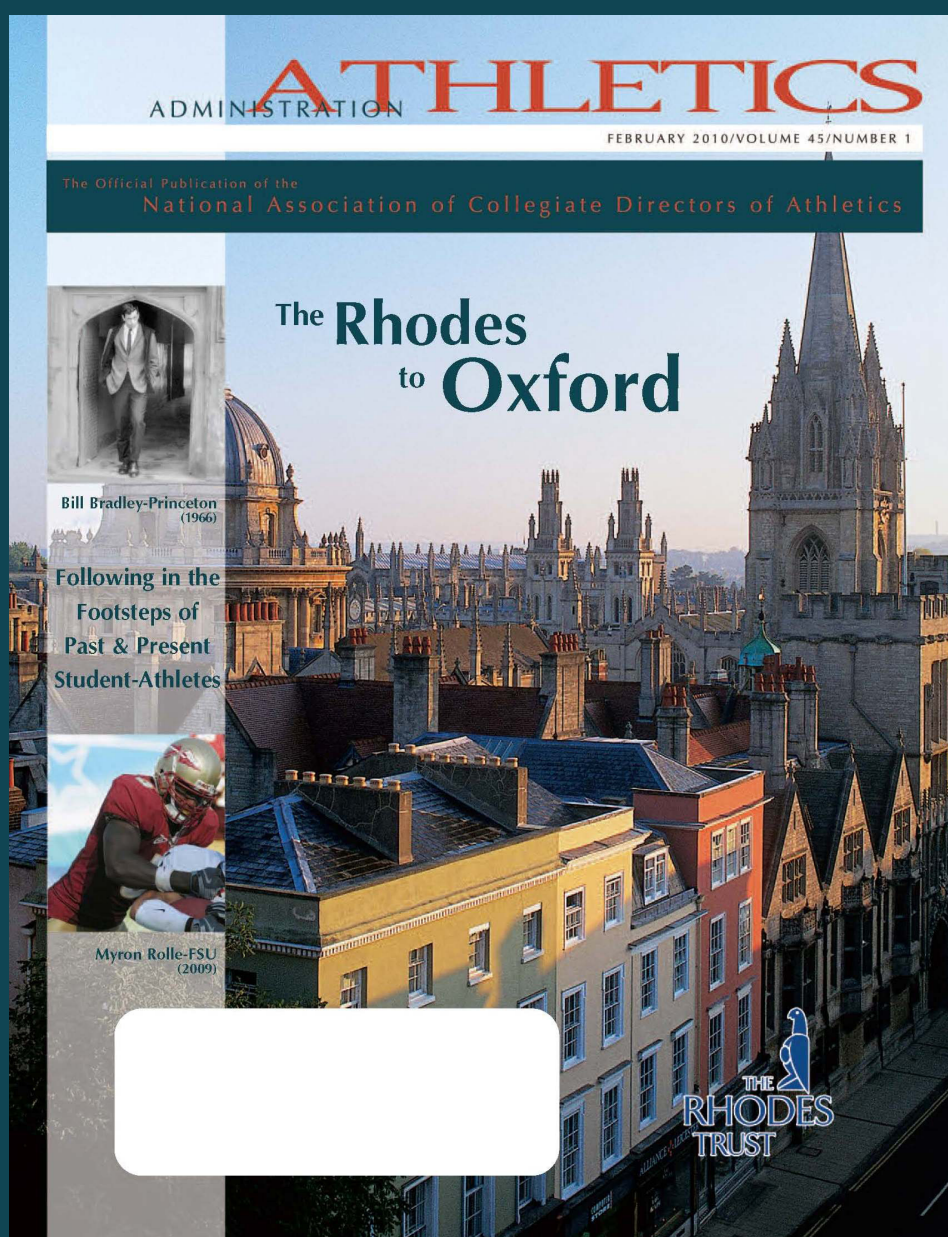


The first issue of *Athletics Administration* of the new decade placed a focus on the student-athlete, with an article on sports nutrition and how to maintain a performance-enhancing diet, as well as a feature on the five outstanding student-athletes who were chosen as Rhodes Scholarship recipients in 2009. Switching gears a bit for the February issue's feature article; the University of California Berkeley is implementing a revolutionary way of fundraising—endowment seating programs—that may change your approach to the way you fund your next big project.



THE UNIVERSITY OF CALIFORNIA BERKELEY A GROUNDBREAKING APPROACH TO FUNDRAISING



By Rich Magid,
Chief Financial Officer,
Stadium Capital Financing Group

For 25 years, the University of California Berkeley had been looking for a solution. Needing to renovate its Memorial Stadium, the issue had been how to raise the roughly \$300 million needed in funding.

There were other challenges, too:

- Create a financially self-supporting athletics department
- Replace shrinking state and university funding
- Expand Cal's pool of "large donors"
- Reduce stress on the development resources required to annually raise capital
- Create a long-term, multi-generational bond with donors for the future, to enable Cal to be less dependent on "wins and losses"

Administration officials decided to think outside the box. Cal would be the first university in the nation to utilize a groundbreaking fundraising concept: the Endowment Seating Program, or ESP.

ESP would be the vehicle to both fund Cal's stadium renovation and create an endowment for the financial security of all Cal sports.

"ESP has transformed the way we think of generating philanthropic revenue at the University of California," says Cal Associate Athletics Director Dave Rosselli. "With this creative approach, we are satisfying infrastructure, capital and current use needs simultaneously without putting our constituents through the typical donor 'giving fatigue.'"

"This program," Rosselli continues, "will likely sweep through the country."

"It's a long-term approach to funding college athletics," explains Lou Weisbach, Chief Executive Officer of Stadium Capital Financing Group (SCFG) (www.seatrights.com), the Chicago-based subsidiary of Morgan Stanley Principal Investments that worked with Cal to implement the Endowment Seating Program concept. "ESP is a flexible tool that can be incorporated into existing donor programs to raise significant capital and to meet many of the challenges faced by development offices."

ESP is not meant to replace all existing philanthropy programs. It may, however, appeal to many donors who have not been reached by more traditional, existing donation programs.



“This PROGRAM will likely SWEEP THROUGH THE COUNTRY”

- Cal Associate Athletics Director Dave Rosselli

What is an Endowment Seating Program?

An Endowment Seating Program raises capital by providing tangible benefits to donors, primarily via seat or suite rights — and related amenities — at a university stadium or arena. An ESP leverages the long-term commitments of donors to raise capital. Capital is raised on a voluntary basis from donors, without the use of public funds.

Importantly, ESP is a mutually beneficial agreement between a donor and a university. The donor agrees to a fixed dollar commitment for an extended period of time — for example, 20 to 30 years. In return, the university agrees to provide a series of benefits to the donor for a determined term — let's say 20 years to perpetuity. Both parties have a clear, formal commitment, and can plan accordingly.

The University of California is in the selling phase of a program to offer a small percentage of seats — 2,800 seats — at a renovated Memorial Stadium. Cal has commitments for more than half of those seats, even though the project will not be completed until 2012. In total, the program would raise \$270 million for the new stadium, and create an endowment for all Cal sports.

What are the donor benefits in an Endowment Seating Program?

The specific amenities of the program can vary, but may include:

- Fixed pricing for up to 50 years: potentially no ticket price increases, ever
- Guaranteed, preferred seating: no re-seating for donors
- Significant tax benefits: more advantageous than currently available
- “All inclusive” pricing: including tickets, club access, parking and all required donations
- Special amenities: VIP club access, as well as premium food and beverage service
- Ownership rights to tickets: the ability to transfer seat

rights, subject to university rules

- Other benefits may include: pre-game field access, meeting with coaches and postseason tickets

Since the terms are formalized in a written document, misunderstandings are avoided.

How is an Endowment Seating Program DIFFERENT from existing required donation programs?

“For starters,” says Weisbach, “the amount of capital that can be raised is much greater.” ESP programs can raise anywhere from \$25 million to \$100-\$300 million by utilizing as few as 5 to 10 percent of seats in a university stadium or arena.

With ESP, a university can leverage the long-term financial commitments of its donors to create an endowment — to fund operations and capital projects on a long-term basis. No longer will an athletics department's financial stability hinge on the short-term volatility of team wins or losses. The ESP results in more donors becoming long-term supporters.

From a donor's perspective, ESP creates an asset that can be transferred to family members — and, potentially, friends — with fixed commitments. Gone is uncertainty regarding ticket price increases, or other donation requirements, in the future.

In contrast, a typical Personal Seat License (PSL), or required donation program, obligates donors to pay an upfront donation — but provides no new benefits. With PSLs, donors are still required to purchase tickets each year, at unknown prices. Additionally, a donor's required annual donation is not fixed for any period of time.

Can the program be customized for my university?

The ESP is a flexible tool that can be molded to your specific situation. “The overall design, benefits, payment terms, and financing structure,” explains Magid, “will take into account your specific university needs.”

“ESP brings enhanced CASH FLOW & long-term FINANCIAL STABILITY to an athletics department.”



Any college or university opting for an Endowment Seating Program brings new benefits for its donors, and increases existing donor participation. ESP brings enhanced cash flow and long-term financial stability to an athletics department.

How does my university implement an Endowment Seating Program?

An ESP would be customized to meet the university's specific needs. If there is broad support for strategic change in athletics department funding — and a willingness for long-term focus on sports funding — an ESP can be utilized to fund the renovation of a capital project, or to create an overall athletics department endowment.

The following process reflects a typical engagement:

- After obtaining guidance and authority from a cross-functional university committee, a detailed analysis phase would begin. This would include financial analysis and donor participation.
- With the analysis and broad input, various program designs would be developed to allow for donor and university feedback.
- The design phase would include the establishment of a detailed program structure, such as amenities, pricing and financing terms.
- Donor agreements and tax appraisals are developed.
- The execution phase includes the creation of all marketing materials, Web site, sales events (donor presentations), game day events, and, potentially, the creation of a sales campaign center. In addition, a flexible data base system is necessary to manage the selling process and to target potential customers.

What is the most important element of a successful launch?

“Educating donors and staff is key,” says Weisbach. “It’s critical to communicate clearly with donors, to explain the unique benefits of an ESP program.”

The ESP message is, at its core, simple — but there are many layers to the onion. A university's development staff needs to be educated first. Then staff members can impart important details in depth to donors, via e-mail or letter. Usually, face-to-face donor meetings are helpful. The project can be “brought to life” and made more tangible through the use of a Campaign Center, where donors can actually see models of the new stadium and club areas, and sit in the new seats.

In addition, it usually makes sense to conduct media outreach, to help educate alumni and the greater university community about a new approach to fundraising. The themes of “financial self-sufficiency,” “endowment,” “voluntary participation” and “donor flexibility” are important messages to convey in media outreach and marketing materials. This will be essential as a university broadens its donor base.

If my staff is stretched, what project functions can be supported externally?

SCFG and its partners can provide as much support as necessary throughout the entire process. SCFG is majority owned by Morgan Stanley Principal Investments and can assist in the following areas:

- Investment banking advisory services
- Sports marketing and communication services
- Finance structure
- Legal documentation, tax and accounting analysis
- Donor analysis, data base management, and sales support

Is it possible to establish a program if my university does not have a strong history of athletics success or deep donor support?

Yes. While the size of the program may be impacted, the program can be tailored to the strengths of the university and the interests of the donors. Athletics may play a smaller part of the program and academics or the arts may be highlighted.