

**MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
June 22, 2011
Knoxville, Tennessee**

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 1:15 p.m. on Wednesday, June 22, 2011, in Hollingsworth Auditorium on the Institute of Agriculture campus.

I. CALL TO ORDER

Chair George Cates called the meeting to order.

II. ROLL CALL

Scott Rabenold called the roll of committee members. Those present were:

Mr. George Cates, chair
Mr. Charles Anderson
Ms. Monice Hagler
Dr. Joe DiPietro
Mr. James Murphy
Mr. Karl Schledwitz
Mr. Charles Wharton

III. APPROVAL OF MINUTES OF LAST MEETING

The chair referred the committee to the minutes from the February 24, 2011 meeting. Mr. Schledwitz moved to approve the minutes, Mr. Wharton seconded and the minutes were unanimously approved.

IV. WELCOME AND OPENING REMARKS BY COMMITTEE CHAIR

Mr. Cates thanked everyone for attending. He wanted to recognize the attendance of Mr. Tom Griscom at this meeting. Mr. Griscom is a member of the Tennessee Board of Regents and is the incoming chair of the UC Foundation (UCF).

Mr. Griscom thanked the board for allowing him to attend this meeting. Some members of the UC Foundation have spent about two years working on an idea that was first brought to them by Charles Wharton and Henry Nemcik which was to start thinking about how the University of Tennessee was going to move into a new way of raising development dollars. The UC Foundation wants to be a part of this. As a student in 1969, Mr. Griscom was able to watch the signing of the agreement which formed the UC Foundation. One year ago, then chairman of the UCF Ruth Holmberg, pulled together an ad hoc committee to become more focused on moving to the next step. Trustee Hall has also been on this committee. The committee has had numerous meetings and good sessions with Dr. DiPietro, Scott Rabenold and others on the UT staff. There has been a tremendous effort to make sure there is an understanding on the UTC campus that they are a part of the University of Tennessee and they are proud to be part of the University of Tennessee. Chattanooga wants to take their heritage and move it to the point where it is the fundraising arm for UT Chattanooga and becoming affiliated as part of the UT Foundation. Hopefully by end of July everything will be in place and the

UC Foundation will move into that role. Mr. Griscom shared with Dr. DiPietro last week that it will also give Chattanooga a real chance to build a real sense of trust between the University of Tennessee at Chattanooga and the University of Tennessee and know that everyone is in this for the same reason which is to educate young people in this state. Mr. Griscom appreciates the opportunity to come before the trustees and to let them know the UC Foundation is looking forward to this affiliation and will compete because they feel they will have the best foundation in the system. He appreciates the patience and the opportunity for the UCF to be part of this arrangement.

Jim Hall reiterated he does not believe this agreement would have been reached without the amount of time that Dr. DiPietro spent on this subject and the confidence he built with the members of the UCF. He also thanked Catherine Mizell, Scott Rabenold and Bob Lyon. Everyone has put in a lot of time to make Charles Wharton and Henry Nemcik's idea a reality on the UTC campus. He thanked Mr. Griscom on behalf of this board because his very effective leadership was instrumental in this process.

V. ANNUAL REPORT OF THE UC FOUNDATION

Bob Lyon, Vice Chancellor for University Advancement and UC Foundation Liaison gave the annual report of the UC Foundation (UCF) on behalf of outgoing UCF Chair Ruth Holmberg. She extends her best wishes.

As the annual UCF report is prepared to present to the trustees, the timing does not necessarily match up with the timing of the UCF board meetings so some of the information is not as fresh as the UCF would like for it to be. However, the UT Board of Trustees receives the annual audit at the end of each year which contains the full numbers.

Under the fifth bullet of the report it states that approximately \$900,000 will be returned to the UCF. This is due to the fact the UCF no longer has to subsidize this project. Due in fact to higher occupancy and the great work of Richard Brown and John Delaney who have taken over the financial and on-site management of the project. This has made a huge difference in controlling costs.

As far as investment activity, the UCF is essentially on target with the custom benchmark they set forth. The CY10 slightly underperformed with the two preceding years performing slightly over. The foundation feels good about the changes made over the last three years to bring this portfolio into a much better performance situation than it was before.

In closing, Mr. Lyon reiterated that Ruth Holmberg's term of service on the foundation board is representative of what has been happening with the foundation. It is a contrast of the first 35 years to the last five to six years and the changes that have taken place. To give an example, Ms. Holmberg is serving for a second time on the board. She served in the early years after the foundation was established. She served as a renegade by working on a committee to try to establish term limits for the UCF trustees and board rotation. She will tell you the immediate next nominating committee which had not approved term limits rotated her off the board. This second time around has been much different. She chaired the committee about five years ago that once again discussed term limits which have now been approved. The foundation has come a very long way. In the past, the executive committee of the foundation met prior to the board meeting and during those meetings, all the decisions were made. The other trustees did not feel engaged. All of that has changed. There is much more collaboration with the university on more strategic items. As you heard at the winter meeting, Chattanooga is working hard on several issues including the gap analysis in addition to things such as six year graduation rates and freshmen to sophomore retention rates. The UCF excelled in the area of endowment per full time equivalent student.

Mr. Lyon closes by making mention that Tom Griscom is the person who chaired the UCF strategic planning committee. The UCF recognized that UTC was getting ready to do an institutional strategic plan so they halted their work and waited for the university's work to conclude knowing the foundation had a seat at that table. Once the UTC plan was completed, Mr. Griscom's committee went to work and came up with the UCF strategic plan that dove tailed with the university. The relationship is different and it is an exciting time to be in Chattanooga. Mr. Griscom has already initiated the work that will take a new fresh look at that strategic plan in lieu of the new affiliation document that is coming.

Mr. Horne asked Mr. Lyon if he had the broken down total number of contributions that go to the UC Foundation. Mr. Lyon does have that information broken down over the last 10 years and will send that to Mr. Horne.

Mr. Horne also asked how many development officers are at UTC. There are four on the academic side and 1.5 on the athletics side. Mr. Horne commended the chairman for the apartment project and the \$900,000 excess.

VI. ANNUAL REPORT OF THE UT FOUNDATION

Scott Rabenold gave the annual report of the UT Foundation (UTFI). It is anticipated that this report will change dramatically with the approval of the affiliation agreement and when all gifts for the benefit of the university are flowing through the foundation beginning July 1.

In FY 11 there were a handful of real estate gifts. Once sold, the profits will be used to benefit the donor's priorities that have already been identified. Over the past 12 months the foundation received \$6.6 million in endowment gifts. Currently, the endowment of the foundation is approximately \$31 million. The foundation received \$9 million in non-endowed gifts. There are a significant number of outstanding pledges both in multi-year commitments and estate gifts what will grow the value of assets of the foundation over time.

The foundation has not received any gifts that would place a financial liability on the University. The foundation funds are invested as part of the University of Tennessee's consolidated endowment investment pool so the foundation's investment success is a credit to Butch Peccolo and his team.

Mr. Driver asked if environmental due diligence and things like that are done before the acceptance of real estate gifts. Mr. Rabenold stated that based on the type and value of the real estate, different levels of due diligence is done. Charles Wharton chairs the UTFI Real Estate Gift Acceptance Committee and Trustees Talbott and Horne also serve on this committee. The foundation does try to make sure due diligence is done and also manage its carrying costs due to taking a little bit of time to liquidate the property.

VII. UPDATE ON *THE CAMPAIGN FOR TENNESSEE*

There are six months left of a seven year effort in the *Campaign for Tennessee* with continued fundraising success. Mr. Rabenold thanks alumni and friends, the leadership in the room and most importantly the academic leaders. The chancellors, deans and department heads are instrumental in the fundraising success. To date, over \$1.17 billion has been raised in the campaign and it continues to exceed expectations. He anticipates finishing the campaign with \$1.3 billion.

Over the last six years, there has been a lot of talk about numbers – about how many donors and how much money has been raised. The impact of the campaign is beginning to be felt on the campuses. The dollars are being awarded for scholarships, professorships and new buildings on campuses. Mr. Rabenold highlighted a few individuals who have actually benefited from the generosity of alumni and friends.

- Holly Meeks, Proverbs 31 Scholarship Recipient, UT Chattanooga. She received this scholarship through her sorority and will earn her degree in elementary education and looks forward to becoming a teacher.
- Dr. Jason Roberts, Animal Science Professor, UT Martin. He is a graduate from UT Martin with a degree in Agriculture. He came to Knoxville to receive his doctorate in Veterinary Medicine. He is director of the West Tennessee Animal Disease and Diagnostic Laboratory and much of his research is funded through private gift support from donors to UTM.
- Madelyn Crawford, Haslam Scholar, UT Knoxville. She is a budding young researcher working in microbiology. She plans to attend graduate school and earn her doctorate in microbiology and molecular genetics.
- Dr. Steve Miller, Internal Medicine Professor, UT Health Science Center. He has been on faculty since 1974. Thanks to the generosity of Iris Pierce the Robert S. Pierce Chair was established and Dr. Miller is the recipient of that gift.

CY11 is trailing slightly in multi-year pledges, outright gifts and deferred commitment. Last year in the 2nd quarter, a large gift was received that skewed the numbers. Currently, the campaign is running \$4 million ahead in cash received. Mr. Wharton asked if there has been an increase in unrestricted gifts. Mr. Rabenold stated there has been some. This became more of a focus about two years ago but still out of \$110 million of the cash received goal it may go up \$500,000 to \$2 million per year.

With the increased responsibilities, the foundation will be growing its board of directors. The UTFI board will be asked to approve the following new board members that will begin their term on July 1: Spruell Driver, Sandy Fancher, Dee Haslam, Dr. Bob Kaplan, Brenda Lawson, Larry Martin, John Tickle, Kim White, Chancellor Steve Schwab and Dean Jan Williams. The board will also be asking King Rogers and Chris LaPorte to each serve another term.

The board has also worked to develop an orientation assessment program and committee structure and has worked hard in recruiting new board members to improve its campus, gender and geographical representation.

With a transition that includes over 200 employees there has been some confusion and concerns. Mr. Rabenold and the foundation leadership have worked hard over the last six months on communicating with all employees. Most employees understand their good work needs to continue. In the last month, the leadership team has conducted seven campus information sessions, been out answering questions and the team is understanding and ready to move ahead with this transition.

With this transition comes the challenge to increase private gift support to \$100 million annually by 2020. Each of the units will be developing strategic plans on what their area will be doing to help get to this goal. It is not a goal that one campus or one unit has. The alumni office will play a critical role in the university increasing private gift support by \$100 million annually. Under the leadership of Lofton Stuart they are already engaged in that process. There will be clear metrics that every one of the units will have and these will be tracked and will be shared with you as the plan is built over the next six months.

For the CY 11 goals, we will ensure successful completion of the *Campaign for Tennessee*, and develop an appropriate way to celebrate the success of the campaign. Fundraising momentum has to keep going with the need to continue fundraising in the post campaign time and in between the next one. We will need to enhance efforts in areas that ensure long-term successful fundraising with critical reviews of how to engage alumni, improve the quality of alumni database, increase number of donors annually, increase identification of more leadership donor prospects and review of the stewardship programs at the campus and system levels to thank donors for their investments in UT. We are working hard on all of these exercises.

VIII. ANNUAL REPORT OF THE DEVELOPMENT COUNCIL

Janet McKinley, Chair of the UT Development Council gave the update. The council has made a significant impact on the amount of private gifts that have come into the university. In order to achieve the university's goal of increasing annual private gift support by \$110 million by 2020, the council's role as the volunteer fundraising arm of the UT Foundation and the University of Tennessee will become even more critical. Thanks to the valuable input and time of the volunteer committee, they have proposed some exciting changes for the council which will not only raise its prominence but enhance its effectiveness as volunteers in serving the university, students, and the state of Tennessee.

- The council has updated its mission statement to more accurately reflect the roles of members: The mission of the University of Tennessee Development Council is to *give, serve, and lead*: to give of private resources, serve as fundraising volunteers and lead philanthropic efforts at the University of Tennessee.
- In response to members' requests for increased and more meaningful involvement, campus/institute committees have been created. This structure will help ensure that members' time and talents are being fully utilized in those areas or programs they care about most while helping to meet the development needs of our campuses and institutes. This structure also allows the council to be organized similarly to the campaign committee, enabling it to function as a perpetual campaign committee.
- The campus committees will be united as one large UT Development Council and meet regularly as a group and more frequently as individual committees.
- Members will be assigned to work with a specific staff member to accomplish their duties. Both council members and development staff members will have increased levels of responsibility and accountability. Members will have an annual opportunity to complete a self-assessment and provide feedback regarding the staff member with whom they have worked.
- As the council moves under the umbrella of the UT Foundation, it is vital that the alumni and donor boards work in partnership with one another so they can better understand each others' roles and how each group advances the goals of the university. In addition to meeting separately as a council, the fall meeting will become the annual Volunteer Leadership Weekend which will include:
 - the Development Council
 - the Alliance of Women Philanthropists Executive Board
 - the UT Alumni Association Board of Governors
 - the UT Foundation Board of Directors
 - the University of Chattanooga Foundation Board of Directors
- The meeting will provide opportunities for volunteer boards to educate each other about their priorities, report their successes, and share best practices while demonstrating how these groups can work together in a more conscientious way to advance the university.
- The inaugural Volunteer Leadership Weekend will be October 6-8, 2011. You are most welcome to join the council for any part of these meetings. The Development Council will continue to host the annual Awards Dinner to recognize the university's most outstanding donors and volunteers.

The council is looking forward to working with the staff and making that \$110 million annual increase by 2020 a reality.

IX. ANNUAL REPORT OF THE UT ALUMNI ASSOCIATION

Mike Moss, President of the UTAA gave the update. This position is a one-year appointment and it has been a tremendous honor for him to represent the UT Alumni Association (UTAA). He comes from the UT Martin campus with an undergraduate degree and a graduate degree from UT Knoxville and also worked at the Health Science Center. He felt like he was truly a system representative. During this past year he also had an opportunity to visit the Chattanooga campus five times. Over the years as president and president-elect, he has attended over 70 events, and he stopped counting at 25,000 miles. He has crisscrossed the state along with his wife. He has had the opportunity to learn and see wonderful university programs such as switchgrass, solar farms, UT singers, CSI labs and heard the coaches from the Mocs and the Vols. He has attended high school honors banquets and had the opportunity to connect to all UT campuses and represent the 325,000 alumni. He has seen the Mocs, Skyhawks and Vols play, and had an opportunity to give the alumni charge to the Health Science Center graduation class. He thanks the Board of Trustees for their encouragement and support of the UT Alumni Association and this move into the UT Foundation. The association has been working on a strategic plan and it is now completed. A number of objectives came from this strategic plan that is being addressed.

- The number one item alumni said they wanted from the association was career and business networking. This year, an individual has been hired that will be responsible for this and these are a few things that will happen:
 - Work closely with the campus placement officers to see what they are doing.
 - Having a national career networking evening for all chapters in the state and across the country. Asking all chapters to come together to have this evening. There is no charge and no reservations are required so there will be an evaluation to see how this went.
- Second is funding. The association receives funding from three sources – the state, private gifts and the affinity program. Two individuals have been hired that will be responsible for raising private gifts for the Fund for the Future which is the alumni association. The association is not the main menu when asking for gifts – it is the appetizer or the dessert. But, they want to make sure to be included in the meal.
 - The UTAA has hired the group Alumni Partners who has helped to create affinity programs. This group has already contracted with five SEC universities and in particular, they have helped the University of Florida raise over \$100 million in four years by developing affinity programs.
 - The association has also developed a relationship with National Car Rental which is the first as they begin developing these types of relationships.
- Third is communication. Must do a better job in communicating with staff, faculty and campuses. Now working on a regular basis with each campus and the system alumni office to make sure the same message is being communicated to all alums no matter the campus the alum graduated from. Also with moving into the foundation, the association is developing new logos and branding for the campuses. They have also started working with iModules. This will give them a better opportunity to contact alums and keep up with them.

- Lastly, legislative relations. This has been an important item and there will be more talk about this with Hank Dye and Anthony Haynes. It is very important as the university seeks to accomplish its goals for the association to let the alumni become a part of that and at least know who are the representatives and state senators and urge them to let their legislators know they vote for the UT and they would appreciate their support.

It has been exciting and challenging year and Mr. Moss has been pleased and proud to serve.

X. NAMING OF THE UT MARTIN GOLF CENTER

On behalf of UT Martin, Dr. DiPietro asked the board for approval to name the new golf center located on the UTM campus the Rhodes Golf Center in honor of Bill and Amy Rhodes. Mr. and Mrs. Rhodes are esteemed alumni and volunteers. Their recent gift commitment will fund more than half the cost of the practice facility for the golf team and learning laboratory for the turf management students. Mr. Wharton moved to approve, Ms. Hagler seconded and the naming was unanimously approved.

XI. ANNUAL REPORT OF THE NAMING OF INTERIOR SPACES AND GROUNDS

Scott Rabenold presented the annual report to the Board of Trustees of interior/grounds spaces named at the campuses/units. The following is the report as received from each campus/unit:

<u>Campus/Unit</u>	<u>Naming of Facility (Interior/Grounds) 2010-11</u>
<i>Institute of Agriculture</i>	<u>College of Veterinary Medicine, Small Animal Hospital</u> <ul style="list-style-type: none"> • Nestle-Purina Nutrition Center
<i>UT Chattanooga</i>	<u>College of Engineering and Computer Science</u> <ul style="list-style-type: none"> • ETAP/TVA Power Simulation Lab
<i>UT Knoxville</i>	<u>College of Arts & Sciences</u> <ul style="list-style-type: none"> • Chad Goldman and Brian Pendleton Ayres Vestibule • Riggsby Marco Research Library • Sandra G. Powell Recital Hall <u>College of Business Administration</u> <ul style="list-style-type: none"> • Life is Good Team Room • Masters Investment Learning Center • Carole & Joe Ayres Family Classroom • Bob Hensley Team Room • Frank & Jane Venable Team Room <u>College of Communication & Information</u> <ul style="list-style-type: none"> • Peyton Manning Classroom
<i>UT Knoxville Athletics</i>	<u>Pratt Pavilion</u> <ul style="list-style-type: none"> • Dr. Sharon Lord Women's Locker Room <u>Neyland Stadium</u> <ul style="list-style-type: none"> • Don Weller Gate
<i>UT Health Science Center</i>	None to report
<i>UT Martin</i>	None to report

XII. APPROVAL OF THE AFFILIATION AND SERVICES AGREEMENT BETWEEN UT AND UT FOUNDATION, INC.

Mr. Rabenold thanked Catherine Mizell for all of her work on the affiliation and services agreement and the employee services agreement as well as Bruce Downsborough. He has been on staff for about six years and will serve as the chief operating officer of the foundation. He has a legal background and has been instrumental in getting everything ready for July 1.

The affiliation agreement was approved by this board at the fall October meeting and there have been some changes. The main changes are that the campuses have added staff and colleges have added more staff so there is more staff in the foundation. Another change is human resources has been added as an in-kind service to the foundation providing the opportunity for the foundation to continue to use Linda Hendricks and her team to enable the foundation to work through all human resource issues, and treating the chief fundraising of the UTK athletic department as a vice chancellor which is how the structure was intended but was not laid out in the original document.

These are the changes being presented and are outlined in the redline copy of the agreement. Ms. Hagler moved to approve the changes, Mr. Wharton seconded, and these changes were unanimously approved.

XIII. APPROVAL OF THE EMPLOYEE SERVICES AGREEMENT BETWEEN UT AND UT FOUNDATION, INC.

The affiliation agreement requires the foundation to have this employee services agreement. This agreement lays out the responsibilities between the university and the foundation in particular as it relates to the leasing of the employees. Some of the highlights are the foundation can continue to use the university's human resources for the next ten years. In other words, the foundation can continue to hire new university employees and lease them which the foundation feels is the best thing for its business practices. This was an important component from both the foundation board as well as the chancellors that we do not duplicate additional administrative costs to run the fundraising program. During this time, human resources is an in-kind service. The UTFI is a separate legal entity and will maintain its own human resources and compensation policy. The employees are aware of this.

Mr. Anderson moved to approve, Mr. Wharton seconded, and this agreement was unanimously approved.

XIV. UPDATE ON FEDERAL, STATE AND MEDIA RELATIONS

Hank Dye, Vice President for Public and Government Relations, began his report by encouraging the committee to visit the Government Relations website, noting that substantial updating has taken place and that the Federal Relations section has been expanded to be a ready resource for tracking DC activity relative to the University. He then introduced Kurt Schlieter, Associate Vice President and Director of Federal Relations. Kurt reinforced the usefulness of the website. It is updated several times a week and policy issues and briefs are included. Kurt gave a brief summary on bills of interest in the senate and house committees. Kurt then gave an update on activity with the new consulting agency hired in January, Strategic Marketing Innovations. He noted the group has been effective in identifying Agency opportunities and in assisting in gaining access for our researchers as well as providing insight and information that is helpful in pursuing specific grant opportunities. He noted that changes in policy and procedures relative to earmarks, as well as budgetary uncertainties have impacted our approach to funding activity as well as the ability to anticipate outcomes. Ms. Loughry commented on how the activity level in Washington, D.C. has increased drastically.

Mr. Horne asked if it was possible to predict how much money will be received this year. Kurt responded that at this point, it is not realistic as we await final budget dispositions.

Hank Dye introduced Anthony Haynes, Associate Vice President and Director of State Relations. Anthony recapped the state legislative session. He noted that the influx of 22 new members had created new challenges on several fronts. Our legislative team's successes included the passing of the UT Foundation legislation, removal of the 17 year prohibition of higher education audiology clinics selling hearing aids to the public, gaining eligibility for the HOPE scholarship for summer session, delaying action on the increased presence of guns on college campuses, and securing funding toward the completion of the UT Health Science Center Pharmacy Building.

Hank Dye concluded the report by stating a primary objective going forward will be to strengthen and enhance the political capacity of the University of Tennessee. This will involve elevating political strategy as a major consideration with a need to educate UT leadership to the need and support for strong grassroots program and to seek participation and inclusion in UT's strategic plan. Mr. Stansberry commended the state relations office on the passage of the UT Foundation legislation.

Mr. Horne commented that we need to advocate better on how to come up with more money and asked how we plan to form a strategy to get more state appropriations in the future. Hank answered that current budget issues are a primary problem, noting that the state views the University positively and would be receptive to increasing funding if funds were available. He noted that the plan going forward will include a broadened, more inclusive advocacy capability and strategy. He also noted that the University will be working on creative solutions and funding innovations, particularly as relates to capital funding.

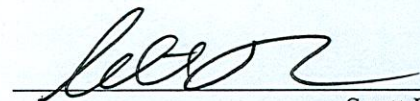
Mr. Murphy commented on a need to recognize the national mood against paying more taxes and that as long as that is the dominant mood of the legislature it won't happen. He commented that if you look at our state budget there isn't much reallocating to be done. There aren't many options, so we must become more and more like a private school, which at the present, means higher tuition.

XV. OTHER BUSINESS

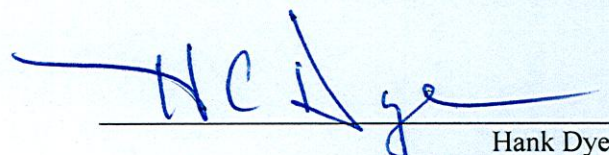
No other business stated.

XVI. ADJOURNMENT

With no other business stated, the meeting was adjourned.



Scott Rabenold
Interim Vice President for Development
and Alumni Affairs



Hank Dye
Vice President for Public
and Government Relations