

Office of the President
April 25, 2025

Members of the Board of Trustees:

CREATION OF CHAMPIONS BLUE, LLC AS AN AFFILIATED
CORPORATION OF THE UNIVERSITY OF KENTUCKY

Recommendation: that the Board of Trustees approve the creation of a new affiliated corporation, Champions Blue, LLC, to manage and coordinate the University's educational mission concerning intercollegiate athletics. To carry out this objective, the Board of Trustees should take the specific actions detailed below.

Background: For 144 years, athletics teams on fields and courts, on campus and across the country, have proudly worn "Kentucky" across the front of their uniforms.

Athletics collectively binds so many to the University of Kentucky – students, alumni, donors, Kentuckians and people with seemingly no other connection to the institution. If the University is to honor its mission of advancing the state, its athletics program must continue to be the strong connective tissue, and brand of success, that it has always been.

UK Athletics, moreover, is one of the strongest and most recognized brands in all of college sports, competing in the country's most successful conference. It also has a long record of financial strength that has enabled the program to not only fully fund its programs but also contribute millions of dollars toward general institutional scholarships and the construction of one of the most utilized academic spaces on the campus.

UK Athletics is integral to our mission to advance this state in all that we do. However, while intercollegiate athletics, here at UK and throughout the country, has continually evolved over the decades, this period of transformation is unlike any other in history.

The pending settlement in the federal anti-trust lawsuit known as *House v. NCAA* (N.D. Cal.) – and the era of directly compensating student-athletes – heralds unprecedented challenges for UK and all university athletic programs. The financial pressures associated with this new model are unprecedented. For UK Athletics alone, in 2025-2026, significant new revenue – even before accounting for increased expenses – will be required.

To succeed in this new era – in fact, to thrive – two things must happen:

- UK's teams must continue to compete at the highest possible levels, maximizing their values as brands. That helps ensure the financial viability of the entire program and helps maximize the ongoing media rights value of both the University and the Southeastern Conference.
- UK and its athletics program will have to find innovative ways to generate revenue, while managing with even more rigor its expenses.

To that end, this recommendation outlines and proposes the establishment of a new organization—a new model—that will allow athletics to:

- Prepare student-athletes for winning championships and living lives of meaning and purpose by earning UK degrees.
- Create a flexible operating model more responsive to change.
- Create new revenue streams.
- Align with the university and university partners more deeply than ever before.
- Provide coaches and student-athletes with tools to maximize their opportunities and value.
- Restructure to accept new capital and approach permanent financial stability.

One tool to support the growth of the institution has been the creation of an affiliated corporation, Beyond Blue, which serves as a holding company for the University's activities in support of all aspects of its mission. As an affiliated corporation, Beyond Blue allows the University to abide by all public entity rules and laws and for the UK board to approve strategies, budgets and investments, while allowing its leaders to have some separation and distinctiveness to focus on one core business.

In the last five years, UK HealthCare has utilized Beyond Blue to acquire its first two community hospitals – King's Daughters Medical Center in Ashland and St. Claire Health in Morehead. These two hospitals have their own leadership teams, local boards of directors, distinctive employee and community cultures, significant infrastructure needs and large employee bases – now, roughly 1,000 people collectively – with different compensation and benefit packages from the University.

The benefits of this structure have been numerous:

- Existing senior administrators and managers with the most expertise stayed in place at the two community hospitals. The hospitals have maintained their existing compensation and benefits structures, but they have the capacity in this framework to think about different approaches, tailored to these organizations and communities, without impacting the University's approach to benefits.

- UK HealthCare, moreover, is leveraging its expertise where it is needed to help maximize value and, in some instances, share services to more efficiently manage operations and expenses.
- The holding company – Beyond Blue – has more flexibility to make financial commitments. King's Daughters, for instance, is finalizing construction of a new Emergency Department with an almost \$100 million investment. UK through Beyond Blue has made a commitment to St. Claire to invest \$300 million over the next six years in talent, information systems, facilities, research and health education.
- Beyond Blue is now a \$1.3 billion corporation.
- This management structure framework also maintains the essential oversight and policy-making role of the UK Board of Trustees, which appoints the Beyond Blue Board of Directors, and the directors of any of its subsidiary companies.

There are similar needs for increased investment and differentiation in athletics, which the creation of Champions Blue, LLC, as an affiliated corporation of the University and a subsidiary of Beyond Blue, would enable:

- The continued creation and evolution of a different suite of services and benefits – financial management, including for name, image and likeness (NIL) opportunities, brand management and counseling and catastrophic health insurance offerings. Similarly, differentiated benefit structures may be attractive to retain and attract coaches as well. A holding company structure could create a differentiated benefits package.
- The exploration of opportunities to grow revenue and more tightly manage expenses. That will require increased philanthropic support, but also new approaches to revenue generation and expense management, including consideration of shared services.
- The examination and deployment of a larger inventory of assets to sell for multi-media rights, rethinking and adding value to fan experiences in venues such as Kroger Field, Rupp Arena, Historic Memorial Coliseum and Kentucky Proud Park.
- The flexibility to move quickly in planning for, and making investments in, facility improvements to continue to maximize value – new premium seating and suites, fan experiences such as a restaurant and sports clubs.

The last decade-and-a-half has been a time of unprecedented change and challenge for college athletics. UK Athletics – fixed on its principles and purpose – has successfully navigated that change, while remaining aligned with a University focused on its mission of advancing Kentucky. This new model contemplates how that success can evolve and

remain strong into the future, regardless of continued change and challenge that is sure to come.

SPECIFIC ACTIONS:

To benefit and further the University's educational mission concerning intercollegiate athletics, the Board of Trustees of the University of Kentucky takes the following actions:

1. Instructs the President to direct the Board of Directors of Beyond Blue Corporation, an affiliated corporation of the University, to take whatever steps are necessary to establish Champions Blue, LLC as a single member limited liability corporation and disregarded entity for federal income tax purposes. The purpose of Champions Blue, LLC will be to manage and coordinate the University's educational mission concerning intercollegiate athletics. Champions Blue, LLC will be a wholly owned subsidiary of Beyond Blue Corporation.
2. Exercises its powers under K.R.S. § 164A.610 and designates Champions Blue, LLC as an affiliated corporation of the University to assist the University in carrying out its programs, missions or other functions. As such, Champions Blue, LLC is an alter ego of the University of Kentucky as of the date of its creation. Consistent with Kentucky law, Champions Blue, LLC has the same immunity as the University itself and is subject to the state and federal constitutions as well as those statutes applicable to the University.
3. Instructs the President to make a recommendation to the University of Kentucky Board of Trustees concerning individuals for the University of Kentucky Board of Trustees to appoint to the Board of Directors of Champions Blue, LLC. In making his recommendation, the President shall insure those senior administrators, who shall serve by virtue of their office, are a majority of the Board of Directors of Champions Blue, LLC. The President shall also recommend outside directors with sufficient expertise to aid Champions Blue, LLC in its mission to manage and coordinate the University's educational mission concerning intercollegiate athletics. Should any of the University of Kentucky senior administrators leave their position, they will no longer serve on the Board of Directors of Champions Blue, LLC and their successor in their senior administrative position will be appointed to the Board of Directors of Champions Blue, LLC without further action by the University of Kentucky Board of Trustees. Otherwise, all individuals will serve at the pleasure of the University of Kentucky Board of Trustees and can be removed at any time for any reason.
4. Directs the President to decide what functions and assets in the Department of Intercollegiate Athletics should be transferred to Champions Blue, LLC and further directs the President to carry out that transfer whenever practical. To the extent that a transfer of functions involves an employee, the President shall take steps to minimize disruption to the employee's compensation and benefits.

5. Instructs the President to direct the members of his Cabinet to ensure Champions Blue LLC follows all state and federal constitutional provisions, laws, and regulations applicable to the University of Kentucky and/or public entities.
6. Declares that any future employees of Champions Blue, LLC are public employees. However, unless otherwise named by the President, any future employees of Champions Blue, LLC are not employees of the University of Kentucky. Rather, any future employees of Champions Blue, LLC are employees of an affiliated corporation of the University of Kentucky.
7. Declares that any future employees of Champions Blue, LLC who are involved in furnishing health care within the scope of their duties are agents of the University of Kentucky for purposes of University of Kentucky Medical Center Malpractice Insurance Act, KRS §§ 164.939, *et seq.*

Action taken: ☒ Approved ☐ Disapproved ☐ Other _____