

FEI SCHOLARSHIP FOUNDATION (FSF)

STRATEGIC PLAN UPDATE

MAY 2013

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FEI SCHOLARSHIP FOUNDATION (FSF)

1. Executive Summary

The FSF's program and financial status are healthy:

- Solid financial position after 10 years of operation with \$350k asset base
- Positive relationship with the FEI Houston Chapter, FSF's parent
- Excellent relationships with key corporate donors
- Good interface with university deans, senior faculty and students
- Positive initial activity in identifying and coordinating student Alumni
- Strong FSF Board with independent administrative support

A number of challenges continue to exist

- Educating new members and repairing damage to membership donations from recent FEI nationally mandated billing changes
- Bridging the gap between current corpus and \$1 million target
- Communicating appropriate recognition to all corporate and individual donors
- Maintaining regular communications with university deans and students
- Raising enthusiasm of chapter membership for scholarship programs

Key strategies over the next 3 years will be to:

- Implement the existing plan to raise awards from \$3k to \$5k by end 2015
- Identify new corporate sponsors to grow corpus to \$1 million target
- Protect and appropriately invest the existing FSF corpus
- Maintain close integration with the Houston FEI Chapter Board
- Increase member participation to levels prior to the new FEI billing system
- Increase discipline in providing appropriate recognition to all donors
- Build a strong student alumni organization and celebrate alumni successes
- Continue to strengthen relationships with university deans and faculty

The next update to the FSF Strategic Plan will be in 2016

2. Mission Statement

The mission of the FEI Scholarship Foundation is to protect and strengthen the financial viability of the Houston FEI Academic Honors Program that provides student opportunities for recruiting, mentoring and business exposure and awards non-discriminatory, need-based scholarships to high caliber accounting and finance students attending Southeast Texas accredited universities who can be future financial leaders.

3. FSF Financial Goals

The strategic financial goals of the FSF are to:

- Provide meaningful annual scholarships to selected students attaining the specified requirements. Existing target is to increase student awards from the current \$3k/award to \$5k by year-end 2015 for Scholarships in 2016.
- Protect and grow existing funds with prudent investments

- Work with corporate sponsors and appropriate individuals to grow the FSF corpus to a goal of \$1 million from the current \$350k
- Facilitate a continuing joint effort with the FEI Houston Chapter leadership to maintain financial support from the chapter and individual membership to fund FSF scholarship awards at a meaningful level.

4. Activities To Protect & Grow Existing Corpus & Fund Expenses

Strategy: Ensure Sustainability and Protection of Existing FSF Corpus.

A key FSF objective is to protect and increase the corpus to fund future scholarship awards. Corpus growth requires income from corporate sponsorship, membership donations, chapter donations when finances allow, one time fundraisers and investment growth from existing assets

To enable the corpus to earn a safe investment income higher than daily money market returns, the corpus will be invested according to the FSF investment policy adopted in mid-2012. The policy is detailed in Appendix D and will be reviewed annually. It will be administered by the FSF treasurer in conjunction with the FSF bankers. Investment decisions will be approved only by the FSF board.

Certain expenses related to the FSF will be paid by the Chapter as the FSF's parent. They include the FSF audit fees and 50% of each scholarship award. Expenses such as administrative support, bank fees and brochure or promotional costs will be paid by the FSF. It is also hoped the Chapter will be able to continue its annual \$10-15k donation as in prior years.

Major underwritten, sponsored single events targeting a net \$30-50k contribution per event should be explored to accelerate progress to the \$1 million corpus target and broaden the appeal of the FSF. An example event for could be to celebrate the FSF 10 year anniversary. Such events will require dedicated, well organized resources, strong leadership, extensive sponsorship and good organizational support.

5. Corporate Sponsorship & Donations

Strategy: Increase Effort on Corporate Sponsorship

The FSF has set a target corpus of \$1 million to be able to sustain the Scholarship Award Program in the long term. To attain this goal, new corporate sponsors need to be developed and existing sponsors further cultivated. The FSF Board will maintain a focused but opportunistic approach to engaging new corporate sponsors through contacts of the FEI Chapter Sponsorship Committee and the Board itself.

Opportunities for donors are dependent on the objectives of the donor companies and how aggressively they wish to publicize their support of FEI scholarship awards and the local FEI Chapter.

Typical corporate donor opportunities are:

- A reliable vehicle to provide a unique community service
- Name recognition at 12 local universities
- Access to potential future employees from the local universities
- Contacts at local universities to help identify future high caliber students.
- Name recognition at the Houston FEI Chapter with attendant chapter benefits
- Opportunities for internal company publicity supporting Houston education
- The possibility of naming scholarships in the company's name.

Short term fundraising activities and sponsor solicitations will be coordinated quarterly by the FSF Board of Directors working with the FEI Chapter Sponsorship Committee leadership. These plans will be reviewed as an agenda item at all FSF meetings.

Areas targeted for corporate fundraising are:

- General industry, especially the energy sector
- Accounting/auditing companies
- Attorneys
- Financial organizations
- All other FEI affiliated organizations
- Private and corporate foundations
- Lifetime endowments (e.g. "The XXX Scholarship")
- Specific one time fundraisers

Published recognition for corporate sponsorship is covered in the FSF Corporate Recognition Guidelines and may change periodically. Current year recognition will be through the FEI Membership Directory and on the Website. A key driver for recognition is a company's lifetime contribution, with recognition in the Academic Honors Day and FSF brochures. Lifetime levels are:

- >\$50k, Chancellors Club
- >\$25k, Chairmans Club
- >\$10k, Presidents Club
- >\$5k, Deans Club
- <\$5k, Faculty Club.

The FSF should implement individual annual meetings/luncheons with key corporate sponsors to explain how their donation is used, reinforce appreciation and the importance of their donation and request future year sponsorship. This recognition should be established with specific FSF Board responsibility by company.

6. Individual Donations From FEI Chapter Membership

Strategy: Re-engage FEI General Membership

Continued engagement of individual FEI members is necessary following the recent nationally mandated billing change. To achieve this objective, FSF activities, student

activities and consistent solicitation messages must be publicized at every opportunity throughout the year.

The FSF will present an activity review to the general FEI membership at one chapter meeting (currently the May meeting). Donation request letters will be issued to the membership towards the end of the FEI fiscal year and prior to the end of the calendar year. The FSF will also review ongoing activities at regular Chapter Board meetings and present an annual report at the October Chapter Board meeting.

Strategies for annual solicitation of FEI Houston Chapter members fall into 5 categories:

- FEI Chapter Board: Board Chair verbal request for \$200/member donation
- FSF Board: Board Chair verbal request for \$1000/member donation
- Major Chapter Donors: Specific recognition, request for continued support
- New Chapter Members: Circulation of FSF brochure and request for donation
- All other individual Chapter members: Donation requests as noted

Other media will be used periodically to remind members of the work of the FSF and the support needed for award students. Each monthly speaker will have a scholarship given in their name to keep focused attention on the program through the year.

Recognition of individuals cash or stock donations will be provided in FEI publications in the following categories:

- \$1,000 or greater: Chairman's Club
- \$500 to \$999: President's Club
- \$200 to 499: Dean's Club
- Below \$200: Faculty Club

The FSF should implement an annual luncheon or evening reception recognition event for individual member donors to reinforce explain the use of their donations, reinforce the value and importance of their donations and request future year donations.

7. Student Alumni Follow Up Activities

Strategy: Contact Student Award Alumni

Since 1970, over 400 students have received academic awards from the Houston FEI Chapter and FSF organizations. It is assumed that most awardees are conducting successful careers, but little information is available. Several successful stories are known, but the Chapter and FSF have lost contact with most awardees. A key strategic initiative will be to construct a database of student alumni from the past 10 years and work to contact these alumni. This activity should be coordinated by a FSF Board member in conjunction with a student alumni and the FSF administrative assistant.

Benefits from this activity will include:

- Ascertaining the level of success of the scholarship program

- Encouraging student alumni to become members of FEI organizations
- Establish an alumni association to encourage alumni giving to the program
- Compiling success stories for program publicity among FEI members
- Providing publicity for corporate donor solicitations
- Increasing network opportunities for all involved, including alumni mentoring of current award students and renewed contact with university Deans etc.

8. Facilitation of University Dean & Faculty Relationships

Strategy: Strengthen Relationships With University Deans and Faculty

Regular communications with the business school deans and senior faculty are critical for the scholarship award program and need to be strengthened. They are typically handled by the FEI Chapter Academic Relations Committee with input from the FSF Board. The communications create a close relationship of Academic Relations Committee members with specific universities, many of which are the Alma Mater of the main contact.

Additional 2012 communications focused on the inaugural Halliburton sponsored Academic Deans' Luncheon in November 2012. Halliburton has committed to a 3 year sponsorship of the luncheon which will be organized by a committee including members of the FSF, the Academic Relations Committee and Halliburton. The purpose of the luncheon is to introduce senior university faculty members to Halliburton and senior FEI members to facilitate the positioning of high caliber students in internship or permanent positions within Halliburton.

Details of southeast Texas universities supported, the student award criteria and an outline of the Academic Honors Program are included in the Appendix

Overall, communications with university deans and senior faculty should emphasize:

- Key objectives of the FEI Scholarship Program
- Financial support available today with objectives to increase awards to \$5k
- Ability to assist with internships and permanent positioning
- Ability to facilitate interaction of deans with corporate organizations
- Potential for guest lecturers to assist deans in student programming

9. Integration of FSF with Houston FEI Chapter

Strategy: Maintain Strong Integration With Houston FEI Chapter

The Houston FEI Chapter is the parent of the FSF, the FSF's main benefactor and the organizer of Academic Honors Day. Strong interaction with the Houston FEI Chapter will be critical in achieving the FSF objectives. This relationship has been a cornerstone of successful achievements over the past 30 years. FSF directors must liaise with FEI chapter leadership and the FSF must be an integral part of chapter planning in administrative, sponsorship and fundraising activities. Ad hoc board positions have been

authorized for the FSF President to be a member of the FEI Chapter Board and the FEI President Elect to be a member of the FSF Board.

Information regarding the FSF history and structure is included in Appendix A

10. Administrative Activity

Strategy: Strengthen and Utilize Administrative Support

Strong administrative support for the FSF is essential to implement the proposed strategies. Since September 2012, the FSF Board has benefitted from a dedicated part time administrative assistant. This function is critical to efficiency and FSF success. The individual's responsibilities include the organizing of solicitation communication to FEI members, consolidating financial information, helping facilitate FSF organized functions and working on special projects such as creating a student alumni database. The administrative function needs to continue either with a FSF independent resource or utilizing the administrative network of the chapter.

It is anticipated that the role will expand to include working with the FSF Treasurer on preparation of audit and financial statement requirements and with the FSF Secretary on maintenance of annual activity listings and storage of appropriate policies.

11. Moving Forward – Ongoing Focus to 2016

The FSF Strategic Plan will be an evergreen document and command discussion at the FSF Board level. It will be updated each three years or if circumstances change significantly. Specific short term action steps will be agreed at each FSF quarterly board meeting and the FSF will maintain a strong administrative support function to record student history and appropriate financial documentation. The FSF Board will continue to work closely with the Houston FEI Chapter Board, as the FSF is the long term financial custodian for the FEI Chapter Academic Honors Program.

The delivery of a meaningful scholarship program will require determination and support from many constituencies. Continued FEI Houston Chapter support, individual member support and ongoing corporate sponsorship will be required to fund scholarships at the target level. The Board of Directors of the FEI Scholarship Foundation ask that all constituencies involved with the FEI help to support the FSF and therefore financially disadvantaged students of high caliber in the finance and accounting fields.

Appendix A: FSF History & Structure

FSF History

The Houston Chapter of the FEI has been providing scholarships for qualified accounting and finance students at local accredited universities since 1970. In 2003, the FEI Chapter Board decided to establish the FEI Scholarship Foundation (FSF) to focus attention on the scholarship program and ensure sufficient funds were available to maintain the program at an appropriate award level in times of economic downturn. A key objective of the Houston Chapter has always been to advance the Academic Honors Program that provides meaningful student scholarships and assists accounting and finance careers through facilitating internships and permanent position opportunities for university students.

FSF Organizational Structure

The FEI Scholarship Foundation will maintain a Board of Directors in accordance with the FSF 2003 by-laws and status as a 501 (c)(3) non-profit organization. The Board of Directors comprises three members and three officers, including the President, Treasurer and Secretary. The Board closely interacts with two committees of the FEI Houston Chapter, the Sponsorship Committee and the Academic Honors Day Program Committee. The Sponsorship Committee works with the FSF Board, the FEI Chapter leadership and many others to communicate the purpose and goals of the FSF and assist in raising funds for the scholarship program. The Academic Honors Program Committee coordinates with each of the twelve local colleges in student award criteria, candidate vetting, honors day program structure, local business involvement and administration of awards.

FEI Houston Chapter Mission Statement

The mission of the Houston Chapter of the FEI is to promote the professional ethics, education and training of finance and accounting executives

Interaction of FSF with the National FEI Organization

The national FEI organization is very supportive of the educational activities of the Houston FEI organization, but has no direct funding or administrative involvement

Appendix B: Accredited Universities & Student Selection Criteria

South Texas Area Universities

The following southeast Texas area universities are supported by the FSF Scholarship program:

- Houston Baptist University
- Lamar University
- Prairie View A & M University
- Rice University
- Sam Houston State University
- Stephen F Austin State University
- Texas A & M University
- Texas Southern University
- University of Houston Central Campus
- University of Houston Clear Lake Campus
- University of Houston Downtown Campus
- University of St Thomas

Criteria for Selection of Students

The FEI Scholarship Selection Committee (FSF Board and V.P. Academic Affairs) coordinates with representatives from each of the twelve universities to define eligibility and selection criteria. Recommendations are selected by the senior faculty of each university and reviewed by the selection committee. The criteria are intended to support the objective of materially helping the students complete their degree. Student selection criteria are:

- Enrolled in School of Business, majoring in Accounting or Finance
- At least Junior status has been achieved
- Demonstrates a financial need
- Must demonstrate an active interest in their future profession
- Grade point average of 3.5/4.0 or better in major study course
- Grade point average of 3.5/4.0 or better in overall courses
- Active participant in campus and community service work
- Not a recipient of other significant scholarships
- Student is a U.S. citizen.
- Awards will be non-discriminatory.

Appendix C : Academic Honors Program

Key objectives of the Academic Honors Program are:

- To support selected local university high caliber accounting and finance majors that are in financial need entering their senior year.
- To provide a business experience and communication opportunity for students to interact with senior leaders of their chosen profession on FEI Academic Honors Day and in subsequent discussions.
- To help ensure there are excellent students available to Houston based companies, especially those with FEI connections.
- To allow FEI members and the overall FEI chapter to reinforce the presence of the FEI organization in local academic and business circles and to support the financial community in and around Houston.
- To provide an opportunity for local companies to involve their financial management in supporting need based students in their profession at local universities.
- To assist in providing the Accounting and Finance Deans and other senior financial professors at local universities a platform for increasing their exposure with Houston business leaders, through the Academic Honors Program, general FEI interfaces and contact with their university alumni in the Houston FEI organization.

The annual Houston FEI Academic Honors Day is incorporated into the February FEI meeting. The Honor's Day Program is hosted by a prominent Houston organization in conjunction with FEI. Past hosts have included the Greater Houston Partnership, the Federal Reserve Bank, the Port of Houston, Sam Houston Race Park, ExxonMobil, Service Corporation International, Carriage Services, Reliant Energy Corporation, Shell Oil, Gulf States Toyota, Bio Houston, the Houston Astros, Halliburton, Centerpoint Energy and Goodwill Industries of Houston.

The Honor's Day Program commences at a lunchtime introductory reception hosted by the sponsoring organization for students, faculty, sponsor management and members of the FEI. The afternoon includes a facilities tour, presentations from the host organization to students and faculty related to their industry operations, a panel discussion with selected short service employees and discussions on finance and ethics. Speakers include management of the host organization. The Honor's Day Program provides an excellent opportunity for students to learn about specific industries and businesses with the unique challenges they face, as well as meet industry and financial leaders

Scholarship recipients and faculty sponsors are recognized in the evening of Academic Honors Day at an FEI dinner meeting. Over the past 40 plus years of existence of the FEI in Houston, scholarships have increased in value from \$250 per scholarship recipient to \$3,000, targeting \$5,000 by year-end 2015 for awards in 2016. This has been accomplished by personal support from the FEI Chapter members, support of the FEI Chapter and by corporate sponsors. Scholarship recipients also receive a commemorative gift, and are recognized with a biography contained in the program booklet published specifically for Academic Honor's Day to allow opportunities for internships and mentoring.

Appendix D: Summary of Investment Policy

Objectives

The FEI Scholarship Foundation (FSF) corpus has been accumulated over many years through hard work and generous donations of the FSF Board, the Houston FEI Chapter, FEI individual members and corporate sponsors. Key performance objectives are:

- A low risk tolerance due to the hard work in obtaining FSF funds
- Sufficient short term liquid funds to cover approximately 2 years of outgoings
- A safe haven and solid return for remaining funds with varying maturities.
- No investments in common stock equities. Preferred shares are acceptable

Investment Policy

Key attributes of the investment policy are:

- Stock donations will be converted to cash as soon as practical, at least within 90 days of receipt.
- One third of the portfolio will be maintained in cash, or cash equivalents maturing in 3 months.
- One third of the portfolio will be maintained in AA Bonds or equivalent funds, maturing out to a maximum 5 yrs.
- One third of the portfolio will be maintained in high quality, strong yield Preferred Share or similar fund investments.
- All Preferred Share purchases will be approved in advance by the FSF Board

Policy & Investment Performance Review

The investment policy should be reviewed by the FSF Board at least on an annual basis and updated if necessary. Any changes should be communicated in writing to all interested parties. Individual investment results and cash inflow/outflow will be reviewed by the FSF Treasurer with the FSF Board on a quarterly basis.