

THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES

MINUTES OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

November 9, 2012
Knoxville, Tennessee

The Advancement and Public Affairs Committee of the Board of Trustees of The University of Tennessee met at 10:45 a.m. on Friday, November 9, 2012, in Hollingsworth Auditorium on the campus of The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER

Chair Charles E. Wharton called the meeting to order.

II. ROLL CALL

Johnnie Ray, President and CEO of the UT Foundation, Inc. and Vice President for Development and Alumni Affairs, called the roll, and the following committee members were present:

Charles E. Wharton, Chair
Anne Holt Blackburn
Joseph A. DiPietro
Vicky B. Gregg
Douglas A. Horne
Karl A. Schledwitz
Don C. Stansberry, Jr.
Tommy G. Whittaker

The Chair announced a quorum was present.

III. MINUTES OF LAST MEETING

Chair Wharton presented the minutes from the June 21, 2012 meeting. Trustee Stansberry moved approval, Trustee Blackburn seconded, and the motion carried.

IV. OPENING REMARKS BY COMMITTEE CHAIR

Chair Wharton commented that things at the University are as good as they have ever been. More goals are being achieved with greater respect and cooperation. It is a pleasure for the Trustees to work so well with the President and all leaders of the University.

Chair Wharton then reported that he will be working with Extension on developing the material for a program using Alumni Association chapters in each county to reach out to the 8th, 9th and 10th graders to interest them in college.

V. GOVERNMENT RELATIONS AND ADVOCACY REPORT

A. Anthony Haynes, Vice President for Government Relations and Advocacy, presented an overview of State and Federal Relations activities since the last Board meeting (Exhibit 1). Trustee Whittaker asked Mr. Haynes to share with the group his thoughts on the impact to UT of the 2013 legislative session. Mr. Haynes responded that the upcoming session will be a challenge, primarily because there are so many new first-time members of the Tennessee General Assembly who are not used to dealing with the issues and challenges. Including those elected in 2010, almost half of the 132 members are new. He stated that UT will have to empower advocates to help with the real facts of the issues for public higher education. The Governor has said that he wants to help higher education, but it will be a challenge. The Governor has said he will have to make sacrifices in other areas in order to help higher education.

B. Mr. Haynes reported on the history of the UT Alumni Association's Alumni Legislative Council and UT Advocacy. He recognized UT's Advocacy Director, Carey Smith, and shared with the group a PowerPoint presentation on The University of Tennessee's new Advocacy Program (Exhibit 2).

VI. ANNUAL REPORT TO THE GENERAL ASSEMBLY

Mr. Haynes presented the Annual Report, which, pursuant to Tennessee Code § 49-9-208, is to be submitted to the Governor ten days before the General Assembly convenes and transmitted to the General Assembly by the Governor along with his State of the State Address.

Trustee Blackburn moved approval of the Annual Report to the General Assembly (Exhibit 3), Trustee Whittaker seconded, and the motion carried.

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VII. AMENDMENT OF THE UT-UTFI AFFILIATION AND SERVICES AGREEMENT TO CHANGE THE REPORTING LINE FOR ATHLETICS DEVELOPMENT PERSONNEL AT UT KNOXVILLE

Vice President Johnnie Ray explained the proposed amendment of the UT-UTFI Affiliation and Services Agreement. In 2010, the University realigned the reporting structure for the UT Knoxville Athletics Department so that it now reports to the Chancellor of UT Knoxville rather than to the President of the UT System. To align the reporting structure for the development efforts of the Athletics Department with the reporting structure for the Department as a whole, Chancellor Cheek proposed that athletics development personnel report through the UT Knoxville Vice Chancellor for Development rather than directly to the President of the Foundation. This new alignment will build strong collaboration between the academic and athletic fundraising teams at UT Knoxville. Speaking on behalf of the Foundation, Mr. Ray said he strongly supports the proposal, as does President DiPietro.

To accomplish this change in the reporting line, an Amendment to the Affiliation and Services Agreement, which was approved by the Board of Trustees in June 2011, is required. In accordance with the terms of the Affiliation and Services Agreement, the proposed Amendment has been submitted to and approved by the Comptroller for the State of Tennessee.

Trustee Horne moved that the proposed Amendment to the Affiliation Services Agreement between the University and the University of Tennessee Foundation, Inc. be approved to change the reporting line for athletics development personnel at UT Knoxville (Exhibit 4). Trustee Blackburn seconded the motion, and it motion carried unanimously.

VIII. UT FOUNDATION AND THE SYSTEM STRATEGIC PLAN

Approaching his one-year anniversary with the University, Vice President Ray reflected on the system administration strategic planning process over the past year, spoke of an important window of opportunity to advance the University, and expressed his desire for the Foundation to play its part in elevating the status of all campuses.

Mr. Ray said that philanthropy is a market place and behaves like a market place. Some things the market will bear and some things the market will not bear.

There is work to be done, but the Foundation understands its market place and is strategically constructing operations around that market place.

Mr. Ray noted that the President has set an aspiration to achieve roughly \$200 million a year in steady state philanthropy by the year 2020. This is achievable and a reasonable goal. Although it will never be a straight upward trend line, the Foundation leadership is managing toward that outcome. All need to be mindful that the "for what" when raising money sometimes may be more important than the "how much. The President, Chancellors, and Vice Chancellors have been in close consultation with Foundation leadership about the key categorical game changers that will elevate each campus to a new competitive position.

Mr. Ray asked Chancellor Cheek to give an example of the number one priority of the UT Knoxville campus. Chancellor Cheek responded that faculty chairs and professorships are the priority for the Knoxville campus. The last campaign produced about 12 professorships and chairs, and they have been game changers. To incentivize donors to consider funding professorships and chairs, the campus has set aside \$2.5 million to provide immediate income for a professorship or chair when a donor commitment is made. Thus, when a donor gives \$1 million to be paid over a five-year period, the campus immediately puts \$22,500 in that account so the college and/or department can begin using that money immediately. The commitment is phased out over time as the endowment raises its commitment and after five years, the \$22,500 is coming from the endowment. The campus now has over \$5 million in 23 endowed professorships and chairs, and a new commitment has just been received. These will make a significant difference in attracting and retaining the very best faculty.

Mr. Ray reiterated that the Foundation is aligning its budgetary resources, deploying personnel, conducting marketing activities and campaign around promoting the things that are most likely to have a material effect on the competitive footing of each campus. While the Foundation will always be able and appreciative to receive gifts of specialized nature, identifying the things that are most strategic to the institution and organizing operations around those will allow the Foundation and the University to achieve maximum benefit from the current window of opportunity.

Mr. Ray mentioned the three new Vice Chancellors of Development—Randy Farmer at the Health Science Center, Keith Barber at the Institute of Agriculture, and Andy Wilson at UT Martin—all of whom appear to be great choices. Scott Rabenold continues to serve at a very high level at UT Knoxville. These

positions are critical because they all are the real front line operatives guiding the campuses efforts in partnership with the Chancellors. There has been a shift toward greater autonomy for the Vice Chancellors to make choices for their programs that will also mean a higher level of accountability. Once a new Chancellor is in place at UT Chattanooga, the search for a permanent Vice Chancellor for Development will begin there.

Mr. Ray provided the following additional updates:

- The completely re-conceived accountability measures for the fundraisers are fully operative and working properly.
- The constituent data base scan that was in the approval process at the last meeting has now been contracted and will generate a complete new demographic look at the constituent pool with an eye on refreshing the potential donor/investor pool for the future.
- Mr. Ray and the Vice Chancellors have now identified the areas they believe need to be strengthened over the next few years in terms of operations, including more people in the field but also stronger and more robust back office functions to support those people in the field, such as research, communications, and marketing.
- Removing the one-time \$28 million gift-in-kind to the UTK College of Engineering last year, donations are running about \$2 million ahead of this time last year. This gift is a perfect example of how one gift can radically alter the totals in any given year, which is an indicator of why the path to \$200 million a year by 2020 will not be a perfectly straight upward trending line.
- The affiliated Foundation at the UT Health Science Center is now off the ground. The membership has been identified. They have had their first organizational meeting with their first formal meeting set for December. This is a critical step forward in terms of constituency building for the Health Science Center in that we needed prominent people with a stake in the outcomes in the evolution of that campus.

Chair Wharton expressed thanks to Trustees Cates, Schledwitz, and Hagler for their help in getting this done. This is a unique opportunity to change fundraising in Memphis.

- The original pro forma that was developed at the formation of the Foundation in its current form relied heavily on assumptions on short term cash investment returns and also the performance of the stock

market. Neither performed as projected, and thus adjustments downward had to be made two times during the past year. Creative solutions were found that will keep the Foundation on track strategically. This was done in a very collaborative manner with the Chancellors and Vice Chancellors all weighing in and having equity in the final solutions. Longer range, the time for reopening discussions with the University and Chancellors about future budget is here. Those discussions have tentatively begun and several options will be put forward that will make future budgets more stable and predictable.

- UT Alumni Affairs (UTAA) programming is also part of the Foundation and much has happened there. Much of what is going on now in the evolution of Alumni Affairs was started before Mr. Ray's arrival but is continuing in earnest and on a positive trajectory.
- The UTAA has successfully transitioned from a 78-member Board of Governors to a more active, engaged 32-member Board.
- The UTAA has begun its implementation and transition to a more geographic and campus focus within its Alumni Chapter structure.
- Staff and operational resources will be focused on areas where the majority of UT alumni live.
- Alumni, representing the various campus constituencies will be asked to plan and implement programs with specific campus interests and focus. Campuses will have the ability to train and motivate these volunteers to plan programs that are tied to their specific campuses goals.
- Annual Giving has hired Erick Weber to coordinate the Annual Giving efforts throughout the University.
- Campuses and college-specific fund raising is now being done throughout the calendar year rather than just during the fall semester.
- The Telefund Center is relocating to a more central location on the Knoxville campus (Andy Holt Tower) and is expanding the calling stations at the time of the move. Through computers, the phones will be dialed over a million times in the coming year reaching out to our constituents.

Mr. Ray reported that the Foundation has been devoting much time in doing an analysis into each of the five goals of the System Administration Strategic Plan, determining how the Foundation and its resources, assets, and people will be aligned to support the Plan and its implementation and also the specific campus strategic plans.

The strategic efforts the Foundation can utilize to directly influence and advance the UT System Administration Strategic Plan and examples are listed below.

Goal One: Enhancing Educations Excellence

- Work with campus and institute Vice Chancellors to identify strategic fundraising priorities that support their campus or institute goals.
- Audit existing endowments and look for opportunities to repurpose dormant endowment funds.
- Institute consistent internal messaging around the need for strategic fundraising.

Goal Two: Expanding Research Capacities:

- Work with each campus and institute to develop research priorities for fundraising as part of campus-specific strategic fundraising priorities.
- Invest in foundation and corporation fundraising focused on research initiatives.

Goal Three: Fostering Outreach and Engagement

- Identify opportunities to communicate the economic impact of the UT System and its campuses and institutes through alumni programming and communications.
- Create opportunities for alumni to be involved in service initiatives both on their campuses and within their communities.
- Utilize campus fundraising plans to “tell the story” of their campus for institutes need for support.
- Interpret campus goals in terms of impact on society.

Goal Four: Ensuring Effectiveness and Efficiency

- Stewardship activities will be elevated to new heights.
- Auditing existing endowments.
- Utilize economies of scale with central Foundation back office functions.

Goal Five: Advocating for the UT System

- Alumni must be engaged with the new advocacy program.
- Achieve a clear identity for the Foundation’s role at the system level so the Foundation is supporting the system-wide aggregation of the value proposition of the differences on our campuses but at the same time also supporting the individual campuses.

In conclusion, the Foundation is in good shape. Mr. Ray continues to see evidence it can advance toward reaching the goal of \$200 million by 2020, but with an eye on strategic fundraising as well as the dollar amount.

Trustee Cates stated a critical component of the strategic plan would be to do all we can to diminish the commitment to restricted gifts. It is his understanding that about 98% of the gifts come in for a specific purpose. He asked if there is any program in process or being thought about to try to change this. Mr. Ray responded it is very important to have a clear understanding from the campuses on what their priorities are, and then the Foundation can heavily market those specific priorities. Mr. Cates express his view that it is important to encourage unrestricted giving. Mr. Ray said there are possibilities for that as well. When there are concrete sets of ideas and plans, then there are prospective donors that can be convinced to make an unrestricted gift. For example, Chancellor Strategic Investment Funds, which are in essence unrestricted funds in the hands of the Chancellors who then could invest them in strategic campus priorities. Chair Wharton mentioned that either Texas A&M or Texas includes in its gift agreement for significant gifts a requirement that a portion of the gift must be unrestricted.

Dr. DiPietro pointed out that unrestricted dollars are very difficult to raise because most people want to give to something or to a program. The key is to tie it to the vision of the strategic plan—to advance the plan collectively—and then allow the Chancellors and others to deploy it to move the plan forward.

Trustee Stansberry asked if the UTHSC affiliated Foundation has been well received. Trustee Cates stated it has been a long time coming and has been well received. Although it is too early to tell how effective it will be, he has no doubt it will be a fund producer at the Health Science Center.

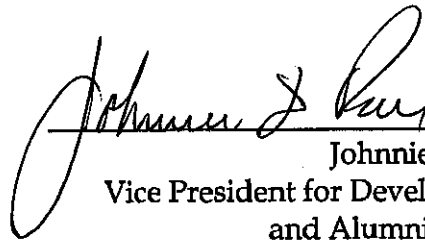
Trustee Gallimore asked that within the restricted money in our inventory now, what system is in place to monitor that those are being used the way the donor intended. Mr. Ray stated there are controls both at the Foundation level and at the academic unit level to make sure they are being used according to the donor wishes. It is through this mechanism that the Foundation will do what he stated earlier, which is to discover any endowments that are not being used because of obsolete or outdated provisions. Chair Wharton noted there are strict legal liabilities for the misuse of these types of funds.

IX. OTHER BUSINESS


No other business came before the Committee.

X. ADJOURNMENT

With no other business, the meeting was adjourned.



Johnnie D. Ray
Vice President for Development
and Alumni Affairs
President/CEO, UT Foundation, Inc.



Anthony Haynes
Vice President for Government
Relations and Advocacy