



FULL BOARD MEETING

**Friday, June 14, 2019
9:30 a.m. EDT**

**Hyatt Place Downtown
Knoxville, Tennessee**

The Board of Directors held their 30th meeting at 9:30 a.m. EDT on Friday, June 14, 2019, at Hyatt Place Downtown.

I. WELCOME, OPENING REMARKS, and INTRODUCTIONS

Chair Mike Littlejohn welcomed everyone and introduced Ron Maples, UT Treasurer and UTFI Assistant Treasurer, serving as interim CFO and Treasurer. He also introduced Alan Wilson, UT Board of Trustees representative to the UTFI Board and noted members attending their final board meeting, Jon Ayers, Chancellor Carver, Rick Sain, and Ron Turner. Mr. Littlejohn then called for the roll.

II. CALL TO ORDER AND ROLL CALL

The Secretary called roll, and the following members of the Board of Directors were present:

Michael K. Littlejohn, Chair
Philip A. Wenk, Vice Chair
Kerry W. Witcher, President and CEO
Randal D. Boyd, Interim University President
Hans N. Airee
J. Jonathan Ayers
Chancellor Keith S. Carver (non-voting)
Kimberly W. Cross
Kathy W. Ledbetter
Richard H. Sain
Ronald L. Turner
Charles A. Wagner III
Alan D. Wilson

Board of Directors not present:

Alexis G. Bogo
Christopher B. Bollinger
Phillip A. Clendenin
Gregory E. Cox

Robert F. Decosimo
Dean Robert S. Dooley (non-voting)
Ronald E. Frieson
James L. Herbert Jr
Joseph LaPorte III
Betsy B. Melby
Charles E. Moore
Betty Ann Tanner

Ms. LeBlanc announced the presence of a quorum.

Officers of the foundation and vice chancellors for development were also present, as well as counsel Dan Holbrook, additional foundation and university leadership, UT photographer Sam Thomas, and Daily Beacon reporter Margot McClellan.

III. UNIVERSITY PRESIDENT'S REMARKS

Mr. Littlejohn welcomed interim president Randy Boyd and thanked him for his service to UT. Interim President Boyd commented on everyone across the state being Volunteers, including Martin, Chattanooga, and the Health Science Center in Memphis. He thanked everyone for making UT what it is today.

Mr. Boyd gave an update on amazing things happening all across the state:

- 70% of all Tennessee physicians go through UT Health Science Center. The number of residency programs to produce family physicians had been limited by the federal government for 20 years. During a visit at UTHSC, a medical student shared that the State of Georgia had stepped up to fund additional family practice residencies there. Boyd had the opportunity to share with Commercial Appeal, and State Rep in Memphis has brought legislation to allow \$10M annually to provide up to 100 additional residencies across the state. Great example of how a UT student has made an impact.
- At Martin, Chancellor Carver is making a huge difference providing hope all across rural W Tennessee via the satellite campuses. He gave the example of his executive assistant during the gubernatorial campaign who made his way out of Perry County through education at the Parsons satellite campus.
- UT Space Institute is working on providing faster travel to Mars using nuclear propulsion.
- Chattanooga has a rocketry club, which participates in an engineering competition. This year, their rocket won (literally) by a mile.
- Knoxville had a record year in many areas of research, including our partnership with ORNL. We are building a new exascale computer; the fastest in the world.
- IPS law enforcement innovation center trains officers all across the country in forensics. The foreign language institute also teaches one hundred languages to state employees, including Bulgarian; necessary for TN National Guardsmen being sent to the base in Bulgaria.

- UTIA Extension manages 4H clubs in all 95 counties; 186,000 members across the state, making us the largest 4H club in the country. Mr. Boyd thanked Kathy and Scott Ledbetter for the tremendous opportunity they have provided 4H in West Tennessee through their gift of Lone Oaks Farm.

Randy Boyd is now a believer in, "Everywhere you look, UT!"

- UT will graduate over 12,000 students this year.
- Research dollars are up.
- State of TN governmental regard and financial support is the best it has ever been at \$643M, with an additional \$10M to implement security systems, \$10M for residencies, fully funded formula with \$17M for raises, and \$81M for a building on the Ag campus.
- Six objectives going forward:
 - Leadership – First Kerry Witcher was selected as UT Foundation President. While excellent other candidates applied, the choice was obvious. Second, Donde Plowman will begin leading Knoxville July 1. Focus was on stability 7-10 years, and will lead our change with the changing world. Student success is laser focus and being part of the system team culture. President Boyd has selected Chancellor Plowman to serve the UTFI Board upon her arrival.
 - Talent – UT will contribute most to Drive to 55. We must do better at graduating our students. Knoxville is at 72.5%, Chattanooga and Martin are at 47.7%. It sounds good, but too many students who come to achieve their dreams leave college without a degree. To assist, we have created UT Promise; so those who earn academically can attend UT free of tuition and fees if their families earn less than \$50k annually. The biggest impact will be on culture; families can now discuss and have the opportunity of going to college. The cost system-wide will be ~\$5.9M annually; 1.2% of our total financial aid costs (\$296M), or 4% of our institution aid (\$124M). We can afford this! An endowment is being created, started by Boyd's donation. UT Promise Endowment Campaign will be announced September 14. Mr. Boyd asked that each UTFI board member join him in contributing at any level.
 - Engagement – opioid crisis is a major focus. We are pooling assets state wide to have a major impact on the annual cost of \$9B. We plan to have at least a ten percent positive impact, saving the state \$900,000.
 - Efficiency – CFO David Miller and his TEAM (Task Force for Effective Administration and Management) are working with HR, IT, and others to assure we are delivering efficient and effective services.
 - Branding – Legislature denied all board members nominated last year, indicating a lack of positive image. UT Promise and other great programs are assisting with improvement.
 - Research – UT Knoxville is the only R1 in the state; however, Tennessee needs a better research institution. All other SEC schools, Top 25, peers and aspirational have flagship and agricultural campuses combined, except UT. We could be so much more effective if Knoxville and Ag were more integrated and collaborative. He gave the example of Ag Extension working with Knoxville

Nutrition in delivering nutrition services across the state. Tim Cross, UTIA Chancellor has worked with President Boyd in reuniting the Institute of Agriculture with the Knoxville campus. The change will be positive for all entities, and the Board of Trustees will review the material at their meeting next week.

We also need to do a better job collaborating with ORNL. When our partner is number one and we aren't, we should be working better with them. Therefore we will begin by creating the Oak Ridge Institute at UT, an organization which will align all the pieces under one umbrella, coordinated under one leader. Secondly, we will create new centers of excellence with significant resource commitments from ORNL and DOE if the state will match it \$1:\$8. Would provide for hiring 120 faculty members and 380 graduate students dedicated to opportunities which the federal government national security is desperate for, possibly including quantum communications, bioinformatics, and artificial intelligence. As a result, this could bring over \$200M annually in research.

Mr. Boyd asked for questions, and Dr. Wenk commended him on never wavering from the six objectives and his participatory leadership. Dr. Wenk stated that Knoxville is only one of the campuses the UTFI Board supports, and requested the interim president continue to work with Nashville on behalf of all UT campuses.

Mr. Wagner inquired whether the research initiatives would interface with Cherokee Farm, and Mr. Boyd stated this work should assist with bringing companies to the area. He also said that Cherokee Farm has positive things happening and big announcements are forthcoming.

Mr. Littlejohn commented on the positive view by many stakeholders and thanked Mr. Boyd for his service to UT.

IV. FOUNDATION PRESIDENT'S REPORT

President Kerry Witcher reported to the board (Exhibit 1) on advocacy and engagement, advancement services, fundraising, and his vision for the future. He complimented the development and central services teams on jobs well done. While fundraising this year will not reach last year, it is slated to be the third best year in our history; only trailing behind years when colleges were named.

Mr. Witcher acknowledged there is much work to be done in rolling out initiatives. He stated we have the roadmap and now need to put the pieces in place to get us there. We will continue to work with board members on specific ways to assist along the way. Trustee Wilson asked where we stand in our action plans behind goals and objectives. Mr. Witcher responded that is our next step, and he will work with the vice chancellors to look first at staffing.

Mr. Littlejohn thanked Kerry and re-affirmed the Board's support for his presidency.

V. MARTIN PROJECT PROPOSAL

In April, at the Board Workshop in Martin, Keith Carver had mentioned a project on campus which will address workforce and economic development in West Tennessee.

Chancellor Carver shared information on the Innovation & Product Realization Facility in Martin (Exhibit 2). The project is going to SBC as a priority for UT and TBR with a price of \$17M. UTM has raised \$2M and needs \$2M additional. He believes one of the most valuable ways the board can assist is to make connections with contacts who are interested in the investment opportunities: ag business, manufacturers, equipment companies, and others in industry.

Mr. Turner inquired about subject matter experts. Dr. Carver stated everyone is in place, including presidents of the community college and TCAT, faculty, instructors. Will likely have opportunities to hire shared faculty. High school mechatronics training will also be included.

VI. CONSENT AGENDA

- a. Approval of the November 16, 2018 Minutes**
- b. FY2020 Non-Director Officer Election and Compensation (Exhibit 3)**
- c. Approval of 2020 Board Meeting Dates (Exhibit 4)**

Chair Mike Littlejohn presented the consent agenda, and hearing no request for any item to be removed, he moved approved. Mr. Turner seconded, and the items presented were approved.

VII. COMMITTEE REPORTS

a. Executive Committee

Chair Mike Littlejohn reported that the committee had held three conference calls since the board meeting in November. In December, the Committee accepted shares of privately held E2Open stock; accepted all shares of Umbra Software; and accepted transfer of Jewelry Television shares. In accordance with UTFI fiscal policy 6.1.5 these donations of closely held stock were approved in advance.

On March 13, Executive Committee agreed to suspend the gift fee on bequests. The committee gave the Foundation President authority to develop a plan with the Vice Chancellors which he would bring forth to the committee prior to the June board as a new funding model.

Mr. Littlejohn presented the proposed changes to the UTFI funding model for the Board's consideration. Dr. Wenk moved approval of the funding model (Exhibit 5), Mrs. Cross seconded the motion, and it was approved unanimously.

b. Audit Committee

Interim CFO and Treasurer, Ron Maples presented the June 30, 2018 final audit report (Exhibit 6). He noted the clean opinion on page 3 from the firm of Brown, Jake, and McDaniel, and also pointed out on page 21 a finding of material weakness. However, it related to investment disclosures on the University portfolio hedge funds. Mr. Maples

noted these investments are not part of UTFI, and therefore the board has no fiduciary responsibility in this area. Haslam College of Business professionals advised that yes, in FASB, disclosure is necessary. However, State Audit has given the opinion that in government audit, this is not necessary. Mr. Maples will work with the auditors to remove this requirement, or he will provide access to what they need going forward.

The Audit Committee has agreed to rehire Brown, Jake and McDaniel for the upcoming audit cycle.

c. Development Committee

Mr. Littlejohn stated this committee has become inactive, and leadership is looking at the possibility of dissolving the committee.

d. Directorship Committee

In Committee chair Charlie Moore's absence, Vice Chair Phil Wenk presented on behalf of the committee. At the November Board meeting, we voted to amend the Bylaws designating two chancellors, rather than one chancellor and one dean, and to make the chancellors voting members. Effective July 1, UT President Randy Boyd has designated UTIA Chancellor Tim Cross to serve a two year term ending June 30, 2021, and Knoxville's new Chancellor Donde Plowman for three years ending June 30, 2022, in order to stagger the terms.

Additionally, page 3 of the Bylaws has been updated to accommodate the Second Amendment to the 2014 Affiliation and Services Agreement between the University and the Foundation. Due to the size of the Board of Trustees being reduced last year, UTFI Board no longer has two designated Trustee members. However, the amendment approved by the Tennessee Comptroller of the Treasury does provide at least one Trustee appointed by the Chair of the Board of Trustees to serve the UTFI Board. A clean copy of the Bylaws is included in Diligent for your information (Exhibit 7).

It was determined in 2018 that the size of the UTFI Board should be reduced by attrition; therefore the Directorship Committee did not call for new member nominations this year, nor has the committee met this spring. Board members whose final terms end this month are Charlie Moore, Ron Turner and Keith Carver. Board members completing their first full term who have advised us they are unable to commit to a second term are Jon Ayers, Joe LaPorte, and Rick Sain.

Alexis Bogo and Greg Cox have completed their first terms and are eligible for re-election to a second 3-year term. Mike Littlejohn has completed his second full term; and because he is currently elected as Chair, he is eligible to be re-elected to serve a third and final term. Mike has indicated his desire to serve two additional years – one as chair, and one as past chair. The Directorship Committee has given consent to nominate Ms Bogo and Messrs Cox and Littlejohn for re-election.

Dr. Wenk proposed the motion: Pursuant to Article IV, Section 3 of the Foundation's Bylaws, I move that Alexis Bogo, Greg Cox, and Mike Littlejohn, the nominees presented by

the Directorship Committee are elected to serve the specified terms as Directors beginning July 1, 2019. Mr. Wagner seconded the motion, and it was approved unanimously.

e. Finance Committee

In Committee Chair Gregory Cox's absence, Ron Maples reviewed the March 31, 2019 performance, as prepared prior to the CFO's departure (Exhibit 8). Revenue was exactly on track, interest earnings are a little above projection, and should allow for a deposit into reserves at yearend. Expenditures were under budget, but anticipated on target. Mr. Maples stated the \$173M investments (in conjunction with UT) are generating cash, and the reserves are up to \$10.6M.

The draft FY20 budget will have some changes. It does not yet include carry forward for this year, and contains a 1% increase in direct support from campuses. Interest income is realistically projected to increase ~\$600,000, and the endowment assessment is down a little due to investment fees increasing slightly. Expenditure increases are modest, including a 2% salary increase.

Mr. Turner inquired as to whether this budget positioned us to achieve the \$320M five-year fundraising goal, and Mr. Witcher replied that it does. Mr. Maples also shared a projection for FYE June 30, 2019, and it indicated positive outcomes.

Dr. Wenk moved approval of the draft fiscal year 2020 budget (Exhibit 9). Mr. Sain seconded the motion, and the draft budget was approved as presented.

At the suggestion of President Boyd, Mr. Maples shared the University's investment summary (Exhibit 10). He stated the first half of the year was not great, but the second half has been better. Goal is at least CIP plus 5.5% spend. Cambridge Associates is the investment consultant, and the Board of Trustees are responsible for the investments. Mr. Littlejohn reminded the committee that board member Joe LaPorte represents UTFI Board on the University Investment Council.

f. Real Estate Committee

Committee Chair Charlie Wagner reported on the Real Estate Committee activities since the November meeting (Exhibit 11).

The committee recommended changes to 6.4 Real Estate Acceptance Policy, and Mr. Wagner stated they related to processes already in place which needed to be defined in policy. Mr. Turner moved approval of the changes presented to Policy 6.4 (Exhibit 12), Mr. Wilson seconded the motion, and it was unanimously approved.

The committee has also reviewed fiscal policy 5.20.1 as it relates to disposition of real estate. This policy will be reviewed by the incoming finance officer and then the finance committee.


VIII. RECOGNITION OF RETIRING DIRECTORS

Unfortunately some retiring members were not able to be with us, so we will mail their gifts: Charlie Moore (6 years), Joe LaPorte (3 years), Robert Dooley (Dean/2 years), and Betsy Melby (UTAA/1 year)

Messrs. Littlejohn and Witcher presented the retiring members with gifts honoring their years of service: Ron Turner (9 years total, past chair was honored last evening), UTM Chancellor Keith Carver (2 years), Jon Ayers (3 years) served Audit and Real Estate committees, and Rick Sain (3 years) served Development committee.

IX. ADJOURNMENT

With no additional business, the meeting was adjourned.


Rachael LeBlanc, Secretary