

Georgia Tech Foundation, Inc.
Minutes of the Meeting of the Board of Trustees
December 13-14, 2018

The Board of Trustees of Georgia Tech Foundation, Inc. met at 3:00 p.m. on Thursday, December 13, 2018, in the Global Learning Center, Room 236 in Atlanta, Georgia.

Elected trustees present were: Rodney C. Adkins, Jerome A. Atkinson, Laurie D. Bagley, Kelly H. Barrett, Richard L. Bergmark, James R. Borders, Paul J. Brown, Steve W. Chaddick, Karl F. Dasher, Stephen M. Deedy, Robert L. Dixon, Jr., Michael T. Duke, Walter G. Ehmer, James O. Etheredge, David D. Flanagan, D. Fort Flowers Jr., Sheldon J. Fox, Lara O. Hodgson, Thomas M. Holder, Richard B. Inman Jr., Andrea L. Laliberte, John S. Markwalter Jr., Michael G. Messner, Randall E. Poliner, Frances G. Rogers, Robert N. Stargel Jr., Mark C. Teixeira, John R. Wells, Janice N. Wittschiede, and Glenn T. Wright.

Ex-officio voting trustees present were: Bird D. Blitch, David A. Bottoms, G. P. Peterson and Sheri Prucka.

Board Officers present were: John F. Brock III, Joseph W. Evans, Gary T. Jones and Gregory J. Owens.

Corporate Officers present were: Mark W. Long and Al Trujillo.

Ex-officio non-voting trustees present were: Chaouki T. Abdallah, Rafael L. Bras, Barrett H. Carson and James G. Fortner.

Trustees Emeriti present were: Ronald W. Allen, Robert A. Ancien, Bobby Joe Anderson, John C. Bacon, G. Niles Bolton, Charles R. Brown, Kenneth G. Byers Jr., John B. Carter Jr., Joel H. Cowan, Jere A. Drummond, Ben J. Dyer, H. Allen Ecker, Jack J. Faussemagne, L. Thomas Gay, Marion B. Glover Jr., Jere W. Goldsmith IV, J. William Goodhew III, Thomas L. Gossage, George C. Guynn, Thomas H. Hall III, Hubert L. Harris Jr., G. William Knight, Aaron J. Land Jr., David M. McKenney, Wade T. Mitchell, Charles D. Moseley, Thomas H. Muller Jr., Don Pirkle, Joe W. Rogers Jr., Oliver H. Sale Jr., Earl L. Shell Jr., Charles A. Smithgall III, John C. Staton Jr., J. Leland Strange, C. Meade Sutterfield, William J. Todd, John H. Weitnauer Jr. and Stephen P. Zelnak Jr.

Others present were: Dawn A. Andrews, Thomas J. Barranco, Sean P. Brennan, Loretta Buchanan, Andrew N. Cahill, Andrew T. Cox, Dwight D. Dozier, Lynn M. Durham, Leslie M. Evans, Beth B. Flowers, Elizabeth M. Gallant, Matthew J. Gould, Jennifer Herazy, Tiffany D. Hines, Joseph P. Irwin Jr., Michelle L. Jones, Brian H. Pellegrino, Matthew C. Ryan, Dene H. Sheheane, Cailen A. Spratling and Patricia H. Wichmann.

Welcome: Mr. Brock welcomed the trustees.

Hill Society Presentation: Mr. Carson stated that the Hill Society was established in 2000 as a way to recognize the generosity of the highest level of donors. The Hill Society is not publicized. Members are invited to join due to their giving level. He welcomed Mr. Fort Flowers and Dr. Beth Flowers, as the newest members of the Hill Society. Dr. Peterson presented them with a plaque.

Moment of Silence: Dr. Peterson requested a moment of silence in memory of Mrs. Penny Stamps, who passed away on December 13, 2018.

Georgia Tech President's Report: Dr. Peterson reported that about 3,500 students are receiving their degrees this semester. Dr. Seth Marder, Dr. Sebastian Thrun, and Dr. Condoleezza Rice will be the commencement speakers. He stated that Mr. Trujillo is the Chair of the Search Committee for the Executive Vice President for Administration and Finance. Ms. Durham is the Chair of the Search Committee for the Vice President for Ethics, Compliance, and Legal Affairs. Dr. Peterson stated that the Committee has identified four candidates that will be coming to campus. Dr. Kaye Husbands Fealing is the Search Committee Chair for the Vice President of Communications. Dr. Peterson reported that Coach Collins, the newly-appointed Head Football Coach, will speak immediately after the conclusion of tomorrow's meeting. Georgia Tech's online programs, including the Online Master of Science in Computer Science and Analytics have been very successful. The Online Master of Science in Cybersecurity will begin in March 2019. The number of applications for the Online Master of Analytics program, which will begin in January 2019, is 60% larger than originally anticipated. He stated that there are a number of new buildings opening up on campus, including the Coda Building. A phased occupancy of the Coda Building will begin in March and continue through June. The Crosland Tower is nearing completion and employees will occupy the building in January. Once Crosland Tower is occupied, renovations will begin on the Price Gilbert Library. The Campus Safety Building is progressing and it will open in April. The Kendeda Building, which is a sustainable living building, will open in July. The Dalney Building will feature a mixed use space, including a parking deck. Dr. Peterson stated that the Technology Square Phase 3 will be a four building complex. One tower will be the new location of the School of Industrial and Systems Engineering. The Scheller College of Business's Graduate Programs will be housed in another building. A smaller building will house the Governor's Office of Economic Development, which is currently located in the Centergy Building. The total project cost will be \$200 million. He reported that \$4.3 million in planning funds are expected to be recommended by the Board of Regents to the Governor. The acquisition of the Randall Brothers Property has now been completed, connecting the properties owned by Georgia Tech between Marietta Street and Tech Parkway. Dr. Peterson reported that the Accenture Innovation Hub was dedicated yesterday. It is located in the Centergy Building. Norfolk Southern announced it is moving its headquarters to property located on Third Street and Ponce de Leon Avenue. Midtown is continuing to grow and change.

Meeting Adjourned/Reconvened: There being no further business, the meeting adjourned at approximately 3:30 p.m. on Thursday, December 13, 2018, and reconvened at 8:30 a.m. on Friday, December 14, 2018, in the Georgia Tech Hotel and Conference Center Ballroom.

Welcome: Mr. Brock welcomed the trustees and visitors to the 563rd meeting of the Board of Trustees. Mr. Brock thanked Ms. Wichmann, Ms. Spratling, Ms. Hines, and Ms. Evans for the successful holiday dinner party. The trustees applauded.

Georgia Tech Alumni Association Update: Mr. Blich stated that the mission of the Alumni Association is to create meaningful and relevant programs for current and future alumni and to foster life-long participation and philanthropic support. Approximately half of Georgia Tech alumni graduated since the year 2000. Mr. Blich stated that the Alumni Association's vision

is to listen and understand the needs of the alumni in order to best serve, inform and engage them so that they will answer the call from Georgia Tech in whatever form it may come: advocacy, service, philanthropy, connections, hiring other alumni and promoting Georgia Tech. He reported that the Gold and White Honors Gala is February 21, 2019. The President's Dinner will be held June 22, 2019. The Georgia Tech Alumni App was launched in September 2018. Alumni can contribute to Roll Call using the App, as well as view an Alumni Association events calendar and an alumni directory. Georgia Tech will play in the Quick Lane Bowl on December 26, 2018 in Detroit, Michigan. Mr. Blitch stated that the Roll Call has raised \$3.466 million to-date, with 16,287 donors. The goal is to raise \$6.9 million dollars with 31,761 donors. Gifts are included in the totals; however, pledges are not included, but they are tracked. Mr. Blitch stated that the Alumni Association is implementing a FIT plan in 2019. FIT stands for fundraising, involvement and team. The Alumni Association will focus on unrestricted giving, donor growth and retention and subscription giving as a part of fundraising. Involvement includes focus on professional development programs, a segmentation study of younger alumni and active engagement. The Alumni Association will also focus on improving the team by providing career planning and growth, as well as employee engagement programs to enhance employee satisfaction and productivity.

Georgia Tech Advisory Board (GTAB) Update: Ms. Durham stated that the GTAB has 54 members including 11 new members. Approximately 60% of the members are alumni. The GTAB meeting in the fall of 2018 focused on technology policy. GTAB hosted technology policy discussions, including an energy and security policy and university engagement seminar, a faculty in government panel discussion and an energy policy discussion. GTAB toured an e-sports studio at Turner Studios, the Interdisciplinary Design Center and the Robotarium. The next GTAB meeting will be March 31 and April 1, 2019.

Student Panel: *Voices of Campus Leadership*: Mr. Trujillo welcomed three Georgia Tech student leaders, Ms. Dawn A. Andrews, Mr. Andrew N. Cahill and Mr. Andrew T. Cox. Ms. Andrews, an Aerospace Engineering major from Norcross, Georgia, is the former president of the ANAK Society. Mr. Cahill, a Mechanical Engineering major from Houston, Texas, is the Undergraduate Representative in the Path Forward Together Advisory Group. Mr. Cox, a second year Master's student in Aerospace Engineering from Trinity, North Carolina, is the President of the Graduate Student Government Association. The students discussed their involvement in their groups or organizations, and their experiences as a student at Georgia Tech. They also discussed current issues facing Georgia Tech and answered questions posed by the trustees. Mr. Trujillo thanked the students for their participation in the student panel.

Approval of Minutes: Mr. Brock stated that copies of the minutes of the meeting of the Board held on September 21, 2018, had been distributed to the trustees. Mr. Brock asked if there were any comments or changes. Mr. Irwin was added to the list of attendees. On motion, the minutes of the meeting held on September 21, 2018, were unanimously approved as distributed.

Treasurer's Report: Mr. Owens reviewed a copy of the Foundation's first financial report from 1932, the year in which the Foundation was founded. This first report was presented by Mr. George T. Marchmont, Treasurer, and was approved by Mr. Y. Frank Freeman, President. Mr. R. T. Jones, Jr., a Georgia Tech graduate, who won golf's grand slam in 1930, was the attorney who

incorporated the Foundation. Mr. Owens reported that revenue totaled \$462.37 in 1932, and assets totaled \$406.42 at the end of that year.

Mr. Owens reported that the assets totaled \$2.165 billion as of October 31, 2018. The net assets totaled \$1.664 billion and liabilities totaled \$501 million. He reviewed the growth of the Foundation's assets and net assets since fiscal year 1996. He reported that as of October 31, the investment assets totaled \$1.737 billion, leases receivable totaled \$126 million, contributions receivable was \$117 million and capital assets totaled \$111 million. Mr. Owens reported that in regards to liabilities, bonds payable totaled \$242 million and the funds invested for the Georgia Tech Athletic Association totaled \$113 million. The three-year revenue comparison for the first four months of the fiscal year indicated an increase in gift income and a decrease in investment earnings as compared with the same period of prior years. Mr. Owens reported that the projected program services expenditures is \$98 million for fiscal year 2019. The projection includes a total of \$33 million expended for student support, benefitting more than 4,000 students. During the past five years, the amount expended for scholarships and fellowships has increased by 40%. Faculty support expenditures are expected to total \$22 million, including support to more than 200 endowed chairs and professorships. The financial statements are attached hereto as Exhibit A.

Finance Committee Report: Mr. Owens reported that the Committee reviewed the fiscal year 2019 budgets and the projected fiscal year 2020 unrestricted budget. The Committee also reviewed a five year projection of debt from fiscal year 2019 through 2023. The Finance Committee reviewed the key financial ratios in the debt policy. The Committee discussed the impact on the ratios of the additional debt related to the acquisition of the Randall Brothers property and the ATC property. One ratio is out of compliance, but that was anticipated when the properties were acquired.

Audit Committee Report: Ms. Barrett asked Mr. Long to stand and be recognized. Mr. Long, the Secretary and Chief Financial Officer of the Georgia Tech Foundation, will be retiring in the summer of 2019 after 30 years of service to the Institute and the Foundation. Ms. Barrett thanked Mr. Long for his hard work and dedication. The trustees applauded Mr. Long.

Ms. Barrett reported that the Committee was pleased with the KPMG's work on the fiscal year 2018 audit. She will be working with the audit partner to engage KPMG to conduct next year's audit. She stated that Mr. Dozier provided an update to the Committee on cyber security. The Audit Committee has the responsibility to review the disclosures submitted and recommend any restraint of activity to the Executive Committee. She reported that the Audit Committee did not recommend restraint of activity for trustees as a result of the disclosures. The Audit Committee elected Ms. Barrett to serve as Chair for the coming year.

Committee on Trustees Report: Mr. Jones stated that the Committee is accepting nominations for new trustees to serve four year terms to begin on July 1. Elected trustees must have been a regular student of Georgia Tech. Mr. Jones asked that nominations be submitted to Mr. Trujillo. He stated that it is helpful to include summary information of the nominee's support and service to Georgia Tech. The Committee on Trustees will meet in February 2019 to discuss the recommendations.

Development Committee Report: Mr. Stargel stated that Initiative 2020 has an overall fundraising goal of \$525 million. The initiatives are intercollegiate athletics, with a \$125 million

goal, student support, with a \$150 million goal, capital purposes, with a \$125 million goal and programs with a \$125 million goal. He reported on the progress toward each goal and provided an update on individual facility projects. Mr. Stargel presented renderings of the Edge/Rice Building, the Price Gilbert Library and Tower, the Campus Center, Tech Square Phase 3 and the Eco-Commons. He stated that Roll Out events are planned for Initiative 2020 in various locations around the country. Mr. Stargel provided an update on the Gold Standard for trustee giving, including trustee participation in the unrestricted Roll Call, major gifts and cumulative gift planning.

Investments Committee Report: Mr. Flowers reviewed the growth of the investment pool for the year ending September 30, 2018, including the investments earnings and cash in-flows and out-flows. The market value of the investment pool as of September 30 was \$1.749 billion. He also reviewed the total fund performance for the one, three, five and ten year periods, as well as a comparison of the returns with the Consumer Price Index (CPI) plus 5%, the Policy Portfolio and the Cambridge Endowment Composite. As of September 30, 2018, the Foundation asset allocation remains under-weighted in real estate and slightly over-weighted in private equity. The Committee focused its discussion on strategic asset allocation. Interim strategic targets have been established for fiscal year 2019. The Committee will convene an interim meeting prior to March to discuss recommended changes. The investments staff has been working on restructuring the equity portfolio, reducing the number of managers and simplifying the portfolio. He reviewed the actions taken in the equity portfolio, including a rebalancing and a reduction in volatility. The initial results from the restructuring are encouraging. Mr. Flowers stated that the Committee considered a potential secondary transaction; however, due to pricing fluctuation, has decided not to enter into a transaction at this time.

Real Estate Committee Report: Mr. Holder stated that Portman is completing the construction on the Coda property and the building will be occupied beginning in late February. The data center will begin operations by late spring. He reported that the Georgia Tech Hotel and Conference Center is having a good year. The Biltmore is 98.4% leased. The Real Estate Committee also discussed the Atlanta Technology Center (ATC) and potential improvements to the property. The Randall Brothers Property has been acquired. Mr. Holder thanked Mr. Trujillo and Mr. Barranco for their hard work on the acquisition. He reported that the donated property in Florida has been sold. He stated that the Foundation holds two remaining donated properties; a lot in the Bahamas and land in Upson County, Georgia.

Stewardship Committee Report: Mr. Wells stated that the Stewardship Committee received a report from Dr. Archie Ervin, Vice President of Institute Diversity. Mr. Ervin reported on the FOCUS Program, which is a three day graduate recruitment program, designed to encourage underrepresented minority students to pursue graduate studies at Georgia Tech. The FOCUS Program has hosted more than 3,000 students. Currently, there are 183 scholars participating in the FOCUS Program. Mr. Wells stated that Ms. Herazy presented a report on the use of donor restricted funds. The Foundation holds approximately \$114 million in donor restricted funds. Ms. Herazy provided the Committee with detailed information on more than 6,200 accounts. Mr. Wells stated that the Stewardship Committee will review the accounts to ensure that the funds were spent in a timely manner as the donor requested and following all the guidelines as set by Georgia Tech.

The annual endowment reports have been provided to the donors. He stated that the Stewardship Committee also discussed how best to express appreciation to our donors.

President's Report: Mr. Trujillo reviewed the priorities for fiscal year 2019, including the investment program implementation, the Blackbaud implementation and the continuing management of real estate. The investment portfolio has been repositioned, with a re-deployment of assets and an introduction of new investment program. The change in management strategy is significant. He stated that there will be an in-depth report to the Board in March of the changes. He stated that the management of real estate property is an important priority. The Biltmore continues to be a good asset acquisition for the Foundation. Mr. Trujillo described the lobby renovation project. He reported that the Georgia Tech Hotel will renovate its rooms in the coming year. The Atlanta Technology Center (ATC) is a new acquisition, which may require an upgrade in its facilities in order to attract new tenants. The acquisition of the Randall Brothers Property will provide a future opportunity for the expansion of the Georgia Tech campus. The Blackbaud project is 11 months into an 18-month implementation. The project is on schedule and is on budget. He stated that there are significant challenges in terms of user training and change management. Mr. Trujillo thanked Mr. Long for his three decades of service to the Foundation. Mr. Trujillo stated that a search will begin soon to hire a replacement.

Next Meeting: Mr. Brock invited the trustees to remain after the meeting to meet Georgia Tech's new football coach, Geoff Collins. He announced that the next meeting of the Board of Trustees will be March 14 and 15, 2019.

Meeting Adjourned: There being no further business, the meeting was adjourned.

Respectfully submitted,

Mark W. Long
Secretary

Approved:

John F. Brock III
Chair

Minutes of the Meeting of the Board of Trustees
December 14, 2018
Exhibit A, Page 1 of 2

GEORGIA TECH FOUNDATION, INC.
CONSOLIDATED STATEMENT OF FINANCIAL POSITION
UNAUDITED OCTOBER 31, 2018, JUNE 30, 2018 AND
OCTOBER 31, 2017

(in thousands)

	October 31, 2018	June 30, 2018	October 31, 2017
ASSETS			
Cash and cash equivalents	\$8,281	\$9,910	\$3,893
Restricted cash	340	749	1,819
Capital reserve funds	12,265	11,008	8,905
Contributions receivable, net	117,131	104,635	104,764
Investments	1,737,204	1,758,924	1,684,653
Other assets	24,689	20,649	17,677
Lease receivable	126,682	136,231	136,231
Contributions receivable from remainder trusts	13,340	13,743	14,555
Charitable remainder trusts	14,212	14,432	14,255
Capital Assets, net of accumulated depreciation	111,015	111,683	111,768
Total assets	<u>\$2,165,159</u>	<u>\$2,181,964</u>	<u>\$2,098,520</u>
LIABILITIES			
Accounts payable	\$7,810	\$8,126	\$4,798
Commitment payable	6,158	6,615	6,721
Lines of credit	20,724	19,850	19,394
Notes payable	72,116	47,325	48,648
Bonds Payable, net of discount and premium	236,288	248,314	247,498
Amounts due to life beneficiaries	16,367	15,527	16,208
Deferred revenue	17,824	20,382	20,382
Funds held on behalf of other organizations	112,699	109,375	107,863
Other liabilities	11,156	13,016	9,372
Total liabilities	501,142	488,530	480,884
NET ASSETS	<u>\$1,664,017</u>	<u>\$1,693,434</u>	<u>\$1,617,636</u>
Total liabilities and net assets	<u>\$2,165,159</u>	<u>\$2,181,964</u>	<u>\$2,098,520</u>
Unrestricted Fund Balance	\$183,700	\$185,000	\$179,600
Unrestricted Fund Reserve	\$85,100	\$84,500	\$84,500

**GEORGIA TECH FOUNDATION, INC.
CONSOLIDATED STATEMENT OF ACTIVITIES
UNAUDITED FOR THE FOUR MONTH
PERIOD ENDED OCTOBER 31, 2018, AS
COMPARED WITH THE YEAR ENDED JUNE 30, 2018 AND THE
FOUR MONTH PERIOD ENDED ON OCTOBER 31, 2017**

(in thousands)

	Without Donor Restrictions	With Donor Restrictions	4 months Total 10/31/18	12 months through 6/30/18	4 months Total 10/31/17
Revenue					
Gift income	\$1,203	\$34,269	\$35,472	\$80,953	\$21,914
Lease revenue	7,209	167	7,376	17,291	7,068
Lease revenue (Biltmore)	2,931	0	2,931	8,996	2,813
Investment income (net of fees)	973	3,826	4,799	25,863	4,630
Net realized/unrealized gain (loss) on investments	(5,194)	(30,802)	(35,996)	119,852	60,552
Change in value of trusts and annuities	0	0	0	1,763	66
Other	661	6	667	989	363
Net assets released from restrictions	35,470	(35,470)	0	0	0
Total revenues	\$43,253	(\$28,004)	\$15,249	\$255,707	\$97,406
Expenses					
Program services	\$36,754		\$36,754	\$94,845	\$34,167
General and administrative	3,447		3,447	13,753	3,481
Biltmore property expenses	2,675		2,675	8,100	2,777
Loss on extinguishment of debt	0		0	2,654	0
Fund raising	1,789		1,789	5,377	1,801
Total expenses	44,666	0	44,666	124,729	42,226
Changes in net assets	(\$1,413)	(\$28,004)	(\$29,417)	\$130,978	\$55,180
Net assets, beginning of period	\$172,436	\$1,520,998	\$1,693,434	\$1,562,456	\$1,562,456
Net assets, end of period	\$171,023	\$1,492,994	\$1,664,017	\$1,693,434	\$1,617,636