on Twitter at @UnKochCampus and like our Facebook page: facebook.com/UnKochMyCampus.

The UnKoch My Campus Team
March 2016

Campus Snapshots

Table of Contents

American University

American University has received $46,000 in funding from the Charles Koch Foundation (CKF) in the past several years.[10] While this amount is small compared to other universities featured in this report, the inappropriately far-reaching nature of the contracts uncovered at Florida State, Utah State, Clemson, Suffolk and others should raise concerns for students at any university that receives Koch money.

Given that there doesn't appear to be a problem of excessive undue influence yet, UKMC's current goal is to strengthen university policies, procedures and oversight bodies to ensure that American remains a place where research and learning can occur without being unduly influenced by private interests on either side of the political spectrum.

Clemson University

Clemson University has received nearly $1.3 million from CKF since 2007.[11] These donations have gone to the Institute for the Study of Capitalism to fund professorships on campus with very specific restrictions and strings attached. The agreement required Clemson to submit their candidate's credentials for review by CKF. It also allows Koch to withdraw its money if the faculty deviates from the Koch's political ideology, giving Koch influence over course curriculum.

In December of 2014, students and alumni at Clemson University submitted a FOIA request, requesting records and memoranda of understanding (MOUs) around the Koch agreement. The University responded to this request by asking for a shorter request and payment before proceeding, and students and alumni are working to raise money and push forward with this line of inquiry.

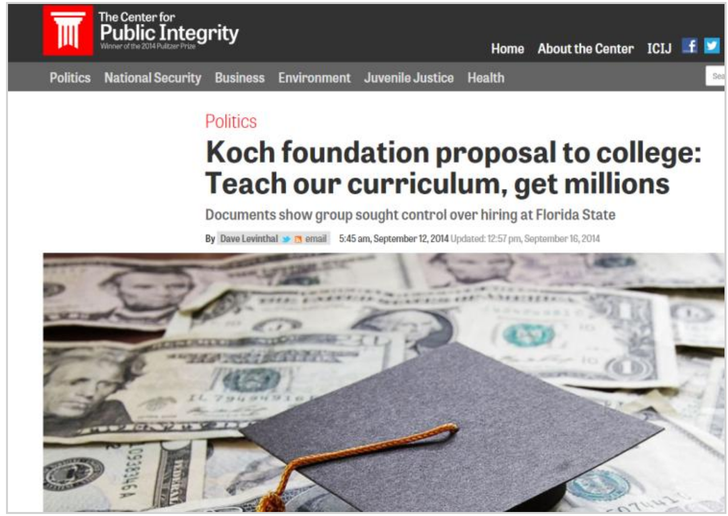
Florida State University

As of 2013, Florida State University (FSU) has received about $2.3 million in funds from Koch foundations.[12] Florida State University has a rich relationship with the Charles Koch Foundation, BB&T, and other partner donors. The influence of these donors is present in the Department of Economics, the Department of Finance, the Devoe Moore Center, the Leroy Collins Center, the School of Law, and University Administration. The most coherent example of this influence can be found in the Department of Economics, where a series of contracts (the most recent of which was uncovered by students) provides CKF control over hiring, firing, undergraduate curriculum and teaching, extra-curricular student programming, doctoral fellowships, administrative positions, and more. Student records requests have uncovered that this agreement was forced on the department by Koch affiliated administrators (Dean David Rasmussen and Chair Bruce Benson). Student research also revealed that a Faculty Senate report detailing these events was censored by administrators.

[10] "Want to find out if your campus needs to be "UnKoched"? UnKoch My Campus Resources, Accessed October 15, 2015, http://www.unkochmycampus.org/resources/

[11] Ibid.

[12] Ibid.



In November 2014,[13] students caught their controversial president in a lie about his political relationship with Koch Industries, and in September 2014, students provided information to the Center for Public Integrity that resulted in a massive media story about CKF's undue influence at FSU.

In June 2015,[14] a firestorm broke out when students revealed a hidden effort to revise university policy without notifying faculty, students, or other academic stakeholders. Students released a joint report with UKMC regarding the ways in which CKF violates FSU donor policy, and submitted it for public comment. Under faculty and media scrutiny, the university accepted several of their recommended policy revisions verbatim, though not the crucial revisions. Student research has also uncovered several more instances of misinformation from the university regarding their relationship with CKF, including lying to journalists and taking down information from university websites.

George Mason University

George Mason University (GMU) receives the most funding of all schools funded by the Charles Koch Foundation. The GMU foundation has been given over $45 million since 2005.[15] On top of these grants to GMU departments, Koch controls two think tanks on GMU's campus: the Mercatus center, which has taken about $8.7 million from board member Charles Koch, and the Institute for Humane Studies, which has taken about $23 million from Charles Koch, who is chairman of IHS. Additionally, the President of GMU, members of the Board of Visitors and many professors have associations with Charles Koch or other organizations the CKF funds. Due to the strong relationship GMU has with CKF, the economics department's focus on Austrian economics and deregulation, and the use of research produced by the Mercatus Center to influence legislation, UKMC believes that GMU's name and reputation is being used as a political tool by Charles Koch to promote his ideologies and further his private business and political interests.

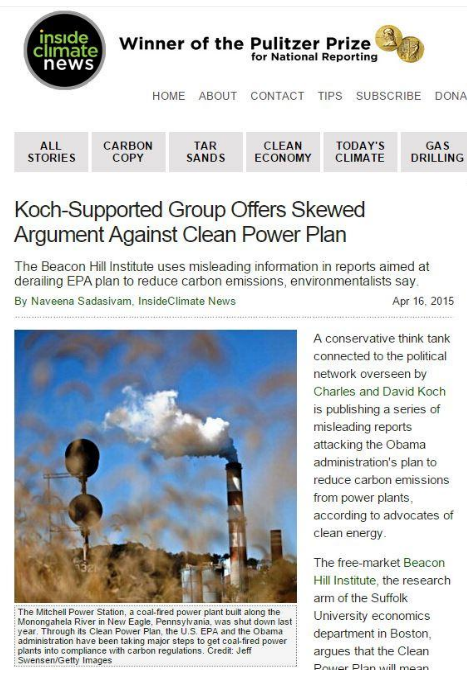
For over two years, students have been trying to examine this influence by asking for transparency in the donor agreements with CKF. Despite UKMC's efforts, university-donor agreements remain private and GMU's President still refuses to meet with students. Similar efforts by the GMU Faculty Senate were also blocked by the administration.[16] UKMC has been seeking transparency by submitting FOIA requests and putting pressure

[13] Joshua Gillan, "Thrasher says he has 'never received any contributions from the Koch brothers'," Politifact, November 14, 2014, http://www.politifact.com/florida/statements/2014/nov/19/john-thrasher/thrasher-says-he-has-never-received-any-contributi/
[14] Joseph Zeballos, "Progress Coalition report uncovers alleged violation of university donor policy," FSU News, June 4, 2015, https://web.archive.org/web/20150921184134/http:/www.fsunews.com/story/news/2015/06/04/progress-coalition-report-uncovers-alleged-violation-university-donor-policy/28490341/
[15] "Want to find out if your campus needs to be "UnKoched"? UnKoch My Campus Resources, Accessed October 15, 2015, http://www.unkochmycampus.org/resources/
[16] Minutes of the Faculty Senate Executive Committee Meeting, November 19, 2012, http://www.gmu.edu/resources/facstaff/senate/MINUTES_EXC_2012-13/EXC_MINUTES_11-19-12_FINAL.htm

on the administration to release the documents. Students have submitted two records requests (the first of which was denied, the second of which will cost thousands of dollars), raised awareness on campus, and bird-dogged members of the administration online, in person, and through the media, resulting in coverage of the campaign on WAMU's The Kojo Nnamdi Show, and in campus media.

Suffolk University

Suffolk University has received over $996,000 from the Charles Koch Foundation since 2008, all of which has gone to the Beacon Hill Institute (BHI).[17] BHI is an anti-regulation economic think tank housed on campus and run by a former tobacco lobbyist, David Tuerck. BHI has been criticized by economists and scientists for its inaccurate and faulty research, especially around energy policy. The Kochs are using their influence over policy analysis at BHI to push their political and economic agenda in state legislatures across the country, with the help of the American Legislative Exchange Council (ALEC) and the State Policy Network (SPN). In the fall of 2013, the first UKMC campus campaign was launched at Suffolk. By the end of the semester, after collecting petition signatures from students and alumni, UKMC was able to meet with then President McCarthy and ask for more transparency around Koch donations.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Koch-Supported Group Offers Skewed Argument Against Clean Power Plan

The Beacon Hill Institute uses misleading information in reports aimed at derailing EPA plan to reduce carbon emissions, environmentalists say.

By Naveena Sadasivam, InsideClimate News Apr 16, 2015

The Mitchell Power Station, a coal-fired power plant built along the Monongahela River in New Eagle, Pennsylvania, was shut down last year. Through its Clean Power Plan, the U.S. EPA and the Obama administration have been taking major steps to get coal-fired power plants into compliance with carbon regulations. Credit: Jeff Swensen/Getty Images

A conservative think tank connected to the political network overseen by Charles and David Koch is publishing a series of misleading reports attacking the Obama administration's plan to reduce carbon emissions from power plants, according to advocates of clean energy.

The free-market Beacon Hill Institute, the research arm of the Suffolk University economics department in Boston, argues that the Clean Power Plan will mean

After working with Forecast the Facts (now called ClimateTruth.org) during the spring semester of 2014, and delivering another petition with over 20,000 signatures, UKMC successfully moved President McCarthy to release a document of all grants received in the previous three years. This is the first and only documentation from a private university that UKMC has been able to secure regarding Koch funding to date, and the first time Suffolk made that information public. In the fall of 2014, Suffolk appointed a new interim president, who refused to meet with the campaign.

Over time, the UKMC effort on campus garnered coverage from the *Suffolk Journal* and national media outlets, and in the spring of 2015, UKMC worked tirelessly to draw national media attention to the fact that BHI was contributing biased research to reports attacking the Obama Administration's Clean Power Plan in 16 states.

In December 2015, in an unprecedented move, Suffolk University announced that they were planning to cut ties with the Beacon Hill Institute, with the center moving off campus by the end of 2016. The announcement came a month after a groundbreaking exposé by the Center for Public Integrity revealed that the Koch brothers have quietly funneled tens of millions of dollars to more than 350 colleges and universities across the country, including Suffolk. The news about the split, and UKMC's reaction, was covered by several national and regional media outlets, including the *Boston Globe* and Inside Higher Ed.

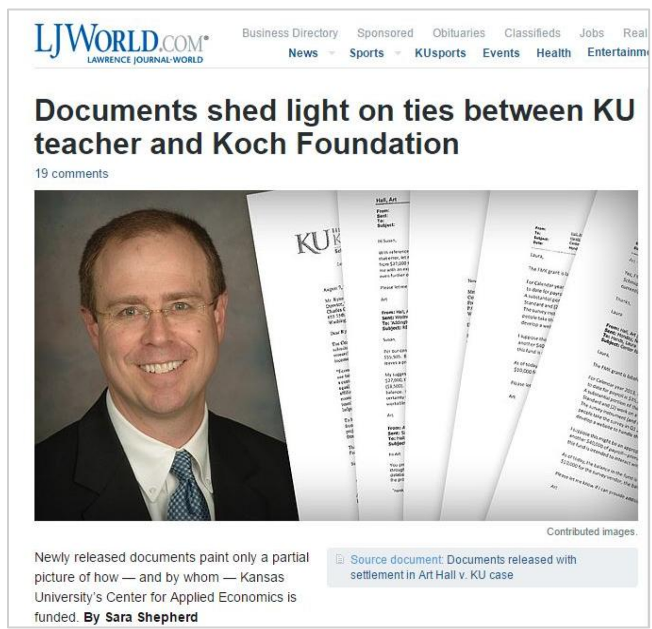
[17] "Want to find out if your campus needs to be "UnKoched"? UnKoch My Campus Resources, Accessed October 15, 2015, http://www.unkochmycampus.org/resources/

University of Dayton

Since 2010, the University of Dayton has received over $78,000 from the Charles Koch Foundation.[18] In April of 2015, a member of the Dayton community reached out to UKMC to inform us that after contacting a member of the University's Board of Trustees and pointing to the moral implications of accepting Koch funding, the university would no longer be accepting Koch money. This would be the first time a university has taken this step.

University Of Kansas

Since 2001, Koch foundations have donated at least $1.2 million to the University of Kansas (KU) School of Business.[19] "Part of these funds helped establish the KU Center for Applied Economics (CAE), a public policy think-tank, and hire its founding executive director, Art Hall. From 1997 to 2004, Hall was chief economist of Koch Industries' lobbying subsidiary, Koch Companies Public Sector. Now heading an institution operating directly out of KU, Hall's stealth lobbying for Koch Industries comes with an assumption of academic legitimacy. In his capacity with CAE, Hall has worked in collaboration with other Koch affiliates to advance state policy change that reflect Kochs' agenda. In fact, several reports Hall has published under the CAE are co-authored by Koch-funded economists.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Documents shed light on ties between KU teacher and Koch Foundation

19 comments

Contributed images.

Newly released documents paint only a partial picture of how — and by whom — Kansas University's Center for Applied Economics is funded. By Sara Shepherd

Source document: Documents released with settlement in Art Hall v. KU case

After students published their first opinion piece in the *Lawrence Journal-World* voicing their concerns about potential undue influence, the Dean of the School of Business, Bendapudi Neeli, wrote an op-ed in response claiming there is no undue influence and accepted a meeting with the students shortly after. Because no agreements or hiring contracts were shared, the students filed a records request to access these public documents. The students raised the $1,800 required to obtain the records within a week and boosted regional and national attention around the issue through media coverage.

Just as the university was about to release the records, Art Hall sued the university and obtained a temporary restraining order to block FOIA results from being published. Hall's legal fees were covered by the Koch Foundation. To further reinforce their case for the university releasing the public records, the students secured a local attorney to represent them and formally entered the lawsuit as a third party.

[18] Ibid.
[19] CKF and FMK 990 tax forms for years of 2001-2014.

In August, the three parties agreed to a settlement, effectively releasing some of the documents requested. Many of those originally requested have yet to be seen, but 15 pages published after the settlement proved that students were on to something: Koch paid Hall to create "intellectual products" to use "as a tool in economic policy debates." This included private research conducted by Art Hall that led to him urging the Kansas legislature to end clean energy incentives, complimenting an active campaign run by Koch Industries lobbyists.

Since the settlement, the KU Graduate Teaching Assistants Coalition has been pushing for stronger university policies.

University of Maryland

In October of 2014, the University of Maryland (UMD) announced that the Charles Koch Foundation would donate $1 million to the business school to partially fund the creation of the Ed Snider Center for Enterprise and Markets, with the Snider Foundation donating the remaining $5 million.[20] Students submitted a FOIA request at the end of the fall semester of 2014 and were denied access to memorandums of understanding because Koch money was given to UMD's private foundation, which is not subject to public disclosure under open record laws.

Students from UMD worked with UKMC to lead a panel discussion about their campaign at the United States Student Association's Legislative Conference in March of 2015. They are currently working to create a student review panel that will have the power to review and approve any large private donations in the future.

Western Carolina University

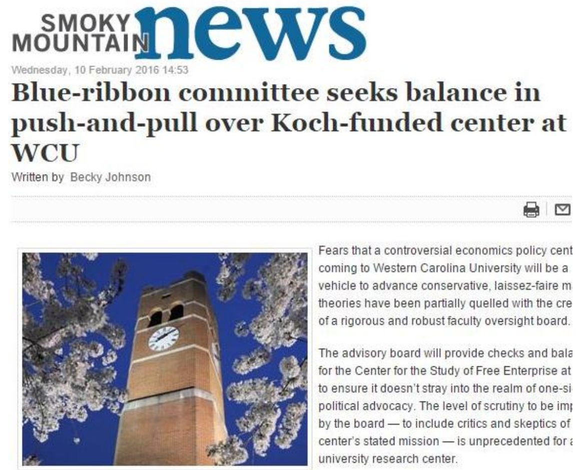
In late 2015, despite a nearly unanimous dissent by the faculty senate, Western Carolina University administrators agreed to the creation of the Center for the Study of Free Enterprise, funded the Charles Koch Foundation.

In response, faculty have mobilized to create a system of "objective and empowered" oversight over the center to prevent undue influence from the Koch Foundation. The faculty are currently attempting to craft an advisory committee that will ensure that the center implements appropriate faculty oversight, including: vetting the job announcements, ensuring the openness of professor hiring process, ensuring peer-reviewed academic quality of reports and other publications and ultimately vetting the gift agreement with the Koch Foundation.

In the meantime, records requested by the *Smoky Mountain News* revealed that Ed Lopez, the WCU Professor Koch has chosen to lead the center, hid several key "deliverables" promised to the Koch Foundation from his correspondence with the school. These objectives, all of which bolster Koch's political higher education agenda,

[20] Steven Overly, "U-Md. plans to build research center with $6 million gift from Snider, Koch groups," Washington Post, October 14, 2014, http://www.washingtonpost.com/business/capitalbusiness/university-of-maryland-to-announce-6-million-gift-from-snider-koch-foundations/2014/10/24/fc50822e-5b43-11e4-b812-38518ae74c67_story.html

were omitted from an otherwise identical memo that Lopez sent to university officials (or, as Lopez called it, the "campus version" of the proposal). Omitted "deliverables" include:



SMOKY MOUNTAIN news

Wednesday, 10 February 2016 14:53

Blue-ribbon committee seeks balance in push-and-pull over Koch-funded center at WCU

Written by Becky Johnson

Fears that a controversial economics policy cent
coming to Western Carolina University will be a
vehicle to advance conservative, laissez-faire m
theories have been partially quelled with the cre
of a rigorous and robust faculty oversight board.

The advisory board will provide checks and bala
for the Center for the Study of Free Enterprise at
to ensure it doesn't stray into the realm of one-si
political advocacy. The level of scrutiny to be im
by the board — to include critics and skeptics of
center's stated mission — is unprecedented for a
university research center.

- Promises to develop a "pipeline of students," for "cultivating students' long-term interest and participation in the larger community of free enterprise scholars, implementers, activists and related professions.";
- Plans for WCU to become a "regional cluster" of nearby universities; and
- Promises to hold events for specific think tanks in the Koch network.

The "pipeline" phrasing is language used by the Charles Koch Foundation at the bi-annual meetings of Koch's Freedom Partners Chamber of Commerce where recent reporting revealed Koch officials bragged "the [Koch] network is fully integrated, so it's not just work at the universities with the students, but it's also building state-based capabilities and election capabilities and integrating this talent pipeline. [...] So you can see how this is useful to each other over time. [...] No one else has this infrastructure. We're very excited about doing it."

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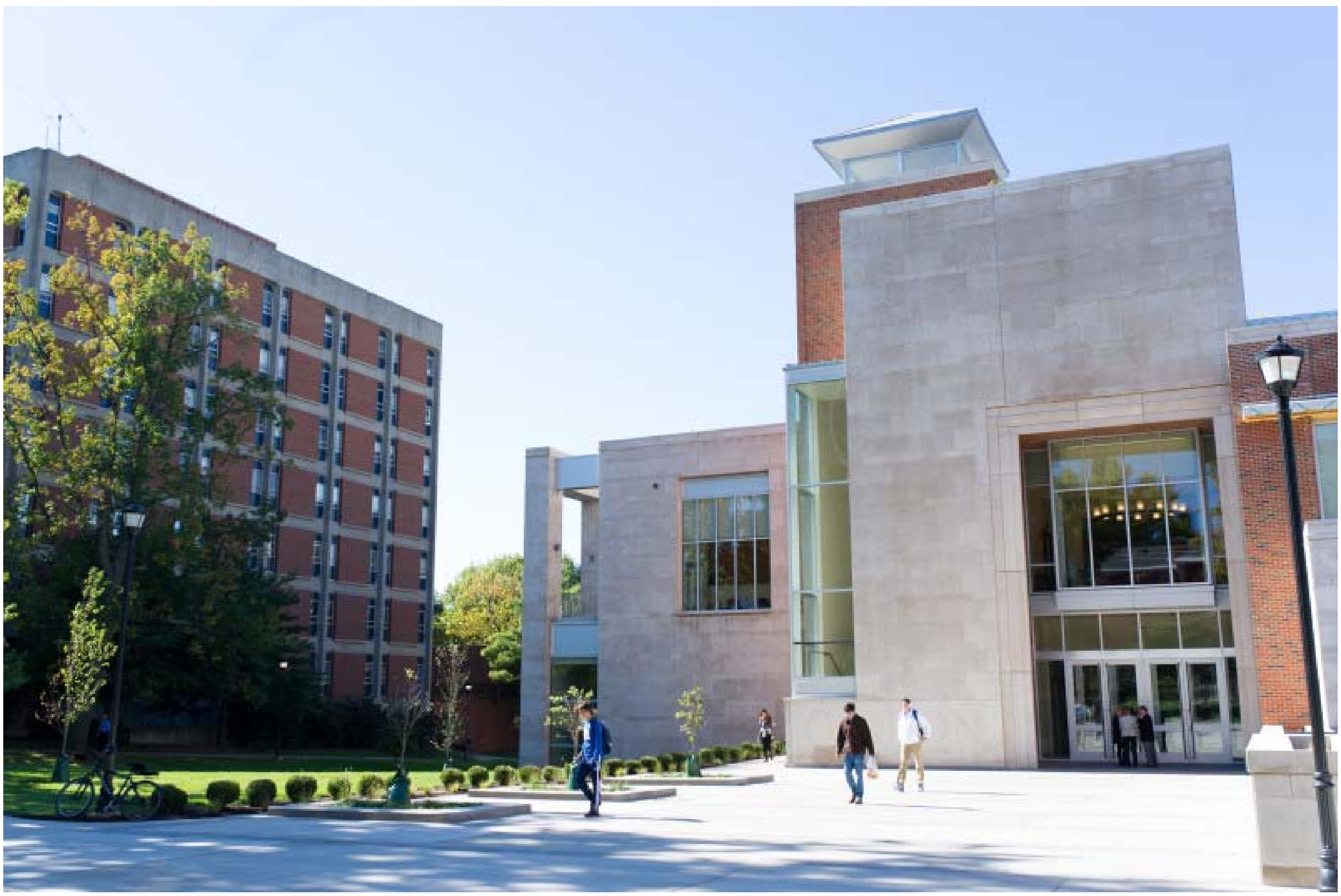
KYCIR
KENTUCKY CENTER FOR INVESTIGATIVE REPORTING

Read the Contracts Between the University of Kentucky and the Koch Foundation, Papa John's CEO

By: BRENDAN MCCARTHY

December 28, 2015



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UK

Gatton College of Business and Economics

The University of Kentucky has released the contracts for its "free enterprise" teaching institute, the result of major donations from the foundations of pizza magnate John Schnatter and businessman Charles Koch.

The school announced earlier this month (http://kycir.org/2015/12/16/papa-johns-ceo-koch-foundation-expand-free-enterprise-program-at-uk/) that the Schnatter and Koch foundations were donating a combined $12 million to create the new program that furthers capitalistic philosophy. The donation, one of the largest in

UK history, is double what the foundations gave earlier this year to set up a similar program (http://kycir.org/2015/03/10/university-of-louisville-released-details-on-major-gift-from-papa-johns-ceo-koch-foundation/) at the University of Louisville.

The contracts, released last week by UK in response to a records request, provide some additional details about the pledges and program.

The contracts note that the aim is to "promote a republic of science at the University where ideas can be exchanged freely and useful knowledge will be benefit the well-being of individuals and society." All sides agree, the contracts state, that academic freedom is critical.

The language very closely mirrors the agreements signed with the University of Louisville. The UK donation, however, is more extensive and provides significantly more funding. The school will hire five new faculty members, select up to 13 people for Ph.D. fellowships, and hire a research associate, among other moves.

The donors have the right to back out of the agreements at any time and the school would have to return unspent funds, the contracts show.

Also, UK has agreed not to release details of the contracts and arrangement without written consent of the donors, except for cases in which they are required to release information under the Open Records Act. In those instances, the school agrees to give the donors three days' advance notice of such disclosures. This contract language was also in the University of Louisville's agreements.

Read the UK agreements (https://www.documentcloud.org/documents/2655413-Schnatter-Koch-contract-with-Univ-of-Kentucky.html) .

To print the document, click the "Original Document" link to open the original PDF. At this time it is not possible to print the document with annotations.

You can view the Schnatter and Koch agreements with the University of Louisville here (http://kycir.org/2015/03/18/university-of-louisvilles-major-gift-from-pizza-ceo-koch-comes-with-caveat/) .

Similar Koch-funded enterprise centers at other schools across the country have prompted criticism (http://kycir.org/2014/12/09/university-of-louisville-set-to-get-millions-from-charles-koch-foundation-and-papa-johns-ceo/) from students and faculty who allege the schools have sold curricula for cash.

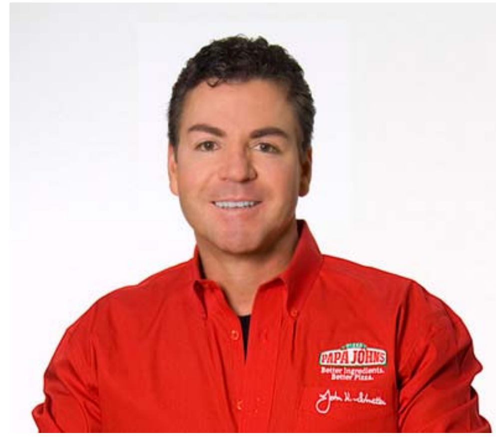
Schnatter, of Anchorage, is the CEO of Papa John's International, the publicly traded pizza giant.

"Entrepreneurship is critical to unlocking the power of the free market system," Schnatter said in a news release announcing the donation. "We're proud to support this effort to educate the next generation about free market principles and equip aspiring entrepreneurs with the know-how to launch successful businesses."

The Koch brothers are billionaire businessmen and well-known philanthropists who champion conservative causes and politicians who favor less government regulation.

Managing Editor Brendan McCarthy can be reached at bmccarthy@kycir.org or (502) 814.6541.

Disclosure: *In October 2014, the University of Louisville, which for years has donated to Louisville Public Media, earmarked $10,000 to KyCIR as part of a larger LPM donation.*



(http://7k2pn2391cd3whpwn41i6y01c1g.wpengicdn.com/files/2014/12/John-Schnatter.jpg)

Twitter

John Schnatter

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GRANT AGREEMENT

This grant agreement (this "Agreement") is made effective on March 10, 2015, (the "Effective Date") by and among the University of Louisville Foundation, a Kentucky non-profit corporation (the "Foundation"), the University of Louisville (the "University"), an instrumentality of the commonwealth of Kentucky, for the benefit of the John H. Schnatter Center for Free Enterprise (the "Center"), which shall be imminently created and housed in the University's College of Business (the "College"), and the John H. Schnatter Family Foundation, a Kentucky non-profit corporation (the "Donor"). The term of this Agreement shall begin on the Effective Date and shall continue for seven years (the "Term") unless earlier terminated pursuant to this Agreement. The Foundation, the University, and the Donor are sometimes referred to herein individually as a "Party" and collectively as the "Parties." The Parties agree as follows:

1. **Promoting Academic Freedom.** The Donor's grant is intended to help promote an environment at the University where ideas can be exchanged freely and useful knowledge will benefit the well-being of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Center, and their faculty, students, and staff is critical to the success of the Center's research, scholarship, teaching and service.

2. **The Center.** The University desires to create the Center in the College to advance the University's educational mission as follows:

a. The Center's Mission and Director. As stated in the proposal, which is hereby incorporated into this Agreement, and attached as Attachment A (the "Proposal"), the University has informed the Donor, and the Donor is relying on such representation, that the Center's mission is to engage in research and teaching that explores the role of enterprise and entrepreneurship in advancing the well-being of society (the "Center's Mission"). The University has selected Stephan Gohmann as the initial director of the Center (the "Center Director"). The Parties believe the Center Director is an invaluable part of advancing the Center's Mission.

b. The Center Programs. To support the Center's Mission, the University desires to create (and the Donor wishes to support) the following positions and activities at the Center, collectively referred to as the "Center Programs." The Center Programs are described in the Proposal and include two "Tenure-Track Professorships," two "Visiting Professorships," the "Ph.D. Fellowships," the "Outreach Director Position," the "Administrative Assistant Position," the "Research Grants," the "Center Director Stipend," and the "Center Activities." The University and the Foundation shall each use any funds received under this Agreement to support the Center Programs in accordance with this Agreement.

3. **The University's Commitment to and Support for the Center.**

a. Generally. This Agreement is expressly contingent upon the University's desire to create and support the Center. The University shall create the Center by December 1, 2015. The University shall support the Center Programs to advance the University's mission.

b. Center Office Space. The University shall ensure that the Center is provided with adequate office space and administrative support pursuant to University and College policies.

4. **The Donor's Support for the Center Programs.**

a. Contributed Amount. Subject to Section 5, the Donor agrees to contribute funds to the Foundation exclusively to support the Center Programs to advance the Center's Mission (all or part of such funds referred to as the "Contributed Amount(s)"). In no event shall the aggregate Contributed Amount under this Agreement exceed $4,640,000 as follows:

Center Programs	Amount
Salary and fringe benefits for two Tenure-Track Professorships and salary and fringe benefits for two Visiting Professorships	Up to $1,875,000
Costs and expenses for up to four four-year Ph.D. Fellowships	Up to $ 415,000
Salary and fringe benefits for the Outreach Director Position	Up to $ 375,000
Salary and fringe benefits for the Administrative Assistant Position	Up to $ 375,000
Costs and expenses for the Research Grants	Up to $ 375,000
Costs and expenses for the Center Director Stipend	Up to $ 100,000
Costs and expenses for the Center Activities	Up to $1,125,000

Total Maximum Aggregate Contributed Amount: Up to $4,640,000

b. Contingent Grant. The Donor's support under this Agreement is expressly contingent upon the University, the Foundation, and Charles Koch Foundation (the "CK Foundation") executing an agreement providing for a grant from the CK Foundation (the "CK Foundation Grant Agreement") to support the Center Programs. Therefore, the Donor shall not provide any of the Contributed Amount or be obligated to fulfill any other obligation until the CK Foundation Grant Agreement, attached to this Agreement as Attachment B, is executed. The Donor's pledge to make contributions pursuant to this Agreement and the CK Foundation's pledge to make contributions pursuant to the CK Foundation Grant Agreement are each contingent upon each other. Therefore, any breach of this Agreement, if caused by the Foundation or the University, constitutes a separate and independent breach on the part of the Foundation or the University, as applicable, under the CK Foundation Grant Agreement and shall entitle the CK Foundation to exercise any and all of its remedies provided in the CK Foundation Grant Agreement, up to and including the right to terminate the CK Foundation Grant Agreement.

5. **Foundation Grant Report; Proposed Grant Award Process and Schedule.**

a. The Foundation Grant Report. The Foundation shall submit an annual written report to the Donor for the Donor's consideration (the "Foundation Grant Report") and an accounting of the expenditure of any Contributed Amount previously received. If the Donor approves the Foundation Grant Report, the Donor shall make a contribution up to the amount listed in the below schedule to the Foundation, and the Foundation agrees to accept such Contributed Amount on behalf of the University as stated in the below schedule. If the Donor does not provide any Contributed Amount in response to the Foundation Grant Report, it shall notify the Foundation and the University as stated in Section 8.a.

b. Foundation Grant Report and Proposed Grant Award Schedule

Foundation Grant Report Date	Donor Response and Proposed Contribution Date	Contributed Amount
Submitted as the Proposal, Attachment A	Within 30 days of signing this Agreement	Up to $928,000
November 1, 2015	On or about January 1, 2016	Up to $928,000
June 1, 2016	On or about August 1, 2016	Up to $928,000
June 1, 2017	On or about August 1, 2017	Up to $928,000
June 1, 2018	On or about August 1, 2018	Up to $928,000

c. The Fund. The Foundation shall place all of the Contributed Amount in a segregated and restricted fund on its books and records called the "Schnatter Center Programs Fund" (the "Fund"). The Fund shall be used solely to support the Center Programs as stated in this Agreement.

6. **Contributed Amount Used Only for Educational Purposes for the Center Programs.**

a. Tax Status. The Foundation represents and warrants that it is an organization described within the meaning of Internal Revenue Code (the "Code") sections 501(c)(3) and 509(a)(1). The University represents and warrants that it is an organization described in Code section 170(c)(1) or 511(a)(2)(B). The Foundation and the University agree to immediately notify the Donor if their respective tax statuses change.

b. Educational Purpose. The Contributed Amount will be expended only for the Center Programs, which is an educational purpose described in section 170(c)(2)(B) of the Code. The Contributed Amount will not be used to influence legislation, to influence the outcome of any election, for a political campaign or intervention, to carry on any voter registration drive, or any other purpose that would jeopardize the Donor's tax-exempt status or subject the Donor to penalties under Chapter 42 of the Code.

c. Center Programs. The Foundation and the University shall use all Contributed Amounts solely to support the Center Programs as stated in this Agreement and shall return to the Donor any Contributed Amount not expended for and uncommitted to the Center Programs.

7. **Naming Rights, Acknowledgment, and Publicity**

a. Naming Rights and Acknowledgments.

i. For ten (10) years from the date the Center is created, the Center shall be known as the "The John H. Schnatter Center for Free Enterprise" (the "Center Name"). The University shall include the full and complete Center Name in all references to the Center, whether oral, written, electronic or otherwise, made, published or generated in any form or medium now or hereafter known. The Center Name shall be prominently displayed at or about all means of ingress and egress to the facility where the Center is housed, and shall be printed, embossed or otherwise included, at University expense, on all letterhead, envelopes, business cards, news or press releases, announcements and other printed materials relating to the Center or events occurring at the Center. The University shall use its best efforts to cause third parties that, with the authorization or cooperation of the University, refer to the Center in oral, written, electronic or any other form of communication (including, by way of example and not limitation, speaking engagements, program materials, publications, videos and on the internet), to incorporate the full and complete Center Name in all such references to the Center.

ii. It is the intent of the Donor, the Foundation, and the University that the Center Name be linked to any academic program or programs the University may hereinafter conduct in furtherance of the Center's Mission. Accordingly, the Foundation and the University hereby represent, warrant, and covenant that any academic programs supported by or initiated within the Center or the University, a material focus of which is the Center's Mission, shall at all times be known by, and conducted under the auspices of, the Center Name. If in the sole judgment of the Donor, any academic program conducted by the University in accordance with the terms of this Agreement is no longer principally focused on the Center's Mission, at the Donor's election, in addition to any other remedy available to the Donor by reason of a breach of this Agreement, Donor may direct the University to immediately cease and desist use of the Center Name in connection with such program. The Parties acknowledge that the terms of this Section 7.a are intended to survive the Term of this Agreement, in perpetuity.

iii. The Parties agree that irreparable damage may occur to the Donor in the event the Foundation or the University breaches any of the terms of this Section 7.a. The Parties further agree that in the event of any such breach, the Donor may be entitled to specific performance of the terms of the Section 7.a, in addition to any other remedy to which the Donor may be entitled at law or in equity.

b. Publicity. The Foundation and the University shall allow the Donor to review and approve the text of any proposed publicity which includes or mentions the Donor or the amount to be contributed pursuant to this Agreement. All such references to the Donor shall be to the "The John H. Schnatter Family Foundation." The Foundation and the University agree to allow the Donor to include information regarding the Donor supported Center Programs and any information or materials about the Foundation or the University and their activities in the Donor's reports, newsletters, and news releases. If requested by the Donor, the University shall acknowledge the Donor in all of its general materials in the same manner as any other University donor at the same level of funding. The Parties have agreed to the contents of the "Executive Summary," attached as Attachment C, which the Parties may agree to use as the initial public announcement of this Agreement. The Parties shall consult with each other and mutually agree prior to issuing publicly the Executive Summary. The University shall not use the Donor's name or logo without the Donor's express written consent.

8. **General Provisions.**

a. All the Parties shall act in good faith to fund, create, and operate the John H. Schnatter Center for Free Enterprise in a manner that will support the Center's Mission. If at any point during the Term, the Donor determines in its reasonable discretion that: (i) the Foundation or the University has not acted in good faith under this Agreement; (ii) the Center Programs are not advancing the Center's Mission as stated in this Agreement, or (iii) such action is necessary to comply with any law applicable to one of the Parties, the Donor shall notify the Foundation and the University of its determination, and the Parties shall make a good faith effort to meet within sixty (60) days to discuss the Donor's determination. If the Donor's determination does not change after the end of this sixty (60) day period, the Donor has the right to terminate the Agreement upon providing thirty (30) days' notice to the Foundation and the University. During the pendency of the sixty (60) day period and any following thirty (30) day notice period, the Donor shall not be obligated to provide any Contributed Amount. In the event of termination of the Agreement, the Foundation and the University each agree to return all uncommitted Contributed Amounts to the Donor within fifteen (15) days of the Donor's request. The University and Foundation each represent and warrant that they are not relying on the Donor's proposed funding under this Agreement to incur any obligation or take any action or inaction. The Foundation's and University's obligations shall end upon the Donor's termination of this Agreement, except that the University shall continue to provide support to maintain the Tenure-Track Professorships indefinitely.

b. The Foundation and the University agree to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor, except as otherwise may be required by law. The Parties acknowledge that the University must adhere to the open records laws that exist for public institutions in the Commonwealth of Kentucky. If the Foundation or the University is required to disclose the existence of or the content of this Agreement to any third party, the Foundation and the University agree to provide the Donor with at least ten (10) days' advance written notice of such disclosure, except as otherwise may be required by law.

c. The terms contained in this Agreement supersede all prior oral or written agreements and understandings between the Parties related to the matters contained in this Agreement and shall constitute the entire agreement between the Parties with respect to the matters contained in this Agreement.

d. In the event of a conflict between the provisions stated in the body of this Agreement and those stated in the Proposal, this Agreement shall control.

e. This Agreement shall not be modified or amended except by a writing duly executed by the Parties to this Agreement.

f. The provisions of this Agreement are deemed severable and should any part, term, or provision of this Agreement be construed by any court of competent jurisdiction to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions will not be affected thereby.

g. No delay or failure on any Party's part to enforce any right or claim which it may have hereunder shall constitute a waiver of such right or claim. Any waiver by any Party of any term, provision, or condition of this Agreement, or of any subsequent default under this Agreement in any one or more instances shall not be deemed to be a further or continuing waiver of such term, provision, or condition or of any subsequent default hereunder.

h. The Parties acknowledge that this Agreement may relate to or be for the benefit of the CK Foundation and its charitable and educational mission. The Parties acknowledge that the CK Foundation has certain rights under this Agreement related to its contributions to the Center Programs. The University and the Foundation further acknowledge and agree that they shall not directly or indirectly be entitled to the benefit of any waivers, indemnities, releases, or other provisions contained in any agreement between the Donor and the CK Foundation. Otherwise, this Agreement shall not confer any rights or remedies upon any third party other than the Parties to this Agreement and their respective successors and permitted assigns.

i. The Foundation and the University may not transfer or assign their respective interests in the Agreement or any amount to be contributed pursuant to this Agreement without the express written consent of the Donor.

j. All notices, approvals, or requests in connection with this Agreement shall be in writing and shall be deemed given when delivered personally by hand or one business day after the day sent by overnight courier (in each case with written confirmation of receipt or transmission, as the case may be) at the following address (or to such other address as a Party may have specified by notice to the other Party pursuant to this provision):

If to the Foundation:
University of Louisville Foundation
South 3rd Street
Louisville, KY 40208
Attn: Dr. James R. Ramsey, President

If to the University:
University of Louisville
2301 South 3rd Street,
Louisville, KY 40292
Attn: Dr. James R. Ramsey, President

If to the Donor:
John H. Schnatter Family Foundation
11411 Park Road
Anchorage, KY 40223

Attn: Aaron M. Thompson

k. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals and may be relied upon to the same extent as the originals.

The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

UNIVERSITY OF LOUISVILLE FOUNDATION

By: James R. Ramsey

Name: James R. Ramsey

Title: President

Date: 3/10/15

UNIVERSITY OF LOUISVILLE

By: James R. Ramsey

Name: James R. Ramsey

Title: President

Date: 3/10/15

JOHN H. SCHNATTER FAMILY FOUNDATION

By: John H. Schnatter

Name: John H. Schnatter

Title: President

Date: 3/10/15

ATTACHMENT A

University of Louisville Foundation Proposal to Support the Establishment of the John H. Schnatter Center for Free Enterprise in the College of Business at University of Louisville

Preamble

The John H. Schnatter Center for Free Enterprise (the "Center") will explore the role of enterprise and entrepreneurship in advancing human well-being by providing programs for undergraduate and graduate students and the public at large.

The Center will sponsor new courses in the College of Business (the "College"), lectures, reading groups, and other activities. Through Ph.D. fellowships, four new faculty members, and various academic programs, the Center will become a hub for scholarship on the role of enterprise and entrepreneurship in society and the ideas and institutions that lead to well-being.

Mission

The mission of the Center is to engage in research and teaching that explores the role of enterprise and entrepreneurship in advancing human well-being (the "Center's Mission").

The Center objectives

- Provide educational initiatives including courses, seminars, reading groups, research fellowships, symposiums and lectures, including one annual "keynote" speaker who will help build a larger intellectual exchange around the Center's Mission through a talk on the role of enterprise and entrepreneurship in advancing well-being.

- Engage the Louisville community through talks, seminars, dissemination/publication of research, and other activities that will share the Center's work with the community.

- Encourage topical research in enterprise and entrepreneurship including the influence of public policies on economics.

Center activities and estimated costs

The Center staff will consist of a director, up to four faculty positions (described below), an outreach director and an administrative assistant. Additionally up to four Ph.D. fellowships will be offered.

The Center Director: The Center director will be responsible for coordinating all center activities and ensuring the Center stays focused on the Center's Mission (the "Center Director"). The Center Director will have direct supervision of the "Outreach Director" and the "Administrative Assistant" (both defined in the "Staff" section below). The Center Director will also be responsible for providing the appropriate department chair with input on the performance of the tenure track faculty as part of the annual evaluation process in the College. The College proposes that Professor Stephan Gohmann serve as the initial Center's Director. In that case the costs will consist of annualizing the current 10-month salary and fringes (20% of the current 10-month salary and fringes) plus a stipend. The stipend will reflect the additional duties in the 10-month period. It is assumed that the Center Director's time in June and July each year will be devoted to the Center. The Center Director's annual work plan will be created as described in the "College's Personnel Document," most recently approved on April 24, 2012, and found at http://louisville.edu/provost/faculty-personnel/unit/COB_Personnel.pdf. The estimated costs over and above the current 10-month salary are $47,545 per year.

Faculty: The faculty members hired will devote a significant portion of their time and resources to work related to the Center. These activities will focus on fields of interest to the Center. Their annual work plan will be developed by the Center Director and the appropriate department chair. The teaching activities will be coordinated with the appropriate department chair to fit with the College teaching schedule. The workload expectations would normally consist of teaching, research, conducting seminars, leading reading groups, public lectures, and other outreach activities. The Center faculty will also collaborate with Center-affiliated faculty, the individuals holding the "Ph.D. Fellowships" (defined in the "Ph.D. Fellowships" section below) at the Center, and other graduate students as appropriate. The Center faculty will develop and teach courses related to the Center's Mission. These courses could be at the graduate or undergraduate level. Some of the Center faculty members' work could consist of teaching introductory classes in their discipline and working with student organizations in that discipline.

The four faculty positions will be consist of two tenure-track positions and up to two new visiting faculty positions each year. Faculty staffing costs an estimated $629,650 per year for salaries and fringes. These figures are based on the median salary for new hires for accredited public institutions from the current Association to Advance Collegiate Schools of Business salary survey.

Staff: The individuals holding the Outreach Director position and Administrative Assistant position will devote 100% their time and effort to supporting the Center. The Outreach Director will coordinate development and outreach for the Center's research activities and advance the work of the Center. The Administrative Assistant will assist the Center Director in the administration of the Center. The estimated costs of salary and fringes for the Outreach Director are $83,525 per year. The estimated costs of salary and fringes for the Administration Assistant are $51,400 per year.

The Research Grants: The "Research Grant(s)" will be available for up to five Center-affiliated faculty to conduct research consistent with the Center's Mission. To receive a Research Grant a faculty member will submit a proposal that will be evaluated by a committee, formed by the Center Director after consultation with the Dean of the College of Business and made up of individuals from the University of Louisville's (the "University") academic community. The committee will make the final selection of the proposals to be awarded the Research Grants with the approval of the Center Director. The estimated costs of the Research Grants are up to $100,000 per year.

The Ph.D. Fellowships: The Ph.D. Fellowships will be available for doctoral students in the College's Entrepreneurship program whose research interests coincide with the Center's Mission. The Ph.D. Fellowships will cover tuition and provide a stipend and may be renewed annually. The estimated cost of the tuition and stipend for four fellowships is $132,000 per year.

The Annual Speaker Event: The Center will hold an "Annual Speaker Event," which will include at least one public lecture or debate per year, hosted by the Center which will address issues related to the Center's Mission. The estimated costs of the Annual Speaker Event are included in the "Other Center Expenses" section immediately below.

Other Center Expenses: The "Other Center Expenses" include travel, speaker fees, supplies, equipment, publications, and other activities that support the Center's Missions. Supplies include e-readers, books, and similar materials for students who participate in Center activities, such as reading groups. The estimated costs of the Other Center Expenses are $220,000 per year.

Selection by the University

All faculty hires will follow the normal procedures for hiring faculty members in the College and the University. The Center Director will chair all of the search committees for the faculty searches. Faculty members hired for the Center positions must have demonstrated a track record that is supportive of the Center's Mission or show promise of developing such a record. The hiring of the Outreach Director and the Administrative Assistant will follow the University's process for hiring staff. The Center Director, in consultation with the dean of the College, will have the final decision on the hiring of the Outreach Director and the Administrative Assistant.

Summary:

To accomplish the mission and objectives of the John H. Schnatter Center for Free Enterprise as described above would require funding of an estimated $1,264,120 per year for a 5-year total of $6,320,600. See the budget below for the details.

Proposed Budget for the John H. Schnatter Center for Free Enterprise

	Annual expenses			
	Salary	Fringes	Total	5-year Totals
*Tenure-Track Assoc. Prof. of Econ. (2)	$ 250,000	$ 71,250	$ 321,250	$ 1,606,250
*Visiting Professor (2)	240,000	68,400	$ 308,400	$ 1,542,000
Center Director	37,000	10,545	$ 47,545	$ 237,725
Outreach Director	65,000	18,525	$ 83,525	$ 417,625
Administrative Assistant	40,000	11,400	$ 51,400	$ 257,000
Ph.D. Fellowships (4)		-	$ 132,000	$ 660,000
Research Grants (5)	100,000		$ 100,000	$ 500,000
Other Center Expenses			$ 220,000	$ 1,100,000
Total Annual Expenses			$ 1,264,120	$ 6,320,600

*Median salary for new hires for accredited public institutions from the current Association to Advance Collegiate Schools of Business salary data.

ATTACHMENT B

ATTACHMENT C

GRANT AGREEMENT SUMMARY BETWEEN UNIVERSITY OF LOUISVILLE FOUNDATION, UNIVERSITY OF LOUISVILLE, AND THE CHARLES KOCH FOUNDATION

The University of Louisville Foundation, the University of Louisville, and Charles Koch Foundation (CKF) have entered into a grant agreement for CKF to provide support for the University's proposal to establish the John H. Schnatter Center for Free Enterprise (Center) under the direction of Professor Stephan Gohmann in the College of Business.

The grant responds to an opportunity presented to CKF by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's proposed goals for the Center, which are to engage in research and teaching that explores the role of entrepreneurship and enterprise in advancing the well-being of society.

CKF will provide support of up to $1,660,000 for programs to advance the Center's mission. The University expects to attract additional contributions to support the Center. As outlined in the University's proposal, these funds will aid the University's establishment of the Center and provide requested funding for two tenure-track professorships, two visiting professorships, approximately four four-year Ph.D. fellowships, an outreach director position, an administrative assistant position, research grants, a Center director stipend, and activities at the Center.

The grant adheres to the University of Louisville's policies regarding hiring, research, and curriculum and the Charles Koch Foundation's principles for university giving.

The grant will be used solely for educational purposes and to support the Center's programs as outlined in the University's proposal. This funding is in addition to the University's commitment to the Center to provide adequate office space and administrative support pursuant to University policies.

The University of Louisville Foundation, the University of Louisville, and the Charles Koch Foundation attest that this is an accurate representation of the grant agreement.

Dr. James R. Ramsey
President
University of Louisville Foundation

Dr. James R. Ramsey
President
University of Louisville

Brian Hooks
President
Charles Koch Foundation

March 10, 2015

ATTACHMENT C

GRANT AGREEMENT SUMMARY BETWEEN UNIVERSITY OF LOUISVILLE FOUNDATION, UNIVERSITY OF LOUISVILLE, AND THE JOHN H. SCHNATTER FAMILY FOUNDATION

The University of Louisville Foundation, the University of Louisville, and John H. Schnatter Family Foundation (Schnatter Foundation) have entered into a grant agreement for the Schnatter Foundation to provide support for the University's proposal to establish the John H. Schnatter Center for Free Enterprise (Center) under the direction of Professor Stephan Gohmann in the College of Business.

The grant responds to an opportunity presented to the Schnatter Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's proposed goals for the Center, which are to engage in research and teaching that explores the role of entrepreneurship and enterprise in advancing the well-being of society.

The Schnatter Center will provide support of up to $4,640,000 for programs to advance the Center's mission. The University expects to attract additional contributions to support the Center. As outlined in the University's proposal, these funds will aid the University's establishment of the Center and provide requested funding for two tenure-track professorships, two visiting professorships, approximately four four-year Ph.D. fellowships, an outreach director position, an administrative assistant position, research grants, a Center director stipend, and activities at the Center.

The grant adheres to the University of Louisville's policies regarding hiring, research, and curriculum.

The grant will be used solely for educational purposes and to support the Center's programs as outlined in the University's proposal. This funding is in addition to the University's commitment to the Center to provide adequate office space and administrative support pursuant to University policies.

The University of Louisville Foundation, the University of Louisville, and the John H. Schnatter Family Foundation attest that this is an accurate representation of the grant agreement.

James R. Ramsey
University of Louisville Foundation

James R. Ramsey
University of Louisville

John H. Schnatter
John H. Schnatter Family Foundation

March 10, 2015

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CHARITABLE GRANT AGREEMENT

This charitable grant agreement (this "Agreement") is made effective on December 15, 2015 (the "Effective Date"), between the **University of Kentucky** (the "University"), an instrumentality of the Commonwealth of Kentucky, for the benefit of the John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"), which will be imminently created and housed in the Gatton College of Business and Economics (the "College"), and the **Charles Koch Foundation**, a Kansas nonprofit corporation (the "Donor"). The term of this Agreement shall begin on the Effective Date and shall continue for eight years (the "Term"), unless otherwise provided for in this Agreement. The University and Donor are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

WHEREAS, the University has for at least ten (10) years engaged in academic programming, teaching, research and support for faculty and graduate students within the Gatton College for the study of free enterprise, and

WHEREAS, the Parties desire to expand those existing activities by entering into this Agreement.

NOW, THEREFORE, the Parties intending to be legally bound agree as follows:

1. **Promoting Academic Freedom.** Consistent with the Donor's principles of supporting a diversity of ideas in higher education, any grant funds provided by Donor under this Agreement are intended to help promote a republic of science at the University where ideas can be exchanged freely and useful knowledge will benefit the well-being of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Institute, and their faculty, students, and staff is critical to the success of the Institute's research, scholarship, teaching, and service.

2. **The Institute.** The University and the Donor desire to support the Institute to advance the University's educational mission as follows:

a. The Institute's Mission and Director. As stated in the proposal, which is hereby incorporated into and made part of this Agreement, and is attached as Attachment A (the "Proposal"), the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to discover and understand aspects of free enterprise that promote the well-being of society (the "Institute's Mission"). The University has selected Dr. John Garen to be the initial director of the Institute (the "Institute Director"). The Parties believe the Institute Director is an invaluable part of advancing the Institute's Mission; therefore, the University agrees to notify the Donor if the individual holding the Institute Director position changes.

b. The Institute Programs. To further support the Institute's Mission, the University desires to create the following positions and activities at the Institute, collectively referred to as the "Institute Programs." The Institute Programs are described more fully in the Proposal and include a "Senior Tenured Economics Professorship," two "Tenure-track Economics Professorships," a "Tenure-track Financial Economics Professorship," a "Senior Lecturer in Entrepreneurship," up to 13 "Ph.D. Fellowships," a "Research Associate," "Research Support," an "Institute Director Stipend," an "Associate Director Stipend," an "Institute Administrator," an "Institute Administrative Assistant," and "Institute Support." The University shall use any funds received under this Agreement solely to support the Institute Programs in accordance with the terms of this Agreement. The selection of the foregoing positions and Ph.D. Fellowships will follow the University's standards and procedures for hiring faculty and staff members for the relevant academic units.

3. **The University's Commitment to and Support for the Institute.** The University shall support the Institute Programs as provided for in this Agreement to advance the Institute and the University's missions

during the Term. The University shall continue supporting the faculty positions included in the Institute Programs and the Ph.D. Fellowships after the University expends all Contributed Amounts (defined below) received from the Donor. Though the University intends to continue supporting all of the Institute Programs after the University expends all Contributed Amounts received from the Donor, the University may need additional philanthropic support after this time to continue the other aspects of the Institute Programs. The University shall ensure, in accordance with its customary procedures regarding the same, that the faculty, staff, and fellows working with the Institute receive adequate office space to achieve the Institute's Mission.

4. **The Donor's Support for the Institute Programs.**

a. Contributed Amount. Subject to the terms of this Agreement, the Donor agrees to make a charitable grant of funds to the University and the University agrees to accept and use such funds solely to support the Institute Programs to advance the Institute's Mission (all or part of such funds are referred to as the "Contributed Amount(s)"). In no event shall the aggregate Contributed Amount under this Agreement exceed $4,000,000, unless otherwise agreed to by the Parties in writing executed by authorized representatives of each Party.

Institute Programs	Maximum Contributed Amount
Salary and Fringe Benefits for the Senior Tenured Economics Professorship	Up to $ 528,000
Salary and Fringe Benefits for the two Tenure-track Economics Professorships	Up to $ 716,000
Salary and fringe benefits for the Tenure-track Financial Economics Professorship	Up to $ 608,000
Salary and fringe benefits for the Senior Lecturer in Entrepreneurship	Up to $ 265,000
Costs and expenses for up to 13 Ph.D. Fellowships	Up to $ 315,000
Salary and fringe benefits for the Research Associate	Up to $ 215,000
Costs and expenses for the Research Support	Up to $ 680,000
Costs and expenses for the Institute Director Stipend	Up to $ 176,000
Costs and expenses for the Associate Director Stipend	Up to $ 50,000
Salary and fringe benefits for the Institute Administrator	Up to $ 196,000
Salary and fringe benefits for the Institute Administrative Assistant	Up to $ 110,000
Costs and expenses for the Institute Support	Up to $ 141,000
Total Maximum Contributed Amount by Donor	**Up to $4,000,000**

b. Other Support. If the University and Donor mutually agree, the Donor may also contribute in-kind services to the University to help promote the work of the University, the Institute or the University faculty, students, and staff.

c. Contingent Grant. The Donor's support under this Agreement is expressly contingent upon the University and the John H. Schnatter Family Foundation (the "Schnatter Foundation") executing an agreement providing for a grant from the Schnatter Foundation (the "Schnatter Foundation Grant Agreement") to support the Institute Programs. Therefore, the Donor shall not provide any of the Contributed Amount or be obligated to fulfill any other obligation until the Schnatter Foundation Grant Agreement, attached to this Agreement as Attachment B, is executed. The Donor's pledge to make contributions pursuant to this Agreement and the Schnatter Foundation's pledge to make contributions pursuant to the Schnatter Foundation Grant Agreement are each contingent upon each other. Therefore, any breach of this Agreement, if caused by the University, constitutes a separate and independent breach on the part of the University, as applicable, under the Schnatter Foundation Grant Agreement 'and shall entitle the Schnatter Foundation to exercise any and all of its remedies provided in the Schnatter Foundation Grant Agreement, up to and including the right to terminate the Schnatter Foundation Grant Agreement.

5. **University Annual Charitable Grant Request; Proposed Grant Award Schedule.**

a. University Annual Charitable Grant Request. The University shall submit an annual written grant request according to the schedule below for Donor's consideration to provide grant funds and an accounting of the expenditure of any Contributed Amount previously received to the Donor according to the schedule below (the "University Annual Charitable Grant Request"). The Donor has the right to decline providing funding in response to a University Annual Charitable Grant Request.

b. University Annual Charitable Grant Request and Proposed Grant Award Schedule.

University Annual Charitable Grant Request Date	Proposed Contribution Date	Maximum Contributed Amount
December 21, 2015	On or about January 1, 2016	Up to $ 200,000
June 1, 2016	On or about August 1, 2016	Up to $ 400,000
June 1, 2017	On or about August 1, 2017	Up to $ 800,000
June 1, 2018	On or about August 1, 2018	Up to $ 800,000
June 1, 2019	On or about August 1, 2019	Up to $ 900,000
June 1, 2020	On or about August 1, 2020	Up to $ 900,000
Total Maximum Contributed Amount by Donor		**Up to $4,000,000**

c. The Fund. The University shall place all of the Contributed Amounts in a segregated and restricted expenditure fund on its books and records called the "ISFE-CKF Fund" (the "Fund"). The Fund shall be used solely to support the Institute Programs and the Institute Mission as stated in this Agreement. The University shall make the Fund available for contributions from other donors.

6. **Contributed Amount Used Solely for Educational Purposes for the Institute Programs.**

a. Tax Status. The University has furnished the Donor with records that it is an organization described in Internal Revenue Code ("Code") section 170(c)(1) or 511(a)(2)(B). The University agrees to immediately notify the Donor if its tax status changes.

b. Educational Purpose. The Contributed Amount will be expended solely for the Institute Programs, which is an educational purpose described in section 170(c)(2)(B) of the Code. The Contributed Amount will not be used to influence legislation as described in section 4945(d)(1) of the Code, to influence the outcome of any election, for a political campaign or intervention, to carry on any voter registration drive, or any other purpose that would jeopardize the Donor's tax-exempt status or subject the Donor to penalties under Chapter 42 of the Code.

c. Institute Programs. The University shall use all Contributed Amounts solely to support the Institute Programs as stated in this Agreement and shall return to the Donor any Contributed Amount not expended or otherwise committed for the Institute Programs.

d. Donor Intent. The Donor intends that the grants paid to the University shall qualify as a "qualifying distribution" under Code section 4942.

7. **Publicity.** The Parties shall consult with each other and mutually agree prior to issuing the initial public announcement of this Agreement. To this end, the Parties have agreed to the contents of the "Executive Summary," attached as Attachment C, which the Parties may agree to use as the initial public announcement of this Agreement. The Parties shall consult with each other and mutually agree prior to issuing publicly the Executive Summary. The Parties shall not use each other's logos without the applicable Party's express written consent.

8. **General Provisions.**

a. The Donor has the right to terminate this Agreement and to discontinue or withhold any Contributed Amount. Such termination shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the University. In the event of termination of the Agreement, the University agrees to return all unexpended or otherwise uncommitted Contributed Amounts to the Donor within forty-five (45) days of the Donor's request. If the Donor terminates, the University may temporarily or permanently discontinue the operation and activities of the Institute, in its sole discretion. If the Donor terminates, the University may also choose to continue or at a future date resume the activities of the Institute and the Institute's Mission.

b. Except as permitted in Section 7, the University agrees to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor, subject to the public disclosure requirements of Kentucky's Open Records Act, as amended, and controlling law. If the University is required to disclose the existence of or the content of this Agreement to any third party, the University agrees to provide the Donor with at least three (3) days' advance written notice of such disclosure, except as otherwise may be required by law.

c. The terms contained in this Agreement supersede all prior oral or written agreements and understandings between the Parties related to the matters contained in this Agreement and shall constitute the entire agreement between the Parties with respect to the matters contained in this Agreement.

d. In the event of a conflict between the provisions stated in the body of this Agreement and those stated in the Proposal, this Agreement shall control.

e. This Agreement shall not be modified or amended except by a writing duly executed by the Parties to this Agreement.

f. The provisions of this Agreement are deemed severable and should any part, term, or provision of this Agreement be construed by any court of competent jurisdiction to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions will not be affected thereby.

g. No delay or failure on any Party's part to enforce any right or claim which it may have hereunder shall constitute a waiver of such right or claim. Any waiver by any Party of any term, provision, or condition of this Agreement, or of any subsequent default under this Agreement in any one or more instances shall not be deemed to be a further or continuing waiver of such term, provision, or condition or of any subsequent default hereunder.

h. The Parties acknowledge that this Agreement may relate to or be for the benefit of the Schnatter Foundation and its charitable and educational mission. The Parties acknowledge that the Schnatter Foundation has certain rights under this Agreement. The University acknowledges and agrees that they will not directly or indirectly be entitled to the benefit of any waivers, indemnities, releases, or other provisions contained in any agreement between the Donor and the Schnatter Foundation. Otherwise, this Agreement shall not confer any rights or remedies upon any third party other than the Parties to this Agreement and their respective successors and permitted assigns.

i. The University may not transfer or assign its interest in the Agreement or any amount to be contributed pursuant to this Agreement without the express written consent of the Donor.

j. All notices, approvals, or requests in connection with this Agreement shall be in writing and shall be deemed given when delivered personally by hand or one business day after the day sent by overnight courier (in each case with written confirmation of receipt or transmission, as the case may be) at the following address (or to such other address as a Party may have specified by notice to the other Party pursuant to this provision):

<u>If to the University:</u>
David W. Blackwell
University of Kentucky
Gatton College of Business & Economics
Lexington, Kentucky 40506-00

<u>If to the Donor:</u>
Charles Koch Foundation
1320 N. Courthouse Road, Suite 500
Arlington, VA 22201
Attn: Grant Administrator
Cc: General Counsel's Office

k. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals and may be relied upon to the same extent as the originals.

The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

UNIVERSITY OF KENTUCKY

Examined for Form and Legality
Office of Legal Counsel
University of Kentucky

By: G. Thomas Barker
G. Thomas Barker
Attorney at Law

By: D. Michael Richey
D. Michael Richey,
Vice President for Development

David W. Blackwell
David W. Blackwell,
Dean Gatton College of Business & Economics

CHARLES KOCH FOUNDATION

By: ______
Brian Hooks
President

MK LEGAL

ATTACHMENT A

University of Kentucky Proposal to Support the John H. Schnatter Institute for the Study of Free Enterprise

The Gatton College of Business & Economics will house the newly created John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"). The Institute enables the Gatton College to continue and expand its long-standing mission to discover and understand aspects of free enterprise that promote the well-being of society.

The Institute will:

- Gain a deep, accurate, and objective understanding of free enterprise vis-à-vis other systems of organization for the economy and society.
- Engage the broader academic and university communities and the public in a serious and sustained examination of free enterprise and the numerous ways in which it affects our lives.
- Broaden perspectives regarding economics, economic history, public policy, and the law.

Institute Positions, Activities, and Student Fellowships

The Faculty Positions
The University will hire five new faculty members. The individuals holding the faculty positions will be selected by the University and will engage in research, teaching, and community outreach. The faculty's work will make additional courses and educational opportunities available for undergraduates, provide advising for graduate students, encourage interdisciplinary collaboration at the University, and provide important information to the general public. This work will include devoting a significant amount of time and resources to work related to the Institute.

The University will hire the new faculty members according to the following schedule:
- Senior Tenured Economics Professorship by the fall 2017 semester
- One Senior Tenure-track Economics Professorships by the fall 2017 semester and the second by the fall 2018 semester
- Tenure-track Financial Economics Professorship by the fall 2017 semester
- Senior Lecturer in Entrepreneurship for at least five academic years from the fall 2017 semester through the spring 2023 semester

The Ph.D. Fellowships
The University will select up to 13 individuals to hold Ph.D. Fellowships for four academic years during the fall 2017 semester through the spring 2023 semester. The fellows will receive academic advising from faculty affiliates of the Institute. The fellows will engage in a mix of teaching and research to support the University and the Institute's mission. Each fellow will receive stipends, fringe benefits, or tuition scholarships not to exceed $150,000 over four academic years.

The Research Associate
The University will hire a Research Associate by the fall 2018 semester. The Research Associate will be affiliated with the Institute and assist faculty affiliated with the Institute with research, including translating the Institute's research into materials easily understood by the public.

The Research Support
The Institute will provide research grants up to $30,000 to scholars from a variety of institutions affiliated with the Institute. The Institute will also engage in marketing and communications activities (including speaking at academic conferences) to enhance the impact of its intellectually rigorous research.

The Institute Director Stipend
The Institute's activities and use of funds will be under the direction of the Institute Director subject to normal University financial management procedures and accountability for stewardship of donor funds. The Institute Director will have the authority to approve the affiliation of faculty, staff, and students with the Institute. Any individual the Institute Director presents to an academic unit as a possible hire or affiliate of that unit must be approved by that unit pursuant to the University's and unit's established appointment procedures for selecting people for those units. Given these substantial duties, the University will provide the Institute Director with a stipend to enable the Institute Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Institute Director.

The Associate Director Stipend
The Institute's Associate Director will have substantial duties to help build the Institute's work. Given these substantial duties, the University will provide the Associate Director with a stipend to enable the Associate Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Associate Director.

The Institute Administrator
The Institute's Administrator will be a full time University staff member. The Institute Administrator will devote 100% of his or her time to ensure the Institute is well-administered and remains within its budget.

The Institute Administrative Assistant
The Institute's Administrative Assistant will be a full time University staff member. The Institute Administrative Assistant will devote 100% of his or her time to providing administrative support to the Institute.

The Institute Support
The Institute Support will include support for the fellows to attend academic conferences; an academic reading group for the fellows; undergraduate programs (such as a certificate program in entrepreneurship and a course in PPE); public and academic conferences; and an executive education program.

ATTACHMENT B

JOHN H. SCHNATTER FAMILY FOUNDATION GRANT AGREEMENT

CHARITABLE GRANT AGREEMENT

This charitable grant agreement (this "Agreement") is made effective on December 15, 2015 (the "Effective Date"), between the **University of Kentucky** (the "University"), an instrumentality of the Commonwealth of Kentucky, for the benefit of the John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"), which will be imminently created and housed in the Gatton College of Business and Economics (the "College"), and the **John H. Schnatter Family Foundation**, a Kentucky nonprofit corporation (the "Donor"). The term of this Agreement shall begin on the Effective Date and shall continue for eight years (the "Term"), unless otherwise provided for in this Agreement. The University and Donor are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

WHEREAS, the University has for at least ten (10) years engaged in academic programming, teaching, research and support for faculty and graduate students within the Gatton College for the study of free enterprise, and

WHEREAS, the Parties desire to expand those existing activities by entering into this Agreement.

NOW, THEREFORE, the Parties intending to be legally bound agree as follows:

1. Promoting Academic Freedom. The Donor's grant is intended to help promote an environment at the University where ideas can be exchanged freely and useful knowledge will benefit the well-being of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Institute, and their faculty, students, and staff is critical to the success of the Institute's research, scholarship, teaching, and service.

2. The Institute. The University and the Donor desire to support the Institute to advance the University's educational mission as follows:

a. The Institute's Mission and Director. As stated in the proposal, which is hereby incorporated into and made part of this Agreement, and is attached as Attachment A (the "Proposal"), the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to discover and understand aspects of free enterprise that promote the well-being of society (the "Institute's Mission"). The University has selected Dr. John Garen to be the initial director of the Institute (the "Institute Director"). The Parties believe the Institute Director is an invaluable part of advancing the Institute's Mission; therefore, the University agrees to notify the Donor if the individual holding the Institute Director position changes.

b. The Institute Programs. To further support the Institute's Mission, the University desires to create the following positions and activities at the Institute, collectively referred to as the "Institute Programs." The Institute Programs are described more fully in the Proposal and include a "Senior Tenured Economics Professorship," two "Tenure-track Economics Professorships," a "Tenure-track Financial Economics Professorship," a "Senior Lecturer in Entrepreneurship," up to 13 "Ph.D. Fellowships," a "Research Associate," "Research Support," an "Institute Director Stipend," an "Associate Director Stipend," an "Institute Administrator," an "Institute Administrative Assistant," and "Institute Support." The University shall use any funds received under this Agreement solely to support the Institute Programs in accordance with the terms of this Agreement. The selection of the foregoing positions and Ph.D. Fellowships will follow the University's standards and procedures for hiring faculty and staff members for the relevant academic units.

3. The University's Commitment to and Support for the Institute. The University shall support the Institute Programs as provided for in this Agreement to advance the Institute and the University's missions

during the Term. The University shall continue supporting the faculty positions included in the Institute Programs and the Ph.D. Fellowships after the University expends all Contributed Amounts (defined below) received from the Donor. Though the University intends to continue supporting all of the Institute Programs after the University expends all Contributed Amounts received from the Donor, the University may need additional philanthropic support after this time to continue the other aspects of the Institute Programs. The University shall ensure, in accordance with its customary procedures regarding the same, that the faculty, staff, and fellows working with the Institute receive adequate office space to achieve the Institute's Mission.

4. **The Donor's Support for the Institute Programs.**

a. Contributed Amount. Subject to the terms of this Agreement, the Donor agrees to make a charitable grant of funds to the University and the University agrees to accept and use such funds solely to support the Institute Programs to advance the Institute's Mission (all or part of such funds are referred to as the "Contributed Amount(s)"). In no event shall the aggregate Contributed Amount under this Agreement exceed $6,000,000, unless otherwise agreed to by the Parties in writing executed by authorized representatives of each Party.

Institute Programs	Maximum Contributed Amount
Salary and Fringe Benefits for the Senior Tenured Economics Professorship	Up to $ 792,000
Salary and Fringe Benefits for the two Tenure-track Economics Professorships	Up to $1,074,000
Salary and fringe benefits for the Tenure-track Financial Economics Professorship	Up to $ 397,000
Salary and fringe benefits for the Senior Lecturer in Entrepreneurship	Up to $ 912,000
Costs and expenses for up to 13 Ph.D. Fellowships	Up to $ 321,000
Salary and fringe benefits for the Research Associate	Up to $1,020,000
Costs and expenses for the Research Support	Up to $ 472,000
Costs and expenses for the Institute Director Stipend	Up to $ 264,000
Costs and expenses for the Associate Director Stipend	Up to $ 75,000
Salary and fringe benefits for the Institute Administrator	Up to $ 295,000
Salary and fringe benefits for the Institute Administrative Assistant	Up to $ 166,000
Costs and expenses for the Institute Support	Up to $ 212,000
Total Maximum Contributed Amount by Donor	**Up to $6,000,000**

b. Other Support. If the University and Donor mutually agree, the Donor may also contribute in-kind services to the University to help promote the work of the University, the Institute or the University faculty, students, and staff.

c. Contingent Grant. The Donor's support under this Agreement is expressly contingent upon the University and the Charles Koch Foundation (the "CK Foundation") executing an agreement providing for a grant from the CK Foundation (the "CK Foundation Grant Agreement") to support the Institute Programs. Therefore, the Donor shall not provide any of the Contributed Amount or be obligated to fulfill any other obligation until the CK Foundation Grant Agreement, attached to this Agreement as Attachment B, is executed. The Donor's pledge to make contributions pursuant to this Agreement and the CK Foundation's pledge to make contributions pursuant to the CK Foundation Grant Agreement are each contingent upon each other. Therefore, any breach of this Agreement, if caused by the University, constitutes a separate and independent breach on the part of the University, as applicable, under the CK Foundation Grant Agreement and shall entitle the CK

Foundation to exercise any and all of its remedies provided in the CK Foundation Grant Agreement, up to and including the right to terminate the CK Foundation Grant Agreement.

5. University Annual Charitable Grant Request; Proposed Grant Award Schedule.

a. University Annual Charitable Grant Request. The University shall submit an annual written grant request according to the schedule below for Donor's consideration to provide grant funds and an accounting of the expenditure of any Contributed Amount previously received to the Donor according to the schedule below (the "University Annual Charitable Grant Request"). The Donor has the right to decline providing funding in response to a University Annual Charitable Grant Request.

b. University Annual Charitable Grant Request and Proposed Grant Award Schedule.

University Annual Charitable Grant Request Date	Proposed Contribution Date	Maximum Contributed Amount
December 21, 2015	On or about January 1, 2016	Up to $300,000
June 1, 2016	On or about August 1, 2016	Up to $600,000
June 1, 2017	On or about August 1, 2017	Up to $1,200,000
June 1, 2018	On or about August 1, 2018	Up to $1,200,000
June 1, 2019	On or about August 1, 2019	Up to $1,350,000
June 1, 2020	On or about August 1, 2020	Up to $1,350,000
Total Maximum Contributed Amount by Donor		**Up to $6,000,000**

c. The Fund. The University shall place all of the Contributed Amounts in a segregated and restricted expenditure fund on its books and records called the "ISFE-JSSF Fund" (the "Fund"). The Fund shall be used solely to support the Institute Programs and the Institute Mission as stated in this Agreement. The University shall make the Fund available for contributions from other donors.

6. Contributed Amount Used Solely for Educational Purposes for the Institute Programs.

a. Tax Status. The University has furnished the Donor with records that it is an organization described in Internal Revenue Code ("Code") section 170(c)(1) or 511(a)(2)(B). The University agrees to immediately notify the Donor if its tax status changes.

b. Educational Purpose. The Contributed Amount will be expended solely for the Institute Programs, which is an educational purpose described in section 170(c)(2)(B) of the Code. The Contributed Amount will not be used to influence legislation as described in section 4945(d)(1) of the Code, to influence the outcome of any election, for a political campaign or intervention, to carry on any voter registration drive, or any other purpose that would jeopardize the Donor's tax-exempt status or subject the Donor to penalties under Chapter 42 of the Code.

c. Institute Programs. The University shall use all Contributed Amounts solely to support the Institute Programs as stated in this Agreement and shall return to the Donor any Contributed Amount not expended or otherwise committed for the Institute Programs.

d. Donor Intent. The Donor intends that the grants paid to the University shall qualify as a "qualifying distribution" under Code section 4942.

7. **Naming Rights, Acknowledgment, and Publicity**

a. Naming Rights and Acknowledgments. From the date the Institute is created and henceforth, the Institute shall be known as the "The John H. Schnatter Institute for the Study of Free Enterprise" (the "Institute Name"). The University shall include the full and complete Institute Name in all references to the Institute, whether oral, written, electronic or otherwise, made, published or generated in any form or medium now or hereafter known. The Institute Name shall be prominently displayed at or about all means of ingress and egress to the facility where the Institute is housed, and shall be printed, embossed or otherwise included, at University expense, on all letterhead, envelopes, business cards, news or press releases, announcements and other printed materials relating to the Institute or events occurring at the Institute. The University shall use its best efforts to cause third parties that, with the authorization or cooperation of the University, refer to the Institute in oral, written, electronic or any other form of communication (including, by way of example and not limitation, speaking engagements, program materials, publications, videos and on the internet), to incorporate the full and complete Institute Name in all such references to the Institute.

i. It is the intent of the Donor and the University that the Institute Name be linked to any academic program or programs the University may hereinafter conduct in furtherance of the Institute's Mission, so long as the Institute is in existence. Accordingly, the University hereby represents, warrants, and covenants that any academic programs supported by or initiated within the Institute or the University, a material focus of which is the Institute's Mission, shall at all times be known by, and conducted under the auspices of, the Institute Name. If in the sole judgment of the Donor, any academic program conducted by the University in accordance with the terms of this Agreement is no longer principally focused on the Institute's Mission, at the Donor's election, in addition to any other remedy available to the Donor by reason of a breach of this Agreement, Donor may direct the University to immediately cease and desist use of the Institute Name in connection with such program. The Parties acknowledge that the terms of this Section 7(a) are intended to survive the Term of this Agreement, so long as the Institute is in existence and as provided in Paragraph 8(a).

b. Publicity. The University shall allow the Donor to review and approve the text of any proposed publicity which includes or mentions the Donor or the amount to be contributed pursuant to this Agreement. All such references to the Donor shall be to the "The John H. Schnatter Family Foundation." The University agrees to allow the Donor to include information regarding the Donor supported Institute Programs and any information or materials about the Foundation or the University and their activities in the Donor's reports, newsletters, and news releases. If requested by the Donor, the University shall acknowledge the Donor in all of its general materials in the same manner as any other University donor at the same level of funding. The Parties have agreed to the contents of the "Executive Summary," attached as Attachment C, which the Parties may agree to use as the initial public announcement of this Agreement. The Parties shall consult with each other and mutually agree prior to issuing publicly the Executive Summary. The Parties shall not use each other's logos without the applicable Party's express written consent.

8. **General Provisions.**

a. The Donor has the right to terminate this Agreement and to discontinue or withhold any Contributed Amount. Such termination shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the University. In the event of termination of the Agreement, the University agrees to return all unexpended or otherwise uncommitted Contributed Amounts to the Donor within forty-five (45) days of the Donor's request. If the Donor terminates, the University may temporarily or permanently discontinue the operation and activities of the Institute, in its sole discretion. If the Donor terminates, the University may also choose to continue or at a future date resume the activities of the Institute and the Institute's Mission, but shall not be bound by the terms of Section 7(a) of this Agreement; except, however, in the event the Donor has contributed the sum of $3 Million in accordance with the terms of this Agreement the University agrees to continue the naming rights set forth in Paragraph 7(a) above for a period of seven (7) years from the date of termination of this Agreement.

b. Except as permitted in Section 7, the University agrees to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor, subject to the public disclosure requirements of Kentucky's Open Records Act, as amended, and controlling law. If the University is required to disclose the existence of or the content of this Agreement to any third party, the University agrees to provide the Donor with at least three (3) days' advance written notice of such disclosure, except as otherwise may be required by law.

c. The terms contained in this Agreement supersede all prior oral or written agreements and understandings between the Parties related to the matters contained in this Agreement and shall constitute the entire agreement between the Parties with respect to the matters contained in this Agreement.

d. In the event of a conflict between the provisions stated in the body of this Agreement and those stated in the Proposal, this Agreement shall control.

e. This Agreement shall not be modified or amended except by a writing duly executed by the Parties to this Agreement.

f. The provisions of this Agreement are deemed severable and should any part, term, or provision of this Agreement be construed by any court of competent jurisdiction to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions will not be affected thereby.

g. No delay or failure on any Party's part to enforce any right or claim which it may have hereunder shall constitute a waiver of such right or claim. Any waiver by any Party of any term, provision, or condition of this Agreement, or of any subsequent default under this Agreement in any one or more instances shall not be deemed to be a further or continuing waiver of such term, provision, or condition or of any subsequent default hereunder.

h. The Parties acknowledge that this Agreement may relate to or be for the benefit of the CK Foundation and its charitable and educational mission. The Parties acknowledge that the CK Foundation has certain rights under this Agreement. The University acknowledges and agrees that they will not directly or indirectly be entitled to the benefit of any waivers, indemnities, releases, or other provisions contained in any agreement between the Donor and the CK Foundation. Otherwise, this Agreement shall not confer any rights or remedies upon any third party other than the Parties to this Agreement and their respective successors and permitted assigns.

i. The University may not transfer or assign its interest in the Agreement or any amount to be contributed pursuant to this Agreement without the express written consent of the Donor.

j. This Agreement will be governed, interpreted and enforced in accordance with the laws of the Commonwealth of Kentucky, without regard to conflict of law provisions.

k. All notices, approvals, or requests in connection with this Agreement shall be in writing and shall be deemed given when delivered personally by hand or one business day after the day sent by overnight courier (in each case with written confirmation of receipt or transmission, as the case may be) at the following address (or to such other address as a Party may have specified by notice to the other Party pursuant to this provision):

If to the University:
David W. Blackwell
University of Kentucky
Gatton College of Business & Economics
Lexington, Kentucky 40506-00

If to the Donor:
John H. Schnatter Family Foundation
11411 Park Road
Anchorage, KY 40223
Attn: Aaron M. Thompson

1. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals and may be relied upon to the same extent as the originals.

The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

UNIVERSITY OF KENTUCKY

Examined for Form and Legality
Office of Legal Counsel
University of Kentucky

By: ______________________
G. Thomas Barker
Attorney at Law

By: ______________________
D. Michael Richey,
Vice President for Development

____
David W. Blackwell,
Dean Gatton College of Business & Economics

JOHN H. SCHNATTER FAMILY FOUNDATION

By: ______________________
John H. Schnatter
President

ATTACHMENT A

University of Kentucky Proposal to Support the John H. Schnatter Institute for the Study of Free Enterprise

The Gatton College of Business & Economics will house the newly created John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"). The Institute enables the Gatton College to continue and expand its long-standing mission to discover and understand aspects of free enterprise that promote the well-being of society.

The Institute will:

- Gain a deep, accurate, and objective understanding of free enterprise vis-à-vis other systems of organization for the economy and society.
- Engage the broader academic and university communities and the public in a serious and sustained examination of free enterprise and the numerous ways in which it affects our lives.
- Broaden perspectives regarding economics, economic history, public policy, and the law.

Institute Positions, Activities, and Student Fellowships

The Faculty Positions

The University will hire five new faculty members. The individuals holding the faculty positions will be selected by the University and will engage in research, teaching, and community outreach. The faculty's work will make additional courses and educational opportunities available for undergraduates, provide advising for graduate students, encourage interdisciplinary collaboration at the University, and provide important information to the general public. This work will include devoting a significant amount of time and resources to work related to the Institute.

The University will hire the new faculty members according to the following schedule:

- Senior Tenured Economics Professorship by the fall 2017 semester
- One Senior Tenure-track Economics Professorships by the fall 2017 semester and the second by the fall 2018 semester
- Tenure-track Financial Economics Professorship by the fall 2017 semester
- Senior Lecturer in Entrepreneurship for at least five academic years from the fall 2017 semester through the spring 2023 semester

The Ph.D. Fellowships

The University will select up to 13 individuals to hold Ph.D. Fellowships for four academic years during the fall 2017 semester through the spring 2023 semester. The fellows will receive academic advising from faculty affiliates of the Institute. The fellows will engage in a mix of teaching and research to support the University and the Institute's mission. Each fellow will receive stipends, fringe benefits, or tuition scholarships not to exceed $150,000 over four academic years.

The Research Associate

The University will hire a Research Associate by the fall 2018 semester. The Research Associate will be affiliated with the Institute and assist faculty affiliated with the Institute with research, including translating the Institute's research into materials easily understood by the public.

The Research Support

The Institute will provide research grants up to $30,000 to scholars from a variety of institutions affiliated with the Institute. The Institute will also engage in marketing and communications activities (including speaking at academic conferences) to enhance the impact of its intellectually rigorous research.

The Institute Director Stipend

The Institute's activities and use of funds will be under the direction of the Institute Director subject to normal University financial management procedures and accountability for stewardship of donor funds. The Institute Director will have the authority to approve the affiliation of faculty, staff, and students with the Institute. Any individual the Institute Director presents to an academic unit as a possible hire or affiliate of that unit must be approved by that unit pursuant to the University's and unit's established appointment procedures for selecting people for those units. Given these substantial duties, the University will provide the Institute Director with a stipend to enable the Institute Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Institute Director.

The Associate Director Stipend

The Institute's Associate Director will have substantial duties to help build the Institute's work. Given these substantial duties, the University will provide the Associate Director with a stipend to enable the Associate Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Associate Director.

The Institute Administrator

The Institute's Administrator will be a full time University staff member. The Institute Administrator will devote 100% of his or her time to ensure the Institute is well-administered and remains within its budget.

The Institute Administrative Assistant

The Institute's Administrative Assistant will be a full time University staff member. The Institute Administrative Assistant will devote 100% of his or her time to providing administrative support to the Institute.

The Institute Support

The Institute Support will include support for the fellows to attend academic conferences; an academic reading group for the fellows; undergraduate programs (such as a certificate program in entrepreneurship and a course in PPE); public and academic conferences; and an executive education program.

ATTACHMENT B

CK FOUNDATION GRANT AGREEMENT

ATTACHMENT C

CHARITABLE GRANT AGREEMENT SUMMARY BETWEEN THE UNIVERSITY OF KENTUCKY AND THE JOHN H. SCHNATTER FAMILY FOUNDATION

The University of Kentucky and the John H. Schnatter Family Foundation have entered into a charitable grant agreement for the John H. Schnatter Family Foundation to provide philanthropic support for the University's proposal to support the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics.

The grant responds to an opportunity presented to the John H. Schnatter Family Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's goal for the John H. Schnatter Institute for the Study of Free Enterprise, which is to discover and understand aspects of free enterprise that promote the well-being of society.

The John H. Schnatter Family Foundation will provide philanthropic support of up to $6,000,000 to support the University's plan for the John H. Schnatter Institute for the Study of Free Enterprise. The University expects to attract additional contributions to support the John H. Schnatter Institute for the Study of Free Enterprise and the College. As outlined in the University's proposal, these funds will aid the University's support of the John H. Schnatter Institute for the Study of Free Enterprise and provide funding for five faculty positions, up to thirteen Ph.D. fellowships, research support, and support for the programs conducted by the John H. Schnatter Institute for the Study of Free Enterprise.

The charitable grant adheres to the University of Kentucky's policies regarding hiring, research, and curriculum and the John H. Schnatter Family Foundation's principles for university charitable giving.

The University of Kentucky and the John H. Schnatter Family Foundation attest that this is an accurate representation of the charitable grant agreement.

THE UNIVERSITY OF KENTUCKY

By: ______________________

Name: David W. Blackwell

Title: Dean, Gatton College of Business & Economics

JOHN H. SCHNATTER FAMILY FOUNDATION

By: John H. Schnatter

Name: John H. Schnatter

Title: President

December 15, 2015

ATTACHMENT C

CHARITABLE GRANT AGREEMENT SUMMARY BETWEEN THE UNIVERSITY OF KENTUCKY AND THE CHARLES KOCH FOUNDATION

The University of Kentucky and the Charles Koch Foundation have entered into a charitable grant agreement for the Charles Koch Foundation to provide philanthropic support for the University's proposal to support the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics.

The grant responds to an opportunity presented to the Charles Koch Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's goal for the John H. Schnatter Institute for the Study of Free Enterprise, which is to discover and understand aspects of free enterprise that promote the well-being of society.

The Charles Koch Foundation will provide philanthropic support of up to $4,000,000 to support the University's plan for the John H. Schnatter Institute for the Study of Free Enterprise. The University expects to attract additional contributions to support the John H. Schnatter Institute for the Study of Free Enterprise and the College. As outlined in the University's proposal, these funds will aid the University's support of the Institute for the Study of Free Enterprise and provide funding for five faculty positions, up to thirteen Ph.D. fellowships, research support, and support for the programs conducted by the John H. Schnatter Institute for the Study of Free Enterprise.

The charitable grant adheres to the University of Kentucky's policies regarding hiring, research, and curriculum and the Charles Koch Foundation's principles for university charitable giving.

The University of Kentucky and the Charles Koch Foundation attest that this is an accurate representation of the charitable grant agreement.

THE UNIVERSITY OF KENTUCKY

By: ______________________

Name: David W. Blackwell

Title: Dean, Gatton College of Business & Economics

CHARLES KOCH FOUNDATION

By: ______________________

Name: Brian Hooks

Title: President

December 15, 2015

CHARITABLE GRANT AGREEMENT

This charitable grant agreement (this "Agreement") is made effective on December 15, 2015 (the "Effective Date"), between the **University of Kentucky** (the "University"), an instrumentality of the Commonwealth of Kentucky, for the benefit of the John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"), which will be imminently created and housed in the Gatton College of Business and Economics (the "College"), and the **John H. Schnatter Family Foundation**, a Kentucky nonprofit corporation (the "Donor"). The term of this Agreement shall begin on the Effective Date and shall continue for eight years (the "Term"), unless otherwise provided for in this Agreement. The University and Donor are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

WHEREAS, the University has for at least ten (10) years engaged in academic programming, teaching, research and support for faculty and graduate students within the Gatton College for the study of free enterprise, and

WHEREAS, the Parties desire to expand those existing activities by entering into this Agreement.

NOW, THEREFORE, the Parties intending to be legally bound agree as follows:

1. Promoting Academic Freedom. The Donor's grant is intended to help promote an environment at the University where ideas can be exchanged freely and useful knowledge will benefit the well-being of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Institute, and their faculty, students, and staff is critical to the success of the Institute's research, scholarship, teaching, and service.

2. The Institute. The University and the Donor desire to support the Institute to advance the University's educational mission as follows:

a. The Institute's Mission and Director. As stated in the proposal, which is hereby incorporated into and made part of this Agreement, and is attached as Attachment A (the "Proposal"), the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to discover and understand aspects of free enterprise that promote the well-being of society (the "Institute's Mission"). The University has selected Dr. John Garen to be the initial director of the Institute (the "Institute Director"). The Parties believe the Institute Director is an invaluable part of advancing the Institute's Mission; therefore, the University agrees to notify the Donor if the individual holding the Institute Director position changes.

b. The Institute Programs. To further support the Institute's Mission, the University desires to create the following positions and activities at the Institute, collectively referred to as the "Institute Programs." The Institute Programs are described more fully in the Proposal and include a "Senior Tenured Economics Professorship," two "Tenure-track Economics Professorships," a "Tenure-track Financial Economics Professorship," a "Senior Lecturer in Entrepreneurship," up to 13 "Ph.D. Fellowships," a "Research Associate," "Research Support," an "Institute Director Stipend," an "Associate Director Stipend," an "Institute Administrator," an "Institute Administrative Assistant," and "Institute Support." The University shall use any funds received under this Agreement solely to support the Institute Programs in accordance with the terms of this Agreement. The selection of the foregoing positions and Ph.D. Fellowships will follow the University's standards and procedures for hiring faculty and staff members for the relevant academic units.

3. The University's Commitment to and Support for the Institute. The University shall support the Institute Programs as provided for in this Agreement to advance the Institute and the University's missions

during the Term. The University shall continue supporting the faculty positions included in the Institute Programs and the Ph.D. Fellowships after the University expends all Contributed Amounts (defined below) received from the Donor. Though the University intends to continue supporting all of the Institute Programs after the University expends all Contributed Amounts received from the Donor, the University may need additional philanthropic support after this time to continue the other aspects of the Institute Programs. The University shall ensure, in accordance with its customary procedures regarding the same, that the faculty, staff, and fellows working with the Institute receive adequate office space to achieve the Institute's Mission.

4. **The Donor's Support for the Institute Programs.**

a. Contributed Amount. Subject to the terms of this Agreement, the Donor agrees to make a charitable grant of funds to the University and the University agrees to accept and use such funds solely to support the Institute Programs to advance the Institute's Mission (all or part of such funds are referred to as the "Contributed Amount(s)"). In no event shall the aggregate Contributed Amount under this Agreement exceed $6,000,000, unless otherwise agreed to by the Parties in writing executed by authorized representatives of each Party.

Institute Programs	**Maximum Contributed Amount**
Salary and Fringe Benefits for the Senior Tenured Economics Professorship	Up to $ 792,000
Salary and Fringe Benefits for the two Tenure-track Economics Professorships	Up to $1,074,000
Salary and fringe benefits for the Tenure-track Financial Economics Professorship	Up to $ 397,000
Salary and fringe benefits for the Senior Lecturer in Entrepreneurship	Up to $ 912,000
Costs and expenses for up to 13 Ph.D. Fellowships	Up to $ 321,000
Salary and fringe benefits for the Research Associate	Up to $1,020,000
Costs and expenses for the Research Support	Up to $ 472,000
Costs and expenses for the Institute Director Stipend	Up to $ 264,000
Costs and expenses for the Associate Director Stipend	Up to $ 75,000
Salary and fringe benefits for the Institute Administrator	Up to $ 295,000
Salary and fringe benefits for the Institute Administrative Assistant	Up to $ 166,000
Costs and expenses for the Institute Support	Up to $ 212,000
Total Maximum Contributed Amount by Donor	**Up to $6,000,000**

b. Other Support. If the University and Donor mutually agree, the Donor may also contribute in-kind services to the University to help promote the work of the University, the Institute or the University faculty, students, and staff.

c. Contingent Grant. The Donor's support under this Agreement is expressly contingent upon the University and the Charles Koch Foundation (the "CK Foundation") executing an agreement providing for a grant from the CK Foundation (the "CK Foundation Grant Agreement") to support the Institute Programs. Therefore, the Donor shall not provide any of the Contributed Amount or be obligated to fulfill any other obligation until the CK Foundation Grant Agreement, attached to this Agreement as Attachment B, is executed. The Donor's pledge to make contributions pursuant to this Agreement and the CK Foundation's pledge to make contributions pursuant to the CK Foundation Grant Agreement are each contingent upon each other. Therefore, any breach of this Agreement, if caused by the University, constitutes a separate and independent breach on the part of the University, as applicable, under the CK Foundation Grant Agreement and shall entitle the CK

Foundation to exercise any and all of its remedies provided in the CK Foundation Grant Agreement, up to and including the right to terminate the CK Foundation Grant Agreement.

5. University Annual Charitable Grant Request; Proposed Grant Award Schedule.

a. University Annual Charitable Grant Request. The University shall submit an annual written grant request according to the schedule below for Donor's consideration to provide grant funds and an accounting of the expenditure of any Contributed Amount previously received to the Donor according to the schedule below (the "University Annual Charitable Grant Request"). The Donor has the right to decline providing funding in response to a University Annual Charitable Grant Request.

b. University Annual Charitable Grant Request and Proposed Grant Award Schedule.

University Annual Charitable Grant Request Date	Proposed Contribution Date	Maximum Contributed Amount
December 21, 2015	On or about January 1, 2016	Up to $300,000
June 1, 2016	On or about August 1, 2016	Up to $600,000
June 1, 2017	On or about August 1, 2017	Up to $1,200,000
June 1, 2018	On or about August 1, 2018	Up to $1,200,000
June 1, 2019	On or about August 1, 2019	Up to $1,350,000
June 1, 2020	On or about August 1, 2020	Up to $1,350,000
Total Maximum Contributed Amount by Donor		**Up to $6,000,000**

c. The Fund. The University shall place all of the Contributed Amounts in a segregated and restricted expenditure fund on its books and records called the "ISFE-JSSF Fund" (the "Fund"). The Fund shall be used solely to support the Institute Programs and the Institute Mission as stated in this Agreement. The University shall make the Fund available for contributions from other donors.

6. Contributed Amount Used Solely for Educational Purposes for the Institute Programs.

a. Tax Status. The University has furnished the Donor with records that it is an organization described in Internal Revenue Code ("Code") section 170(c)(1) or 511(a)(2)(B). The University agrees to immediately notify the Donor if its tax status changes.

b. Educational Purpose. The Contributed Amount will be expended solely for the Institute Programs, which is an educational purpose described in section 170(c)(2)(B) of the Code. The Contributed Amount will not be used to influence legislation as described in section 4945(d)(1) of the Code, to influence the outcome of any election, for a political campaign or intervention, to carry on any voter registration drive, or any other purpose that would jeopardize the Donor's tax-exempt status or subject the Donor to penalties under Chapter 42 of the Code.

c. Institute Programs. The University shall use all Contributed Amounts solely to support the Institute Programs as stated in this Agreement and shall return to the Donor any Contributed Amount not expended or otherwise committed for the Institute Programs.

d. Donor Intent. The Donor intends that the grants paid to the University shall qualify as a "qualifying distribution" under Code section 4942.

7. **Naming Rights, Acknowledgment, and Publicity**

a. Naming Rights and Acknowledgments. From the date the Institute is created and henceforth, the Institute shall be known as the "The John H. Schnatter Institute for the Study of Free Enterprise" (the "Institute Name"). The University shall include the full and complete Institute Name in all references to the Institute, whether oral, written, electronic or otherwise, made, published or generated in any form or medium now or hereafter known. The Institute Name shall be prominently displayed at or about all means of ingress and egress to the facility where the Institute is housed, and shall be printed, embossed or otherwise included, at University expense, on all letterhead, envelopes, business cards, news or press releases, announcements and other printed materials relating to the Institute or events occurring at the Institute. The University shall use its best efforts to cause third parties that, with the authorization or cooperation of the University, refer to the Institute in oral, written, electronic or any other form of communication (including, by way of example and not limitation, speaking engagements, program materials, publications, videos and on the internet), to incorporate the full and complete Institute Name in all such references to the Institute.

i. It is the intent of the Donor and the University that the Institute Name be linked to any academic program or programs the University may hereinafter conduct in furtherance of the Institute's Mission, so long as the Institute is in existence. Accordingly, the University hereby represents, warrants, and covenants that any academic programs supported by or initiated within the Institute or the University, a material focus of which is the Institute's Mission, shall at all times be known by, and conducted under the auspices of, the Institute Name. If in the sole judgment of the Donor, any academic program conducted by the University in accordance with the terms of this Agreement is no longer principally focused on the Institute's Mission, at the Donor's election, in addition to any other remedy available to the Donor by reason of a breach of this Agreement, Donor may direct the University to immediately cease and desist use of the Institute Name in connection with such program. The Parties acknowledge that the terms of this Section 7(a) are intended to survive the Term of this Agreement, so long as the Institute is in existence and as provided in Paragraph 8(a).

b. Publicity. The University shall allow the Donor to review and approve the text of any proposed publicity which includes or mentions the Donor or the amount to be contributed pursuant to this Agreement. All such references to the Donor shall be to the "The John H. Schnatter Family Foundation." The University agrees to allow the Donor to include information regarding the Donor supported Institute Programs and any information or materials about the Foundation or the University and their activities in the Donor's reports, newsletters, and news releases. If requested by the Donor, the University shall acknowledge the Donor in all of its general materials in the same manner as any other University donor at the same level of funding. The Parties have agreed to the contents of the "Executive Summary," attached as Attachment C, which the Parties may agree to use as the initial public announcement of this Agreement. The Parties shall consult with each other and mutually agree prior to issuing publicly the Executive Summary. The Parties shall not use each other's logos without the applicable Party's express written consent.

8. **General Provisions.**

a. The Donor has the right to terminate this Agreement and to discontinue or withhold any Contributed Amount. Such termination shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the University. In the event of termination of the Agreement, the University agrees to return all unexpended or otherwise uncommitted Contributed Amounts to the Donor within forty-five (45) days of the Donor's request. If the Donor terminates, the University may temporarily or permanently discontinue the operation and activities of the Institute, in its sole discretion. If the Donor terminates, the University may also choose to continue or at a future date resume the activities of the Institute and the Institute's Mission, but shall not be bound by the terms of Section 7(a) of this Agreement; except, however, in the event the Donor has contributed the sum of $3 Million in accordance with the terms of this Agreement the University agrees to continue the naming rights set forth in Paragraph 7(a) above for a period of seven (7) years from the date of termination of this Agreement.

b. Except as permitted in Section 7, the University agrees to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor, subject to the public disclosure requirements of Kentucky's Open Records Act, as amended, and controlling law. If the University is required to disclose the existence of or the content of this Agreement to any third party, the University agrees to provide the Donor with at least three (3) days' advance written notice of such disclosure, except as otherwise may be required by law.

c. The terms contained in this Agreement supersede all prior oral or written agreements and understandings between the Parties related to the matters contained in this Agreement and shall constitute the entire agreement between the Parties with respect to the matters contained in this Agreement.

d. In the event of a conflict between the provisions stated in the body of this Agreement and those stated in the Proposal, this Agreement shall control.

e. This Agreement shall not be modified or amended except by a writing duly executed by the Parties to this Agreement.

f. The provisions of this Agreement are deemed severable and should any part, term, or provision of this Agreement be construed by any court of competent jurisdiction to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions will not be affected thereby.

g. No delay or failure on any Party's part to enforce any right or claim which it may have hereunder shall constitute a waiver of such right or claim. Any waiver by any Party of any term, provision, or condition of this Agreement, or of any subsequent default under this Agreement in any one or more instances shall not be deemed to be a further or continuing waiver of such term, provision, or condition or of any subsequent default hereunder.

h. The Parties acknowledge that this Agreement may relate to or be for the benefit of the CK Foundation and its charitable and educational mission. The Parties acknowledge that the CK Foundation has certain rights under this Agreement. The University acknowledges and agrees that they will not directly or indirectly be entitled to the benefit of any waivers, indemnities, releases, or other provisions contained in any agreement between the Donor and the CK Foundation. Otherwise, this Agreement shall not confer any rights or remedies upon any third party other than the Parties to this Agreement and their respective successors and permitted assigns.

i. The University may not transfer or assign its interest in the Agreement or any amount to be contributed pursuant to this Agreement without the express written consent of the Donor.

j. This Agreement will be governed, interpreted and enforced in accordance with the laws of the Commonwealth of Kentucky, without regard to conflict of law provisions.

k. All notices, approvals, or requests in connection with this Agreement shall be in writing and shall be deemed given when delivered personally by hand or one business day after the day sent by overnight courier (in each case with written confirmation of receipt or transmission, as the case may be) at the following address (or to such other address as a Party may have specified by notice to the other Party pursuant to this provision):

If to the University:
David W. Blackwell
University of Kentucky
Gatton College of Business & Economics
Lexington, Kentucky 40506-00

If to the Donor:
John H. Schnatter Family Foundation
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Anchorage, KY 40223
Attn: Aaron M. Thompson

1. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals and may be relied upon to the same extent as the originals.

The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

UNIVERSITY OF KENTUCKY

Examined for Form and Legality
Office of Legal Counsel
University of Kentucky

By: ______________________
G. Thomas Barker
Attorney at Law

By: ______________________
D. Michael Richey,
Vice President for Development

____
David W. Blackwell,
Dean Gatton College of Business & Economics

JOHN H. SCHNATTER FAMILY FOUNDATION

By: ______________________
John H. Schnatter
President

ATTACHMENT A

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The Institute will:

- Gain a deep, accurate, and objective understanding of free enterprise vis-à-vis other systems of organization for the economy and society.
- Engage the broader academic and university communities and the public in a serious and sustained examination of free enterprise and the numerous ways in which it affects our lives.
- Broaden perspectives regarding economics, economic history, public policy, and the law.

Institute Positions, Activities, and Student Fellowships

The Faculty Positions

The University will hire five new faculty members. The individuals holding the faculty positions will be selected by the University and will engage in research, teaching, and community outreach. The faculty's work will make additional courses and educational opportunities available for undergraduates, provide advising for graduate students, encourage interdisciplinary collaboration at the University, and provide important information to the general public. This work will include devoting a significant amount of time and resources to work related to the Institute.

The University will hire the new faculty members according to the following schedule:

- Senior Tenured Economics Professorship by the fall 2017 semester
- One Senior Tenure-track Economics Professorships by the fall 2017 semester and the second by the fall 2018 semester
- Tenure-track Financial Economics Professorship by the fall 2017 semester
- Senior Lecturer in Entrepreneurship for at least five academic years from the fall 2017 semester through the spring 2023 semester

The Ph.D. Fellowships

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The University will hire a Research Associate by the fall 2018 semester. The Research Associate will be affiliated with the Institute and assist faculty affiliated with the Institute with research, including translating the Institute's research into materials easily understood by the public.

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The Institute will provide research grants up to $30,000 to scholars from a variety of institutions affiliated with the Institute. The Institute will also engage in marketing and communications activities (including speaking at academic conferences) to enhance the impact of its intellectually rigorous research.

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The Associate Director Stipend

The Institute's Associate Director will have substantial duties to help build the Institute's work. Given these substantial duties, the University will provide the Associate Director with a stipend to enable the Associate Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Associate Director.

The Institute Administrator

The Institute's Administrator will be a full time University staff member. The Institute Administrator will devote 100% of his or her time to ensure the Institute is well-administered and remains within its budget.

The Institute Administrative Assistant

The Institute's Administrative Assistant will be a full time University staff member. The Institute Administrative Assistant will devote 100% of his or her time to providing administrative support to the Institute.

The Institute Support

The Institute Support will include support for the fellows to attend academic conferences; an academic reading group for the fellows; undergraduate programs (such as a certificate program in entrepreneurship and a course in PPE); public and academic conferences; and an executive education program.

ATTACHMENT B

CK FOUNDATION GRANT AGREEMENT

CHARITABLE GRANT AGREEMENT

This charitable grant agreement (this "Agreement") is made effective on December 15, 2015 (the "Effective Date"), between the **University of Kentucky** (the "University"), an instrumentality of the Commonwealth of Kentucky, for the benefit of the John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"), which will be imminently created and housed in the Gatton College of Business and Economics (the "College"), and the **Charles Koch Foundation**, a Kansas nonprofit corporation (the "Donor"). The term of this Agreement shall begin on the Effective Date and shall continue for eight years (the "Term"), unless otherwise provided for in this Agreement. The University and Donor are sometimes referred to in this Agreement individually as a "Party" and collectively as the "Parties."

WHEREAS, the University has for at least ten (10) years engaged in academic programming, teaching, research and support for faculty and graduate students within the Gatton College for the study of free enterprise, and

WHEREAS, the Parties desire to expand those existing activities by entering into this Agreement.

NOW, THEREFORE, the Parties intending to be legally bound agree as follows:

1. Promoting Academic Freedom. Consistent with the Donor's principles of supporting a diversity of ideas in higher education, any grant funds provided by Donor under this Agreement are intended to help promote a republic of science at the University where ideas can be exchanged freely and useful knowledge will benefit the well-being of individuals and society. Thus, the Parties agree that the academic freedom of the University, the Institute, and their faculty, students, and staff is critical to the success of the Institute's research, scholarship, teaching, and service.

2. The Institute. The University and the Donor desire to support the Institute to advance the University's educational mission as follows:

a. The Institute's Mission and Director. As stated in the proposal, which is hereby incorporated into and made part of this Agreement, and is attached as Attachment A (the "Proposal"), the University has informed the Donor, and the Donor is relying on such representation, that the Institute's mission is to discover and understand aspects of free enterprise that promote the well-being of society (the "Institute's Mission"). The University has selected Dr. John Garen to be the initial director of the Institute (the "Institute Director"). The Parties believe the Institute Director is an invaluable part of advancing the Institute's Mission; therefore, the University agrees to notify the Donor if the individual holding the Institute Director position changes.

b. The Institute Programs. To further support the Institute's Mission, the University desires to create the following positions and activities at the Institute, collectively referred to as the "Institute Programs." The Institute Programs are described more fully in the Proposal and include a "Senior Tenured Economics Professorship," two "Tenure-track Economics Professorships," a "Tenure-track Financial Economics Professorship," a "Senior Lecturer in Entrepreneurship," up to 13 "Ph.D. Fellowships," a "Research Associate," "Research Support," an "Institute Director Stipend," an "Associate Director Stipend," an "Institute Administrator," an "Institute Administrative Assistant," and "Institute Support." The University shall use any funds received under this Agreement solely to support the Institute Programs in accordance with the terms of this Agreement. The selection of the foregoing positions and Ph.D. Fellowships will follow the University's standards and procedures for hiring faculty and staff members for the relevant academic units.

3. The University's Commitment to and Support for the Institute. The University shall support the Institute Programs as provided for in this Agreement to advance the Institute and the University's missions

during the Term. The University shall continue supporting the faculty positions included in the Institute Programs and the Ph.D. Fellowships after the University expends all Contributed Amounts (defined below) received from the Donor. Though the University intends to continue supporting all of the Institute Programs after the University expends all Contributed Amounts received from the Donor, the University may need additional philanthropic support after this time to continue the other aspects of the Institute Programs. The University shall ensure, in accordance with its customary procedures regarding the same, that the faculty, staff, and fellows working with the Institute receive adequate office space to achieve the Institute's Mission.

4. <u>The Donor's Support for the Institute Programs.</u>

a. <u>Contributed Amount.</u> Subject to the terms of this Agreement, the Donor agrees to make a charitable grant of funds to the University and the University agrees to accept and use such funds solely to support the Institute Programs to advance the Institute's Mission (all or part of such funds are referred to as the "Contributed Amount(s)"). In no event shall the aggregate Contributed Amount under this Agreement exceed $4,000,000, unless otherwise agreed to by the Parties in writing executed by authorized representatives of each Party.

Institute Programs	**Maximum Contributed Amount**
Salary and Fringe Benefits for the Senior Tenured Economics Professorship	Up to $ 528,000
Salary and Fringe Benefits for the two Tenure-track Economics Professorships	Up to $ 716,000
Salary and fringe benefits for the Tenure-track Financial Economics Professorship	Up to $ 608,000
Salary and fringe benefits for the Senior Lecturer in Entrepreneurship	Up to $ 265,000
Costs and expenses for up to 13 Ph.D. Fellowships	Up to $ 315,000
Salary and fringe benefits for the Research Associate	Up to $ 215,000
Costs and expenses for the Research Support	Up to $ 680,000
Costs and expenses for the Institute Director Stipend	Up to $ 176,000
Costs and expenses for the Associate Director Stipend	Up to $ 50,000
Salary and fringe benefits for the Institute Administrator	Up to $ 196,000
Salary and fringe benefits for the Institute Administrative Assistant	Up to $ 110,000
Costs and expenses for the Institute Support	Up to $ 141,000
Total Maximum Contributed Amount by Donor	**Up to $4,000,000**

b. <u>Other Support.</u> If the University and Donor mutually agree, the Donor may also contribute in-kind services to the University to help promote the work of the University, the Institute or the University faculty, students, and staff.

c. <u>Contingent Grant.</u> The Donor's support under this Agreement is expressly contingent upon the University and the John H. Schnatter Family Foundation (the "Schnatter Foundation") executing an agreement providing for a grant from the Schnatter Foundation (the "Schnatter Foundation Grant Agreement") to support the Institute Programs. Therefore, the Donor shall not provide any of the Contributed Amount or be obligated to fulfill any other obligation until the Schnatter Foundation Grant Agreement, attached to this Agreement as Attachment B, is executed. The Donor's pledge to make contributions pursuant to this Agreement and the Schnatter Foundation's pledge to make contributions pursuant to the Schnatter Foundation Grant Agreement are each contingent upon each other. Therefore, any breach of this Agreement, if caused by the University, constitutes a separate and independent breach on the part of the University, as applicable, under the Schnatter Foundation Grant Agreement 'and shall entitle the Schnatter Foundation to exercise any and all of its remedies provided in the Schnatter Foundation Grant Agreement, up to and including the right to terminate the Schnatter Foundation Grant Agreement.

5. University Annual Charitable Grant Request; Proposed Grant Award Schedule.

a. University Annual Charitable Grant Request. The University shall submit an annual written grant request according to the schedule below for Donor's consideration to provide grant funds and an accounting of the expenditure of any Contributed Amount previously received to the Donor according to the schedule below (the "University Annual Charitable Grant Request"). The Donor has the right to decline providing funding in response to a University Annual Charitable Grant Request.

b. University Annual Charitable Grant Request and Proposed Grant Award Schedule.

University Annual Charitable Grant Request Date	Proposed Contribution Date	Maximum Contributed Amount
December 21, 2015	On or about January 1, 2016	Up to \$ 200,000
June 1, 2016	On or about August 1, 2016	Up to \$ 400,000
June 1, 2017	On or about August 1, 2017	Up to \$ 800,000
June 1, 2018	On or about August 1, 2018	Up to \$ 800,000
June 1, 2019	On or about August 1, 2019	Up to \$ 900,000
June 1, 2020	On or about August 1, 2020	Up to \$ 900,000
Total Maximum Contributed Amount by Donor		**Up to \$4,000,000**

c. The Fund. The University shall place all of the Contributed Amounts in a segregated and restricted expenditure fund on its books and records called the "ISFE-CKF Fund" (the "Fund"). The Fund shall be used solely to support the Institute Programs and the Institute Mission as stated in this Agreement. The University shall make the Fund available for contributions from other donors.

6. Contributed Amount Used Solely for Educational Purposes for the Institute Programs.

a. Tax Status. The University has furnished the Donor with records that it is an organization described in Internal Revenue Code ("Code") section 170(c)(1) or 511(a)(2)(B). The University agrees to immediately notify the Donor if its tax status changes.

b. Educational Purpose. The Contributed Amount will be expended solely for the Institute Programs, which is an educational purpose described in section 170(c)(2)(B) of the Code. The Contributed Amount will not be used to influence legislation as described in section 4945(d)(1) of the Code, to influence the outcome of any election, for a political campaign or intervention, to carry on any voter registration drive, or any other purpose that would jeopardize the Donor's tax-exempt status or subject the Donor to penalties under Chapter 42 of the Code.

c. Institute Programs. The University shall use all Contributed Amounts solely to support the Institute Programs as stated in this Agreement and shall return to the Donor any Contributed Amount not expended or otherwise committed for the Institute Programs.

d. Donor Intent. The Donor intends that the grants paid to the University shall qualify as a "qualifying distribution" under Code section 4942.

7. **Publicity.** The Parties shall consult with each other and mutually agree prior to issuing the initial public announcement of this Agreement. To this end, the Parties have agreed to the contents of the "Executive Summary," attached as Attachment C, which the Parties may agree to use as the initial public announcement of this Agreement. The Parties shall consult with each other and mutually agree prior to issuing publicly the Executive Summary. The Parties shall not use each other's logos without the applicable Party's express written consent.

8. **General Provisions.**

a. The Donor has the right to terminate this Agreement and to discontinue or withhold any Contributed Amount. Such termination shall be deemed effective upon the expiration of thirty (30) days from the date notice was provided by the Donor to the University. In the event of termination of the Agreement, the University agrees to return all unexpended or otherwise uncommitted Contributed Amounts to the Donor within forty-five (45) days of the Donor's request. If the Donor terminates, the University may temporarily or permanently discontinue the operation and activities of the Institute, in its sole discretion. If the Donor terminates, the University may also choose to continue or at a future date resume the activities of the Institute and the Institute's Mission.

b. Except as permitted in Section 7, the University agrees to keep confidential and not to disclose to any third party the existence of or contents of this Agreement without express written approval from the Donor, subject to the public disclosure requirements of Kentucky's Open Records Act, as amended, and controlling law. If the University is required to disclose the existence of or the content of this Agreement to any third party, the University agrees to provide the Donor with at least three (3) days' advance written notice of such disclosure, except as otherwise may be required by law.

c. The terms contained in this Agreement supersede all prior oral or written agreements and understandings between the Parties related to the matters contained in this Agreement and shall constitute the entire agreement between the Parties with respect to the matters contained in this Agreement.

d. In the event of a conflict between the provisions stated in the body of this Agreement and those stated in the Proposal, this Agreement shall control.

e. This Agreement shall not be modified or amended except by a writing duly executed by the Parties to this Agreement.

f. The provisions of this Agreement are deemed severable and should any part, term, or provision of this Agreement be construed by any court of competent jurisdiction to be illegal, invalid, or unenforceable, the legality, validity, and enforceability of the remaining parts, terms, and provisions will not be affected thereby.

g. No delay or failure on any Party's part to enforce any right or claim which it may have hereunder shall constitute a waiver of such right or claim. Any waiver by any Party of any term, provision, or condition of this Agreement, or of any subsequent default under this Agreement in any one or more instances shall not be deemed to be a further or continuing waiver of such term, provision, or condition or of any subsequent default hereunder.

h. The Parties acknowledge that this Agreement may relate to or be for the benefit of the Schnatter Foundation and its charitable and educational mission. The Parties acknowledge that the Schnatter Foundation has certain rights under this Agreement. The University acknowledges and agrees that they will not directly or indirectly be entitled to the benefit of any waivers, indemnities, releases, or other provisions contained in any agreement between the Donor and the Schnatter Foundation. Otherwise, this Agreement shall not confer any rights or remedies upon any third party other than the Parties to this Agreement and their respective successors and permitted assigns.

i. The University may not transfer or assign its interest in the Agreement or any amount to be contributed pursuant to this Agreement without the express written consent of the Donor.

j. All notices, approvals, or requests in connection with this Agreement shall be in writing and shall be deemed given when delivered personally by hand or one business day after the day sent by overnight courier (in each case with written confirmation of receipt or transmission, as the case may be) at the following address (or to such other address as a Party may have specified by notice to the other Party pursuant to this provision):

<u>If to the University:</u>
David W. Blackwell
University of Kentucky
Gatton College of Business & Economics
Lexington, Kentucky 40506-00

<u>If to the Donor:</u>
Charles Koch Foundation
1320 N. Courthouse Road, Suite 500
Arlington, VA 22201
Attn: Grant Administrator
Cc: General Counsel's Office

k. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals and may be relied upon to the same extent as the originals.

The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

UNIVERSITY OF KENTUCKY

Examined for Form and Legality
Office of Legal Counsel
University of Kentucky

By: G. Thomas Barker
G. Thomas Barker
Attorney at Law

By: D Michael Richey
D. Michael Richey,
Vice President for Development

David W. Blackwell,
Dean Gatton College of Business & Economics

CHARLES KOCH FOUNDATION

By: ______________________
Brian Hooks
President

MK LEGAL

ATTACHMENT A

University of Kentucky Proposal to Support the John H. Schnatter Institute for the Study of Free Enterprise

The Gatton College of Business & Economics will house the newly created John H. Schnatter Institute for the Study of Free Enterprise (the "Institute"). The Institute enables the Gatton College to continue and expand its long-standing mission to discover and understand aspects of free enterprise that promote the well-being of society.

The Institute will:

- Gain a deep, accurate, and objective understanding of free enterprise vis-à-vis other systems of organization for the economy and society.
- Engage the broader academic and university communities and the public in a serious and sustained examination of free enterprise and the numerous ways in which it affects our lives.
- Broaden perspectives regarding economics, economic history, public policy, and the law.

Institute Positions, Activities, and Student Fellowships

The Faculty Positions
The University will hire five new faculty members. The individuals holding the faculty positions will be selected by the University and will engage in research, teaching, and community outreach. The faculty's work will make additional courses and educational opportunities available for undergraduates, provide advising for graduate students, encourage interdisciplinary collaboration at the University, and provide important information to the general public. This work will include devoting a significant amount of time and resources to work related to the Institute.

The University will hire the new faculty members according to the following schedule:
- Senior Tenured Economics Professorship by the fall 2017 semester
- One Senior Tenure-track Economics Professorships by the fall 2017 semester and the second by the fall 2018 semester
- Tenure-track Financial Economics Professorship by the fall 2017 semester
- Senior Lecturer in Entrepreneurship for at least five academic years from the fall 2017 semester through the spring 2023 semester

The Ph.D. Fellowships
The University will select up to 13 individuals to hold Ph.D. Fellowships for four academic years during the fall 2017 semester through the spring 2023 semester. The fellows will receive academic advising from faculty affiliates of the Institute. The fellows will engage in a mix of teaching and research to support the University and the Institute's mission. Each fellow will receive stipends, fringe benefits, or tuition scholarships not to exceed $150,000 over four academic years.

The Research Associate
The University will hire a Research Associate by the fall 2018 semester. The Research Associate will be affiliated with the Institute and assist faculty affiliated with the Institute with research, including translating the Institute's research into materials easily understood by the public.

The Research Support
The Institute will provide research grants up to $30,000 to scholars from a variety of institutions affiliated with the Institute. The Institute will also engage in marketing and communications activities (including speaking at academic conferences) to enhance the impact of its intellectually rigorous research.

The Institute Director Stipend
The Institute's activities and use of funds will be under the direction of the Institute Director subject to normal University financial management procedures and accountability for stewardship of donor funds. The Institute Director will have the authority to approve the affiliation of faculty, staff, and students with the Institute. Any individual the Institute Director presents to an academic unit as a possible hire or affiliate of that unit must be approved by that unit pursuant to the University's and unit's established appointment procedures for selecting people for those units. Given these substantial duties, the University will provide the Institute Director with a stipend to enable the Institute Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Institute Director.

The Associate Director Stipend
The Institute's Associate Director will have substantial duties to help build the Institute's work. Given these substantial duties, the University will provide the Associate Director with a stipend to enable the Associate Director to devote the appropriate time and energy to building and promoting the Institute. The University will continue to pay the salary and benefits of the Associate Director.

The Institute Administrator
The Institute's Administrator will be a full time University staff member. The Institute Administrator will devote 100% of his or her time to ensure the Institute is well-administered and remains within its budget.

The Institute Administrative Assistant
The Institute's Administrative Assistant will be a full time University staff member. The Institute Administrative Assistant will devote 100% of his or her time to providing administrative support to the Institute.

The Institute Support
The Institute Support will include support for the fellows to attend academic conferences; an academic reading group for the fellows; undergraduate programs (such as a certificate program in entrepreneurship and a course in PPE); public and academic conferences; and an executive education program.

ATTACHMENT B

JOHN H. SCHNATTER FAMILY FOUNDATION GRANT AGREEMENT

ATTACHMENT C

CHARITABLE GRANT AGREEMENT SUMMARY BETWEEN THE UNIVERSITY OF KENTUCKY AND THE CHARLES KOCH FOUNDATION

The University of Kentucky and the Charles Koch Foundation have entered into a charitable grant agreement for the Charles Koch Foundation to provide philanthropic support for the University's proposal to support the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics.

The grant responds to an opportunity presented to the Charles Koch Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's goal for the John H. Schnatter Institute for the Study of Free Enterprise, which is to discover and understand aspects of free enterprise that promote the well-being of society.

The Charles Koch Foundation will provide philanthropic support of up to $4,000,000 to support the University's plan for the John H. Schnatter Institute for the Study of Free Enterprise. The University expects to attract additional contributions to support the John H. Schnatter Institute for the Study of Free Enterprise and the College. As outlined in the University's proposal, these funds will aid the University's support of the Institute for the Study of Free Enterprise and provide funding for five faculty positions, up to thirteen Ph.D. fellowships, research support, and support for the programs conducted by the John H. Schnatter Institute for the Study of Free Enterprise.

The charitable grant adheres to the University of Kentucky's policies regarding hiring, research, and curriculum and the Charles Koch Foundation's principles for university charitable giving.

The University of Kentucky and the Charles Koch Foundation attest that this is an accurate representation of the charitable grant agreement.

THE UNIVERSITY OF KENTUCKY

By: ______________________

Name: David W. Blackwell

Title: Dean, Gatton College of Business & Economics

CHARLES KOCH FOUNDATION

By: ______________________

Name: Brian Hooks

Title: President

December 15, 2015

ATTACHMENT C

CHARITABLE GRANT AGREEMENT SUMMARY BETWEEN THE UNIVERSITY OF KENTUCKY AND THE JOHN H. SCHNATTER FAMILY FOUNDATION

The University of Kentucky and the John H. Schnatter Family Foundation have entered into a charitable grant agreement for the John H. Schnatter Family Foundation to provide philanthropic support for the University's proposal to support the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics.

The grant responds to an opportunity presented to the John H. Schnatter Family Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's goal for the John H. Schnatter Institute for the Study of Free Enterprise, which is to discover and understand aspects of free enterprise that promote the well-being of society.

The John H. Schnatter Family Foundation will provide philanthropic support of up to $6,000,000 to support the University's plan for the John H. Schnatter Institute for the Study of Free Enterprise. The University expects to attract additional contributions to support the John H. Schnatter Institute for the Study of Free Enterprise and the College. As outlined in the University's proposal, these funds will aid the University's support of the John H. Schnatter Institute for the Study of Free Enterprise and provide funding for five faculty positions, up to thirteen Ph.D. fellowships, research support, and support for the programs conducted by the John H. Schnatter Institute for the Study of Free Enterprise.

The charitable grant adheres to the University of Kentucky's policies regarding hiring, research, and curriculum and the John H. Schnatter Family Foundation's principles for university charitable giving.

The University of Kentucky and the John H. Schnatter Family Foundation attest that this is an accurate representation of the charitable grant agreement.

THE UNIVERSITY OF KENTUCKY

By: ______________________

Name: David W. Blackwell

Title: Dean, Gatton College of Business & Economics

JOHN H. SCHNATTER FAMILY FOUNDATION

By: ______________________

Name: John H. Schnatter

Title: President

December 15, 2015

CHARITABLE GRANT AGREEMENT

THIS CHARITABLE GRANT AGREEMENT (hereinafter referred to as the "Agreement"), made and entered into on this the 15th day of December, 2015, by and between John H. Schnatter, in his capacity as President of the John H. Schnatter Family Foundation, 11411 Park Road, Anchorage, KY 40223 (hereinafter referred to as the "Donor" or "Schnatter Foundation"), and the University of Kentucky, William B. Sturgill Development Building, Lexington, Kentucky 40506-0015 (hereinafter referred to as the "University").

WITNESSETH:

WHEREAS, the Schnatter Foundation desires to make a charitable grant commitment to the University, to be used by the University for the construction and enhancement of the Gatton College of Business & Economics (the "Gatton College") facility located on the campus of the University, subject to the terms of this Agreement; and

WHEREAS, the University agrees to receive and administer this charitable grant in accordance with the purposes and provisions of this Agreement and the policies of the University.

NOW, THEREFORE, in consideration of the foregoing and the terms and conditions hereinafter set forth, the parties do hereby mutually agree as follows:

1. **Charitable Grant Purpose & Commitment.** The Schnatter Foundation agrees to make and the University does hereby accept the grant described below for the restricted purpose of providing immediately expendable philanthropic support for the construction and enhancement of the Gatton College's facility located on the campus of the University, which shall be payable as follows:

   a. Schnatter Foundation Grant Amount and Payment Schedule. The Schnatter Foundation shall transfer or cause to be transferred cash or marketable securities to the University in the total amount of TWO MILLION DOLLARS ($2,000,000). The parties agree that this commitment will be funded over a period of not more than eight (8) years, beginning in calendar year 2016 and ending in calendar year 2023.

   b. Fulfillment of Schnatter Foundation Grant by Others. At the option of John H. Schnatter, any gift made by him or any entity created, controlled or owned by him to the University and designated for the purposes discussed herein shall reduce the Schnatter Foundation's obligation hereunder by an amount equal to the fair market value of such gift; however, the aforementioned individual shall not have an obligation to make any such gift to the University pursuant to this Agreement.

   c. Schnatter Foundation Intention to Secure Additional Funding. The Schnatter Foundation hereby agrees to use its best efforts to secure philanthropic commitments from other sources in the amount of THREE MILLION DOLLARS ($3,000,000) to increase the total funding amount for the Gatton College facility to FIVE MILLION DOLLARS ($5,000,000). The Schnatter Foundation agrees to solicit this additional commitment(s) pursuant to payment terms in accordance with the eight-year funding schedule in paragraph 1(a) above.

2. **Naming Recognition.** The parties agree that the University will recognize the generosity of the Donor's charitable commitment and pledge to secure additional gifts with a naming recognition opportunity to include the naming of the Atrium space located within the Gatton College's facility on the University's campus, to be known as the "John H. Schnatter Atrium." Said naming shall be in a style and location within the Atrium mutually agreed to by the University and the Donor. The naming shall be erected by the University within one (1) year of the date of the University's receipt of the Donor's first contribution pursuant to this Agreement, and shall continue for so long as the Atrium space exists within the Gatton College's facility, but not less than fifteen (15) years. The parties agree that the University retains the right to offer naming recognition opportunities throughout the Gatton College's facility, but such other naming shall not detract from the naming of the "John H. Schnatter Atrium."

3. **Additional Terms.**
   a. University Tax Status and Donative Intent. The University is an agency and instrumentality of the Commonwealth of Kentucky and is an organization described in §§ 170(b)(1)(A)(ii) and 170(b)(1)(A)(v) of the United States Internal Revenue Code of 1986, ("IRC") as amended, when contributions are made to it in furtherance of its public mission of education, research and service. The University is not a private foundation within the meaning of § 509 of the IRC or a 501(c)(3) organization. The Donor intends that all contributions made to the University in furtherance of the purpose of this Agreement shall qualify as charitable contributions under the applicable provisions of the IRC. The Donor intends that the grants from the Schnatter Foundation shall be a "qualifying distribution" as applied to private foundations under the applicable provisions of the IRC.

   b. Binding Obligation. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

   c. Entire Agreement, Severability and Amendment. This Agreement contains the entire agreement of the parties with respect to the subject matter hereof and supersedes any prior oral or written agreements or communications between us regarding this purpose.

   d. University Board of Trustees Approval; Termination; Refund. The parties acknowledge and agree that acceptance of the contribution discussed herein from the Schnatter Foundation to the University is subject to the approval by the University's Board of Trustees. If in the unlikely event the contribution is not approved by the University's Board of Trustees, this Agreement shall immediately terminate.

WITNESS the signature of the parties hereto this 15th day of December, 2015.

DONOR

THE JOHN H. SCHNATTER FAMILY FOUNDATION

John H. Schnatter, President

RECOMMENDED FOR APPROVAL BY:

UNIVERSITY OF KENTUCKY

Examined for Form and Legality
Office of Legal Counsel
University of Kentucky

By: G. Thomas Barker
Attorney at Law

By: D. Michael Richey
Vice President for Development

David W. Blackwell
Dean, Gatton College of Business & Economics

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REPORT OF THE CHANCELLOR'S ADVISORY COMMITTEE ON THE ACADEMY ON CAPITALISM AND LIMITED GOVERNMENT FUND

October 29, 2007

On July 20, 2006, a Memorandum of Agreement (MOA) was signed between a group of donors and the University of Illinois Foundation regarding a gift to create and administer an entity, to be housed within the Foundation, called the "Academy on Capitalism and Limited Government Fund." (For ease of discussion this will be referred to simply as the "Academy.") After the faculty convened in the Fall of 2007, the agreement became publicly known. Serious questions were then raised by the campus Senate and numerous others about the purposes and structure of the Academy, as well as the manner of its coming into being, from the perspective of the University's *Statutes*. In response, on September 24, 2007, the undersigned committee was appointed by the Chancellor. It was given a charter of specifics, set out below,[1] but was also charged with the larger question of whether the Academy, as currently fashioned, is consistent with the University's mission and policies. The committee met on October 1 and 22, 2007. It was given the complete cooperation of the Chancellor's Office and the Foundation staff, to whom we express our appreciation.

This report first sets out the terms on which the Academy was created and addresses areas of ambiguity in the governing instruments. The report then discusses two basic principles that define the modern research university in general and the University of Illinois in particular: institutional neutrality and institutional autonomy. This report analyzes the purpose and administration of the Academy in the light of these fundamental principles.

[1] The Chancellor's letter of appointment of September 24, 2007, charges the committee as follows:

> 1. To assist in reviewing and evaluating proposals for funding that come to the Fund for approval.
> 2. To work to assure that any academic activity which involves an identification with the Urbana campus is subject to appropriate review by our faculty within a structure of shared governance.
> 3. To work to assure that the Fund retains its identity as a funding source to support faculty scholarship and teaching, and to guarantee that any future proposal to acquire status as an independent entity is subject to appropriate review and approval.
> 4. To work to assure that this entity, like all university activities, upholds the highest standards of quality, academic freedom, and respect for multiple points of view.

The Committee's conclusion, to be explained in greater detail, is that the Academy as currently conceived and configured is fundamentally inconsistent with the two central principles that define a free and distinguished University. In view of the manifest good will of the donors, the Committee sees no reason why they would not be amenable to a reconfiguration of the terms of the gift to conform to these principles. In the regrettable event that that is not achievable, however, the Committee concludes that the gift's provision for an "alternate application of income" should be invoked. A final forward-looking recommendation will be offered at the close.

I. The Academy

In this section we examine the Academy's purpose and its structure and administration.

A. Purpose

The Academy's purpose as stated in the MOA is "to promote scholarly research, teaching and public outreach in areas pertaining to free market capitalism, individual freedom, individual responsibility, limited government and the role of these concepts in ensuring a productive and successful society." These purposes are expanded upon in the MOA as including the sponsorship of courses of instruction, research grants, endowed appointments, lectures, scholarships (undergraduate), and fellowships (graduate). The "promotion" clause is outcome-neutral respecting the nature of the research, teaching, and public outreach it expects to support and so is completely congruent with the University's mission. The "pertaining to" clause, however, is another matter insofar as its final clause either does or can reasonably be read to predispose the teacher or researcher as to specific outcomes.

This reservation is grounded in the MOA's express incorporation by reference of an attached "Governing Document." The Governing Document reiterates the foregoing Mission Statement, but it sets out the Academy's goals and activities in greater detail. Akin to the Mission Statement, several of the areas of academic support stated in the incorporated Governing Document are outcome-neutral—for example, to support research on, "the philosophical, moral and economic underpinnings of capitalism," and on the "societal impact of new technologies and the mechanisms that will promote economic and social well being as science progresses." But other areas would seem to invite Academy support only if researchers or teachers base their teaching or research on a tacit assumption of what can be accomplished—or better accomplished—by free market capitalism. Thus, the Academy proposes to support research on "economic growth as a function of tax policy," to "study the relationship between economic growth and reduced government size, lessened regulatory controls and expenditures," and to show that "free market capitalism can

- become even more effective in providing opportunities and prosperity for individual nations;
- find solutions to social challenges such as healthcare distribution, intransigent poverty, environmental pollution and failing educational systems where they exist; [and]
- provide quality human services using market drive creativity and non-governmental organizations.

It may be that the results of these initiatives are not intended to be foreordained. If so, the governing documents needs to be clarified on questions such as:

- Would the Academy's purpose of exploring economic growth as an element of tax policy preclude recipients from examining whether there is any connection between tax policy and economic growth?[2]
- Would the Academy's purpose of studying the "relationship between economic growth and reduced government size, lessened regulatory controls and expenditures" foreclose investigation tending to show that more exacting or more extensive government regulation can conduce toward a more robust free market.[3]

However, some of the Academy's purposes and proposed activities unmistakably signal an ideological predisposition or presupposition. For example,

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[2] The Organization for Economic Cooperation and Development (OECD), which includes the United States, has recently issued a report on taxes as a percentage of gross domestic product (GDP) worldwide. Christopher Heady, head of tax policy for the organization, was quoted as saying of the report's conclusions:

> "There is some evidence that countries with higher tax-to-G.D.P. ratios grow somewhat slower and have lower G.D.P. per head, controlling for other factors, but this is not a very clear relationship," he said.
>
> As an example, he cited Sweden, which "has the highest tax-to-G.D.P. ratio in the O.E.C.D., just over 50 percent, and yet it is one of the O.E.C.D. countries with the strongest economic performance over the past 20 years or so."

David Cay Johnson, *Taxes in Developed Nations Reach 36% of Gross Domestic Product*, N.Y. TIMES, Oct. 18, 2007, at C3.

[3] Richard Taub, *Research on Entrepreneurship, Culture, and Law*, 28 COMP. LAB. L. & POL'Y J. 893, 896 (2007):

> [T]he world abounds in examples of cases where the state facilitates business growth. . . . In the United States, an organic food standard established by the United States Department of Agriculture helped to raise the sale of organic products to an entirely new level. . . . The point is that not all interventions of the state hamper business activity.

- The Governing Document states that "[t]he Academy will support studies asking why communism, socialism, government bureaucracy and high taxation have failed to bring prosperity, and how capitalism brings material wealth to a broad spectrum of society." (What is meant by "government bureaucracy" or "high" taxation is unexplained.)

That governmental regulation and high taxation, whether separately or in tandem, have in fact failed to bring prosperity is surely academically contested terrain, as the experience of in the Nordic countries evidences.[4] Equally contested in academic research is the assertion that capitalism in the U.S. has brought material wealth to that rather large segment of the American workforce that has experienced wage stagnation despite rising productivity over the past several decades.[5]

Additionally,

- The Academy proposes to support academic programs and investigations on how free market capitalism can, "[e]ncourage individual rights and individual responsibility as a counterpoint to the culture of entitlement, dependency and victimhood."

It is surely an academically contested proposition, however, that Social Security, an archetypical "entitlement," has conduced toward economic independence and so toward individual freedom in old age and would continue better to perform that function than market alternatives.[6]

In sum, it would appear that studies that do not share the Academy's premises would not qualify for institutional support.

The Committee wishes to make it abundantly clear that it takes no position whatsoever on any of these contested questions of public policy. The foregoing is simply to observe that these *are* contested and that some of what the Academy is purposed to do plainly does or reasonably can be read to foreordain the general thrust of the conclusions it expects the research, lectures, professorships, courses, and students it supports to draw. It is surely within the mission of the research university to sponsor studies relating to economic growth and the relation of tax policy, government size and bureaucracies to individual rights and responsibili-

[4] *See supra* note 2, concerning Sweden.

[5] The data are supplied in LAWRENCE MISHEL, JARED BERNSTEIN & SYLVIA ALLEGRETTO, THE STATE OF WORKING AMERICA 2004–2005 (2006); *see also* RICHARD B. FREEMAN, AMERICA WORKS ch. 3 (2007).

[6] *E.g.*, DEAN BAKER & MARK WEISBROT, SOCIAL SECURITY: THE PHONY CRISIS (1999); SOCIAL SECURITY REFORM (Richard Leone & Greg Anrig eds., 1999); JOSEPH WHITE, FALSE ALARM (2001); PETER DIAMOND & PETER ORSZAG, SAVING SOCIAL SECURITY (2004).

ties. But a university cannot sponsor research, teaching, and public programs based on an assumption of what the results need be. As the report will explain in greater detail, such would be inconsistent with the fundamental nature of a university and inconsistent with the founding principles of a land-grant public university such as the University of Illinois at Urbana-Champaign.

B. Structure and Administration

The Governing Document provides for a continuing, self-perpetuating Advisory Board of Directors housed within the University of Illinois Foundation and composed of persons who support the purposes of the Academy. It also allows for the funding and hiring of an Executive Director with the approval of the Foundation and the UIUC Chancellor. As the Committee understand it, however, the Foundation's function is to raise and husband funds for the support of the University; it should have no responsibility for making academic decisions in the expenditure of such funds. Housing the Academy in the Foundation is thus highly problematic.

The Academy's Board of Directors is given authority to "make funding decisions with the UIUC Chancellor's concurrence." That provision is echoed in the MOA, save that the latter adds that the Chancellor "shall have approval [authority] as to the funding of any grant requirement *as it applies to the campus*." (Emphasis added.) Thus, it is not clear whether the Academy, acting through its Board, may authorize funds without the Chancellor's approval when the project or program it supports does not "apply" to the UIUC campus—that is, is undertaken by itself as a free-standing body.

The MOA, echoing the Governing Document, provides that the Academy's Board may not revise, alter, or amend the Mission Statement. The MOA and the incorporated Governing Document also allow for the assets of the Academy to be diverted to another qualifying institution if the University of Illinois determines that it is not "practical" for the Academy to function in accordance with these instruments.

II. Compatibility with the University's Mission and Policies

The University is governed by *Statutes* that have the force and effect of law. These acknowledge at the outset the University's observance of "such self-imposed restraints as are essential to the maintenance of a free and distinguished University."[7] The creation of the Academy presses upon us the question of what conditions *are* essential to the maintenance of a free and distinguished University.

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[7] The University of Illinois, *Statutes*, Preamble:

> The University of Illinois, as a state university, is subject to the control of the Illinois General Assembly. The General Assembly, subject to the limitations of

Part of the Academy's Mission Statement says that one of the Academy's goals is to "encourage intellectual diversity and civil debate." This is completely concordant with the University's mission. The Mission Statement proceeds to qualify this desideratum by stating that the manner in which this will be realized is by "opening campus discourse to a greater range of perspectives." The tacit assumption of the "greater range" qualification is that the particular perspective the Academy intends to support is either not reflected or, perhaps, is inadequately reflected in the University's current display of offerings, lectures, research, programs, and the like: the donors perceive a need to broaden the University in that regard. Such would seem to explain those parts of the Academy's program that have or can reasonably be read to have a specific doctrinal or ideological predisposition. And it explains the additional operational feature of the Academy's providing for an active role for its Board in grant-making, a co-determinative role to ensure its predisposed ends are being realized. In the Committee's judgment these two features are irreconcilable with two principles that characterize a free and distinguished university—neutrality and autonomy.

A. *Institutional Neutrality*

The Committee wishes to reiterate that it has no position whatsoever concerning the economic or social positions the Academy's donors wish to advance. It does not question the donors' good will toward the University, evident in their very generosity; nor the depth of commitment that impels them. It is altogether laudable that a person or a group would wish to contribute to the robustness of public debate on those contested economic and social questions that so vex the nation; and in so doing they are free to put a particular ideological stamp on their contribution. But it is not the proper function of a university to advance a donor's ideological agenda, whatever it might be.

The imperative of institutional neutrality as a defining condition of modern American higher education is best understood in historical context. We start by reference to Andrew White, founding president of Cornell University, reflecting on his days on the faculty of the University of Michigan circa 1860, when Harry P. Tappan was president: "Up to that time the highest institutions of learning in the United States were almost entirely under sectarian control," he ob-

> the state constitution and to *such self-imposed restraints as are essential to the maintenance of a free and distinguished University*, exercises control by virtue of its authority to change the laws pertaining to the University and its power to appropriate funds for the maintenance and improvement of the University. Under existing state law the University of Illinois is a public corporation, the formal corporate name of which is "The Board of Trustees of the University of Illinois."

Italics added. The *Statutes* can be found at http://www.uillinois.edu/trustees/statutes.cfm.

served.[8] Tappan struggled to free the University of Michigan in just that regard. When he addressed the Christian Library Association in 1858, he argued that service to sectarian interest is contrary to the idea of what a university is.[9] The claim was to resound even more strongly when non-sectarian institutions were founded or supported, in the words of Alton B. Parker, by those "whose sole business in life [is] making money."[10] Parker maintained that they had the right to "insist [that] the doctrines they believe to be true, and for the propagation of which they have expressly and avowedly founded the institution, or endowed the chairs, shall be taught in such institutions."[11] The regnant assumption of the time was of the right of the payer to call the piper's tune.

As the modern research university developed over the course of the late nineteenth and early twentieth century, presaged by the Morrill Act of 1862, encouraged by the professionalization of the American professoriate, and driven by the manifest societal need for professional expertise to be brought to bear on all manner of pressing problems and challenges—scientific, economic, social, and moral—the wisdom of the 1915 *Declaration of Principles on Academic Freedom and Tenure* took deep root: The university "should be an intellectual experiment station, where new ideas may germinate and where their fruit, though still distasteful to the community as a whole, may be allowed to ripen until finally, and perchance, it may become a part of the accepted intellectual food of the nation or the world."[12]

The principle of neutrality became universally recognized as an inextricable component of, a defining condition for the American research university. The reasoning of the 1915 *Declaration* has withstood the test of time:

> The simplest case is that of a proprietary school or college designed for the propagation of specific doctrines prescribed by those who have furnished its endowment. It is evident that in such cases the trustees are bound by the deed of gift, and, whatever be their own views, are obli-

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[8] *Quoted in* II AMERICAN HIGHER EDUCATION: A DOCUMENTARY HISTORY 546 (Richard Hofstadter & Wilson Smith eds., 1961).

[9] *Henry Tappan on the Idea of the True University*, 1858 *quoted id.* at 515. Tappan was anticipated by J.B. Turner in 1851 in his *Plan for an Industrial University for the State of Illinois*: "No species of knowledge should be excluded, practical or theoretical; unless, indeed, those specimens of 'organized ignorance' found in the creeds of party politicians, and sectarian ecclesiastics should be mistaken by some for a species of knowledge."

[10] Alton Parker, *The Rights of Donors*, 23 EDUC. REV. 16–21 (1902). Parker was Judge of the New York Court of Appeals, president of the National Civic Federation, and candidate for the United States' Presidency.

[11] *Id.*

[12] *Quoted in* Hofstadter & Smith, *supra* note 5, at 870.

> gated to carry out the terms of the trust. … If, again, as has happened in this country, a wealthy manufacturer establishes a special school in a University in order to teach, among other things, the advantages of a protective tariff, or if, as is also the case, an institution has been endowed for the purpose of propagating the doctrines of socialism [no doubt referring to the Rand school established by the American Socialist Party], the situation is analogous. All of these are essentially proprietary institutions, in the moral sense.[13]

A university, however, and especially a public university exists for the common good, not for the propagation of the views of its donors.

The Committee appreciates that the case of the ACLGF is not "the simplest case" dealt with in the 1915 *Report*. The Academy's donors do not expect the University to deny those faculty members whom the Academy does not finance the ability to pursue lines of research or modes of discourse that depart from the role they conceive for free market capitalism and limited government. On the contrary, the gift is premised on an assumed want of representation of the views it would advance and in the consequent need to expand the diversity represented in the University's current portfolio of offerings and undertakings in that regard. The empirical basis of that arresting assumption remains to be seen, however; in point of fact, the Committee members find the assertion contrary to their collective institutional experience. Suffice it to say, the one action the University cannot take in regard to a claimed want of diversity in the current complement of faculty and the current display of university offerings, programs, or the like, is to commit itself to the propagation of a specific economic or social theory or doctrine. We emphasize, as did the 1915 Report, that this is so, irrespective of the content of the particular theory or doctrine the donors desire to advance. Were the American Socialist Party to wish to house the Rand School within the University of Illinois, in the very terms of the MOA's Academy—to "support studies examining how public ownership of the means of production and higher income equality achieved by a redistributional tax system will bring economic and moral well being to a broad spectrum of society"—and were it to defend its School by a claimed lack of diversity, that the obvious want of any manifest socialist presence on campus has skewed the internal market for ideas, the outcome would be exactly the same: the donation would be incompatible with the principle of institutional neutrality and should not be accepted.

When a teacher or researcher advances a particular theory or model, the principle of institutional neutrality expressly abjures the notion of any institutional endorsement of what the faculty member says save that he or she is held to a professional standard of care in saying it. This condition would be contradicted by

[13] *Id.* at 862.

the institution's adoption of a commitment to expound a sectarian claim whether grounded in religion, economics, or anything else, to which the teacher or researcher should accordingly be held to account. The distinction was drawn by Tappan almost exactly 150 years ago:

> The Regents and Faculty may have their own opinions on politics, their own attachments for the sects to which they severally belong, their own views on questions of moral reform. These as men, and as American citizens, they claim to entertain in perfect freedom, without any interference, or any rebuke. But they would violate the trust reposed in them, did they allow these to influence their measures in respect to the University.[14]

Moreover, once a public university has accepted a breach of the principle of neutrality, it would be in no position to reject future donations on the ground of the ideas *those* donors wish the University to propagate.[15] Having accepted an Academy dedicated to the pursuit of capitalism and limited government, for example, it could not reject an Academy dedicated to the pursuit of socialism. In this way, the University would become the purveyor of any and all doctrines that donors wish to propagate under the University's imprimatur. Such an institution, whatever it might wish to call itself, would not be a university: it could make no credible claim for the public's support or respect.

B. Institutional Autonomy

A second achievement of the modern research university is recognition of its autonomy, its freedom to make and implement academic decisions by academic processes, processes in which the faculty necessarily plays a critical role. At the University of Illinois these freedoms are provided for in its *Statutes*.

The *Statutes* state at the outset that in matters of educational policy and governance the University "relies upon the advice of the university senates" and that each senate "has a legitimate concern which justifies its participation." The campus Senate is given "legislative functions in matters of educational policy" which are spelled out in some detail. In addition, the *Statutes* provide that, "as the responsible body in the teaching, research, and scholarly activities of the University, the faculty has inherent interests and rights in academic policy and governance." The faculty has primary authority over such matters as curriculum and faculty appointment; even endowed appointments are subject to screening by a faculty committee.

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[14] Tappan, *supra* note 6, at 544.

[15] *See* note 20, *infra*.

It is deeply troubling that insofar as the functions contemplated for the Academy involve matters of educational policy, authority for which is vested in the faculty and the UIUC Senate, no faculty body was consulted in the matter of the Academy's creation. Insofar as the MOA gives co-determinational authority to the Chancellor, and only the Chancellor, for Academy grants that "affect[]" the Champaign-Urbana campus, these grants simply could not be implemented in this way consistent with the University's *Statutes*. To the extent that the MOA contemplates operational stand-alone authority for the Academy in grants that do not "affect" the Champaign-Urbana campus, the *Statutes* would be completely circumvented.

Putting these rather serious questions to one side, and taking a larger view of the Academy's situation in the University, it becomes immediately obvious that it confronts the fundamental principle of institutional autonomy. So essential is autonomy to the successful conduct of the modern research university that some observers have termed it a matter of "institutional academic freedom."[16] The modern formulation of this concept draws from the opinion of Justice Frankfurter in the case of *Sweezey v. New Hampshire*,[17] in which he quoted in turn from the remonstrance, *The Open Universities in South Africa*, thusly:

> A university ceases to be true to its own nature if it becomes the tool of the Church or State or any sectional interest. A university is characterized by the spirit of free inquiry, its ideal being the ideal of Socrates—'to follow the argument where it leads.' This implies the right to examine, question, modify or reject traditional ideas and beliefs. . . . The concern of its scholars is not merely to add and revise facts in relation to an accepted framework, but to be ever examining and modifying the framework itself. …
>
> It is the business of a university to provide that atmosphere which is most conducive to speculation, experiment and creation. It is an atmosphere in which there prevail 'the four essential freedoms' of a university—*to determine for itself on academic grounds* who may teach, what may be taught, how it shall be taught, and who may be admitted to study." [Emphasis added.]

The MOA's Academy creates an extra-academic board, self-perpetuating on the basis of ideological sympathy with the donors' intent. At a minimum, it clothes the board with power co-determinative with the administration to decide

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[16] *E.g.*, David Rabban, *A Functional Analysis of "Individual" and "Institutional" Academic Freedom Under the First Amendment*, *in* FREEDOM AND TENURE IN THE ACADEMY 227 (William Van Alstyne ed., 1993); Paul Horowitz, *Universities as First Amendment Institutions*, 54 UCLA L. REV. 1497 (2007).

[17] 354 U.S. 234 (1957).

on the allocation of funds for specific course development, research, conferences, endowed appointments, and more—decisions that lie at the core of the University's functions.

It is understandable that donors would wish to see what fruit their generosity has borne and to assure themselves that the funds they donate are directed to their intended use. There is every reason for the Foundation and the University to share that information with and to be appreciative of donor response. These and other outreach efforts are simply good husbandry of funds and of those who so generously give them. But it is quite another matter to give co-determinative power over critical academic decisions to an extra-institutional body.

To be sure, *Sweezey* was addressed to an external intrusion—one imposed upon the university from the outside. But the infringement of institutional autonomy, of its institutional academic freedom, is no less, is indeed more seductive and insidious when an institution accepts an infringement conjoined to largesse. Derek Bok's highlighting of the threat posed by aspects of the commercialization of academic research speaks with even greater force here: "By compromising basic academic principles, universities tamper with ideals that give meaning to the scholarly community and win respect from the public."[18] Such compromises, he noted, have real-world effects.

> Defending these academic values, even at the risk of financial sacrifice, evokes the admiration of students, faculty, and alumni, while building the public's trust in what professors say and do. … Bit by bit [] commercialization threatens to change the character of the university in ways that limit its freedom, sap its effectiveness, and lower its standing in the society.[19]

Simply put, the University of Illinois may not accept funds for an endowed appointment conditioned on the donor's having a voice in the selection of the appointee, even if not a determinative voice.[20] Neither may it give donors a

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[18] DEREK BOK UNIVERSITIES IN THE MARKETPLACE 206 (2003).

[19] *Id.* at 207.

[20] As this report is being written a dispute has arisen concerning the acceptance of a gift by the University of New Mexico from the Roman Catholic Archdiocese endowing a chair in Roman Catholic studies. The gift was conditioned on the Archbishop's designation of members of the chair's search committee, subject to the administration's approval. The gift has been defended in terms echoing the Academy, as contributing to the variety of religious traditions represented on the campus. Richard Wood, *Working With Church Beneficial*, NEW MEXICO DAILY LOBO, July 2, 2007. It has been criticized as necessarily opening the door to any religious group that wants to endow a chair and whose participation in the selection process assures that no appointee likely to be critical of the donor group's policies or practices will be selected. NEW MEXICO DAILY LOBO, June 18, 2007. The Committee considers the latter persuasive: once donor designation is accepted

co-determinative voice in critical academic decisions over curriculum, research, faculty selection, student support, and the like.

III. Conclusions and Recommendations

1. Aspects of the MOA and Governing Document executed on July 20, 2006, are incompatible with the principles and policies that govern the University of Illinois; they are contrary to the conditions "essential to the maintenance of a free and distinguished university." To that extent, implementation of the MOA is not "practical" within the meaning of the MOA.

2. The Academy created by the MOA of July 20, 2006, is premised on the desire to encourage intellectual diversity and civil debate. The Committee endorses that goal wholeheartedly as concordant with the University's reason for being and with the life of the mind within it. Although the Committee concludes that the specific manner in which that goal is to be achieved is inconsistent with fundamental principles governing the University, the Committee earnestly hopes that these donors will decide to contribute to intellectual diversity and civil debate within the University in ways that are consistent with these principles.

3. If the donors wish to foster academic investigation, instruction, and debate at the University of Illinois, the following should be done:

   a. The MOA and Governing Document should be redrafted to eliminate those elements of the Academy's program that do or reasonably could be understood ideologically to predispose its mission.

   b. The MOA and Governing Document should be redrafted to eliminate any operational role for an extramural body.

4. If the MOA and Governing Document cannot be amended in compliance with the above conclusion 3, the "alternative application of assets" provision should be invoked.

5. It is deeply troublesome that the MOA of July 20, 2006—a document so at odds with governing principles and that trenches so deeply into areas of primary faculty responsibility—was negotiated without any consultation with the faculty. It is equally troublesome that the terms agreed to were held in confidence for so considerable a period of time.

The Committee sees, however, no benefit in undertaking a review of the institutional process that led to the execution of the MOA. Instead, it believes that the University and the Foundation should make a clear announcement of the prin-

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there could be no principled ground against its extension well beyond religious groups and purposes.

ciples of institutional neutrality and autonomy that bind it in accepting gifts.[21] Academic as well as administrative officers, deans, directors, and unit heads should regularly be made aware of these principles. Provision should expressly be made for consultation with the campus Senate which, under the University's governing *Statutes*, has "a legitimate concern which justifies its participation" in any future situation where a donor's desires might raise questions under the principles of neutrality and autonomy.

Thomas Ulen, Chair
Swanlund Chair and Professor of Law, College of Law

Matthew W. Finkin
Albert J. Harno and Edward W. Cleary Chair in Law, College of Law

Robert Fossum,
Professor, Department of Mathematics

Barclay Jones,
Professor, Department of Nuclear, Plasma & Radiological Engineering

William Maher,
University Archivist, Professor of Library Administration

Justin Randall,
Student Body President, Department of Political Science

Joyce Tolliver,
Associate Professor of Spanish, Department of Spanish, Italian, and Portuguese

Kathy Young,
Director, Office of Sponsored Programs and Research Administration

[21] Professor Arthur Robinson (Civil Engineering) has pointed out that before funds can be accepted for athletic purposes, donors would surely be made aware of the applicable rules of intercollegiate athletics that bind the university; and that donors of buildings should equally be made aware of applicable architectural restrictions. As he points out, it is no different in kind to inform donors of the principles discussed in this report.

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UK must ensure that no political strings attached

By Ernie Yanarella

The Schnatter-Koch Foundation's $12 million gift to the University of Kentucky College of Business and Economics should be seen for what it is: a subtle effort to further erode academic freedom and to strap corporate power and interests more tightly to academia.

Despite professions that the gift comes with no strings attached, anyone who has followed the strategies and designs of the Koch brothers and other big donors in national politics knows what their goals are.

Charles and David Koch have been joined by other so-called philanthropists in seeking to win congressional districts for right-wing candidates, support lobbying groups and political action organizations to pollute our electoral processes, and create a political environment favorable to corporate and big-money interests to help shape Supreme Court decisions.

Meanwhile, the UK College of Business and Economics continues its favored status with a major expansion and now a major donation to augment its faculty and programs.

Serious students of Eastern and Western Kentucky and Appalachia know that, despite the SOAR initiative, Kentucky's economy remains in dire straits. Entrepreneurism is desperately needed to abet the transition to a post-coal economy.

But, it is doubtful that the Schnatter Institute for the Study of Free Enterprise will contribute much to the needed transformation, given the long shadow of coal cast over this university and the intrusion into academic priorities by America's leading plutocrats.

Issues like economic inequality, the untoward influence of corporate power on public policy, the place of economics and equity within a larger ecological framework affecting climate change, among others, will likely be treated as ideologically impermissible concerns, screened out by the hidden institutional filters embedded in mainstream economics.

How much chance is there that these issues will find favor if a leading member of the Bluegrass Institute, Kentucky's right-wing free market policy institute, is named the director? Who will be selected (or imposed) to serve on the advisory board? Can we even imagine economists like Paul Krugman, Robert Reich or Philip Mirowski being invited to speak in the Schnatter free-enterprise lecture series?

How about a grant proposal analyzing the policy distortions stemming from the corporate-political crushing of the American labor movement and its implications for economic renewal of the working class? How likely is this institute to hire an ecological economist or labor economist working outside of the neo-liberal economic consensus? Or can we imagine funding for a study titled, “whither the middle class in the face of the economic and political power of the one percenters?”

Hope for challenging or modifying the terms of this grant resides in a mobilized faculty using its governance processes to require assurance that “no strings attached” means literally that.

The advisory board should be drawn from faculty researchers from across the colleges. The scope and approaches of grant funding should be open to economic and public policies that include studies of the worker cooperative and other innovative economic arrangements. Humanists and social scientists should be eligible for support for broadly policy-relevant issues and projects.

This gift is being offered as a form of “filthy lucre” in the biblical sense: wealth intended to teach wrongly for the sake of private profit. The Senate Council and University Senate should convert it into something of larger benefit and public gain. They must structure its organization, oversight and distribution of rewards to create a truer marketplace of ideas and policy recommendations for the wider faculty and students, the university, and the citizens of Kentucky.

Ernie Yanarella is professor of political science and former Senate Council chair and faculty trustee at the University of Kentucky.