

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE

November 18, 2015
Franklin, Tennessee

The Executive and Compensation Committee of The University of Tennessee Board of Trustees met at 8:00 a.m. CDT on Wednesday, November 18 2015, at the Drury Plaza Hotel, 1874 West McEwen Drive, in Franklin, Tennessee.

I. CALL TO ORDER

Chair Jubran called the meeting to order.

II. ROLL CALL

The Secretary called the roll, and the following members of the Executive and Compensation Committee were present:

Joseph A. DiPietro
Spruell Driver, Jr.
William E. Evans
Raja J. Jubran, Chair
James L. Murphy, III
Sharon J. Miller Pryse

The Secretary announced the presence of a quorum. Other Trustees and administrative staff were also present.

III. MINUTES OF THE LAST MEETING

Chair Jubran called for any additions or corrections to the minutes of the October 8, 2015 meeting as presented in the meeting materials. Hearing none, Trustee Driver moved approval of the minutes, Trustee Pryse seconded, and the motion carried unanimously.

IV. AMENDMENT TO THE AGREEMENT FOR DEVELOPMENT MANAGEMENT SERVICES, CHEROKEE FARM INNOVATION CAMPUS

A. Determination of Necessity for Action Before the Next Board Meeting

Chair Jubran called the Committee's attention to the facts and circumstances stated in the meeting materials justifying action by the Executive and Compensation Committee on behalf of the Board to amend the Agreement for Development Management Services for the Cherokee Farm Innovation Campus (Exhibit 1). Trustee Murphy moved adoption of the Determination of Necessity to Act for the Board of Trustees before its Next Meeting to amend the Agreement for Development Management Services for the Cherokee Farm Innovation Campus. Trustee Driver seconded the motion, and it carried unanimously.

B. First Amendment to the Agreement for Development Management Services (Exhibit 2)

President DiPietro explained that on February 29, 2012, the Board of Trustees approved an Agreement for Development Management Services with the UT Research Foundation (UTRF) for services related to development of a research park at what is now known as the Cherokee Farm Innovation Campus, a 200-acre site located directly across the Tennessee River from the UT Knoxville campus. At the same time, the Board approved a Master Ground Lease of the site to UTRF. The Agreement provided for a maximum liability of the University of \$3 million over the initial five-year term of the Agreement (March 1, 2012 through February 28, 2017) and a maximum liability of \$800,000 in any calendar year. The University has been reimbursing costs associated with the approved services conducted by UTRF, or its subsidiary, in accordance with the terms of the Agreement. The University uses auxiliary funding sources, not state tax dollars, to pay UTRF.

UTRF, through its subsidiary, has been working to promote commercial development of the Cherokee Farm campus broadly to developers, site selectors, and potential private sector tenants. In April of this year, a developer presented a promising development project for the campus. The project includes an anchor tenant requiring 22,000 square feet ready for occupancy no later than October 2016. To meet the October 2016 occupancy date, the anchor tenant says an agreement between the developer and UTRF's subsidiary must be in place by December 1, 2015. An anchor tenant presents a very important opportunity, as the typical tenant in a university research and development park begins the relationship with 1,500-3,000 square feet. The project also offers the potential to

provide much-needed space for several private sector companies that are interested in pursuing leasing arrangements on the Cherokee Farm campus.

In response to a question from Trustee Wharton regarding the potential anchor tenant's compatibility with Cherokee Farm Innovation Campus, Dr. Millhorn confirmed that the potential tenant would provide student development and research collaboration opportunities for the University.

Vice Chair Jubran expressed his enthusiasm about this opportunity. He said the terms between the developer and UTRF are very fair and are the best opportunity presented to date. He added that once this deal closes, UTRF will be in a stronger position to secure more development opportunities.

Vice Chair Jubran noted, however, that the provision in the proposed amendment requiring UTRF or its subsidiary to guaranty occupancy of space on the second floor until 95% is achieved should be deleted because it was not in the deal negotiated with the developer. After discussion, the Committee agreed that the provision should simply state that \$800,000 will be available for use by UTRF, or its subsidiary, to guaranty occupancy of space on the second floor until the Debt Service Coverage Ratio for the entire building equals or exceeds 1.20.

Trustee Wharton asked whether the one-time, \$2 million lump sum auxiliary payment would be returned to UT from UTRF. Dr. DiPietro explained that the funds would remain with UTRF for other development at Cherokee Farm. In response to Trustee Wharton's question of whether the University will need to provide additional funding for future buildings, Dr. DiPietro said it is possible.

Trustee Driver asked if the name Cherokee Farm Innovation Campus is sufficiently descriptive of the initiative. Dr. DiPietro replied that the area is known to have been an old dairy farm and is commonly referred to as Cherokee Farm. Dr. Millhorn confirmed that the name has been well received.

Vice Chair called for a motion. Trustee Murphy moved as follows:

That the Executive and Compensation Committee, acting on behalf of the Board of Trustees, approve the proposed First Amendment to the Agreement for Development Management Services with the following modification:

in paragraph 1 of the amendment, which amends Section 3.2 of the Agreement for Development Management Services, delete the words "to 1.00 coverage and the

building achieves 95% occupancy;" provided that if after further negotiation, the developer is not willing to delete the 95% occupancy provision, the President, with the concurrence of the Vice Chair and the Chief Financial Officer, shall be authorized to agree that the 95% occupancy provision will remain in the amendment;

and provided that the President is authorized, with the concurrence of the Vice Chair and the Chief Financial Officer, to approve any revisions to the amendment required or recommended by the State Building Commission (or its Executive Subcommittee) or the State Attorney General.

Trustee Pryse seconded the motion, and it carried unanimously.

V. OTHER BUSINESS

There was no other business to come before the Committee.

VI. ADJOURNMENT

There being no further business to come before the Committee, the meeting was adjourned.

Respectfully Submitted,


Catherine S. Mizell, Secretary