

## **Senate Academic Organization and Structure Committee (SAOSC) Report on The John H. Schnatter Institute for The Study of Free Enterprise in the Gatton College of Business and Economics.**

The SAOSC met on Wednesday, Sept 14 at 4 PM at 118 Gluck to discuss the proposal for the Schnatter Institute. All SAOSC committee members ( \*) except Prof Kilgore were in attendance. Also attending were Dean Blackwell, author of the proposal, Prof John Garner, putative first director, Prof Aaron Yelowitz, putative first assistant director, Prof Wally Ferrier, faculty in the department, and Prof Ernie Yanarella, a concerned faculty member from the Department of Political Science.

Everyone had read the proposal and Dean Blackwell gave a short summary. Basically the proposal provides for creation of an institute to study capitalism and free enterprise with participation by 5 faculty from several departments in the college. The college will encourage research on the topic as well as host public meetings on the topic. The activity is consistent with and supports ongoing work by several current faculty members. The Institute is made possible by grants totaling \$10M from the Schnatter Foundation and the Koch Foundation. The funds are to be used to provide salary for administrators associated with the institute, graduate student support and fund salaries for hiring 5 faculty members from present to 2022.

The proposal was discussed by college faculty and votes taken by 1) the faculty at large, 2) the elected faculty council and 3) by the faculty in the individual departments in the college.

1. Gatton College faculty meeting: 47 in favor, 12 opposed, 1 abstain
2. Gatton College Faculty Council: 5 in favor, 0 opposed
3. Gatton College faculty (by academic department): 51 in favor, 14 opposed

(Of note, the faculty in the Department of Economics voted 9:8 in support of the proposal.)

Dean Blackwell noted that those who voted against the proposal did not provide letters of objection however from the discussions on the topic he surmised that the objections were related to concerns about outside influence over academic freedom.

Ernie Yanarella provided some written materials to the committee before the meeting and spoke of his concerns that the institute could undermine standard procedures for hiring, evaluating faculty and programs and possibly lead to politically motivated research rather than research arising from scholarly pursuits. He identified the experiences at other institutions where the Schnatter and Koch Foundations had provided funds in exchange for establishment of advisory boards with authority over the institutes and with contractual stipulations for influence on hiring and activities of the institute.

A wide ranging discussion followed led by questions from the committee members. On one hand, Dean Blackwell noted that the contractual arrangements for support of the institute did not repeat the errors that had caused problems at the other institutions. Ernie Yanarella remained concerned that the source of the funds would naturally raise questions about the integrity of the program based on experiences elsewhere.

Questions were asked about the consequences of the Foundations withdrawing support, as was their right under the contract; how would this affect the 4 tenured faculty hires, costs that the university was obligated to maintain. Dean Blackwell responded that he was committed to support of the program, this was consistent with the future development of the college and that they would have resources to support those faculty and their graduate students even in the unlikely event that Foundation support was withdrawn. The provost reiterated this commitment and extended it to his office in his letter of support.

Questions were asked about the subtle pressures of following the wishes of the funders to the detriment of scholarship. Some committee members noted that this was part of funded work by all faculty; we only did the work we were funded to do. Prof Garen responded that the integrity of scholarship was important to him

and that he was most highly motivated to publish respected works. Dean Blackwell reported that he would withdraw from the program if he believed undue influences were being brought to bear on the scholarship of the college. When asked what would constitute undue influences he replied, "Any influence would be undue influence". He pointed out that if this were approved, his would be the first college with an institute for the study of poverty and an institute for the study of free enterprise.

The meeting adjourned at 5:30 PM.

The SAOSC committee met again on Wednesday, September 21, 2016, at 4PM in the Gluck Center to discuss the proposal and to make a recommendation to the Senate Council and Senate. All members of SAOSC were in attendance. After lengthy discussion the following votes were taken:

Motion 1: Recommend approval of the academic status of the institute but also recommend a review of the program at the halfway point of Foundation support (September 2019) of the scholarship and the progress towards goals of the proposal. Votes: 6 yes: 2 no: 1 abstain.

Explanation: This is an appropriate area of study and the creation of the institute should advance the mission of the college and the university. However, there is a documented history of granting agencies attempting to exert undue influences on academic programs in this area. Therefore evaluating the program is warranted after it has been operating for several years.

Another concern was a documented history by other, similarly funded institutes to promote selected information for partisan purposes in public venues, coupled with a lack of transparency regarding faculty affiliation with the institute, that made it appear that the universities endorsed partisan positions. This concern could be adequately addressed if the U.K. Schnatter Institute required all affiliates and grantees to disclose their connection with and support from the Institute in all of their public and scholarly communications. This is a practice routinely followed in the sciences to disclose, or avoid, potential conflicts of interest.

Motion 2: Recommend endorsement of the academic organization, reporting, infrastructure and funding for the institute. Votes: 7 yes: 2 no:

Explanation: As noted above, there was concern about undue influence being exerted on this institute. Dean Blackwell strongly noted that he would walk away from the funding agencies if this occurred. The ability to do so is contingent on being able to support the long-term commitments to tenured faculty hires. Both Dean Blackwell and Provost Tracy indicated that they each had resources which they would call upon in such an unlikely event.

The meeting concluded at 5:30 PM.

Respectfully submitted on behalf of the SAOSC committee: Ernie Bailey, Chair of SAOSC

\*Committee members: Al Cross, Todd Porter, Lisa Vaillancourt, Melinda Wilson, Michael Kilgore, Devananthan Sudharshan, David Atwood, Susan Effgen and Ernie Bailey



**MEMORANDUM**

**Date:** April 15, 2016

**To:** Senate's Academic Organization and Structure Committee (SAOSC)

**From:** David W. Blackwell, Dean, Gatton College of Business and Economics  
John Garen, BB&T Professor for the Study of Capitalism, Department of Economics

**Subject:** Proposal to Endorse the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics

This proposal asks you to endorse establishing the John H. Schnatter Institute for the Study of Free Enterprise ("Schnatter Institute") in the Gatton College of Business and Economics.

Attached to this memorandum is the SAOSC Cover Page, followed by responses to questions found in the SAOSC "Guidelines for Preparing a Proposal for a Change in Organization."

The proposal memorandum will refer to a number of documents which are found in appendixes:

- Appendix A: Proposal to Schnatter Institute donors
- Appendix B: Grant agreements with the John H. Schnatter Family Foundation and the Charles Koch Foundation
- Appendix C: Information requested by AR 1:3; the SAOSC cover page; and the SAOSC "Guidelines for Preparing a Proposal for a Change in Organization"
- Appendix D: Announcement of the January 29, 2016 faculty meeting to discuss formation of the Schnatter Institute; faculty meeting agenda; list of attendees
- Appendix E: Agenda for the Gatton Operating Committee meeting on February 16, 2016
- Appendix F: Communication to Gatton College faculty soliciting letters of support or opposition; letters of support from Gatton College faculty members, Mark Kornbluh, Dean of Arts and Sciences, and Tim Tracy, Provost
- Appendix G: Qualifications of faculty members wishing to affiliate with the Schnatter Institute
- Appendix H: Op-ed piece on the role of the Schnatter Institute written by John H. Schnatter appearing in the Lexington Herald-Leader on December 28, 2015
- Appendix I: Letter of support from the Gatton College Dean's Advisory Council and roster of council members attending and voting at the April 15, 2016 meeting
- Appendix J: Letter of support from Dean David W. Blackwell
- Appendix K: Selected list of universities receiving support from the Charles Koch Foundation

## Background

For nearly 10 years faculty members in the Department of Economics have been studying the impact of capitalism and free enterprise on society under the auspices of the BB&T Program for the Study of Capitalism with a \$500,000 grant from BB&T and a number of smaller grants from the Charles Koch Foundation. Examples of activities supported under this program include

- Fellowships for Ph.D. students studying free enterprise;
- Research grants to faculty members in the Department of Economics;
- Undergraduate discussion groups;
- Recent development of a new course, ECO 379, The Economics of Public Policy, Law, and Government; and
- Various guest lecturers and speaking events (e.g., most recently, Professor Alex Taborrok from George Mason University; John Allison, former CEO of BB&T; and a multi-disciplinary faculty panel discussion about economic regulation using the case of Wildcat Moving as an example).

Given the pattern of success of the faculty participating in these initiatives, the Gatton College of Business and Economics sought funding from the Charles Koch Foundation (“Koch Foundation”) and the John H. Schnatter Family Foundation (“Schnatter Foundation”) after learning that Mr. Schnatter might be interested in supporting expansion of the program at the University of Kentucky and leveraging potential matching funds from the Koch Foundation.

After a number of discussions with the donors, the Gatton College submitted a proposal document that served as a basis for the charitable grant and that will guide the activities of the Schnatter Institute. That document appears as Appendix A.

As stated in the proposal document, the mission of the Schnatter Institute is

- To gain deep, accurate, and objective understandings of private enterprise vis-à-vis other systems of organizing the economy and society.
  - Address material and non-material well-being in society and consider the moral and ethical foundations of free enterprise.
  - Study the role of government in society.
- To engage the academic and university communities and the public in a serious and sustained examination of capitalism and the numerous ways in which it affects our lives.
- To broaden perspectives regarding economics, economic history, public policy and the law.

The Schnatter Institute will be supported by charitable grants totaling \$10 million from the John H. Schnatter Family Foundation (\$6 million) and the Charles Koch Foundation (\$4 million), paid from 2015 through 2020. The gift was accepted by unanimous approval of the University of Kentucky Board Of Trustees on December 15, 2015. The charitable grant agreements with both foundations are in Appendix B of this memorandum (note that the Schnatter Foundation agreement is an appendix to the Koch Foundation agreement). The foundation agreements specify payment schedules for the grants and an agreed budget for use of the funds.

The Schnatter Institute is proposed as a “multidisciplinary research center” (“MDRC”) under AR 1:3, which is considered an “educational unit” under Senate rules. The Schnatter Institute will house no degree program and will perform no mandated government function. It will hire no faculty members. Its formation is subject to approval by the Board of Trustees under recommendation from the President as recommended by the Provost after consulting the Vice President for Research. Since the Schnatter Institute is defined as an educational unit under Senate rules, the University Senate advises the President on establishing the institute and either endorses or fails to endorse its formation.

The institute will operate according to normal UK policies, processes, and shared governance:

- The institute will report to the Dean’s office, similar to other centers in the Gatton College such as the Von Allmen Center for Entrepreneurship and the Don and Cathy Jacobs Executive Education Center
- Faculty members hired under with institute funds will be housed in up to three different academic units in the Gatton College and will be hired and evaluated according to normal practices of those units
- Doctoral student support will be granted according to normal departmental practices
- Any courses and curriculum proposed by institute-affiliated faculty will be housed in an academic unit and will be subject to normal vetting and approval processes by faculty and the University Senate
- We will follow normal charitable gift stewardship or grant expenditure reporting practices, to include annual reporting of institute activities and appropriate engagement to thank and continue to cultivate the donors

Appendix C contains several documents that summarize information requested about the institute in different venues. This information is drawn from the original proposal to the donors (Appendix A), the grant agreements (Appendix B), or is found in other appendixes to this memorandum:

- MDRC proposal in the format spelled out in AR 1:3, V.A.
- SAOSC guidelines from the “Cover Page for Changes to Academic Organization or Structure of an Educational Unit”
- The list of questions suggested in the SAOSC “Guidelines for Preparing a Proposal for Change in Organization”

#### Summary of Activities of the Schnatter Institute

As mentioned above, a detailed description of institute activities appears in Appendix A. An abbreviated summary appears below:

#### **Faculty members hired or supported with institute funding**

- Faculty activities include research, teaching, and community outreach to further the institute goals. Increasing the number of faculty members greatly enhances our ability to accomplish our mission

- The expected impact is a noteworthy increase in the quantity and quality of research on topics of interest to the Institute, and the public awareness of the issues and perspective of the Institute, as well as substantial growth in our engagement with students, the business community, and the public

#### **Research support**

- A research associate will support the faculty in their efforts, assist them in producing versions of their work that is understandable to the public, and produce less technical research for public consumption
- Business and economics faculty summer research grants for faculty and graduate students
- Research grants to faculty members outside of the Gatton College or the University for institute-related research
- Faculty and graduate student travel to professional or academic conferences

#### **Doctoral student support**

- Doctoral fellowships
- Conference travel

#### **Undergraduate programs**

- Undergraduate reading group: extracurricular readings/discussion of historical or topical material on free enterprise
- Undergraduate research program: support to guide undergraduates in undertaking research projects
- Development of coursework/certificate in philosophy, politics, and economics
- Development of undergraduate certificate in entrepreneurship

#### **Community, Industry, and Academic Outreach**

- Biannual high profile speaker event: well-known speaker to present to a campus- and community-wide audience on free enterprise
- Biannual academic policy conference/forum: academic-style conference with research papers and discussants on a topic of interest to the Institute.
- Development of executive education program in free enterprise

#### The Vetting Process and Responses

The proposed Schnatter Institute has been thoroughly vetted both in preparation for the formal gift acceptance by the Board of Trustees and pursuant to the SAOCS process.

Prior to the December 15, Board of Trustees meeting, Dean Blackwell and/or Professor Garen consulted informally with a number of groups:

- full professors in the Department of Economics;
- the Gatton Faculty Council;

- the Gatton College Operating Committee (including all department chairs and associate deans);
- UK faculty trustees and the Chair of the Senate Council; and
- the Gatton Dean’s Advisory Council (consisting of Gatton alumni and business leaders).

These groups expressed support for moving forward with the acceptance of the charitable grants (without formal votes), but we also discussed concerns over academic freedom and integrity issues related to the gift and the proposed institute at length. These issues and other concerns expressed about formation of the institute are discussed in more detail below.

After the Board of Trustees approved accepting the charitable grants, the Gatton College conducted a formal vetting process in the spring 2016 semester. The vetting activities and a summary of the outcomes are described below. Note that everyone involved in the meetings were provided copies of the donor grant agreements and other materials describing institute activities:

- A lengthy discussion and vote by secret ballot at the January 29, 2016 Gatton College faculty meeting (see faculty meeting agenda and related communications, Appendix D). Chair of the Senate Council, Professor Andrew Hippisley attended the meeting, heard our discussion, and witnessed the vote.
  - All faculty members were invited, including tenured, tenure-track, non-tenure track, and faculty members from other colleges with joint appointments (101 faculty members).
  - The meeting was attended by 66 faculty members. Appendix D includes the sign-in sheet for faculty members attending the meeting.
  - Fifty-nine (59) faculty members voted by secret ballot on the question of supporting formation of the Schnatter Institute: 47 in favor, 12 opposed, and 1 abstention. Thus, 79.66 percent of the Gatton College faculty attending the meeting voted to support formation of the Schnatter Institute.
- Dean Blackwell requested that each department separately consider the proposal and to report departmental votes during the week of February 8, 2016. Departments opened voting to tenured faculty, tenure-track faculty, and full-time non-tenure track faculty. All votes were taken by secret ballot. By majority vote, each academic unit voted to endorse establishment of the institute (81 percent of eligible faculty members participated in the voting). Overall, 78 percent of the voting faculty and 64 percent of all faculty support endorsing the Institute. This vote is consistent with the strong majority vote at the January 29 Gatton College faculty meeting. A summary of the voting appears below:

Gatton College Voting on Endorsement to Establish the John H. Schnatter Institute						
Unit	Yes	No	#Faculty	%voting	%yes (voting)	%yes (total)
Accountancy	13	2	20	75%	87%	65%
Economics	9	8	17	100%	53%	53%
Finance and Quantitative Methods	12	0	14	86%	100%	86%
Management	9	2	15	73%	82%	60%
Marketing and Supply Chain	8	2	14	71%	80%	57%
<b>Total</b>	51	14	80	81%	78%	64%

- On February 16, 2016 at 12:00 PM Dean Blackwell met with the Gatton College Operating Committee, consisting of department chairs and associate deans. Attending the meeting were Ken Troske (Senior Associate Dean), Scott Kelley (Associate Dean for Undergraduate Affairs), Urton Anderson (Director, Von Allmen School for Accountancy), Bill Hoyt (Chair, Department of Economics), Brad Jordan (Chair, Department of Finance and Quantitative Methods), Dan Brass (Chair, Department of Management), and David Hardesty (Chair, Department of Marketing and Supply Chain). The formation of the Schnatter Institute was on the agenda for consideration (see Appendix E). After discussion, a vote was taken by secret ballot. The vote in favor of supporting the formation of the institute was unanimous (7-0).
- On February 16, 2016 at 3:30 PM Dean Blackwell and Professor Garen met the Gatton Faculty Council and Gatton College members of the University Senate (there is significant overlap between these groups). Those attending the meeting were Gatton Faculty Council members Paul Childs, David Hulse, Yoonbai Kim, John Pelozza, Wally Ferrier and other members of the University Senate Ana Maria Herrera, Devanathan Sudharshan, and Sean Pepper. After discussing the proposed formation of the Schnatter Institute, Dean Blackwell asked for a vote of the Gatton Faculty Council members (n=5) by secret ballot. The vote in favor of supporting formation of the institute was unanimous (5-0).
- On April 5 Dean Blackwell solicited letters of support or opposition to formation of the institute. The communication soliciting the letters is in Appendix F along with copies of the letters that were received. Dean Blackwell received 13 letters, all supporting formation to the institute. While all of the letters were supportive, several of them countered the opposing views expressed at the Gatton College faculty meeting on January 29.
- Mr. Schnatter's vision for the institute summarizes how he expects the institute to help the people of Kentucky. A recent editorial published by Mr. Schnatter appears in Appendix H. Further, the Dean of the Gatton College requested a vote by secret ballot of the members of the Dean's Advisory Council ("DAC"), consisting of Gatton College alumni, local and national business leaders, and community leaders. The vote of DAC members attending the April 15, 2016 meeting was unanimous in favor of the institute. A list of DAC members attending the meeting and a summary letter from the Chair of the DAC, Mr. Geoffrey Rosenberger, is included in Appendix I.

Given that the BA in Economics is administered by the College of Arts and Sciences (although the Economics courses are taught by Gatton College faculty members) and given potential collaborations of the institute and educational units in the College of Arts and Sciences, Dean Blackwell requested a letter of support from Mark Kornbluh, Dean of the College of Arts and Sciences. Dean Kornbluh supports formation of the institute and welcomes the potential collaborations. His letter is found in Appendix F.

Given the requirements of AR 1:3, we requested a letter of support from Provost Tracy. His letter is also found in Appendix F.



### Opposing Viewpoints on the Proposed Schnatter Institute

While a strong majority of the Gatton College faculty members support forming the institute, there are opposing viewpoints. All of the votes were conducted by secret ballot and no one opposing the formation as expressed through their votes wrote a letter in opposition. Nonetheless, it is possible to infer the likely concerns of those expressing opposition through their votes from our recollections of the discussions at the various meetings. We summarize those concerns below:

1. Faculty members in academic departments supported with institute funds will be reluctant to publish research that could be perceived as inconsistent with the supposed political views of the donors for fear of jeopardizing continued donor support. [academic freedom]
2. Will the donors have any influence over the hiring or evaluation of faculty members supported by institute funds? [influence of donors on hiring]
3. Will the donors have any influence over the admission of graduate students who might be supported with institute funds? [graduate student admissions]
4. Since the grant funding can be halted at the donors' request, how is the institute sustainable and does the risk of losing the funding affect the perceived academic freedom of faculty or graduate students affiliated with the institute? [financial sustainability]
5. Are there adverse reputational impacts to the Gatton College of accepting funding from the Charles Koch Foundation? [reputational effects]

The broader support of the Gatton College faculty reflects responses to these concerns in the various venues for discussion by Dean Blackwell, Professor Garen, Professor Bill Hoyt (Chair of Economics), and other faculty members. Responses are summarized below, issue by issue:

Academic freedom. Both donor agreements espouse the overriding importance of academic freedom. The mission of the Schnatter Institute is best served by research that is conducted with the normal high standards of integrity, objectivity, and scientific rigor. Faculty members affiliating with the institute will be expected to address broad research questions related to the mission of the institute and to approach those questions with appropriate research methods that result in the findings being published in leading peer-reviewed academic journals. Normal incentives and rewards for such publication apply. The research of faculty affiliates of the institute will be subject to evaluation based on existing high standards of the Gatton College and according to normal procedures, independent of any sources of funding for that research.

Influence of donors over hiring. The donors will have no influence over hiring. Faculty members will be hired into existing academic departments. Hiring of faculty members to be affiliated with the institute will follow normal departmental procedures other than that the director of the institute will serve on the search committees. We will be advertising institute affiliation in our faculty searches to be completely transparent and to attract applications from faculty members who have an interest in research questions associated with the institute's mission and who otherwise have demonstrated

excellence and impact in their research. Normal high standards for hiring faculty members will be enforced as usual by search committees, department chairs, and the dean.

Graduate student admissions. The donors will have no influence over the admission of doctoral students. Doctoral students will be recruited without regard to potential institute affiliation under our normal processes. If the research direction of any doctoral students draws them toward research questions of interest to the institute after they arrive, then they would be able to apply for institute support.

Financial sustainability. The grants from the Schnatter and Koch Foundations are intended as seed funding and are annually renewable, similar to other grants in the Gatton College (including those from Federal and state agencies). We will follow normal charitable gift stewardship/grant reporting practices, to include annual reporting of institute activities and of grant expenditures. These reports are mentioned in the grant agreements. We will engage in normal engagement with the donors to thank them and continue to cultivate them for future grants. Further, the Gatton College and the Schnatter Institute intends to continually seek other philanthropic or grant support to sustain the institute beyond the initial five years of the Schnatter and Koch grants. It is our intent to develop a track record of success in attracting quality faculty members, generating research that is published in leading peer-reviewed outlets, and hosting intellectually stimulating outreach events. We believe these successes will attract additional sustaining funding. If we are not able to augment or achieve renewal of the grant funds based on our performance, we are under no obligation to continue activities of the institute. The Dean of the Gatton College of Economics has agreed to provide space to house the institute administration and will support faculty members hired or graduate students funded under that auspices of the institute through their natural progressions in the unlikely event of a loss of funding or failure to procure sustaining funding externally. The Dean's letter is in Appendix J.

Reputational effects. At least 250 universities have received and continue to receive funding from the Charles Koch Foundation for the study of free enterprise and capitalism, as well as humanitarian initiatives. If we follow our principles of academic freedom, academic integrity, and research excellence, the expansion of our faculty and their teaching, research, and outreach activities under the auspices of the institute will bring great credit to the Gatton College and the University of Kentucky. As seen in Appendix K, there are many prominent universities receiving funding from the Charles Koch Foundation. If anything, we expect our reputation to be enhanced based on the accomplishments of the institute and by being associated with outstanding research universities such as those appearing on the list.

## COVER PAGE FOR CHANGES TO ACADEMIC ORGANIZATION OR STRUCTURE OF AN EDUCATIONAL UNIT

The Senate’s Academic Organization and Structure Committee (SAOSC) is tasked by the University Senate with the review of proposals to change academic organization or structure. The information needed by the SAOSC for the review of such proposals is set forth in *Senate Rules 3.4.2.A.5*<sup>1</sup>.

The SAOSC has developed a set of guidelines (from the *Senate Rules*) that are intended to ease the task of proposal submission (available at <http://www.uky.edu/Faculty/Senate/forms.htm>). As proposal omissions usually cause a delay in the review process, the individual(s) responsible for the proposal is (are) urged to familiarize themselves with these guidelines before submitting their proposals for review. In particular, the individual responsible for the proposal must fill out Sections I, II and III of this form, as well as include statements and documentation that provide a full accounting of the items a - i, below.

- a. Disposition of faculty, staff and resources (financial and physical);
- b. Willingness of the donating units to release faculty lines for transfer to a different educational unit;
- c. Consultation with the faculty of the unit to which the faculty lines are proposed to be transferred;
- d. Consultation with the faculty of educational unit that will be significantly reduced;
- e. Summary of votes and viewpoints (including dissents) of unit faculty and department/college committees;
- f. Ballots, votes expressing support for or against the proposal by unit faculty and staff and committees;
- g. Letters of support or opposition from appropriate faculty and/or administrators; and
- h. Letters of support from outside the University.

### Section I – General Information about Proposal

One- to two-sentence description of change:	To create a new multi-disciplinary research center/institute: the John H. Schnatter Institute for the Study of Free Enterprise.			
Contact person name:	John Garen/ David Blackwell	Phone:	257-3581/ 257-8939	Email: jgaren@uky.edu/ dblackwell@uky.edu
Administrative position (dean, chair, director, etc.):	Professor of Economics; Dean of Gatton College			

### Section II – Educational Unit(s) Potentially Impacted by Proposal

Check all that apply and name the specific unit(s).	
<input checked="" type="checkbox"/>	Department of: Economics; Finance and Quantitative Methods
<input type="checkbox"/>	School of:
<input checked="" type="checkbox"/>	College of: Business and Economics
<input type="checkbox"/>	Graduate Center for:
<input type="checkbox"/>	Interdisciplinary Instructional Program:
<input checked="" type="checkbox"/>	Multidisciplinary Research Center/Institute: John H. Schnatter Institute for the Study of Free Enterprise

### Section III – Type of Proposal

Check all that apply.
-----------------------

<sup>1</sup> Items a-i are derived from *Senate Rules 3.4.2.A.5*. The Senate Rules in their entirety are available at [http://www.uky.edu/Faculty/Senate/rules\\_regulations/index.htm](http://www.uky.edu/Faculty/Senate/rules_regulations/index.htm).)

**COVER PAGE FOR CHANGES TO ACADEMIC ORGANIZATION OR STRUCTURE OF AN EDUCATIONAL UNIT**

<i>A. Changes</i>	
<input type="checkbox"/>	Change to the name of an educational unit.
<input type="checkbox"/>	Change to the type of educational unit (e.g., from department to school).
<i>B. Other types of proposals</i>	
<input checked="" type="checkbox"/>	Creation of a new educational unit.
<input type="checkbox"/>	Consolidation of multiple educational units.
<input type="checkbox"/>	Transfer of an academic program to a different educational unit.
<input type="checkbox"/>	Transfer of an educational unit to a different reporting unit.
<input type="checkbox"/>	Significant reduction of an educational unit.
<input type="checkbox"/>	Discontinuation, suspension or closure of an educational unit.
<input type="checkbox"/>	Other (Give a one- or two-sentence description below; a complete description will be in the proposal).

**Section IV is for internal use/guidance.**

**Section IV – Guidance for SAOSC, Senate Council and University Senate**

***SAOSC Review of Type A Proposals (Changes to Type of, or to Name of, an Educational Unit)***

- ✓ SAOSC review of proposal.
- ✓ SAOSC recommendation for an additional or joint review by other Senate committee(s) (e.g. Senate's Academic Programs Committee).

***SAOSC Review of Type B Proposals (All Other Changes)***

- ✓ SAOSC review of proposal.
- ✓ SAOSC recommendation for an additional or joint review by other Senate committee(s) (e.g. Senate's Academic Programs Committee).
- ✓ SAOSC review of proposals for creation, consolidation, transfer, closure, discontinuation, or significant reduction and educational unit, or transfer of an academic program to a different educational unit (attach documentation).
- ✓ Program review in past three years (attach documentation).
- ✓ Request to Provost for new program review (attach documentation).
- ✓ Open hearing (attach documentation).
  - SAOSC information must be shared with unit 10 days prior to hearing.
  - Open hearing procedures disseminated.

***Voting by SAOSC, Senate Council and University Senate***

- ✓ Endorse (or do not endorse) the academic organization, reporting, infrastructure, etc.
  - This vote is taken by the SAOSC, SC and Senate for every SAOSC proposal.
- ✓ Approve (or do not approve) the academic status or content of academic program.
  - This vote is taken by the SAOSC, SC and Senate only when the review involves an MDRC.

## **The John H. Schnatter Institute for the Study of Free Enterprise**

### Questions from SAOSC “Guidelines for Preparing a Proposal for Change in Organization”

1. What is the impetus for the proposed change?

The background for the change is found in the first section (“Background”) of the proposal memorandum to the SAOSC. After 10 years of conducting research and outreach activities related to the study of capitalism and free enterprise, the Gatton College sought and obtained significant grant funding from the John H. Schnatter Family Foundation and the Charles Koch Foundation to expand those activities under the auspices of the John H. Schnatter Institute for the Study of Free Enterprise.

2. What are the benefits and weaknesses of the proposed unit with specific emphasis on the academic merits for the proposed change?

The proposed unit enables effective administration of the grant funds toward research, teaching, and outreach activities related to the institute mission. The institute also facilitates enhanced branding and recognition of institute activities. The institute will report to the Dean of the Gatton College of Business and Economics for strategic guidance and oversight.

The institute will house activities that have been conducted for 10 years by various faculty members in the Gatton College. The academic merits of these activities have been established by the accomplishments of those faculty members over that period. Since the grants support expanded activity, the academic merits will be enhanced.

3. Describe the organization of the current structure and how the proposed structure will be different and better. Current and proposed organizational charts are often helpful in illustrating reporting lines.

Not applicable to this proposal since we are creating the unit. This institute will report to the Dean’s office similar to other units with significant outreach activities such as the Von Allmen Center for Entrepreneurship and the Don and Cathy Jacobs Executive Education Center.

4. How does the change fit with department, college, and/or university objectives and priorities?

The Gatton College and University strategic plans call for advancement of teaching, research, outreach, and graduate education. As outlined in the more detailed proposal, the Schnatter Institute contributes to all of these priorities.

5. How does this change better position the proposers relative to state and national peers, as well as University Benchmark Institutions? How does the change help UK meet the goals of its strategic plan?

The institute funds five new faculty hires, research support for faculty and graduate students, and expansion of outreach activities. The extra visibility and research productivity from institute funds will improve our standing relative to our strategic benchmark institutions. Over 250 universities have received funding for similar initiatives from the Charles Koch Foundation, including such esteemed institutions as Dartmouth, Duke, Georgia Tech, Harvard, Indiana, Johns Hopkins, Ohio State, Penn State, Maryland, UNC Chapel-Hill, University of Pennsylvania, and University of Virginia.

6. Who are the key personnel associated with the proposed unit? Provide qualifications of these personnel in a brief form.

Several faculty members from the Gatton College have currently expressed interest in affiliating with the institute. They are listed in Appendix G with a summary of their qualifications.

7. Discuss leadership and selection process for appointing a chair, a director, or interim leader and search process, etc.

Professor John Garen will be designated as the founding director and Professor Aaron Yelowitz will serve as associate director. The Dean will recommend Professor Garen's appointment to the Provost for approval after consultation with the Chair of the Department of Economics and the faculty affiliates of the institute. Professor Garen will recommend appointment of Professor Yelowitz to the Dean after consultation with the Chair of the Department of Economics and the faculty affiliates of the institute. Professor Garen will be recommended based on his long experience in leading the BB&T Program for the Study of Capitalism and his leading role in proposing the institute to the donors and obtaining the initial grant support.

8. What is the function of the faculty/staff associated with the proposed change and how is that relationship defined? Discuss DOE, adjunct, full-time, voting rights, etc.

Any faculty member may choose to affiliate with the institute by mutual agreement with the institute director. It is expected that faculty members receiving research support from the institute will identify as affiliates. Affiliation with the institute is not associated with any change of the faculty member's relationship with their academic unit. There is no DOE change related to becoming a faculty affiliate. Once the institute is approved by the Board of Trustees, we plan to form an external advisory board for the institute to guide institute strategy and to facilitate fund raising activity.

9. Will the proposed change involve multiple schools or colleges?

There is no formal organizational link to another school or college. The institute, however, welcomes interested faculty affiliates from academic units other than the Gatton College.

10. If the proposed change will involve transferring personnel from one unit to another, provide evidence that the donor unit is willing and able to release the personnel.

There will be no transfer of personnel from one unit to another as a result of this change. The director and associate director of the institute may be permitted to buy out teaching time from their department by mutual agreement with the department chair to support the administration of the institute.

11. What is the arrangement of faculty associated with the proposed change and how is that relationship defined? Discuss faculty DOE and status as adjunct, tenure track, or tenured. Describe the level of faculty input in the policy-making process including voting rights and advisory.

The relationship of a faculty member to the institute is an informal affiliation by mutual agreement. The institute does not house any faculty members. Faculty members who choose to affiliate with the institute will be expected to provide informal guidance to the director on institute activities. There are no formal voting rights associated with institute affiliation.

12. Discuss any implications of the proposal for accreditation by SACS and/or other organizations.

There are no implications for SACS accreditation of the university or AACSB accreditation of the Gatton College.

13. What is the timeline for key events in the proposed change? Student enrollments, graduates, moved programs, closed courses, new faculty and staff hires, etc.

The formation of the institute will be announced as soon as the Board of Trustees approves, but we expect later in 2016. Some institute activities are planned provisionally as permitted under AR 1:3, but will be conducted in collaboration with the existing BB&T Program for the Study of Capitalism. The five faculty members to be hired with grant funds will be recruited as soon as practicable but we expect to complete hires to start by academic year 2018.

14. If the proposal involves degree changes, describe how the proposed structure will enhance students' education and make them more competitive. Discuss the impact on current and future students. State assumptions underlying student enrollment growth and describe the plans for student recruitment.

No degree changes are involved with this proposal.

15. Include evidence that adequate financial resources exist for the proposed unit to be viable.

As outlined in the grant agreements in Appendix B, the donors are providing \$10 million in operating funds through 2020. The schedule of fund disbursements appears in the grant agreements.

16. A general description of the new costs and funding should be provided. A letter from the Provost, Dean, or other relevant administrators may affirm commitment to provide financial resources as appropriate. An exhaustive budget is not expected.

Below are appropriate excerpts from the grant agreements showing the schedule for receipt of funds and a general outline of how the funds are to be used. The Dean of the Gatton College of Economics has agreed to provide space to house the institute administration and will support faculty members hired or graduate students funded under that auspices of the institute through their natural progressions in the unlikely event of a loss of funding or failure to procure sustaining funding externally. The Dean's letter is in Appendix J.

**Koch Foundation Grant**

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$4,000,000</b>



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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$4,000,000</b>

### **Schnatter Foundation Grant**

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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$6,800,000</b>

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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$6,000,000</b>

17. The proposal should document any faculty votes and departmental or school committee votes as appropriate leading up to this point in the process. The SAOSC recommends that faculty votes be by secret ballot. Include in your documentation of each vote taken the total number of eligible voters and the number that actually voted along with the break-down of the vote into numbers for, against and abstaining. A Chair or Dean may appropriately summarize supporting and opposing viewpoints expressed during faculty discussions.

The Gatton College conducted discussions with various groups and requested votes from these groups by secret ballot. The votes are summarized below:

- Gatton College faculty meeting: 47 in favor, 12 opposed, 1 abstain
- Gatton College Faculty Council: 5 in favor, 0 opposed
- Gatton College Operating Committee: 7 in favor, 0 opposed
- Gatton College faculty (by academic department): 51 in favor, 14 opposed
- Gatton Dean's Advisory Council: 22 in favor, 0 opposed

The votes of the Gatton faculty, Gatton academic departments, and other relevant groups as well as a summary of opposing viewpoints are summarized and described in more detail in the proposal memorandum. Letters of support for the institute appear in Appendix F.

18. The committee will want to see evidence of academic merit and support from key parties.

Thirteen (13) letters of support describing the academic merits of the institute appear in Appendix F.

19. Letters of support (or opposition) are encouraged from the relevant senior faculty and administrators. Relevant faculty and administrators include those in units directly involved in the proposed change (including existing units from which a new unit may be formed.)

As documented in the proposal memorandum, the department chairs and associate deans of the Gatton College voted unanimously to support the institute. The department chairs of the departments to be most directly impacted by the institute (Economics—Professor Bill Hoyt; Finance and Quantitative Methods—Professor Brad Jordan) wrote letters of support seen in Appendix F.

20. Indicate how the new structure will be evaluated as to whether it is meeting the objectives for its formation. Timing of key events is helpful.

The success of the institute will be defined by the successes of the faculty members and graduate students supported by institute funding (publications, conference presentations, grant funding, doctoral student placements, etc.) and by attendance at

and visibility of the outreach events. Each year the institute will develop a report of institute accomplishments to be reviewed by the Dean of the Gatton College and which will be discussed with the donor foundations. Further, the Director of the Schnatter Institute and the Dean of the Gatton College will continually pursue additional external funding to support institute activities. The success of the fund raising activity will be a strong reflection of the institute's success.

21. Letters of support from outside the University may be helpful in understanding why this change helps people beyond the University.

Mr. Schnatter's vision for the institute summarizes how he expects the institute to help the people of Kentucky. A recent editorial published by Mr. Schnatter appears in Appendix H. Further, the Dean of the Gatton College requested a vote by secret ballot of the members of the Dean's Advisory Council ("DAC"), consisting of Gatton College alumni, local and national business leaders, and community leaders. The vote of DAC members attending the April 15, 2016 meeting was unanimous in favor of the institute. A list of DAC members attending the meeting and a summary letter from the Chair of the DAC, Mr. Geoffrey Rosenberger, is included in Appendix I.

## APPENDIX A

# Proposal for the “Institute for the Study of Free Enterprise”

## Perspective

- History shows that capitalism/free enterprise has been the source of unprecedented prosperity and human flourishing.
- It is important to discover and understand aspects of capitalism that promote the well-being of society.
- Understanding the role of governmental/legal/political institutions is important as well.
- The program will work toward these understandings in an intellectually rigorous way.

## Overarching Goals

- To gain deep, accurate, and objective understandings of private enterprise vis-à-vis other systems of organizing the economy and society.
  - material and non-material well-being; moral and ethical issues
  - role of government in society
- To engage the academic and university communities and the public in a serious and sustained examination of capitalism and the numerous ways in which it affects our lives.
- To broaden perspectives regarding economics, economic history, public policy and the law.

## Faculty Positions

- Faculty activities include research, teaching, and community outreach to further the Institute goals. Increasing the number of Institute faculty members greatly enhances our ability to accomplish our mission.
- More faculty members enable more high quality, academic research, which cements the reputation of the Institute and provides a rigorous starting point for student and community education.
- Additional faculty members will be utilized in the myriad of ways that we plan to increase teaching and community outreach, including:
  - Additional Institute-related courses for undergraduates
  - Other related activities such as undergraduate and graduate reading groups, executive education, certificate programs, and organizing policy forums.
  - Advising graduate students and direction of doctoral dissertations. Additional faculty members will play a key role in engaging more graduate students with the Institute.
- Engagement with disciplines outside economics is important as well. This applies especially to the closely related field of finance, which deals with topics of great interest to the Institute, e.g., corporate governance, regulation of financial markets, the banking industry, and monetary policy.
- The expected impact is a noteworthy increase in the quantity and quality of research on topics of interest to the Institute, and the public awareness of the issues and perspective of the Institute, as well as substantial growth in our engagement with undergraduate and graduate students.

## Research Support

- Research associate
  - This position is to support the faculty in their efforts, assist them in producing versions of their work that is understandable to the public, and produce less technical research for public consumption.
  - This work is important in bringing the research of the Institute to the public in clear and understandable ways.
  - This raises the visibility of the Institute and more effectively brings the Institute's perspective to the public.
  
- Business and economics faculty summer research grants
  - Summer research grants to engage and support current Institute faculty affiliates with their research, as well as other faculty members who wish to engage in Institute-related research.
  - Continued engagement with faculty members enhances the Institute's impact as noted above; greater research, more public notice, and greater reach to undergraduate and graduate students.
  
- External faculty research grants
  - Research grants to faculty members outside of the Gatton College or the University for Institute-related research.
  - Institute faculty affiliates have worked with and know of a number of scholars outside the College and University whose work can help with Institute goals.
  - Engaging with and supporting these individuals helps build the reputation of the Institute beyond the Gatton College and UK.
  
- Faculty travel to professional or academic conferences
  - Travel expenses to professional conferences for faculty members discussing or presenting on Institute-related issues.
  - Faculty presence at relevant meetings is important in building and enhancing the reputation of the Institute.
  - We anticipate that the greater notice by the academic world will work to enhance the general public reputation of the Institute and further our mission.

## Doctoral Student Support

- Doctoral fellowships
  - Fellowships, with the appropriate stipend and mix of teaching and research duties, to attract and support outstanding doctoral students through their program at UK.
  - Graduate education is an important avenue of impact for the Institute; to present the Institute perspective to graduate students and to direct research of doctoral students in relevant topics.
  - Doctoral student research is an important part of the overall research mission of the Institute. Additionally, doctoral students typically go on to teach at other colleges and universities and have an impact there.

- Conference travel
  - Travel support to professional conferences for doctoral students.
  - Enhance modest University travel support and enable doctoral student to travel to appropriate conferences to present their work, gain valuable feedback, and build their network.
  - The above will enable our doctoral students to more effectively publish their work, improve their job prospects, and help in extending the impact of the Institute and Institute-related research.

## **Undergraduate Programs**

- Undergraduate reading group
  - Extracurricular readings/discussion of historical or topical material on free enterprise.
  - This supplies a forum for students to discuss free enterprise in the context of important historical or current writings.
  - This provides undergraduates with a broader perspective on economics and policy.
- Undergraduate research program
  - Support to guide undergraduates in undertaking research projects.
  - Presently, there is little support for undergraduate research and there are numerous undergraduates who wish to engage in research about free enterprise.
  - With this program, undergraduates would be able to more meaningfully engage in the policy debates/discussions that are of interest to the Institute and others.
- Development of coursework/certificate in philosophy, politics, and economics
  - These courses bring together historical and current thought in political philosophy, politics and policy, and economics that gives students a broad overview of free enterprise.
  - Students in economics, political science, philosophy, and other disciplines get little exposure to the inter-related aspects these areas, nor their historical development. Such a program will fill this gap and, by providing a certificate, is likely to be popular with students.
  - The coursework will substantially enhance exposure and discussion of ideas related to free enterprise.
- Development of undergraduate certificate in entrepreneurship
  - Entrepreneurship is the lifeblood of free enterprise. The certificate brings together topics in management, finance, and economics that contribute to the understanding and practice of entrepreneurship.
  - This certificate program will enable a significant enhancement of the College's entrepreneurship initiatives and will be supported with additional College funding.
  - Students will understand the important role of entrepreneurs in a free-enterprise economic system and be equipped to undertake new business and social enterprises.

## Community, Industry, and Academic Outreach

- Biannual high profile speaker event
  - Well-known speaker to present to a campus- and community-wide audience on free enterprise.
  - This event enables a highly visible public discussion of free enterprise.
  - Greater visibility brings more public exposure to free enterprise and enhances the reputation of the Institute.
- Biannual academic policy conference/forum
  - Academic-style conference with research papers and discussants on a topic of interest to the Institute.
  - Such a conference provides a venue to present Institute research to outside faculty members and to facilitate UK faculty members learning from other scholars.
  - The conference will enhance the reputation of the Institute on campus and across the academic world, and enable more professional engagement by our faculty members and students.
- Development of executive education program in free enterprise
  - Presentations/discussions on the nature of free enterprise, as well as controversies surrounding it.
  - Many in the business world have not seen such discussions and are left with dealing with a lot of confusing material in the media and elsewhere. This program would serve to clear away a lot of the myths about economics and free enterprise and present a clear picture of the issues.
  - This enables clearer and better appreciation by business and community leaders of issues and tradeoffs in economic policy.

## Institute Administration

- Director stipend (faculty member)
  - Stipend to compensate the director of the Institute.
  - Director duties are substantial and go well beyond the normal academic responsibilities.
  - The director will thus be able to devote appropriate time and energy to building and promoting the Institute.
- Associate director stipend (faculty member)
  - Stipend to compensate the associate director of the Institute.
  - An associate director will be needed for institution-building duties that are beyond normal academic responsibilities.
  - This role enables appropriate time and energy to be devoted to building the Institute.
- Assistant director of finance and operations
  - A professional staff member to handle the budget, finance, and Institute operations.
  - The variety of programs of the Institute entails a great deal of administrative activities that are beyond faculty and director/associate director responsibilities.
  - This role enables a well administered, on-budget Institute.



- Administrative assistant
  - Administrative assistance for the director, associate director, and assistant director.
  - This position provides for the numerous clerical tasks required to operate the Institute.
  - This role enables a well administered, on-budget Institute.

## APPENDIX B

## 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.

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$4,000,000</b>

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.

<b>University Annual Charitable Grant Request Date</b>	<b>Proposed Contribution Date</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$4,000,000</b>

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):

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

If to the Donor:  
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  
Brian Hooks  
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**

**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.

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$6,000,000</b>

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.

<b>University Annual Charitable Grant Request Date</b>	<b>Proposed Contribution Date</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$6,000,000</b>

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.

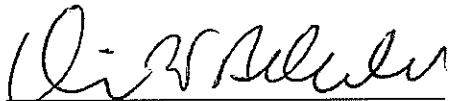
The Parties have hereby executed this Agreement as dated below, but agree that this Agreement is effective as of the Effective Date.

**UNIVERSITY OF KENTUCKY**

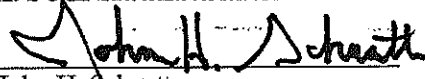
Examined for Form and Legality  
Office of Legal Counsel  
University of Kentucky

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.

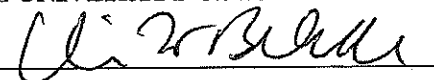
The grant responds to an opportunity presented to the John H. Schnatter Family Foundation by the University and is intended to help promote a robust discussion of ideas at the University and to advance the University's goal for the John H. Schnatter Institute for the Study of Free Enterprise, which is 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.

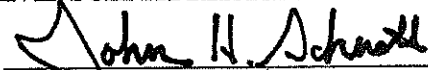
THE UNIVERSITY OF KENTUCKY

By: 

Name: David W. Blackwell

Title: Dean, Gatton College of Business & Economics

JOHN H. SCHNATTER FAMILY FOUNDATION

By: 

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.

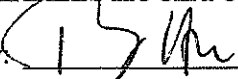
**THE UNIVERSITY OF KENTUCKY**

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.

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$6,000,000</b>

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.

<b>University Annual Charitable Grant Request Date</b>	<b>Proposed Contribution Date</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$6,000,000</b>

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**

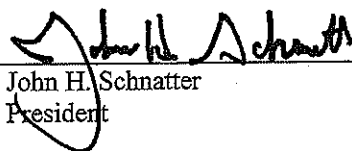
Examined for Form and Legality  
Office of Legal Counsel  
University of Kentucky

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**

## 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.

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$4,000,000</b>

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.

<b>University Annual Charitable Grant Request Date</b>	<b>Proposed Contribution Date</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$4,000,000</b>

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):

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

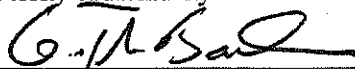
If to the Donor:  
Charles Koch Foundation  
1320 N. Courthouse Road, Suite 500  
Arlington, VA 22201  
Attn: Grant Administrator  
Cc: General Counsel's Office

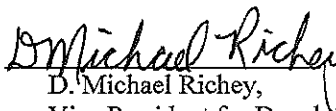
k. This Agreement may be executed in several counterparts, each of which shall constitute an original and all of which, when taken together, shall constitute one agreement or direction. Copies of signatures (whether facsimile or other electronic transmission) to this Agreement shall be deemed to be originals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

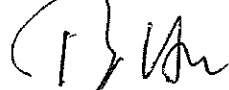
Examined for Form and Legality  
Office of Legal Counsel  
University of Kentucky

By:   
G. Thomas Barker  
Attorney at Law

By:   
D. Michael Richey,  
Vice President for Development

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

#### CHARLES KOCH FOUNDATION

By:   
Brian Hooks  
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

**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 15<sup>th</sup> 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.

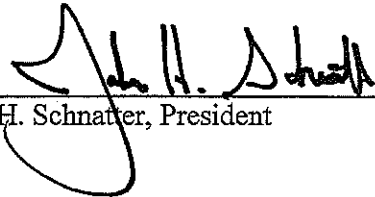
2. **Naming Recognition.** The parties agree that the University will recognize the generosity of the Donor's charitable commitment and pledge to secure additional gifts with a naming recognition opportunity to include the naming of the Atrium space located within the Gatton College's facility on the 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 15<sup>th</sup> day of December, 2015.

**DONOR**

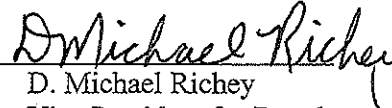
**THE JOHN H. SCHNATTER  
FAMILY FOUNDATION**


  
\_\_\_\_\_  
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

## APPENDIX C

## **The John H. Schnatter Institute for the Study of Free Enterprise**

Points to address as per AR 1:3, section V.A., numbers 1 through 9.

### 1. Goals and Significance

The true nature and meaning of free enterprise are often misunderstood and debates continue regarding its use as a form of economic organization. Free enterprise – as characterized by private ownership, economic freedom, choice, and competition – is often closely connected with institutions involving civil and political freedoms. Each has had important effects on societies and on human prosperity.

Thus, the overarching vision of the Schnatter Institute is to:

- Discover and understand aspects of free enterprise that promote the well-being of society;
- Examine the role of governmental, legal, and political institutions in this regard;
- To work toward these understandings in an intellectually rigorous way via use of logic and evidence, with open discussion and debate.

More specifically, the mission of the Institute is comprised of three primary goals:

- i. To gain deep, accurate, and objective understandings of free enterprise vis-à-vis other systems of organizing the economy and society;
- ii. To engage the academic and university communities, as well as the public, in a serious and sustained examination of free enterprise and related institutions in the numerous ways which they affects our lives;
- iii. To foster understanding and appreciation of the inter-relationships among: modern economics and related social sciences, economic history and economic thought, public policy and the law, and various social institutions.

### 2. Justification for an Institute

The use of a formal institute structure has several advantages.

- It provides an natural organizational framework that can enhance faculty cooperation
- It facilitates reputation building of faculty member via a formal affiliation
- It facilitates reputation building of the University by enabling reference to a specific group of faculty and research focus
- It facilitates grant and gift receipt and the use of such funds

### 3. Faculty Leadership

The spokesperson for the Institute is Professor John Garen, Department of Economics, Garton College of Business and Economics.

#### 4. Reporting Relationships

The Schnatter Institute is within one college; the Gatton College of Business and Economics. The administration structure of the Institute is the following.

(Faculty) Director. The director reports to the Dean regarding institute matters.

(Faculty) Associate Director. The associate director reports to the director regarding institute matters.

Support staff. Staff report to the director.

Faculty Affiliates. Faculty affiliation with the Institute is by mutual agreement. Any duties are established on a case-by-case basis and determined by agreement between the director and the faculty member.

#### 5. Staff and Facility Requirements

There are three Institute staff positions to be filled.

Assistant director of finance and operations. This position handles budgetary matters, event management, and related operations tasks.

Administrative assistant. This position handles the usually set of administrative duties.

Research associate. This position assists faculty in research, works with faculty in conveying their work to the public, and may engage in related research activity.

Funding is forthcoming for each of these positions.

Regarding facilities, the Institute requires space for the director and the staff. The College of Business and Economics has committed to providing this space.

#### 6. Equipment and Instrumentation

No requirements beyond current availabilities.

#### 7. Projected Operating Costs and Source of Income

Below are planned expenditures for calendar year 2016 – 2022. Outside funding for these is already committed.

##### *Faculty positions*

Senior tenured position in economics, 2 tenured or tenure track position in economics, non-tenure track position in economics, tenured or tenure track position in finance.

2016-2022 budget: \$5,301,458

### *Research Grants and Support*

Summer research grants for tenure track faculty hires, business and economics faculty summer research grants, research associate, external faculty research grants, faculty travel to professional or academic conferences.

2016-2022 budget: \$2,237,418

### *Doctoral Student Support*

Doctoral fellowships, conference travel, doctoral summer reading program.

2016-2022 budget: \$869,000

### *Undergraduate Programs*

Undergraduate reading group, undergraduate research program, development of course in philosophy, politics, and economics, development of undergraduate certificate in entrepreneurship

2016-2022 budget: \$133,000

### *Community, Industry, and Academic Outreach*

Biannual high profile speaker event, biannual academic policy conference/forum, development of executive education program in free enterprise.

2016-2022 budget: \$180,000

### *Institute administration and other faculty support expenses*

Institute director, associate director, Institute administrator, administrative assistant, faculty recruiting expenses, moving expenses for new faculty members, start-up expenses for new faculty members (computers, data, etc.), operating expenses (data, publications, supplies, etc.).

2016-2022 budget: \$1,536,310

## 8. Potential for Extramural Funds

As noted, extramural funds are already committed for the expenses/programming outlined above. Potential for further sources seems strong.

## 9. Other Benefits of the Institute

Each of the outlined programs enhance key aspects of the University's mission. More faculty and more research support further the research mission. The support for doctoral education does likewise. More and broader opportunities for undergraduates are supported, enriching the teaching mission. The funding for outreach to the community enhances our service mission.

## **The John H. Schnatter Institute for the Study of Free Enterprise**

SAOSC Cover Page Points a through h.

- a. Disposition of faculty, staff, and resources (financial and physical).
  - There will be additional faculty lines available from Institute funds. No faculty will be moved. Any hiring of faculty to be affiliated with the Institute will be through academic departments, following the usual hiring process.
  - There are additional staff lines from Institute funds. No existing staff positions will change as a result of the Institute.
  - Any faculty utilized for administration is accomplished via agreed upon compensation to the academic unit affected.
  - Existing physical resources are sufficient to handle Institute needs.
  
- b. Willingness of the donating units to release faculty lines for transfer to a different educational unit.
  - This is not applicable. No faculty are transferring. Any administrative use of faculty is done, as noted above, by mutually agreed terms with affected departments.
  
- c. Consultation with the faculty of the unit to which the faculty lines are proposed to be transferred.
  - This is not applicable. No faculty are being transferred.
  
- d. Consultation with the faculty of the educational unit that will be significantly reduced.
  - This is not applicable. No educational unit will be reduced.
  
- e. Summary of votes and viewpoints (including dissents) of unit faculty and department/college committees.
  - See section titled Vetting Process and Responses on pages 4-6 of the proposal memorandum.
  
- f. Ballots, votes expressing support for or against the proposal by unit faculty and staff and committees.
  - See section titled Vetting Process and Responses on pages 4-6 of the proposal memorandum.



- g. Letters of support or opposition from appropriate faculty and/or administrators.
  - See Appendix F for letters of support from faculty members, affected department chairs, and Mark Kornbluh, Dean, College of Arts and Sciences.
  
- h. Letters of support from outside the University.
  - See Appendix I for a letter of support from Geoffrey Rosenberger on behalf of the Gattton College Dean's Advisory Council.

## **The John H. Schnatter Institute for the Study of Free Enterprise**

### Questions from SAOSC “Guidelines for Preparing a Proposal for Change in Organization”

1. What is the impetus for the proposed change?

The background for the change is found in the first section (“Background”) of the proposal memorandum to the SAOSC. After 10 years of conducting research and outreach activities related to the study of capitalism and free enterprise, the Gatton College sought and obtained significant grant funding from the John H. Schnatter Family Foundation and the Charles Koch Foundation to expand those activities under the auspices of the John H. Schnatter Institute for the Study of Free Enterprise.

2. What are the benefits and weaknesses of the proposed unit with specific emphasis on the academic merits for the proposed change?

The proposed unit enables effective administration of the grant funds toward research, teaching, and outreach activities related to the institute mission. The institute also facilitates enhanced branding and recognition of institute activities. The institute will report to the Dean of the Gatton College of Business and Economics for strategic guidance and oversight.

The institute will house activities that have been conducted for 10 years by various faculty members in the Gatton College. The academic merits of these activities have been established by the accomplishments of those faculty members over that period. Since the grants support expanded activity, the academic merits will be enhanced.

3. Describe the organization of the current structure and how the proposed structure will be different and better. Current and proposed organizational charts are often helpful in illustrating reporting lines.

Not applicable to this proposal since we are creating the unit. This institute will report to the Dean’s office similar to other units with significant outreach activities such as the Von Allmen Center for Entrepreneurship and the Don and Cathy Jacobs Executive Education Center.

4. How does the change fit with department, college, and/or university objectives and priorities?

The Gatton College and University strategic plans call for advancement of teaching, research, outreach, and graduate education. As outlined in the more detailed proposal, the Schnatter Institute contributes to all of these priorities.

5. How does this change better position the proposers relative to state and national peers, as well as University Benchmark Institutions? How does the change help UK meet the goals of its strategic plan?

The institute funds five new faculty hires, research support for faculty and graduate students, and expansion of outreach activities. The extra visibility and research productivity from institute funds will improve our standing relative to our strategic benchmark institutions. Over 250 universities have received funding for similar initiatives from the Charles Koch Foundation, including such esteemed institutions as Dartmouth, Duke, Georgia Tech, Harvard, Indiana, Johns Hopkins, Ohio State, Penn State, Maryland, UNC Chapel-Hill, University of Pennsylvania, and University of Virginia.

6. Who are the key personnel associated with the proposed unit? Provide qualifications of these personnel in a brief form.

Several faculty members from the Gatton College have currently expressed interest in affiliating with the institute. They are listed in Appendix G with a summary of their qualifications.

7. Discuss leadership and selection process for appointing a chair, a director, or interim leader and search process, etc.

Professor John Garen will be designated as the founding director and Professor Aaron Yelowitz will serve as associate director. The Dean will recommend Professor Garen's appointment to the Provost for approval after consultation with the Chair of the Department of Economics and the faculty affiliates of the institute. Professor Garen will recommend appointment of Professor Yelowitz to the Dean after consultation with the Chair of the Department of Economics and the faculty affiliates of the institute. Professor Garen will be recommended based on his long experience in leading the BB&T Program for the Study of Capitalism and his leading role in proposing the institute to the donors and obtaining the initial grant support.

8. What is the function of the faculty/staff associated with the proposed change and how is that relationship defined? Discuss DOE, adjunct, full-time, voting rights, etc.

Any faculty member may choose to affiliate with the institute by mutual agreement with the institute director. It is expected that faculty members receiving research support from the institute will identify as affiliates. Affiliation with the institute is not associated with any change of the faculty member's relationship with their academic unit. There is no DOE change related to becoming a faculty affiliate. Once the institute is approved by the Board of Trustees, we plan to form an external advisory board for the institute to guide institute strategy and to facilitate fund raising activity.

9. Will the proposed change involve multiple schools or colleges?

There is no formal organizational link to another school or college. The institute, however, welcomes interested faculty affiliates from academic units other than the Gatton College.

10. If the proposed change will involve transferring personnel from one unit to another, provide evidence that the donor unit is willing and able to release the personnel.

There will be no transfer of personnel from one unit to another as a result of this change. The director and associate director of the institute may be permitted to buy out teaching time from their department by mutual agreement with the department chair to support the administration of the institute.

11. What is the arrangement of faculty associated with the proposed change and how is that relationship defined? Discuss faculty DOE and status as adjunct, tenure track, or tenured. Describe the level of faculty input in the policy-making process including voting rights and advisory.

The relationship of a faculty member to the institute is an informal affiliation by mutual agreement. The institute does not house any faculty members. Faculty members who choose to affiliate with the institute will be expected to provide informal guidance to the director on institute activities. There are no formal voting rights associated with institute affiliation.

12. Discuss any implications of the proposal for accreditation by SACS and/or other organizations.

There are no implications for SACS accreditation of the university or AACSB accreditation of the Gatton College.

13. What is the timeline for key events in the proposed change? Student enrollments, graduates, moved programs, closed courses, new faculty and staff hires, etc.

The formation of the institute will be announced as soon as the Board of Trustees approves, but we expect later in 2016. Some institute activities are planned provisionally as permitted under AR 1:3, but will be conducted in collaboration with the existing BB&T Program for the Study of Capitalism. The five faculty members to be hired with grant funds will be recruited as soon as practicable but we expect to complete hires to start by academic year 2018.

14. If the proposal involves degree changes, describe how the proposed structure will enhance students' education and make them more competitive. Discuss the impact on current and future students. State assumptions underlying student enrollment growth and describe the plans for student recruitment.

No degree changes are involved with this proposal.

15. Include evidence that adequate financial resources exist for the proposed unit to be viable.

As outlined in the grant agreements in Appendix B, the donors are providing \$10 million in operating funds through 2020. The schedule of fund disbursements appears in the grant agreements.

16. A general description of the new costs and funding should be provided. A letter from the Provost, Dean, or other relevant administrators may affirm commitment to provide financial resources as appropriate. An exhaustive budget is not expected.

Below are appropriate excerpts from the grant agreements showing the schedule for receipt of funds and a general outline of how the funds are to be used. The Dean of the Gatton College of Economics has agreed to provide space to house the institute administration and will support faculty members hired or graduate students funded under that auspices of the institute through their natural progressions in the unlikely event of a loss of funding or failure to procure sustaining funding externally. The Dean's letter is in Appendix J.

**Koch Foundation Grant**

<b>Institute Programs</b>	<b>Maximum Contributed Amount</b>
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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$4,000,000</b>

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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$4,000,000</b>

### **Schnatter Foundation Grant**

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
<b>Total Maximum Contributed Amount by Donor</b>	<b>Up to \$6,800,000</b>

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
<b>Total Maximum Contributed Amount by Donor</b>		<b>Up to \$6,000,000</b>

17. The proposal should document any faculty votes and departmental or school committee votes as appropriate leading up to this point in the process. The SAOSC recommends that faculty votes be by secret ballot. Include in your documentation of each vote taken the total number of eligible voters and the number that actually voted along with the break-down of the vote into numbers for, against and abstaining. A Chair or Dean may appropriately summarize supporting and opposing viewpoints expressed during faculty discussions.

The votes of the Gatton faculty, Gatton academic departments, and other relevant groups as well as a summary of opposing viewpoints are summarized in the proposal memorandum. Letters of support for the institute appear in Appendix F.

18. The committee will want to see evidence of academic merit and support from key parties.

Thirteen (13) letters of support describing the academic merits of the institute appear in Appendix F.

19. Letters of support (or opposition) are encouraged from the relevant senior faculty and administrators. Relevant faculty and administrators include those in units directly involved in the proposed change (including existing units from which a new unit may be formed.)

As documented in the proposal memorandum, the department chairs and associate deans of the Gatton College voted unanimously to support the institute. The department chairs of the departments to be most directly impacted by the institute (Economics—Professor Bill Hoyt; Finance and Quantitative Methods—Professor Brad Jordan) wrote letters of support seen in Appendix F.

20. Indicate how the new structure will be evaluated as to whether it is meeting the objectives for its formation. Timing of key events is helpful.

The success of the institute will be defined by the successes of the faculty members and graduate students supported by institute funding (publications, conference presentations, grant funding, doctoral student placements, etc.) and by attendance at and visibility of the outreach events. Each year the institute will develop a report of institute accomplishments to be reviewed by the Dean of the Gatton College and which will be discussed with the donor foundations. Further, the Director of the Schnatter Institute and the Dean of the Gatton College will continually pursue additional external funding to support institute activities. The success of the fund raising activity will be a strong reflection of the institute's success.

21. Letters of support from outside the University may be helpful in understanding why this change helps people beyond the University.

Mr. Schnatter's vision for the institute summarizes how he expects the institute to help the people of Kentucky. A recent editorial published by Mr. Schnatter appears in Appendix H. Further, the Dean of the Gatton College requested a vote by secret ballot of the members of the Dean's Advisory Council ("DAC"), consisting of Gatton College alumni, local and national business leaders, and community leaders. The vote of DAC members attending the April 15, 2016 meeting was unanimous in favor of the institute. A list of DAC members attending the meeting and a summary letter from the Chair of the DAC, Mr. Geoffrey Rosenberger, is included in Appendix I.



## APPENDIX D

**action items for next week's faculty meeting**

Troske, Kenneth

**Sent:** Friday, January 22, 2016 5:36 PM

**To:** Anderson, Urton; Bratten, Brian; Burgess, Raymond; Causholli, Monika; Clark, Myrtle; Commerford, Benjamin; Dennis, Sean; Hulse, David S; Jenkins, Nicole; Miller, Cynthia J; Payne, Jeffery; Pepper, Sean A; Pope, Thomas; Siebenthaler, Jennifer W; Smigla, John E; Stone, Dan; Vines, Cynthia; Wells, Jane B; Xie, Hong; Ziebart, Dave; Agrawal, David R; Ahn, Thomas; Bagh, Adib; Benguria Depassier, Felipe; Blomquist, Glenn C; Bollinger, Chris R; Creane, Anthony; Ederington, Josh; Fackler, James S; Garen, John; Gillette, J R; Herrera, Ana Maria; Hoyt, Gail; Hoyt, William; Kim, Yoonbai; Lamarche, Carlos; Ma, Lala; Malkova, Olga; Minier, Jenny; Patel, Darshak; Scott, Frank; Troske, Kenneth; Wildasin, David E; Yelowitz, Aaron; Ziliak, James; Bergeron, Leonce; Blackwell, David; Childs, Paul D; Clifford, Chris P; Gerken, William; Hackbart, M; Hankins, Kristine; Hankins, Scott W; Holsapple, Clyde W; Jame, Russell; Jordan, Brad; Jordan, Susan; Liu, Huan L; Liu, Wendy; Pakath, Ram; Pierce, Joshua; Borgatti, Steve; Brass, Dan; Chung, Chen H; Davis, Rebecca J; Ferrier, Walter J; Gladstone, Eric; Halgin, Daniel; Holbein, Gordon F; Huang, Zhi; Johnson, Nancy; Kim, Ji Youn; Labianca, Joe; Mehra, Ajay; Soltis, Scott M; Allen, Alexis; Craig, Adam W; Dean, Tereza; Ellis, Scott C; Garvey, Aaron M; Hapke, J Holly; Hardesty, David M; Kelley, Scott; Lee-Post, Anita; Lewis, Thomas; Murtha, Brian R; Pelosa, John; Sheehan, Daniel; Skinner, Steve; Sudharshan, Devanathan

**Cc:** Kegebein, Rebecca**Attachments:** ISFE Plan 11-29-2015.pdf (251 KB) ; Schnatter Institute Features.pdf (65 KB) ; Schnatter-Koch-contract-wi-1.pdf (3 MB) ; 2015-16 Operating Budget ~1.docx (21 KB)

I am sending out several files related to two action items for next week's faculty meeting. Since we have not finalized the agenda, we will be sending that out next week.

The first item we are going to vote on is an endorsement for the proposed John H. Schnatter Institute for the Study of Free Enterprise. As I'm sure all of you have read, the College has received a \$10M gift to establish this new Institute. The President has indicated that we need to seek an endorsement from the University Senate for this new Institute. Part of that process involves an endorsement from the faculty in the College. I have attached three documents relating to the Institute: two documents describing the basic structure, business plan and features of the center and another document containing the agreements between the University and the Schnatter foundation, and the agreement between the University and the Koch foundation (part of the money for the Institute is coming from the Koch foundation). Because we are going to be taking a formal vote on the Institute and reporting this vote to the Senate, please be sure you sign in at the meeting so we have an accurate count of the number of faculty in attendance.

The second action item proposed is proposed changes to the College rules governing the appointment and review of Endowed and Chaired professors and faculty fellows. Based on recent experiences with the reviews of Chaired and Endowed Professors as well as faculty fellows, the operating committee felt we needed to revised the College rules governing these appointments. The goal of this revision was to clarify the expectations for these positions, bring the review process more in line with other reviews of faculty, as well as set up a review period that provides holders of these positions with a longer period to document their performance. The primary proposed changes are: increase the review period for Chaired professors from four to eight years; increase the review period for endowed professors from two to four years; ensure that the review for all endowed positions occur as part of the College faculty merit review process, change the name from research to endowed professors to emphasize that individuals holding these positions will be judged on more than just research; clarify that holders should not expect that these positions will be automatically renewed, particularly holders of faculty fellowships. We have also changed the composition of the review committee for endowed positions to consist of the Senior Associate Dean for Faculty along with the Chairs of the five academic departments or schools in the College. This committee will then submit a recommendation to the Dean who will make the final decision on awarding or renewing a position.

I have attached a document showing the proposed changes. I have used the track changes feature in Word so you will be able to see the original wording along with the proposed changes.

**Kenneth Troske**

Senior Associate Dean for Administration,  
Faculty and Research  
Sturgill Professor of Economics  
Gatton College of Business & Economics  
University of Kentucky

859.257.1282

[ktroske@uky.edu](mailto:ktroske@uky.edu)[gattonunited.uky.edu](http://gattonunited.uky.edu)

**Gatton College Faculty Meeting**  
**Friday, January 29, 2016**  
**Gatton 299**

1. Approval of minutes (Ken Troske)
2. Update from the Graham Office of Career Management (Sally Foster and Sarah Madison)
3. John H. Schnatter Institute for the Study of Free Enterprise (Dave Blackwell)
4. University financial model and resource allocations in Gatton (Dave Blackwell)
5. Gatton College strategic plan (Dave Blackwell)
6. Endowed professor and chair professor reviews (Ken Troske)
7. New travel policy (Ken Troske)

In Attendance

AHN SAE YOUNG	
ALLEN ALEXIS	<i>Alexis Allen</i>
ANDERSON URTON	<i>Urton</i>
BAGH ADIB	<i>Adib Bagh</i>
BARGERON LEONCE	<i>Leonce Barger</i>
BENGURIA DEPASSIER FELIPE	<i>Felipe Benguria</i>
BLOMQUIST GLENN	<i>Glenn Blomquist</i>
BOLLINGER CHRISTOPHER	<i>Christopher Bollinger</i>
<del>BONAIME ALICE</del>	
BORGATTI STEPHEN	<i>Stephen Borgatti</i>
BRASS DANIEL	<i>Daniel Brass</i>
BRATTEN BRIAN	<i>Brian Bratten</i>
BURGESS RAYMOND	
CAUSHOLLI MONIKA	<i>Monika Causholli</i>
CHILDS PAUL	<i>Paul Childs</i>
CHUNG CHEN	
CLARK MYRTLE	
CLIFFORD CHRIS	<i>Chris Clifford</i>
COMMERFORD, BEN	
COOPER JEAN	
CRAIG ADAM	<i>Adam Craig</i>
CREANE ANTHONY	<i>Anthony Creane</i>
DAVIS REBECCA	<i>Rebecca Davis</i>
DEAN TEREZA	<i>Tereza Dean</i>
DENNIS Sean	
EDERINGTON WILLIAM	
ELLIS SCOTT	<i>Scott Ellis</i>
FACKLER JAMES	<i>James Fackler</i>
FERRIER WALTER	<i>Walter Ferrier</i>
GAREN JOHN	<i>John Garen</i>
GARVEY AARON	<i>Aaron Garvey</i>
GERKEN WILLIAM	<i>William Gerken</i>
GILLETTE JAMES	
GLADSTONE ERIC	<i>Eric Gladstone</i>
<del>GULLA DARRIN</del>	
HALGIN DANIEL	<i>Daniel Halgin</i>
HANKINS KRISTINE	<i>Kristine Hankins</i>
HANKINS SCOTT	
HAPKE HOLLY	<i>Holly Hapke</i>
HARDESTY DAVID	<i>David Hardesty</i>
HERRERA ANA MARIA	<i>Ana Maria Herrera</i>
HOLBEIN GORDON	<i>Gordon Holbein</i>
HOLSAPPLE CLYDE	
HOYT GAIL	
HOYT WILLIAM	<i>William Hoyt</i>
HUANG ZHI	<i>Zhi Huang</i>
HULSE DAVID	<i>David Hulse</i>
JAME RUSSELL	<i>Russell Jame</i>
JENKINS NICOLE	
JOHNSON NANCY	<i>Nancy Johnson</i>
JORDAN BRADFORD	



In Attendance

JORDAN SUSAN	Susan Jordan
KELLEY SCOTT	
KIM JI YOUN	Kim Ji Youn
KIM YOONBAI	Yoonbai Kim
LABIANCA GIUSEPPE	Giuseppe Labianca
LAMARCHE CARLOS	
LEE POST ANITA	Anita Lee Post
LEWIS THOMAS	Thomas J. Lewis
LIU HUANLIANG	
LIU WENDY	Wendy Liu
MA LALA	Lala Ma
MALKOVA OLGA	Olga Malkova
<del>MATFER GEORGE</del>	
MEHRA AJAY	Ajay Mehra
MILLER CYNTHIA	Cynthia Miller
MINIER JENNY	Jenny Minier
MURALIDHAR KRISHNAMURTY	
MURTHA BRIAN	Brian Murtha
PAKATH RAMAKRISHNAN	
PATEL DARSAK	
PAYNE JEFFERY	Jeffery Payne
PEFFER SEAN	Sean Peffer
PELOZA JOHN	John Pelozo!!!!
PIERCE JOSHUA	Joshua Pierce
POPE THOMAS	
RAMSAY ROBERT	
SCOTT FRANK	Frank Scott
SHEEHAN DANIEL	
SIEBENTHALER JENNIFER	Jennifer Siebenthaler
SKINNER STEVEN	
SMIGLA JOHN	John Smigla
SOLTIS SCOTT	Scott Soltis
STONE DAN	Dan Stone
SUDHARSHAN DEVANATHAN	Sudharshan Devanathan
TROSKE KENNETH	Kenneth Troske
VINES CYNTHIA	Cynthia Vines
WELLS JANE	Jane B. Wells
XIE HONG	
YELOWITZ AARON	Aaron Yellowitz
ZIEBART DAVID	David Ziebart
ZILIAK JAMES	James Ziliak
WERL H -	
David Agrawal	42 R Ave

## APPENDIX E

**Operating Committee Meeting**  
**Tuesday, February 16<sup>th</sup>**  
**12:00-2:00 – room 223J**

1. Evaluating and rewarding teaching in the College
2. Honors College proposal
3. Covering courses for the new healthcare certificate (Frank & Harvie will join)
4. Discussion on John H. Schnatter Institute for the Study of Free Enterprise
5. Staff Reorganization & Department Self-Studies
6. Budget
7. Move back to Gatton
8. Proposal for usage of space in Gatton
9. UK@work survey

## APPENDIX F






Timothy S.  
Tracy, PhD  
Provost  
Main Building, Room 105  
401 Administration Drive  
Lexington, KY 40506  
859 257-2911

**MEMORANDUM**

**DATE:** April 12, 2016

**TO:** Dr. Andrew Hippisley

**FROM:** Timothy S. Tracy, PhD 

**RE:** Proposal for the John H. Schnatter Institute for the Study of Free Enterprise

---

I understand that the University Senate may soon consider a proposal to endorse the creation of the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics. This development directly supports the University's new Strategic Plan. The Institute will provide additional support for the teaching, research, and outreach efforts of Gatton College faculty and staff. The Institute will also facilitate the addition of much needed teaching power in the Gatton College, which will also help students in the College of Arts and Sciences. The Institute will also support extracurricular enrichment and external engagement activities that will elevate the University of Kentucky.

My review of the Schnatter Institute proposal and charitable grant agreements leads me to conclude that the faculty and administration of the Gatton College will be intensely mindful of UK's commitment to academic freedom and integrity as it executes the mission of the Schnatter Institute.

Further, I have consulted with Dean Blackwell on the continuing support of faculty members and graduate students that may be affiliated with the Institute. In the event that external funding is not available, I agree that the Gatton College and UK will support those faculty members and graduate students to the otherwise normal conclusion of their careers (or programs) at UK.

Thus, I write to express the strong support of the University administration and urge the University Senate to endorse this proposal.

**From:** [Blackwell, David](#)  
**To:** [B&E Faculty](#)  
**Subject:** Schnatter Institute letters of support or opposition  
**Date:** Tuesday, April 05, 2016 9:20:00 PM  
**Importance:** High

---

Colleagues:

Earlier this semester we held a number of votes related to establishing the Schnatter Institute. The Senate's Committee on Academic Organization and Structure Committee guidelines request that we provide "letters of support or opposition from appropriate faculty." If you wish to provide such a letter, I ask that you send it to me in a PDF format, copying John Garen.

The letters do not need to be long. If you choose to send one, I think it would be most effective if you indicate your support or opposition and then give a few reasons for your position.

If you wish your written views to be represented to the committee, please respond no later than 5:00 pm on Thursday, April 7. At that point I will collect all of the letters that I have received and forward to the committee.

Thank you for your help.

Regards,  
Dave

David W. Blackwell  
Dean  
Gatton College of Business and Economics  
University of Kentucky  
[dblackwell@uky.edu](mailto:dblackwell@uky.edu)  
859.257.8939



Senate Committee on Academic Organization and Structure

April 6, 2016

Dear colleagues,

I am writing to you to express my support for the Schnatter Institute, as you requested through Dean Blackwell. Never before on this campus have I felt it as necessary as I do today to speak up in favor of academic freedom. Make no mistake in interpreting what I am saying here: this is simply about academic freedom. The freedom of all ideas to be expressed on campus. The freedom of individual faculty on campus to present those ideas and express their opinions.

While I understand many faculty, myself included, will likely disagree with some of the opinions held by members of the Schnatter Institute, I also know that our students gain tremendously by having those ideas exposed to light and academic debate. As president Obama stated in speech in Des Moines on September 14, 2015, “The purpose of college is not just to transmit skills, it’s also to widen your horizons, to make you a better citizen.” He continues with, “The way to do that is to create a space where a lot of ideas are presented and collide and people are having arguments and people are testing each other’s theories. And over time people learn from each other because they are getting out of their own narrow point of view and having a broader point of view.” He also notes, “One thing I do want to point out, is it’s not just sometimes folks who are mad that colleges are too liberal that have a problem. Sometimes there are folks on campus who are liberal...who sometimes aren’t listening to the other side. And that’s a problem too.” In an interview with NPR, on December 21<sup>st</sup>, 2015, he states, “As I’ve said before, I do think that there have been times on college campuses where I get concerned that the unwillingness to hear other points of view can be as unhealthy on the left as on the right.”

For me, this idea was highlighted on Bascom Hill in Madison, Wisconsin. At the top of the hill, in front of Bascom Hall there is a plaque, which reads, “Whatever may be the limitations which trammel inquiry elsewhere, we believe that the great State University of Wisconsin should ever encourage that continual and fearless sifting and winnowing by which alone the truth may be found.” As you may know, this was the stance of the Wisconsin board of trustees when asked by the then conservative governor, to silence a faculty member who was pro-union and pro-socialist or even Marxist. But this constant sifting and winnowing needs both sides to be heard. Not just one group or another.



The economics department is, and has been for at least as long as I've been here, a place where faculty and graduate students were allowed to hold differing views on various subjects. It is the home of the University of Kentucky Center for Poverty Research and the home of the Center for Business and Economic Research. Indeed, it is the only poverty research center housed and supported in a Business School. I am basically a moderate Democrat. Many of my colleagues hold political views further to the left or further to the right than I. We have always had lively but respectful and intellectual discussions on politics and economic policy. We have invited speakers to our seminar series who hold wildly differing views. While I personally tend to find the arguments of the "free enterprise" type group to be less than convincing, I'm perfectly capable of and willing to presenting the counter ideas. And isn't that what this campus should be about?

Rather than stifling discussion, we can, and should, be a place where all views are allowed to have their thoughtful expression.

Sincerely,

Christopher R. Bollinger  
Gatton Professor of Economics  
Director, Center for Business and Economic Research.





MEMORANDUM

FROM: Dr. James Fackler, Professor of Economics *JF*  
TO: Senate Academic Organization and Structure Committee  
SUBJECT: Schnatter Institute for Study of Free Enterprise  
SENT: April 4, 2016

This is to express my strongest support for the establishment of the Schnatter Institute for Study of Free Enterprise. This institute will contribute to graduate student research and support (including travel for professional activities) as well as faculty research and professional travel. In addition, the institute will bring well-known speakers to campus for presentations in professional seminars as well as public talks and, hopefully, discussions with the local media. The speakers brought to campus can bring to UK and Lexington an analysis and debate that inform the robust discussion across the world about income inequality and the role of capitalism in the distribution of income and wealth. A university community devoted to diversity of thought can only benefit from these various activities.



April 6, 2016

David W. Blackwell  
Dean, Gatton College of Business & Economics  
University of Kentucky  
Lexington, KY 40506

Dear Dean Blackwell:

The purpose of this letter is to express my fullest, unconditional support in favor of forming the Schnatter Institute for the Study of Free Enterprise at the Gatton College of Business and Economics.

Mr. Schatter's success as an entrepreneur serves as an obvious exemplar of the vital roles of vision, leadership, business planning, execution, and perseverance in navigating and establishing a position in the modern competitive marketplace. To further promote the study of the free/competitive markets, the Charles Koch Foundation has provided funding to over 200 college and universities throughout the country; many of which are the University of Kentucky's peer institutions and aspirational benchmarks. Thus, the College and University are supremely fortunate to have been considered for the Schnatter/Koch gifts. More importantly, we are beneficiaries of the Schnatter/Koch Foundation's vision to explore -- to the extent that our current and future scholarly capabilities allow -- the drivers, processes, and consequences associated with what I and many across the world believe to be the the most important twin forces for human progress: Capitalism and the free market.

Owing to Messrs. Schatter and Koch's well publicized political beliefs and reputations, there has been a predictable chorus of dissenting voices within the University community since the announcement of the Institute and accompanying financial gift a few months back. Our benefactors' politics notwithstanding, the Institute ought to stand as a reflection and/or a manifestation of our University's *raison d'être*: Scholarly inquiry and the free exchange of ideas. Yet, against this backdrop, I believe that there are indeed legitimate questions and concerns about the establishment of the Institute. In other words, rather than center on stark differences in political ideology, these concerns should be strictly confined to maintaining academic freedom and establishing autonomy in the Institute's strategic and operational affairs.

Having served as chair of the Senate Council's Ad Hoc Committee to Review the University of Kentucky Confucius Institute (2014-2015), I (along with other members of the Committee) am

perhaps uniquely qualified to compare, contrast, and reconcile the chief concerns that were expressed with regard to the Confucius Institute with those related to the Schnatter Institute. These are:

- **Transparency:** All agreements, contracts and dialog, expectations and caveats, the exchange and uses of funds, etc. related to the Institute shall be readily available to the public and open to observation and scrutiny.
- **Political Interference:** The political beliefs and practices of the parties involved notwithstanding, the Institute shall be in full compliance with and operate under the mantle of academic freedom, in both spirit and letter.
- **Faculty Oversight:** The strategic, operational, and (most importantly) scholarly programs and activities of the Institute shall be developed, governed, monitored, and evaluated by qualified College faculty. This includes, but is not limited to, Institute staffing, research, curriculum, budgets, and evaluation.

Thus, I am confident that the University and College have and will continue to develop the safeguards necessary to protect and preserve academic freedom, in general, and the requisite level of transparency, freedom from political interference, and faculty oversight, in particular.

Should you require more information or greater insight about my analysis, opinions, and thoughts, please don't hesitate to contact me at [walter.ferrier@uky.edu](mailto:walter.ferrier@uky.edu) or 859-257-9326.

Most sincerely,

*Walter J. Ferrier*

Walter J. Ferrier, Ph.D.  
Associate Professor of Management

Cc: Professor John Garen



**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY

---

**UK**  
UNIVERSITY OF KENTUCKY

Dear Academic Organization and Structure Committee,

I would like to voice my support for the establishment of the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics. The resources provided by the institute will allow the addition of much needed faculty and allow faculty to engage in valuable research. Based on the information that I have been provided, the terms related to the gift will allow for full academic freedom for all those related to the institute. For these reasons, I would like to voice my support.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'Will Gerken', with a long horizontal flourish extending to the right.

William Gerken  
Assistant Professor of Finance  
University of Kentucky





**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY

---

**UK**  
UNIVERSITY OF KENTUCKY

April 6, 2016

Dean David W. Blackwell  
Gatton College of Business and Economics  
University of Kentucky

Dear Dave,

I am writing to express my support for the establishment of the Schnatter Institute for the Study of Free Enterprise. The gift funding this institute allows Gatton College to grow the number of research faculty and lecturers and provides additional funding for doctoral students. I believe this gift, given the commitment to complete academic freedom explicitly stated in the contract, is nothing but a benefit to Gatton, UK, and the Commonwealth. As state funding diminishes, it is rewarding to see private individuals contribute to the research and teaching mission of our university.

Best,

A handwritten signature in blue ink that reads "Kristine A. Hankins".

Kristine Hankins  
Garvice D. Kincaid Endowed Associate Professor of Finance  
University of Kentucky





**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY



Department of Economics

Wednesday, April 06, 2016

To: Senate Committee on Academic Organization and Structure

From: William Hoyt   
Gatton Endowed Professor and Chair, Department of Economics

Re: Schnatter Institute

I am writing in response to a request for “letters of support or opposition from appropriate faculty” for the Schnatter Institute from faculty from the Gatton College of Business and Economics.

Let me voice my support for the Institute. At this time, the additional support for faculty and educational programs the Institute provides are sorely needed by the College and, in particular, the Department of Economics. The Institute allows for the Department of Economics to hire several additional faculty members, including senior and junior tenure-track faculty. In addition, the funding provides for additional graduate student support. This is particularly important given how much our Ph.D. stipends have fallen behind in stipends. Finally, I think there are some excellent opportunities for visits of prominent and influential scholars that will benefit both undergraduate and graduate students as well as faculty.

I am quite confident that we can hire faculty who meet our high standards and will not be willing to compromise the integrity of our research or teaching when hiring these faculty. We have also tried to ensure that admission of graduate students remains based on qualifications and not on any political or social viewpoints.



**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY

**UK**  
UNIVERSITY OF KENTUCKY

April 7, 2016

TO: Senate's Committee on Academic Organization and Structure

FR: Bradford D. Jordan  
Richard W. and Janis H. Furst Endowed Chair in Finance  
Chair, Department of Finance and Quantitative Methods

RE: Schnatter Institute

I fully support the founding of the Schnatter Institute. At a time of rapidly disappearing state funding, this gift allows the Gatton College to grow our faculty and thereby help meet the needs of our expanding student enrollments, particularly at the undergraduate level. Given the commitment to complete academic freedom explicitly stated in the contract and the robust intellectual environment in the College, I have no concerns regarding conflicts of interest or undue political influence.





**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY

**UK**  
UNIVERSITY OF KENTUCKY

TO: Senate's Academic Organization and Structure Committee (SAOSC)

FROM: Susan D. Jordan   
Associate Professor, Department of Finance and Quantitative Methods

DATE: April 6, 2016

SUBJECT: Schnatter Institute

I am writing this letter in support of the Schnatter Institute. The funding for this institute will permit the Gatton College to support research that examines the free enterprise system and its impact on society and the economy. In addition, the Institute will provide the support for new faculty, visiting scholars, graduate students, outreach, and instruction. I believe this gift will strengthen the Gatton College and enhance its reputation which, in turn, will be beneficial to the University and the Commonwealth.



**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY



Department of Economics

Dave W. Blackwell  
Dean  
Gatton College of Business and Economics  
University of Kentucky

April 7, 2016

Dear Dave,

I support that we establish the Schnatter Institute at the Gatton College of Business and Economics. I trust it will bring many benefits to the college. Among others:

1. Funds for extra positions for faculty and graduate students
2. Opportunities for more academic activities for conferences and guest speakers
3. Enhanced visibility among business community and further funding opportunities

In sum, the Institute will likely boost the quality of the academic programs and raise the visibility of the college. I support that we establish the Schnatter Institute at the Gatton College

Sincerely,

A handwritten signature in black ink, appearing to read "Yoonbai Kim".



College of Arts and Sciences


Office of the Dean  
202 Patterson Office Tower  
Lexington, KY 40506-0027

859 257-8354  
fax 859 323-1073  
www.as.uky.edu

## MEMORANDUM

Date: April 6, 2016

To: Senate's Academic Organization and Structure Committee

From: Mark Kornbluh, Dean, College of Arts and Sciences 

Subject: Support for Establishing of the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics

This memorandum is to express my support for establishing the John H. Schnatter Institute for the Study of Free Enterprise in the Gatton College of Business and Economics. I have had discussions with Dean Blackwell and Senior Associate Dean Ken Troske about the mission and role of the institute. I see a number of benefits to our students and to the intellectual discourse on our campus about the role of free enterprise in society.

In addition to supporting research on the impact of capitalism or free enterprise on society, the institute will also provide much needed teaching resources and enhancements of graduate student support to the Gatton College, especially in the Department of Economics, which serves the BA Economics majors in the College of Arts and Sciences. I believe the additional teaching power and enrichment activities sponsored by the institute will enhance the experience of Economics students in our college and broaden their perspectives on how different means of organizing economic activity affect society.

Another initiative of the Schnatter Institute will be to enhance understanding of entrepreneurship and its impact on society. In particular, one of the faculty positions supported by the institute will be a non-tenure track position in Entrepreneurship. With that new position, a similar position in the proposed Honors College, and the Von Allmen Center for Entrepreneurship (housed in Gatton), UK will have a unique concentration of resources to help our students learn how to form and lead new business ventures.

I also see potential for collaborations among or between the proposed UK Center for Equality and Social Justice, faculty members in Philosophy and Political Science, and the proposed Schnatter Institute on research into the causes and consequences of inequality and the role and impact of various economic policy choices related to promoting equality and the well-being of

society. There will be opportunities for joint speaking events to present diverse views on capitalism and equality. I believe having both the Equality and Social Justice Center and the Schnatter Institute on the same campus positions UK uniquely to rigorously address the relationships among capitalism and equality through scholarship and teaching.

Further, the Schnatter Institute has a focus on the moral and ethical foundations of capitalism. I understand that some faculty affiliates in the Gatton College have already begun discussions with faculty members in the College of Arts and Sciences about developing a cross-disciplinary undergraduate certificate in Philosophy, Political Science, and Economics to explore those foundations and to study the impact of public policies on the well-being of society. I believe such a certificate would be attractive to our students and would enhance the value of a number of degree programs in the humanities and social sciences.

In sum, I believe the establishment of the Schnatter Institute enhances and broadens the scholarly fabric of campus both in research and teaching in addition to promoting healthy discussions on our campus about the role of capitalism and free enterprise in society.



**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY

**UK**  
UNIVERSITY OF KENTUCKY

April 6, 2016

Dean Blackwell  
Gatton College of Business and Economics  
University of Kentucky  
Lexington, KY 40506

Dear Dean Blackwell:

I am writing to express my enthusiastic support to establishing the Schnatter Institute for the Study of Free Enterprise within our College. The Institute's mission is to "discover and understand aspects of free enterprise that promote the well-being of society." This mission is based on the principle of free exchange of ideas in higher education to generate knowledge that benefits the well-being of individuals and society. It is a principle shared by our University, our College, the donor (the Charles Koch Foundation), and myself. The generosity and commitment of the donor are indicative the high level of trust and confidence placed on our College to fulfill the stated mission. We surely should seize such a unique and exciting opportunity to partner with the donor to engage in impactful research, scholarship, teaching and service that improve the well-beings of individuals and society. It is indeed a privilege to join with such a donor to take part in shaping a better future for our students and stakeholders.

Sincerely,

A handwritten signature in black ink, appearing to read "Anita Lee-Post", is written over a faint watermark of the Gatton College of Business and Economics logo.

Anita Lee-Post  
Cc: Dr. John Garen





April 7, 2016

Academic Organization and Structure Committee  
University Senate  
University of Kentucky

Dear Committee Members:

I write to express my support for the establishment of the Schnatter Institute for the Study of Free Enterprise. I see this as a great opportunity for the Gatton College of Business and Economics and something that is entirely consistent with our educational mission. As a business school faculty we spend considerable time and energy educating students and helping them prepare for careers after they leave the cocoon of the University. My hope for the Schnatter Institute is that the Institute's activities will help our students achieve greater understanding of the role of business in a free society.

I am encouraged by the creation of three new centers at UK this academic year—the Confucius Institute, the Center for Social Justice, and the Schnatter Institute. I see considerable congruency in the missions of all three. A greater comprehension and appreciation of Chinese culture and the Chinese economy requires one to understand comparative economic systems, especially since China has embarked on a transition from central planning to a market economy. Understanding differences in economic outcomes for different members of society is central to the concept of social justice. A large part of the mission of the Schnatter Institute will involve educating the public about the economic organization of society and how different ways of making resource allocation decisions affect the well-being of everyday citizens.

I have already suggested in departmental and college meetings that the Schnatter Institute engage with faculty involved in the Confucius Institute and the Center for Social Justice to sponsor university-wide symposia on topics of common interest and co-sponsor campus-wide speakers. I see great possibilities for open exchange of ideas and lively debate on a range of topics. And after all, this is what great universities strive to promote.

Sincerely,

*Frank A. Scott, Jr.*

Frank A. Scott, Jr.  
Gatton Professor of Economics



April 6, 2016

Dear Colleagues:

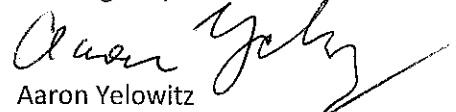
I am writing to strongly support the formation of The Schnatter Institute for the Study of Free Enterprise. The general topics of the Institute (as I view them) –studying issues related to market economies, analyzing the appropriate role of government intervention in improving markets and well-being, understanding the full costs of benefits of such public or private actions, and considering private alternatives – are well established as an important part of the mainstream economics profession. Any issue of American Economic Review, Journal of Political Economy, or Quarterly Journal of Economics has path-breaking research articles, often rigorously evaluating a narrow policy intervention, but typically ignoring, or giving lip service, to the vast array of alternative interventions. I believe that the Institute could provide a forum to more thoroughly and rigorously explore the full array of public and private policy interventions, getting away from the “Do policy X or do nothing” approach that typically frames such debates.

It is a unique and exciting opportunity for University of Kentucky to form an intellectual center on campus to rigorously analyze such issues related to market economies. The Institute comes with a generous gift from Mr. Schnatter and the Charles Koch Foundation. This gift will be used to hire faculty, fund graduate and undergraduate education, bring in seminar speakers and hold conferences, provide support for existing faculty, and outreach to the public. All of these endeavors enhance the intellectual climate and prestige in the Economics Department, the Gatton School, and the University as a whole.

I will be affiliated with the Schnatter Institute. My research interests are broad – my recent academic work includes exploring issues like why individuals use the cyber-currency Bitcoin, moral hazard from the provision of paid sick leave, the impacts of Medicaid managed care, the behavioral economic foundations of choosing life insurance plans, the early effects of the Affordable Care Act on coverage and health, and the impacts of intensive job search assistance on ex-offenders. Many of these academic topics have very important policy implications, all of which could be further explored (and “translated” into more readable versions for a wider audience) through the Institute.

To summary, I strongly support the formation of The Schnatter Institute for the Study of Free Enterprise.

Best regards,

  
Aaron Yelowitz



**Gatton**  
COLLEGE OF BUSINESS & ECONOMICS  
UNIVERSITY OF KENTUCKY



April 7, 2016

Senate Academic Organization and Structure Committee  
University of Kentucky

I believe that one of the fundamental roles that a research university plays is to conduct research and to discuss and debate serious questions and issues regarding many different issues in our world today. Accordingly, I support the establishment of the Schnatter Institute for the Study of Free Enterprise. In today's complex world we cannot afford to not be engaged in discussing and debating important issues and proposing possible solutions. The Schnatter Institute will support a number of activities (faculty research, seminars, student events, etc.) and this will assist in fulfilling this part of our university mission. One of the best parts of being a faculty is to be at a university where there are strong intellectual debates and a multitude of diversity of thought. The Schnatter Institute will assist in improving our scholarly atmosphere.

Sincerely,

David A. Ziebart  
PwC Professor of Accountancy  
Von Allmen School of Accountancy  
Gatton College of Business & Economics

## APPENDIX G

**Schnatter Insitute for the Study of Free Enterprise  
Qualifications of Initial Faculty Affiliates**

<b>Faculty Member</b>	<b>Rank/Title</b>	<b>Department</b>	<b>Qualifications</b>
David Blackwell	Professor/Dean	Finance and Quantitative Methods	Award-winning scholar in corporate finance and accounting with over 30 years' of academic and industry experience; author of two textbooks and 18 publications including 6 publications in the elite journals of finance and accounting; former department chair and associate dean
Jim Fackler	Professor	Economics	Recognized expert in macroeconomics and monetary policy with over 40 years' experience; author of 32 publications in leading economics journals; member of the editorial board of the Journal of Macroeconomics
John Garen	BB&T Professor for the Study of Capitalism	Economics	Current Director of the BB&T Program for the Study of Capitalism; accomplished scholar in labor economics, financial economics, and the study of capitalism with over 30 years' experience; author of 38 publications in leading economics and finance journals; member of Board of Directors of the Association of Private Enterprise Education; former Chair of the Department of Economics
Frank Scott	Gatton Endowed Professor of Economics	Economics	Accomplished scholar in applied microeconomic theory, industrial organization, antitrust economics, and the economics of public policy with over 30 years' experience and 41 publications in leading journals; former Interim Chair of the Department of Economics
Aaron Yelowitz	Associate Professor	Economics	Author of 20 publications on public policy, economics of poverty, health care regulation, health insurance markets with over 20 years' experience; former DGS for the Department of Economics and affiliate of the UK Center for Health Services Research and the UK Center for Poverty Research

## APPENDIX H

## UK center to unleash power, benefits of entrepreneurship

By John H. Schnatter

The University of Kentucky announced this month that it will soon open the John H. Schnatter Institute for the Study of Free Enterprise at its Gatton School of Business. This initiative, which I helped fund, offers UK students and scholars the opportunity to engage in classes and research that explore the role of free enterprise in advancing a free and prosperous society that benefits everyone.

This is a mission I deeply believe in. Free enterprise is the greatest mechanism mankind has ever created to eliminate poverty, enhance prosperity and enable the “pursuit of happiness” spoken of in the Declaration of Independence. The students who participate in this new center, as well as the professors who teach them and conduct research, will thus be contributing to a better world for everyone, especially the least fortunate.

I have seen the power of free enterprise firsthand. My father Robert L. Schnatter — a 1953 University of Kentucky graduate — taught me many lessons about taking risks and serving my community through entrepreneurship.

Thanks in large part to his influence, I set out on my own entrepreneurial adventure in my early 20s. After saving his bar in Jeffersonville, Ind., from bankruptcy, I took a sledge hammer to open up a broom closet, where I installed \$1,600 worth of used pizza-making equipment. Within a year, I built enough credit to open my own stand-alone pizza store.

Today, three decades after making my first pizza in that broom closet, Papa John’s International Inc. is one of the largest pizza companies in the world.

As of September, we operated nearly 4,800 stores in all 50 states and 38 countries and territories, with nearly 100,000 team members at franchise stores and more than 20,000 team members at Papa John’s corporate stores, generating approximately \$3.5 billion of annual global systemwide sales.

This is a testament to the power of free enterprise. I took an idea and turned it into something that created opportunities for my employees, my suppliers, my franchisees and others throughout the world.

This happened for one simple reason: I made a product that people valued and enjoyed. As I quickly learned, such entrepreneurship rewards not only the entrepreneur but customers and countless others. This mutually beneficial relationship is at the heart of free enterprise and a free society.

Students at UK now have the chance to learn about the principles that make such stories — and there are many — attainable. Anyone, regardless of his or her station in life, is blessed with gifts and talents that can be used to benefit others.

When people are free to apply their skills and pursue their dreams, they are capable of finding tremendous self-fulfillment, self-esteem and self-respect.

Not only that, but by taking risks and challenging the status quo, they can give others the opportunity to find similar satisfaction.

Students will also have the chance to learn about the obstacles that prevent free enterprise from taking root and flourishing. There are many examples. Thomas Jefferson warned, “The natural progress of things is for liberty to yield, and government to gain ground.” His prediction has been borne out in more ways than I can count.

Free enterprise is increasingly hamstrung by over-regulation, corporate welfare and growing government demands on employers and employees. The result is an economy where opportunities are harder and harder to come by.

A growing number of Americans, regardless of their political affiliation, recognize this sad fact. Only 26 percent of our fellow countrymen now think America is headed in the right direction.

Unleashing the power of entrepreneurship is a critical part of restoring Americans’ belief that the future will be better than the past. The Institute for Free Enterprise at the University of Kentucky will offer its students the chance to study how to advance the freedom and prosperity that benefit everyone, especially the least fortunate.

This is desperately needed. Our country’s well-being depends on people who understand and defend true free enterprise and practice principled entrepreneurship. College campuses like the University of Kentucky are the natural place to teach this to the next generation of business leaders.

*John H. Schnatter of Louisville, founder and CEO of Papa John’s International, Inc., is the primary supporter of the John H. Schnatter Institute for the Study of Free Enterprise at the University of Kentucky.*

Source: <http://www.kentucky.com/opinion/op-ed/article51943880.html>



## APPENDIX I

April 15, 2016

Senate's Academic Organization and Structure Committee  
University Senate  
University of Kentucky

Re: Support for the John H. Schnatter Institute for the Study of Free Enterprise

Dear Members of the SAOSC and University Senate:

On April 15, 2016, I presided over a discussion of the proposed John H. Schnatter Institute for the Study of Free Enterprise among members of the Gatton College Dean's Advisory Council (DAC). I am the chair of the DAC and write this letter representing the collective views of the DAC membership. At the conclusion of the discussion on April 15, I conducted a vote by secret ballot on the question of supporting formation of the Schnatter Institute. The DAC voted unanimously, 19-0, in favor of establishing the Schnatter Institute.

The DAC consists of 31 entrepreneurs and business leaders who believe a vibrant Kentucky entrepreneurial business community is essential to the long term growth of the Kentucky economy. The education and research to be fostered by the Schnatter Institute will inspire the next generation of entrepreneurs and business leaders required to grow Kentucky's economy and endow its citizens with a better life. Further, the Schnatter Institute will augment the financial support from the Commonwealth of Kentucky to increase the teaching and research capacity in the Gatton College, which continues to experience rapidly growing demand for its degree programs.

Given the mission and proposed activities of the Schnatter Institute, the DAC believes there is outstanding potential for future external funding to sustain the institute. Further, several DAC members have expressed interest in financially supporting the effort. During its history, Gatton DAC members have provided over \$100 million of philanthropic support to the Gatton College and to broader initiatives of the University of Kentucky. In the vast majority of these cases, the financial capacity for making our gifts has stemmed directly from the outstanding, affordable education we received here at UK. In all cases those funds resulted from visionary entrepreneurs and business leaders who understood how to create economic value in a complex world to the benefit of many. The initiatives of the Schnatter Institute can strongly contribute to developing future visionaries.

We urge your strong endorsement for the formation of the Schnatter Institute.

Sincerely,



Geoffrey Rosenberger, Chair  
Gatton College Dean's Advisory Council

see blue.



**Michael W. Bowling, SVP Corporate Strategy**  
**AT&T**  
Dallas, TX

**Gregory L. Burns, President**  
**Burns Consulting Group**  
Nashville, TN

**Ruth Cecelia Day, Advisor**  
**Vice President for Administrative Services**  
**(retired)**  
**Landstar System, Inc.**  
Jacksonville Beach, FL

**Luther Deaton, Jr., Chairman, President and CEO**  
**Central Bank & Trust Co.**  
Lexington, KY

**Carol Martin "Bill" Gatton, Owner**  
**Gatton Chevrolet-Cadillac**  
Bristol, TN

**James E. Geisler, Senior Operating Executive**  
**Cerberus**  
Lexington, KY

**J. Douglas Gerstle**  
**Vice President and Assistant Treasurer**  
**The Procter and Gamble Company**  
Cincinnati, OH

**John L. Gohmann, Regional President**  
**PNC Bank**  
Lexington, KY

**William J. "Bill" Herkamp, Consultant**  
**Mount Vernon Partners, LLC**  
Cincinnati, OH

**Richard J. Huxley, Owner**  
**Richard J. Huxley, LLC**  
Fort Myers, FL

**Howard L. Lewis**  
**Founder, Chairman Emeritus**  
**Family Heritage Life Insurance Company of America**  
Broadview Heights, OH

**Elizabeth Griffin McCoy, President and CEO**  
**Planters Bank**  
Hopkinsville, KY

**W. Rodney McMullen, Chairman and CEO**  
**The Kroger Co.**  
Cincinnati, OH

**Samuel J. Mitchell, Jr., CEO, Valvoline**  
Lexington, KY

**Nate Morris, CEO**  
**Rubicon Global Holdings, LLC**  
Lexington, KY

**Donald C. Rogers, Chairman**  
**Rogers Petroleum, Inc.**  
Morristown, TN

**Geoffrey H. Rosenberger, Owner | CHAIR**  
**Lily Pond Ventures, LLC**  
Pittsford, NY

**Mr. Gary A. Smith, Sr., President and CEO**  
**Kentucky Trailer**  
Louisville, KY

**Sean S. Smith, Chairman**  
**Stratose**  
Jupiter, FL

**Mr. Charles M. Sonstebly, CAO & CFO**  
**Michaels Stores, Inc.**  
Dallas, TX

**Nancy E. Thomas, Managing Partner**  
**Greater China Group**  
**Global Business Services, IBM**  
Panama City Beach, FL

**Dr. M. S. Vijayaraghavan (Viji), MD**  
**President, Resources International, Inc.**  
**Alpha Resources International Ltd. LLC**  
**Chairman, Vass Enterprises Ltd. LLC**  
Lexington, KY

**University Representatives:**

**David W. Blackwell, Dean**  
**Gatton College of Business and Economics**

**D. Michael Richey**  
**Vice President for Philanthropy and**  
**Chief Philanthropy Officer**

## APPENDIX J



April 11, 2016

Senate's Academic Organization and Structure Committee  
University Senate  
University of Kentucky

Re: Support for the John H. Schnatter Institute for the Study of Free Enterprise

Dear Colleagues:

As Dean of the Gatton College of Business and Economics I enthusiastically support establishing the Schnatter Institute. I have agreed to provide adequate physical space for the administration of the institute and will also work to provide funding to support faculty members and graduate students funded by the institute in the unlikely event that external funds are no longer available.

The \$10 million charitable grants from the Schnatter and Koch Foundations to establish the institute are intended as seed funding over five years ending in 2020. While the funding is potentially renewable, I understand that there may be concern about the risk associated with hiring faculty members and committing to support graduate students with funds that could end.

In the current environment of higher education, no funding is permanent. The financing of higher education is a complex web of funding from the state, external research grants, tuition, auxiliary income, and philanthropy—all of which is at risk.

Similar to other sources of external research funding, the Schnatter and Koch grants are annually renewable. The leadership of the Gatton College and the University of Kentucky are fully cognizant of the funding risks for these grants, which are similar to those of other grants and sources of external funding on campus.

Nonetheless, absent unpredictable, extraordinary circumstances, I pledge to support any faculty members hired under auspices of the institute through their natural career progressions in the unlikely event we are unable to renew the Schnatter and Koch grants or obtain other external funding. Further, any graduate students obtaining funding from the institute will be supported through their otherwise natural program progressions in the event that external funding is no longer available.

Sincerely,

A handwritten signature in blue ink that reads "David W. Blackwell".

David W. Blackwell  
Dean

## APPENDIX K

**Selected List of Universities  
Receiving Support from CKF**

Baylor  
Clemson  
Dartmouth  
Duke  
Florida State  
George Mason  
Georgia Tech  
Harvard  
Indiana  
Johns Hopkins  
Michigan State  
NYU  
Ohio State  
Penn State  
SMU  
Texas A&M  
University of Arizona  
University of Arkansas  
University of Maryland  
University of Mississippi  
University of Missouri  
UNC-Chapel Hill  
University of Notre Dame  
University of Pennsylvania  
University of Texas  
University of Virginia  
University of Washington

**Kentucky Universities  
Receiving Support from CKF**

Morehead  
Murray  
Transylvania University  
Western Kentucky  
University of Louisville