



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

SPECIAL MEETING OF THE BOARD OF TRUSTEES	
Wednesday, December 9, 2020	Video/Teleconference
3:30 p.m. EST/2:30 p.m. CST	Knoxville, Tennessee

AGENDA

- I. Call to Order and Roll Call
- II. [Appointment of Carey Whitworth as Vice President for Government Relations and Advocacy - Action/Roll Call Vote](#) Tab 1
- III. [UT Knoxville Spring 2021 Housing Rates - Action/Roll Call Vote](#) Tab 2
- IV. [Revisions to the Board Policies Governing Academic Freedom, Responsibility, and Tenure \(BT0006\) - Action/Roll Call Vote](#) Tab 3
- V. [Potential Acquisition of Martin Methodist College - Action/Roll Call Vote](#) Tab 4
- VI. Adjournment*

(*) *Only the agenda items stated in the call of a special meeting may be considered by the Board.*



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: December 9, 2020

Item: **Promotion of Associate Vice President Carey Whitworth to Vice President for Government Relations and Advocacy**

Type: Action

Presenter: Randy Boyd, President

Background Information

I am pleased to recommend the promotion and appointment of Carey Whitworth as Vice President for Government Relations and Advocacy. The Office of Government Relations and Advocacy acts as the chief liaison between the University and federal, state and local government offices and legislative bodies. The office develops partnerships, policy and provides support to policymakers by engaging University experts, capabilities and resources. The University's government relations office serves the interests of the University's more than 52,000 students statewide, 12,467 faculty and staff members, and more than 400,000 alumni in the U.S. and around the world to improve understanding and support for the University's academic, research and outreach goals.

Ms. Whitworth is an accomplished professional with over eight years of experience in the Office of Government Relations and Advocacy. She is uniquely qualified to serve as Vice President because of her deep understanding of the political landscape in Tennessee and her ability to strategically position the University for support at the local, state, and federal levels. Ms. Whitworth has developed strong relationships with lawmakers and stakeholders, and has been promoted into positions of progressive responsibility at least four times during her tenure, including her most recent promotion to Associate Vice President last year. Transitioning Ms. Whitworth into this role will ensure that there are no gaps or loss of momentum in this important area of focus after the recent departure of Anthony Haynes.

Ms. Whitworth holds a bachelor's degree in political science and a master's degree in public administration from UT Knoxville, where she received the highest student honor, the Torchbearer Award. She is a graduate of Harvard University's Institute for Executive Management as well as the Women in Education Leadership program. In 2017, Ms. Whitworth was recognized as one of Nashville's "Emerging Leaders." In 2019, she was selected as one of 17 leaders across the UT System to participate in the inaugural UT



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Executive Leadership Institute class. If approved by the Board of Trustees, Ms. Whitworth would be the first woman in UT history to lead the Office of Government Relations and Advocacy. Ms. Whitworth's resume is attached.

The recommended compensation and other terms of employment are included in the following offer letter, which has been accepted by Ms. Whitworth, but is contingent upon Board approval. The proposed annual salary of \$200,000 has been benchmarked against internal and external markets and is competitive with peer institutions.

Under state law and the Bylaws, the Board must approve the appointment and initial compensation of vice president positions. As authorized by the Bylaws, the Chair has designated this item for action by the Board without prior review and recommendation by the Executive Committee.

Board Action

The Chair will call for a motion to adopt the following Resolution.

Resolved: The Board of Trustees hereby approves the promotion of Carey Whitworth from Associate Vice President to Vice President for Government Relations and Advocacy, effective as of December 9, 2020, with the compensation and other terms of employment as presented in the offer letter, which shall be attached to this Resolution after adoption.

CAREY E. WHITWORTH

3030 23rd Ave S • Nashville, TN 37215 • (423) 360-2502 • carey.whitworth@tennessee.edu

SUMMARY

A results-driven professional with experience in legislative advocacy, state and federal government affairs, higher education policy, alumni and board relations, communications, and strategic planning. Regularly provides strategic advice and counsel to senior University leadership. Proven record of success in developing strategies and leading teams to advance institutional priorities.

PROFESSIONAL EXPERIENCE

The University of Tennessee System

Associate Vice President and Director of State Relations

2019 – present

Assistant Vice President of Government Relations and Advocacy

2017 – 2019

- Serve as key advisor on legislative, policy, and political issues to Vice President of Government Relations and Advocacy, UT President, Chancellors, and other members of executive staff.
- On behalf of the Vice President, manage team workflow of the University’s legislative portfolio and office operations, coordinate staff to achieve priorities.
- Represent University interests before internal and external audiences, frequently in a spokesperson role.
- Regularly serve as lead negotiator with elected and appointed officials on matters affecting UT, working to produce positive outcomes.
- Build coalitions of diverse stakeholders on issues of shared interest.
- Assist with division management (including personnel matters, budget management, strategic planning, and project management).
- Develop and implement communication plans and key messages related to politically sensitive issues. Work with UT leaders regarding responses to media inquiries with political and public policy implications.
- Direct supervision of 4 full-time staff members and 1-2 legislative interns.

Key Accomplishments

- Developed advocacy campaign to secure federal land transfer benefitting the UT Institute of Agriculture’s Milan AgResearch and Education Center, leading to over 1,400 messages of support to Tennessee’s Congressional Delegation.
- Worked to advance legislation ensuring K-12 students are counted as present for attendance purposes when participating in 4H activities, a measure that passed the House 99-0.
- Developed budget amendments with legislative leadership to support UT Extension in at-risk counties and to support emerging agricultural industry needs.
- Worked with key members of the General Assembly to defeat multimillion-dollar budget cuts and multiple punitive bills aimed at the University of Tennessee.
- Developed and implemented the political strategy leading to passage of the Student Due Process Protection Act, providing public universities with new tools to use in the adjudication of contested cases under the Uniform Administrative Procedures Act.
- Established the first set of financial metrics and impact report for Office of Government Relations and Advocacy, demonstrating a return-on-investment of over 22-1.
- Led the first-ever Gubernatorial Forum hosted by the UT Alumni Association, with all major candidates participating.
- Developed the concept for a UT Promise Tour involving communities and lawmakers across the state to build support and visibility.

Director of Advocacy and Special Assistant to the Vice President 2015 – 2017

- Served as Director of the UT Advocacy Program. Created successful grassroots advocacy campaigns and strategies to advance UT’s legislative priorities. Managed all related communications components.
- Regularly worked with state government officials to advance UT’s public policy priorities and positions.
- In consultation with the Vice President, managed various federal special projects designed to advance the University’s visibility among federal entities of interest, including the White House Office of Science and Technology Policy and the U.S. Departments of Energy, Agriculture, and Commerce.
- Regularly advised on communications by university leadership with federal and state government officials.
- Provided management and executive decision support to Vice President for Government Relations and Advocacy on budgetary and personnel matters, as well as strategic planning, board relations, communication with internal and external audiences, and overall political strategy.

Key Accomplishments

- Led successful statewide advocacy campaign to secure UT’s highest priority capital project (Lone Oaks Farm) in 2015, resulting in over 7,500 messages to members of the Tennessee General Assembly from UT alumni and friends during a two-week period.
- Led efforts to advance what has been called by leading First Amendment organizations the nation’s “most comprehensive” college free speech legislation. The legislation made Tennessee the first state in the nation to recognize faculty’s academic freedom in state law.
- Drafted successful proposal to secure the University of Tennessee as the host institution for the national Public Higher Education Legislative Advocacy Professionals (PHELAP) Conference, positioning the UT President as leader in higher education grassroots advocacy and the UT Advocacy program as a national model. Led sponsorship effort to cover all conference costs, allowing UT to host at no taxpayer expense.
- Selected by UT President to serve as project manager for President’s Visioning Group, a small group of the President’s executive team established to discuss emerging issues and challenges, as well as implement strategies to position UT for the future.

Associate Director for Advocacy 2013 – 2015

- Took increasing responsibility of UT Advocacy Program, including programming and coordination of advocacy campaigns. Formed strong partnership with UT Foundation and Alumni Association to facilitate advocacy goals.
- Assumed responsibility for developing messaging and communications for both internal and external audiences of the Office of Government Relations and Advocacy.
- Regularly worked with state government officials to advance UT’s public policy priorities and positions.
- Provided an increasing level of organizational management responsibility.

Key Accomplishments

- Successfully led the reinvention of UT’s Alumni Legislative Council (ALC), an entity that had not seen significant change in over 40 years. Led efforts to increase the diversity of the ALC and ushered in new bylaws aimed at creating a sustainable pipeline of advocacy leaders for UT.
- Led UT Advocacy Program to exceed UT System Strategic Plan goals.
- Coordinated first-ever Federal Research Tour of UT System, designed to identify emerging opportunities for federal funding.

Assistant Director for Advocacy 2012 – 2013

- Designed and implemented the State’s first university-led grassroots advocacy program. The program has since brought to fruition key legislative outcomes for the University and has grown to over 7,500+ members.
- Successfully worked with media organizations to highlight advocacy program and raise awareness.
- Regularly worked with state government officials to advance UT’s public policy priorities and positions.

Policy Intern
The Office of Governor Bill Haslam

June – August 2011

Legislative Intern
UT Office of State Relations

January – May 2010

PROFESSIONAL AFFILIATIONS, ACTIVITIES, AND HONORS

Harvard University, Institute for Educational Management (IEM)

2019

Selected as one of 100 senior leaders from higher education institutions across the world to partake in the renowned IEM program, providing executive education on a wide range of leadership and policy topics.

UT Executive Leadership Institute

2018 – 2019

Selected as one of 17 leaders from the University of Tennessee’s inaugural class of the Executive Leadership Institute, focused on preparing internal candidates for succession to senior leadership roles within the University.

Citation-of-Merit, Office of the President

2018, 2017

One of 8 UT employees nominated for the President’s Award in the organizational mission area of outreach. The Citation-of-Merit demonstrates service benefiting the public and State well beyond the requirements of the University. The President’s Awards are the highest honor bestowed on UT employees and recognize contributions in one or more areas of the University’s mission to provide education, conduct research, and offer outreach benefitting the people of Tennessee.

Harvard University, Women in Education Leadership Program

2017

One of 70 individuals selected from across the country for Harvard’s Women in Education Leadership Program, hosted by the Harvard Graduate School of Education.

Nashville Emerging Leaders

2017

One of 27 individuals chosen through a competitive process to complete the 11-week leadership training program. The program featured policy exploration, community service, and in-depth discussions with Middle Tennessee’s top community and business leaders.

Conference Panelist

2015

Public Higher Education Legislative Advocacy Professionals (PHELAP) Conference
 “Recruiting and Rewarding Your Advocacy Base”
 “Using Social Media to Amplify Advocacy Messages”

Conference Presentations

American Association of State Colleges and Universities (AASCU) Government Relations Conference
 “All Politics Are Local: How a Grassroots Coalition Saved UT’s Top Capital Priority” 2016
 “Using Social Media to Achieve Public Affairs and Governmental Relations Objectives” 2013

UNIVERSITY SERVICE

UTIA-UTK Land-grant Unification Team

2019

Appointed by UT President, UTK Chancellor, and Senior Vice President/Senior Vice Chancellor of Agriculture to team charged with engaging stakeholders and gathering ideas to enhance collaboration and create stronger partnerships between UTIA and UTK as the unification of the entities is implemented. Co-authored the report of the Unification team.

UT Commission on Agriculture, Secretary 2019 – present
In collaboration with the Senior Vice President/Senior Vice Chancellor of Agriculture, develop priorities, information, and advocacy opportunities for the UT Commission on Agriculture to advance UT's and the State's agriculture interests.

UT Transparency Advisory Group 2019 – present
Selected by the UT President to serve on the Transparency Advisory Group, charged with providing recommendations on how the University can provide greater access to information important to stakeholders and the public.

Tennessee Advisory Committee on Open Government (ACOG) 2018 – present
Appointed by the State Comptroller of the Treasury as the higher education representative on ACOG, which provides guidance and advice to the Comptroller's Office of Open Records Counsel and reviews and provides comments on proposed legislation regarding Tennessee's open meetings and records laws.

UT System Strategic Plan Task Force on Advocating for UT 2017 – present
Worked to evaluate the University's strategic plan and determine adjustments for the future; Including the recommendation of new initiatives, metrics, and opportunities related to advocacy benefitting the University of Tennessee System. Serve in key implementation role of strategic goals related to this area.

UT Knoxville Master of Public Policy and Administration Advisory Board 2014 – present
Provide support to the UTK Department of Political Science as they seek to grow and improve the quality of the Master of Public Policy and Administration Program.

Student Trustee, UT Board of Trustees 2010 – 2012
Served as a voting member of the UT Board of Trustees representing the interests of 50,000 students across the UT System.

COMMUNITY INVOLVEMENT AND SERVICE

American Legion Auxiliary, Volunteer Girls State Program 2007 – 2020
Served in volunteer role with the Girls State Program, which annually provides nonpartisan citizenship education to over 500 rising high school seniors from across the state. Educate participants on key policy issues facing the State.

Trustee, West End United Methodist Church 2020
Serve in fiduciary role overseeing the church's \$12 million endowment.

Mentor, UT Promise Program 2020

EDUCATION

The University of Tennessee, Knoxville
Master of Public Administration, Management Concentration 2012
Bachelor of Arts in Political Science, Summa Cum Laude 2011
Recipient of the Torchbearer Award, UT's highest student honor for academic achievement and outstanding contributions to the campus and community.

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THE UNIVERSITY OF TENNESSEE SYSTEM
OFFICE OF THE PRESIDENT

RANDY BOYD
President

November 18, 2020

Carey Whitworth
3030 23rd Ave. South
Nashville, TN 37215

Dear Carey,

It is my pleasure to offer you a promotion to the position of Vice President for Government Relations and Advocacy with the University of Tennessee System, subject to the terms and conditions outlined in this letter and subject to approval by the University of Tennessee Board of Trustees at their next called meeting. With Board approval, the effective date of your appointment will be December 9, 2020.

Your initial base salary as Vice President for Government Relations and Advocacy will be \$16,666.67 per month (an annualized salary of \$200,000.00). The position is without tenure, without a definite term, and at the will of the President. Your performance will be reviewed annually by the President.

I look forward to working with you and seeing continuation of the outstanding work of the Government Relations and Advocacy. To indicate that you agree to these terms and will accept this appointment upon approval by the Board of Trustees, please sign the following page and returned the signed letter to me.

Sincerely,

Randy Boyd
President

cc: Human Resources

ACCEPTANCE: I accept the appointment to serve as Vice President for Government Relations and Advocacy under the terms and conditions outlined above and with the understanding that the offer is not binding until the appointment, compensation and other terms of employment are approved by the University of Tennessee Board of Trustees.

DocuSigned by:

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11/18/2020 | 18:07:04 PST

Name

Date



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: December 9, 2020

Item: **UT Knoxville Spring 2021 Housing Rates**

Type: Action

Presenter: David L. Miller, Senior Vice President and Chief Financial Officer

Background Information

UT Knoxville proposes a 5% reduction to housing rates for the Spring 2021 term. The rates approved by the Board of Trustees on June 25, 2020 as part of the FY 2020-21 annual operating budget were based on a normal academic schedule for Spring 2021. UT Knoxville has adjusted plans in response to the ongoing pandemic, which will result in fewer days on campus and fewer days in residence halls.

The rates approved for Fall 2020 were set 10% lower than those for Fall 2019 for similar reasons. This combined with the proposed revision for Spring 2021 would set rates for the full academic year 7.5% lower than those assessed for the 2019-20 academic year.

The materials following this memorandum include a complete schedule of the proposed rates by residence hall and type of housing unit.

Board Action

The Chair will call for a motion to recommend adoption of the following Resolution.

Resolved: The Board of Trustees hereby approves the reduction to housing rates for UT Knoxville for the Spring 2021 term, as presented in the meeting materials.

Knoxville
FY 2020-21 Annual Tuition and Fees
Auxiliary Enterprises

	FY 2019-20	FY 2020-21			CHANGE	
		Fall	Spring	Total	Amount	Percent
HOUSING						
COMMUNITY & POD RATES						
Hess						
Double Shared	\$ 6,440	\$ 2,900	\$ 3,060	\$ 5,960	\$ (480)	-7.5%
Single	8,350	3,760	3,965	7,725	(625)	-7.5%
Buyout	8,350	3,760	3,965	7,725	(625)	-7.5%
Magnolia						
Double Shared	7,210	3,245	3,425	6,670	(540)	-7.5%
Buyout	14,420	6,490	6,850	13,340	(1,080)	-7.5%
Massey						
Double Shared	6,050	2,725	-	2,725	(3,325)	-55.0%
Buyout	7,910	3,560	-	3,560	(4,350)	-55.0%
Orange						
Double Shared	7,210	3,245	3,425	6,670	(540)	-7.5%
Single	9,890	4,450	4,700	9,150	(740)	-7.5%
Buyout	14,420	6,490	6,850	13,340	(1,080)	-7.5%
SUITES						
Brown						
Quad Shared	7,730	3,480	3,675	7,155	(575)	-7.4%
Quad Buyout	15,460	6,960	7,350	14,310	(1,150)	-7.4%
Double Shared	8,140	3,665	3,865	7,530	(610)	-7.5%
Double Buyout	16,280	7,330	7,730	15,060	(1,220)	-7.5%
Clement						
Double Shared	6,900	3,105	3,280	6,385	(515)	-7.5%
Buyout	8,950	4,030	4,255	8,285	(665)	-7.4%
Dogwood						
Double Shared	7,730	3,480	3,670	7,150	(580)	-7.5%
Buyout	15,460	6,960	7,340	14,300	(1,160)	-7.5%
Magnolia						
Double Shared	7,730	3,480	3,670	7,150	(580)	-7.5%
Buyout	15,460	6,960	7,340	14,300	(1,160)	-7.5%
North Carrick						
Double Shared	6,800	3,060	3,230	6,290	(510)	-7.5%
Buyout	8,820	3,970	4,190	8,160	(660)	-7.5%
Reese						
Double Shared	6,800	3,060	3,230	6,290	(510)	-7.5%
Buyout	8,820	3,970	4,190	8,160	(660)	-7.5%
South Carrick						
Double Shared	6,800	3,060	3,230	6,290	(510)	-7.5%
Buyout	8,820	3,970	4,190	8,160	(660)	-7.5%
Stokely						
Triple Private	9,790	4,405	4,650	9,055	(735)	-7.5%
Quad Shared	9,170	4,125	4,355	8,480	(690)	-7.5%
Quad Private	9,580	4,310	4,550	8,860	(720)	-7.5%
Buyout	18,340	8,250	8,710	16,960	(1,380)	-7.5%

Vol Condos and Massey will be used for isolation purposes. Students will not be assigned to those spaces.

The fee schedules represents a reduction to Fall and Spring Housing fees based on a revised calendar with fewer days on campus.

University Fees are set by the Board of Trustees and are subject to change at any regular or called meeting of the Board.

Knoxville
FY 2020-21 Annual Tuition and Fees
Auxiliary Enterprises

	FY 2019-20	FY 2020-21			CHANGE	
		Fall	Spring	Total	Amount	Percent
HOUSING (CONTINUED)						
APARTMENTS						
Dogwood - Quad Private	8,600	3,870	4,085	7,955	(645)	-7.5%
Laurel						
Double Private	9,090	4,090	4,320	8,410	(680)	-7.5%
Double Shared	7,050	3,175	3,350	6,525	(525)	-7.4%
Buyout	14,100	6,350	6,700	13,050	(1,050)	-7.4%
Orange - Quad Private	8,600	3,870	4,085	7,955	(645)	-7.5%
Vol Condo						
Quad Private	8,240	-	-	-	(8,240)	-100.0%
Triple Private	8,750	-	-	-	(8,750)	-100.0%
Volunteer						
Quad Private	8,700	3,915	4,135	8,050	(650)	-7.5%
Triple Private/Private Bath	10,350	4,660	4,915	9,575	(775)	-7.5%
Triple Private/Shared Bath	9,120	4,105	4,330	8,435	(685)	-7.5%
Double Private	10,350	4,660	4,915	9,575	(775)	-7.5%

Vol Condos and Massey will be used for isolation purposes. Students will not be assigned to those spaces.

The fee schedules represents a reduction to Fall and Spring Housing fees based on a revised calendar with fewer days on campus.

University Fees are set by the Board of Trustees and are subject to change at any regular or called meeting of the Board.



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: December 9, 2020

Item: **Proposed Revisions to the Board Tenure Policy related to Coronavirus Probationary Period Extensions and Enhanced Tenure-Track Review Extensions**

Type: Action

Presenter: Linda C. Martin
Vice President for Academic Affairs and Student Success

Background Information

The Board's Policies Governing Academic Freedom, Responsibility, and Tenure (BT0006), referred to herein as the "Policy," establishes a standard probationary period of six years for faculty members hired into a tenure track appointment, but allows a faculty member to request an extension of the probationary period for a maximum of two additional years, thus allowing a probationary period (or "tenure clock") of seven or eight years. The grounds for such an extension, as updated on March 27, 2020, are "For good cause that is either related to procedural error or results from a significant disruption of University operations that has impeded the faculty member's opportunity to conduct required research or other scholarly activity, teaching, and/or service."

In accordance with the resolution adopted by the Board on March 27, 2020, each campus Chancellor was granted broad authority to address needed changes to tenure-track faculty members' probationary periods in light of the coronavirus (COVID-19) pandemic. In this regard, it was recognized that certain tenure-track faculty members would continue to make adequate progress toward the grant of tenure, despite the disruptions caused by the coronavirus crisis, and may not wish to receive any extension of their probationary periods. However, other tenure-track faculty members may wish to receive an extension of their probationary periods due to the disruptions caused by the coronavirus crisis during 2020. Such faculty members, who request such an extension by no later than December 31, 2020, are to be freely granted such an extension without the need for each faculty member to make an individualized showing of how the coronavirus crisis has impeded the faculty member's opportunity to conduct research or other required scholarly activity. For all such faculty members, the timely request for an extension of a probationary period shall be granted, but it lies within the Chancellor's discretion whether to extend the probationary period for one year or two years.



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In implementing the Policy, two issues have been identified: (1) reconciling the extension granted due to the coronavirus crisis with other unrelated extensions, and (2) addressing the timing of the enhanced review of tenure-track faculty members that is to occur approximately halfway through their probationary period (called “Enhanced Tenure-Track Review,” or “ETTR”). In order to address these issues, the following revisions to the Policy are proposed.

Article III, Section E.2 - Extension of Probationary Period

To address the issue of aligning extensions due to the coronavirus crisis with other permitted extensions, the following revision to Article III, Section E.2 of the Policy is proposed, in order to make clear that extensions due to the coronavirus crisis can be granted even if the result is that the faculty member is given the opportunity to serve a probationary period longer than what would otherwise have been the maximum permitted length.

“2. Extension of Probationary Period

For good cause that is either related to procedural error or results from a significant disruption of University operations that has impeded the faculty member’s opportunity to conduct required research or other scholarly activity, teaching, and/or service, the University and a tenure-track faculty member may agree in writing to extend a six-year probationary period for a maximum of two additional years (**not including any extension granted due to the coronavirus crisis as authorized by the Board’s March 27, 2020 action**). The proposed extension must be approved in advance by the chief academic officer, the Chancellor, and the vice president for academic affairs.”

Article III, Section E.5 - Enhanced Tenure-Track Review (ETTR)

In order to address the timing of ETTR, the following revision to the Policy is proposed, in order to permit flexibility in determining the most effective timing for such reviews.

“5. Enhanced Tenure-Track Review (ETTR)

For each tenure-track faculty member, the department and department head will conduct an enhanced review to assess and inform the faculty member of his or her progress toward the grant of tenure during the third or fourth year of the probationary period, **which may be extended past the fourth year of the probationary period for any faculty member who has been granted an extension of the probationary period** (with the year to be determined **in** by the department head ~~’s sole discretion~~ after



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consultation with the faculty member and, if applicable, the faculty member's mentor)."

These changes have been reviewed by the Vice President for Academic Affairs and Student Affairs, the Office of the General Counsel, the campus Chief Academic Officers, and the University Faculty Council.

Board Action

The Board Chair will call for a motion to recommend adoption of the following Resolution.

Resolved: The Board of Trustees hereby approves the proposed revisions to Sections E. 2 and 5 of Article III of BT0006 - Policies Governing Academic Freedom, Responsibility, and Tenure, as presented in the meeting materials.



THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

AGENDA ITEM SUMMARY

Meeting Date: December 9, 2020

Item: **Potential Acquisition of Martin Methodist College**

Type: Action

Presenter: Randy Boyd, President

Background Information

As previously discussed, the leadership of the University and Martin Methodist College (MMC) have been exploring the possibility of the University acquiring MMC, which, if approved, would result in the establishment of a fourth undergraduate campus within the UT System and the first new campus since UT Chattanooga joined the University more than 50 years ago.

Established in 1870, MMC is the only four-year and graduate institution of higher education between Sewanee in the east and Freed-Hardeman in the west, serving a southern Middle Tennessee region near the Alabama border.

Over the past several months, extensive due diligence has been undertaken by both the University and MMC. The University engaged Huron Consulting Group to assist with its efforts, and a comprehensive due diligence report (Report) was prepared. The Report is divided into three main sections: Market and Strategic Due Diligence; Financial and Accounting Due Diligence; and Operational Due Diligence.

As noted in the Report, the strategic rationale for UT to pursue the acquisition is based on factors and trends impacting the regional higher education and labor markets. The benefits of the acquisition would include addressing negative recent trends in these markets. Rates of postsecondary attainment in the southern middle Tennessee region significantly lag the state's overall rate as well as the target of 55% set out in Tennessee's Drive to 55 campaign. At the same time, the college-going rate has been declining in this region, and evidence indicates an unmet labor need for educated workers in the region as well as the state more broadly. Increasing access to quality, affordable education through an expanded presence of the UT System in this part of the state may be an effective means of improving the state's college-going rate and addressing unmet labor need. The Report provides an in-depth analysis of the potential benefits and risks of the proposed acquisition.



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An overview of the general terms and conditions associated with the potential acquisition of MMC is set forth in the Term Sheet that follows this Summary. In this regard, the Term Sheet is non-binding. A definitive agreement with MMC will be prepared and presented to the Board at a later date for approval, subject to the necessary approvals, including legislative authorization, as further defined therein.

The proposed acquisition is consistent with the University's land-grant designation and the University's mission statement, which reads:

"The UT System's delivery of education, discovery, outreach and public service contributes to the economic, social and environmental well-being of all Tennesseans."

The UT System has the opportunity to provide a quality, affordable education to prospective students in the southern middle region of Tennessee through the acquisition and establishment of a new UT campus in Giles County, an area that has been underserved.

Board Action

It is my recommendation that the Board authorize the officers of the University to seek the necessary authorizations of the Tennessee General Assembly, acting through legislation, resolution or appropriations, to acquire MMC as contemplated in the Term Sheet. A proposed resolution for consideration by the Board is attached.



UNIVERSITY OF TENNESSEE SYSTEM

MARTIN METHODIST COLLEGE DUE DILIGENCE REPORT

December 1, 2020



THE UNIVERSITY OF
TENNESSEE
SYSTEM

SUBMITTED TO:

Randy Boyd
President
University of Tennessee System

SUBMITTED BY:

Adam Fennel
Huron Consulting Group
afennel@hcg.com

Peter Stokes
Huron Consulting Group
pstokes@hcg.com

December 1, 2020

Randy Boyd
President
University of Tennessee System
Knoxville, Tennessee

Re: Martin Methodist College Due Diligence Report

Dear President Boyd,

On behalf of Huron Consulting Group, we are pleased to share this report detailing due diligence findings related to the potential acquisition of Martin Methodist College (“MMC,” “Martin Methodist”) by the University of Tennessee System (“UT”, “UT System”, “the System”). We have appreciated UT’s collaboration in our shared efforts to review MMC data and assess the potential benefits and risks of this potential acquisition. This document represents the output of our shared efforts.

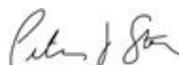
Throughout this document, we have offered perspective on the benefits, risks, and further considerations related to this potential acquisition. We have endeavored to offer this perspective in a highly fact-based, data-driven manner. Importantly, we do not make a recommendation in this report about whether to proceed with this acquisition. Rather, we aim to capture the potential advantages and drawbacks and allow you, other UT System leaders, and the System Board, and other audiences to reach their own determination.

We have greatly appreciated working together on this due diligence effort and look forward to ongoing collaboration.

Sincerely,



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Executive Summary

In September 2020, The University of Tennessee System (“UT,” “UT System,” “the System”) and Martin Methodist College (“Martin Methodist” or “MMC”), signed a letter of intent regarding the acquisition of MMC by the UT System, contingent upon approval from the Board of Trustees at both institutions, the Tennessee General Assembly, the Tennessee Higher Education Commission (THEC), the Southern Association of Colleges and Schools Commission on Colleges (SACSCOC), and other state entities. The acquisition would establish an additional UT campus that would join the existing UT campuses in Knoxville, Chattanooga, Martin, and the Health Science Center. UT partnered with Huron Consulting Group to analyze potential benefits and risks of the proposed acquisition; this report constitutes the output of this joint due diligence exercise completed by Huron and the UT System.

The main body of this report is divided into three sections, summarized here:

Market and Strategic Due Diligence

The strategic rationale for UT to pursue the acquisition is based on factors and trends impacting the regional higher education and labor markets. The benefits of the acquisition would include addressing negative recent trends in these markets. Rates of postsecondary attainment in the southern middle Tennessee region significantly lag the state’s overall rate as well as the target of 55% set out in Tennessee’s Drive to 55 campaign. At the same time, the college-going rate has been declining in this region, and evidence indicates an unmet labor need for educated workers in the region as well as the state more broadly. Existing programs, such as Tennessee Promise (a scholarship and mentoring program focused on increasing college attendance in Tennessee) and Tennessee Reconnect (which provides grants to adults pursuing an associate degree, technical degree, or other diploma at a Tennessee community college or technical college), have shown that increasing access to higher education can be effective in achieving state goals with respect to the education of the state’s labor force. Following similar logic, increasing access to quality, affordable education through an expanded presence of the UT System in this part of the state may be an effective means of improving the state’s college-going rate and addressing unmet labor need. **A UT campus in Giles County could complement the UT System as well as the entire Tennessee higher education landscape by expanding access to the southern middle region of Tennessee, through its potential to leverage other UT campuses to expand and evolve current academic offerings.** A UT campus in this region has the potential to enhance outcomes of learners in this region without detracting from the enrollment pipelines of other Tennessee public colleges and universities.

Alongside this data-supported strategic rationale for the potential acquisition are certain risks. MMC, like other regional, tuition-dependent higher education institutions has experienced enrollment declines in recent years. COVID-19 has exacerbated negative enrollment trends, particularly at small regional campuses across the country. The core strategic risk related to this acquisition relates to UT’s capacity to turn around the negative enrollment trend that MMC has experienced in recent years. This enrollment risk—and the affiliated financial impact—is assessed in the Financial and Accounting Due Diligence section.

Financial and Accounting Due Diligence

MMC’s balance sheet as of June 2020 consisted of \$35.5 million of assets (including \$16.8 million of property, plant, and equipment and \$14.3 million of endowment and similar funds) and \$9.4 million of liabilities (including \$6.9 million due to the U.S. Department of Agriculture for a rural development loan)—resulting in net assets totaling \$26.1 million. Upon acquisition, the UT System would gain net assets without a direct transaction payment; however, ongoing support and revenue improvements would be needed to effectuate sustainable operations. As of this report date, discussions are underway regarding a post-acquisition change in governance of

the endowment—part of which is restricted to purposes specific to MMC’s current mission—and how it could continue supporting educational activities of the institution after the acquisition.

In FY2019 and FY2020, MMC experienced two consecutive years of declines in total net assets and declines in cash and investments. Accordingly, total cash and investments declined by \$3.1 million between June 2018 and June 2020. These downturns, which are reflected in MMC’s audited financial statements, primarily resulted from recent enrollment (and student revenue) declines leading to negative operating cash flows.

An FY2022 pro forma statement of operating revenues and expenses for the new institution forecasts an operating deficit of \$0.3 million, inclusive of the proposed \$4.7 million of annual state appropriations and one-time transition support of \$0.5 million from the state (in addition to \$0.5 million of one-time capital and other non-operating transition support).

Given an assumption that MMC’s line of credit balance will total \$1.5 million at the end of FY2021—as well as the FY2022 pro forma deficit of \$0.3 million and the need to establish current fund balances of \$0.7 million to satisfy liquidity requirements—internal bridge funding of \$2.5 million from the UT System is estimated as an additional transition need.

MMC’s current year and pro forma enrollment totals 671 full-time equivalent students. The financial analysis indicates that a post-acquisition enrollment increase of 100 students would generate enough revenue to breakeven. However, to generate operating cash flows allowing for service enhancements, contingency needs, and sufficient liquidity, the analysis indicates that enrollments will need to increase by 150 students, which is the recommended target in this report.

Operational Due Diligence

Due diligence across MMC’s operational and functional areas suggests that it will be important to consider the transferability of certain MMC assets and liabilities to the UT System, as well as the potential impact of this acquisition on certain philanthropic funds upon which MMC has historically relied. Other considerations, including some related to the integration of MMC employees into the UT System, will likely require further analysis if this acquisition moves forward. UT functional leads who carried out this operational due diligence assessed that, while further analysis will be important, the findings in this area do not preclude the potential transaction from proceeding.

This report is intended to provide leaders at the UT System and the Board of Trustees with sufficient data and analysis to weigh, on the one hand, the benefits of this potential acquisition to Tennessee learners, employers, and communities, and, on the other hand, the risks and contingencies of the proposed transaction, such as scaling enrollment and achieving financial sustainability at the new campus.

Introduction

Martin Methodist College is a private liberal arts college located in Pulaski, Tennessee. This United Methodist-affiliated college currently offers 36 academic programs for degrees at the associate's, bachelor's, and master's levels.

Martin Methodist College Institutional Overview	
Overview	Private liberal arts college established in 1870 Located in Pulaski, Tennessee Affiliated with the United Methodist Church
President	Rev. Dr. Mark La Branche
Total Enrollment - Headcount (2019)	905 (98.4% undergraduate)
Student Type (2019)	84% full-time, 16% part-time
Total Staff Headcount (Current)	77
Total Faculty Headcount (2020 – 2021)	43 Faculty (15 Tenured, 28 Non-Tenured)
Academic Programs	Offers 36 programs for degrees at the associate's, bachelor's, and master's level
Six-year Graduation Rate (2019)	36%
Full-time Retention Rate (2019)	61%
Athletics	National Association of Intercollegiate Athletics (NAIA) Division I – Southern States Athletic Conference (SSAC)
Physical Plant	The campus is comprised of 24 buildings located on: <ul style="list-style-type: none"> • 51 acres Main Campus • 43 acres East Campus (athletics complex) Total square footage: 302,000 sq. ft. <ul style="list-style-type: none"> • 289,000 sq. ft. Main Campus • 13,000 sq. ft. East Campus (athletics complex)
Total Revenues (FY2020) (including net assets released from restrictions)	\$16.3 million
Total Expenses (FY2020)	\$16.7 million
Endowment (June 2020)	\$14.3 million

The proposed acquisition of MMC by the University of Tennessee System would create the UT System's fourth undergraduate student campus, and its first additional campus in more than 50 years. The acquisition would be intended to serve the best interest of the state of Tennessee, the UT System, the Giles County community, current MMC stakeholders, and current and future learners in the southern Tennessee region and beyond.

This report assesses the impact that the potential acquisition could accrue to the students, faculty, alumni, the state of Tennessee, community members, and other stakeholders. The report is divided into three sections: **Market and Strategic Due Diligence**, **Financial and Accounting Due Diligence**, and **Operational Due Diligence**. The sections below are written to provide an accounting of the benefits and risks of this potential acquisition to inform the go-forward recommendations and decision-making related to this opportunity.

Market and Strategic Due Diligence

INTRODUCTION

The due diligence included within this section is intended to capture the overall strategic and market rationale for the potential acquisition of Martin Methodist College by the UT System. This analysis is centered on three interrelated areas: the higher education landscape, labor market trends and forecasts, and the current and potential academic offerings of a UT campus in Giles County. The data analysis herein draws from a variety of public and private sources, the former of which includes publications by the Tennessee Higher Education Commission as well as Martin Methodist College and other regional institutions, and the latter of which includes data sourced from a leading labor and economic forecasting company.

This section of the report is organized into five subsections. After providing background in the first subsection, the second offers context related to the higher education landscape in the state of Tennessee. The next subsection identifies the challenge as well as the opportunity for higher education institutions that may be impacting the state, particularly in southern middle Tennessee. The fourth subsection posits how this potential acquisition may deliver value to the state of Tennessee and how in particular a UT campus in Giles County could do so. The final subsection details a set of market risks as well as mitigation steps, if applicable, that can ensure the success of this new campus.

The analysis herein suggests that increasing access to quality, affordable education through an expanded UT System presence in this part of the state may be an effective means of improving the state's college-going rate and addressing unmet labor need. A UT campus in Giles County may be able to capitalize on the existing MMC infrastructure while also improving the offerings, services, and outcomes it delivers to students. Still, there are some potential risks and barriers to consider as well, including the need for a potential UT campus to turn around negative enrollment trends that have impacted MMC in recent years.

BACKGROUND

Over the past decade, the state of Tennessee and its public officials have demonstrated their commitment to ensuring access to quality, affordable higher education. In 2015, the state rolled out the Tennessee Promise program, leading the nation in becoming the first state to offer in-state high school graduates the opportunity to attend community colleges or technical schools free of charge and setting an example that other states soon adopted. In 2018, the Tennessee Reconnect program began, extending the same opportunity of free community college or trade schools to all Tennessee adult learners.¹

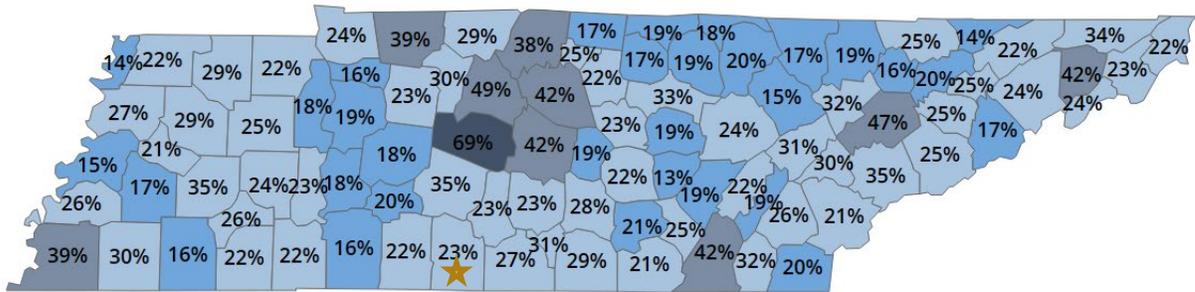
Tennessee initiated these programs to ensure that the state develops, retains, and attracts a robust, educated workforce to build a thriving and prosperous state. To further the state's aspirations, then-Governor Bill Haslam introduced the Drive to 55 initiative in 2013 with the goal to equip 55 percent of Tennesseans with a college degree or certificate in support of the state's workforce needs. Since the initiative's launch, Tennessee has made strides in increasing postsecondary credential rates, with 43 percent of Tennesseans holding a postsecondary degree or certificate in 2019, up from 34 percent in 2015.¹

¹ Tennessee Drive to 55 Alliance and Tennessee Higher Education Commission Master Plan 2020

CHALLENGE AND OPPORTUNITY

Although Tennessee has set the statewide goal of equipping 55 percent of adults with a degree or credential by 2025, the rate of attainment across the 95 counties in the state varies widely. While certain counties are approaching 55 percent—with Williamson County surpassing it at 69 percent attainment—other counties, particularly those in southern middle Tennessee, are less than halfway to the target 55 percent. **Giles, Lawrence, Lincoln, and Marshall Counties all have postsecondary degree or credential attainment rates in the twenties, at 23, 22, 27, and 23 percent, respectively.** The map below illustrates the proportion of adults with postsecondary credentials by county.

Figure 1 –Proportion of Tennessee adults with postsecondary credentials by county



Source: Tennessee Higher Education Commission Master Plan 2020

Furthermore, the college-going rate of “traditional-age” students—recent high school graduates who subsequently enroll in college—was analyzed. Although both the number of high school graduates as well as college enrollees increased from 2015 to 2019, **the rate at which college enrollment grew was slower than the rate of growth of high school graduates, resulting in a decline in the college-going rate.** During this period, the college-going rate fell from 64.4 percent to 61.8 percent, a -2.6 percent absolute decline, as shown in the table below.

Figure 2 – State of Tennessee college-going rate of public high school graduates, 2015-2019

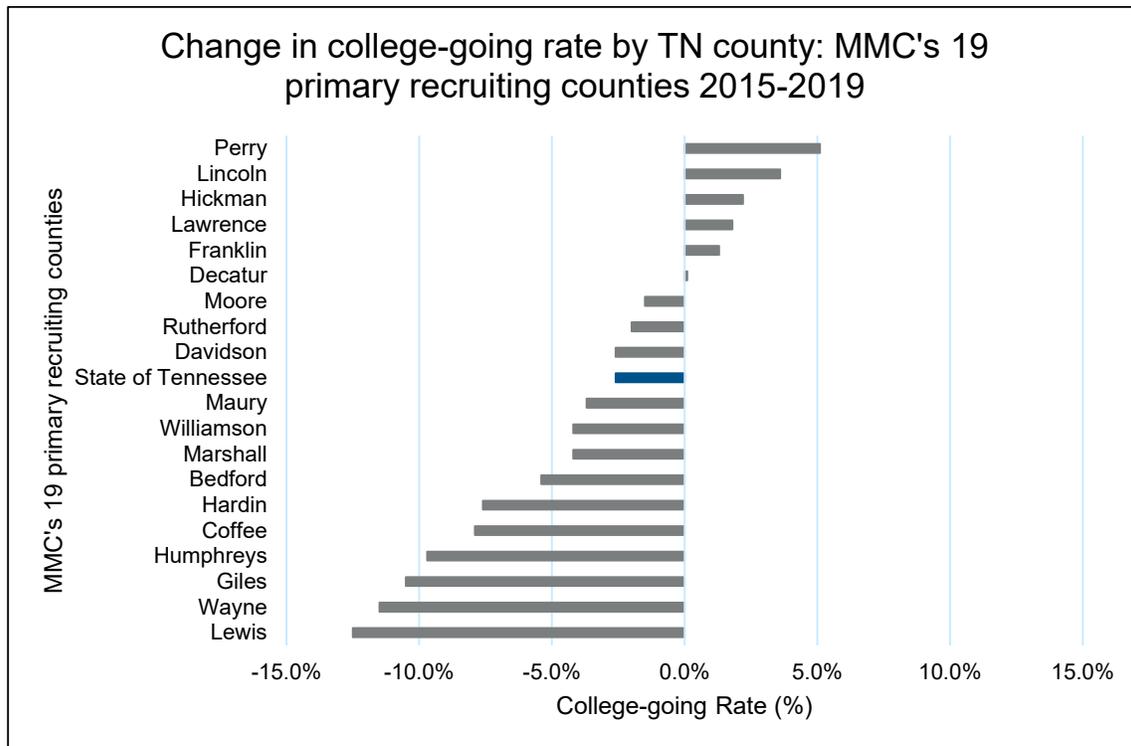
	2015	2019	2015-2019 change
TN college-going rate (public high school graduates only)	64.4%	61.8%	-2.6%
Statewide Public HS Grads	60,599	64,061	3,462
Statewide College Enrollees	39,022	39,564	542

Note: Statewide College Enrollees includes the number of TN high school students enrolled at any higher education institution (community college, university, in-state, out-of-state, public, or private).

Source: Tennessee Higher Education Fact Book 2019-2020

The college-going analysis below focuses on 19 counties, primarily in southern middle Tennessee surrounding Pulaski, to understand the trends in the region. These 19 counties represent MMC’s primary recruiting region that it has self-defined and will be used in analyses throughout this report. A list of the 19 counties can be found in the Appendix D – 1. Of this 19-county region, fewer than one-third (six counties) saw an increase in college-going rate between 2015 and 2019; the remaining 13 counties all experienced declines. The magnitude of change is also asymmetric to the downside: Perry County, the largest-increasing county, experienced an increase in its college-going rate by 5.1 percent, while the largest-decreasing county, Lewis County, saw its college-going rate decline by -12.5 percent.

Figure 3 – Change in college-going rates of public high school graduates by Tennessee county for MMC's 19 primary recruiting counties, 2015-2019



Source: Tennessee Higher Education Fact Book 2019-2020

At the same time, research has identified a nationwide trend of small, private institutions facing enrollment and financial pressures that have been exacerbated by the COVID-19 pandemic. Martin Methodist College is not immune to these trends and pressures.

These observed challenges, however, may not be reflective of a lack of opportunity with the labor market in Tennessee. Labor market trends were analyzed in Tennessee and the region around Pulaski to determine areas of forecasted growth and opportunity. The labor market analysis indicates that there is a projected need for educated workers in Tennessee, especially in certain high-growth areas such as business and professional services, education, and nursing. This analysis examines both the current (2020) and forecasted (2025) employment landscape in Tennessee, analyzing Economic Modeling, LLC (Emsi) data utilizing three key dimensions and parameters:

- **Location:** Examines jobs trends in the state of Tennessee to provide a holistic overview and then pivots to the 19-county region as well as a micro-targeted 8-county region in and around Giles County to highlight the unique labor market forces of southern middle Tennessee. (See Appendix D – 1 for the list of MMC's 19 primary recruiting counties and the eight counties).
- **Education level:** Provides data for all jobs, though the focus is on jobs that typically require a postsecondary degree.
- **Industry and occupation groupings:** Categorizes much of the data in the analyses either by industry, which refers to establishments that conduct similar types of business, or by occupation. At times, certain

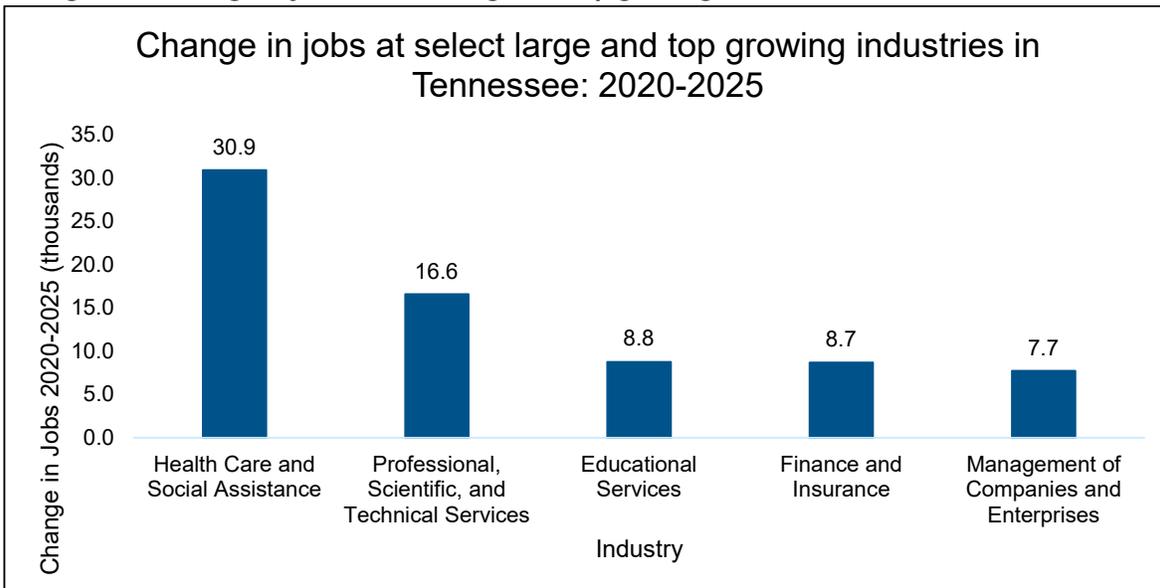
occupations are combined to create occupation groups, such as combining mechanical and electrical engineers to an engineer occupation group, in order to gain a deeper understanding.

Based on the findings from the industry analysis, the largest and top growing industries in the state of Tennessee include:

- **Health Care and Social Assistance:** establishments that deliver services by trained professionals, providing health care and social assistance for individuals. This sector includes industries arranged on a continuum, starting with establishments providing medical care exclusively, continuing with those providing health care and social assistance, and finishing with those providing only social assistance.
- **Accommodation and Food Services:** establishments providing customers with lodging and/or preparing snacks, meals, and beverages for immediate consumption. Examples of subsectors include, hotels and motels, RV parks, food service contractors, restaurants.
- **Professional, Scientific, and Technical Services:** establishments that specialize in activities requiring a high degree of expertise and training including legal advice and representation, accounting, architectural, engineering, computer services, consulting, services and others.
- **Transportation and Warehousing:** industries providing transportation of passengers and cargo, warehousing and storage for goods, transportation and support activities related to modes of transportation. Examples of subsectors include rail transportation, general freight trucking, postal service, warehousing and storage.
- **Educational Services:** private, public, for profit, or not for profit establishments that provide instruction and training by schools, college, universities, and training centers.
- **Finance and Insurance:** establishments primarily engaged in financial transactions and/or facilitating transactions. Examples of subsectors include commercial banking, credit unions, securities brokerage.
- **Management of Companies and Enterprises:** establishments that hold the securities of companies and enterprises or establishments that administer, oversee, and manage establishments of the company or enterprise that normally undertake strategic planning or decision-making.

The largest industries are defined as being industries with the highest total number of jobs in 2020, and the top growing industries are industries with the largest change in the number of forecasted jobs from 2020 to 2025. Accommodation and Food Services as well as Transportation and Warehousing are comprised primarily of jobs that do not require a postsecondary degree and therefore are removed from the analysis. The five remaining industries used in the analyses are presented below, where these five out of 21 industries encompass 41 percent of the new jobs to be added by 2025.

Figure 4 – Change in jobs at select large and top growing industries in Tennessee, 2020-2025



Source: Emsi database

Change in jobs (2020-2025)	
Total change in jobs from top five industries	72,690
Total change in jobs in Tennessee	178,266

The selected five industries demonstrate similar industry trends in the 19-county region of southern middle Tennessee and the targeted 8-county region around Pulaski. This is highlighted in Figure 5 consisting of data for the top industries showing the highest total change in jobs and the estimation of those jobs requiring a postsecondary degree for the 19-county region. Majority of the change in jobs projected for 2025 in these five industries (except Educational Services) require a postsecondary degree.

Figure 5 – Top growing industries based on employment outlook related to occupations requiring a postsecondary degree: MMC’s 19 primary recruiting counties 2020-2025

Major Industry	Total Change in Jobs (2020-2025)	Est. total new jobs requiring postsecondary degree (2020-2025)	% of new jobs requiring postsecondary degree
Health Care and Social Assistance	13,185	6,625	50%
Professional, Scientific, and Technical Services	9,832	7,063	72%
Management of Companies and Enterprises	5,007	3,280	65%
Educational Services	3,708	1,195	32%
Finance and Insurance	3,204	1,989	62%
Total	34,936	20,152	58%

Source: Emsi database

Within the five industries, there are several occupations that exemplify the growth potential and opportunity of high-paying jobs in the southern middle Tennessee region. These occupations all typically require a bachelor’s degree for entry-level positions, but each have a large presence in the region—denoted as having over 1,000



employed in the 19 counties—and each are also forecasted to grow by a double-digit percent over the next five years as well as paying, on average, over \$25 an hour. There are more occupations that are not be included here for brevity, though they meet or nearly meet the same criteria.

Figure 6 – Select top occupations requiring a bachelor’s degree by highest number employed: MMC’s 19 primary recruiting counties 2020-2025

Industry	Select Occupations	Employed in Industry (2020)	Change (2020 - 2025)	% Change (2020 - 2025)	Median Hourly Earnings
Health Care and Social Assistance	Registered Nurses	17,464	2,070	12%	\$31.20
Professional, Scientific, and Technical Services	Accountants and Auditors	6,407	825	13%	\$32.33
	Management Analysts	3,049	620	20%	\$37.19
	Software Developers and Software Quality Assurance Analysts and Testers	2,485	611	25%	\$45.75
	Market Research Analysts and Marketing Specialists	1,379	347	25%	\$28.22
Management of Companies and Enterprises	Financial Managers	1,097	257	23%	\$52.65
Educational Services	Elementary School Teachers, Except Special Education	1,587	177	11%	\$25.78
	Secondary School Teachers, Except Special and Career/Technical Education	1,190	135	11%	\$25.89
Finance and Insurance	Personal Financial Advisors	1,375	261	19%	\$33.95
	Securities, Commodities, and Financial Services Sales Agents	1,716	212	12%	\$26.17

Source: Emsi database

As a result of findings from the labor market analysis, which includes Emsi data analysis and research from the Tennessee Higher Education Commission’s 2020 Supply and Demand report, there is a forecasted need for educated workers in southern middle Tennessee, notably in the industries and occupations highlighted above. Tennessee’s ability to provide education and training to support the anticipated growing labor demand over the next few years will be important in order for the state to achieve its goals. (See *Appendix D -2 for further labor market analysis detail*).

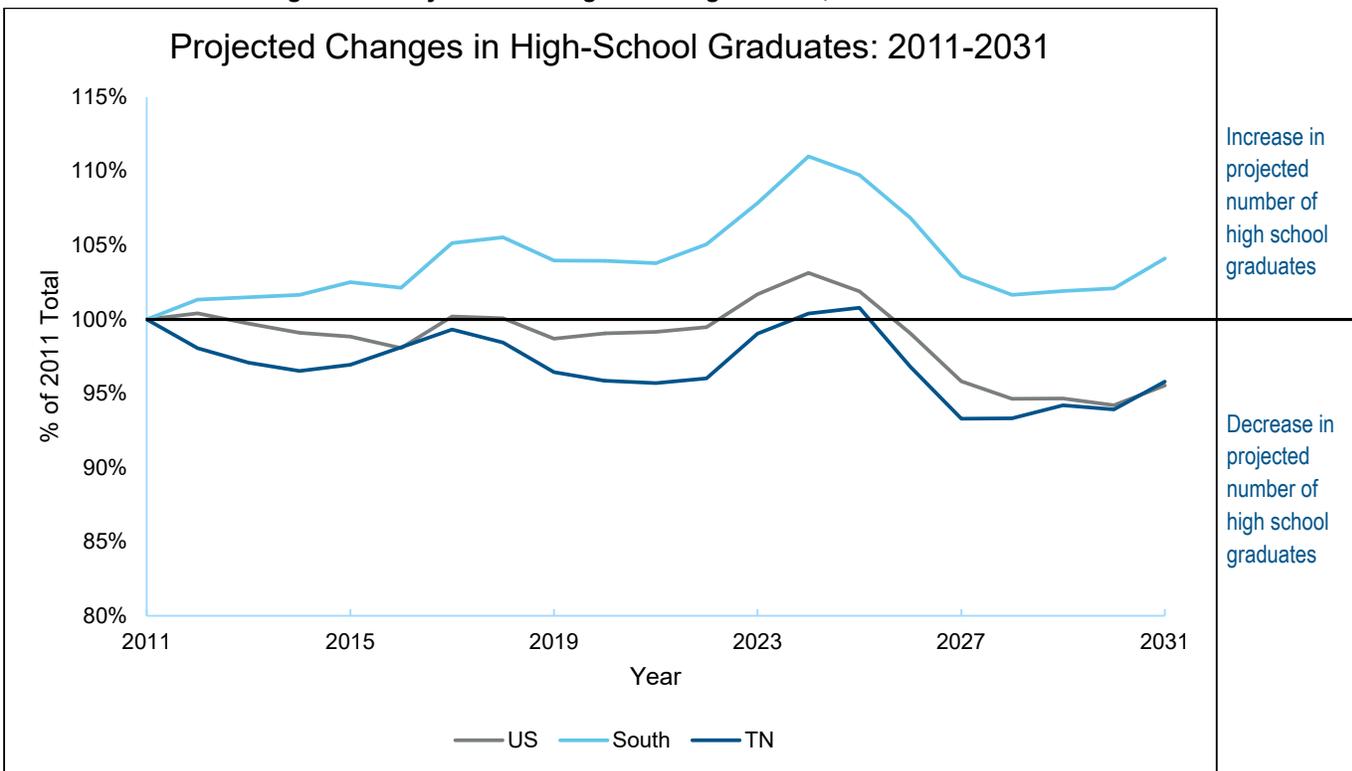
However, evidence suggests that the current rate of high school graduates, “traditional-age” students, may not be sufficient either to fill these labor market needs. Tennessee, like the nation, is faced with an impending “demographic cliff” in the next several years. Birth rates tumbled in the wake of the 2007 Recession, which in turn lowers the number of high school graduates almost two decades later. The high school population has been decreasing in most parts of the country, which not only presents a challenge to the economy but also impacts higher education.

The graph below depicts the changes in the projected number of high school graduates in the United States, the South¹, and the state of Tennessee from 2011-2031. Overall, the projected number of high school graduates in



the state of Tennessee from 2011-2031 is expected to decline four percent, though the projected decline is pronounced in two separate periods, the first in 2019-2022 and the second in 2026-2031. (For further detail, please reference Appendix D – 3).

Figure 7 – Projections of high school graduates, 2011-2031



Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2016²

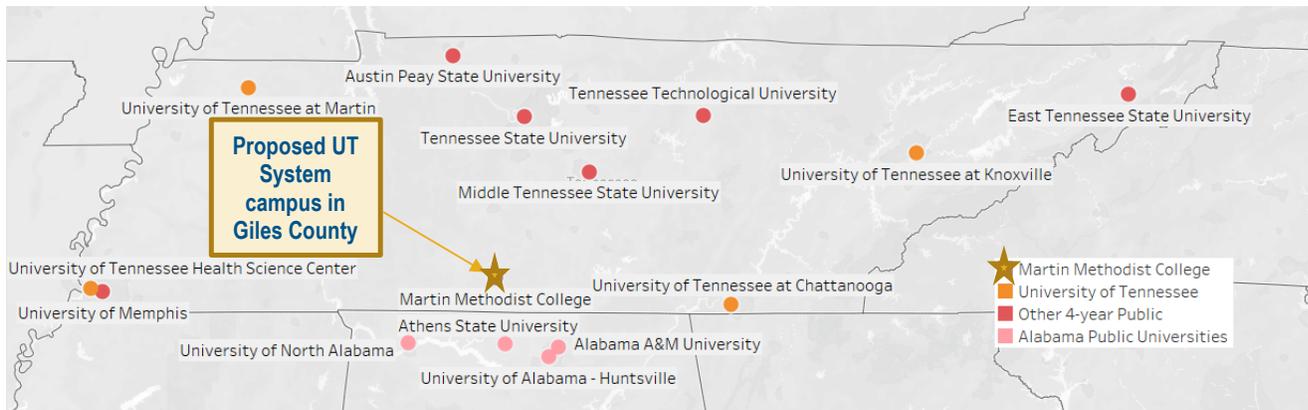
The analysis thus far has indicated that the labor market in the 19-county region supports a greater workforce need for higher education, even as the college-going rate in the region is trending down and the postsecondary credential rate is lower than other parts of the state. A contributing factor to these headwinds may be a lack of access to quality, affordable education in the region.

Few four-year institutions are currently serving the geographic area in and around Giles County, limiting opportunities for students who desire to pursue their education in the region. There is no public four-year institution in the nearly 300-mile distance from Memphis to Chattanooga along the southern Tennessee border. The nearest private institution is University of the South, a highly selective university that may be out of reach for some students in the region; the nearest public institution is Middle Tennessee State University (“MTSU”), which is approximately 75 miles and 80 minutes northeast of MMC. As shown in the maps below highlighting the landscape of public and private institutions in Tennessee, there are few institutions located in the southern middle Tennessee region, which leaves open the opportunity for an institution potentially to fill the gap.

² WICHE is scheduled to release an updated data set on December 15, 2020 that contains projections through 2037.



Figure 8 – Map of Tennessee public institutions and proximal Alabama public institutions with proposed UT System campus in Giles County



For prospective students living in southern middle Tennessee counties, there may be few local education options, and for some, the most viable higher education institution is across the border in Alabama. The four closest public four-year institutions to Martin Methodist College are in Alabama: Athens State University (“Athens State”), which is 31 miles from MMC; the University of Alabama in Huntsville (“UAH”), which is 42 miles from MMC; Alabama A&M University (“Alabama A&M”), a historically Black college and university, which is 45 miles from MMC; and the University of North Alabama (“UNA”), which is 53 miles from MMC.

Figure 9 – Annual Tuition Comparison of Proximal Alabama Institutions with Proposed UT System Campus in Giles County (Forecast)

University	Total In-state Annual Tuition and Fees
UT System campus in Giles County (forecast)	\$10,080
University of North Alabama	\$11,338
University of Alabama in Huntsville	\$10,800
Athens State University	\$7,710
Alabama A&M University	\$10,024

Source: University websites

Alabama state law allows the governing boards of each four-year public higher education institution to offer in-state tuition for out-of-state students residing in counties within 50 miles of campus. Three of these Alabama institutions—Athens State, UAH, and UNA—have such agreements. UNA offers in-state tuition rates to eleven Tennessee border counties: Decatur, Giles, Henderson, Hardin, Lawrence, Lewis, Lincoln, Maury, McNairy, Perry, and Wayne.³ **At UNA, there have been over 400 enrollments of Tennessee residents each fall over the past five years.** UAH offers in-state tuition rates to nine Tennessee border counties: Bedford, Coffee, Franklin, Giles, Lawrence, Lincoln, Marion, Marshall, and Moore.⁴ **At UAH, there were over 800 such enrollments in Fall 2019, up from 324 in Fall 2015, for an annualized growth rate over 25 percent.** Athens State offers in-state tuition rates to nine Tennessee border counties as well: Bedford, Franklin, Giles, Lawrence, Lincoln, Marshall, Maury, Moore, and Wayne.⁵ Athens State provides only new enrollment figures from

³ University of North Alabama – In-State Tuition

⁴ The University of Alabama in Huntsville – Resident/Non-Resident Tuition Fee Guidelines

⁵ Athens State University – 2020-21 Tuition and Fees

Tennessee, instead of overall enrollment totals. From Fall 2015 to Fall 2019, there were between 14 and 24 total new enrollments of Tennessee residents at Athens State. Alabama A&M does not provide information regarding residency of enrolled students. **Undergraduate enrollment of Tennessee residents at UNA and UAH, therefore, totaled over 1,200 in Fall 2019.**

In addition, there were a few dozen community college students from Tennessee transferring to two Alabama institutions, UNA and Athens State, each year. Between 2014 and 2018, there were at least 30 students enrolling at UNA each fall who were transfers from Tennessee community colleges. Enrollment figures during this time indicate that between 24 and 37 students from Columbia State Community College enrolled each fall at UNA and an additional five or six enrolled from Jackson State Community College. Between Fall 2015 and Fall 2019, Athens State reported between six and 13 transfer students from Columbia State Community College and Motlow State Community College each year.

Takeaways from the **Challenge and Opportunity** subsection:

- Counties in the southern middle region of Tennessee have educational attainment rates in the twenties which lag other regions in the state such as Nashville and Knoxville with educational attainment rates in the thirties and forties.
- From 2015 to 2019, the college-going rate of public high school graduates has declined in both the state and the region around Giles County, where the state saw a three percent decline and 13 out of 19 counties in the region experienced declines.
- Labor market trends in the southern middle region and the state of Tennessee indicate a need for college-educated workers, particularly in business and professional services, nursing, and education, where 58% of the total change in jobs from 2020-2025 require a postsecondary degree.
- There is a lack of a public, four-year Tennessee institution along Tennessee's southern border between Memphis and Chattanooga.
- More than 1,200 Tennessee residents are crossing the border to attend college at colleges and universities in Alabama.
- Three Alabama public institutions, University of North Alabama, University of Alabama in Huntsville, and Athens State University, offer in-state tuition rates to Tennessee residents along the border.

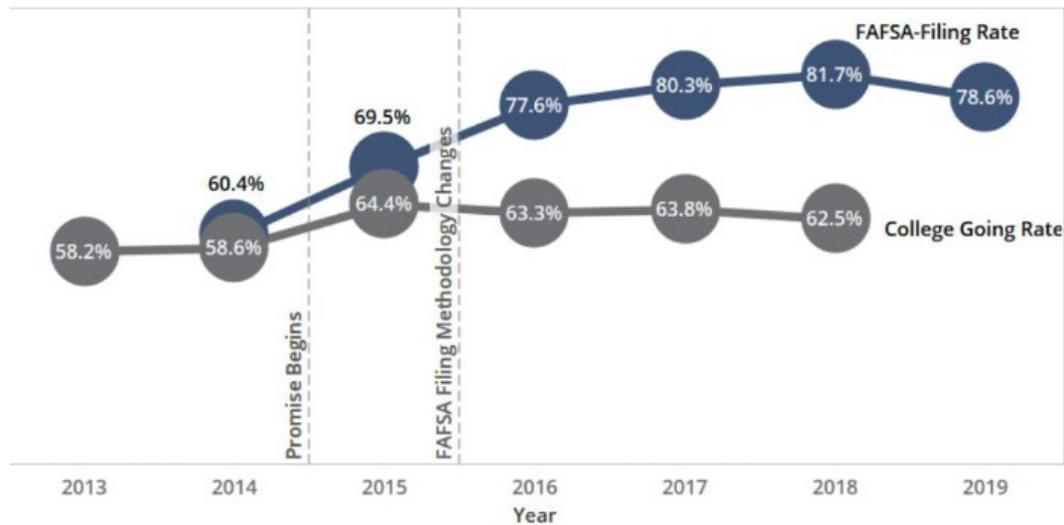
DELIVERING VALUE TO THE STATE OF TENNESSEE

As discussed above, there is projected job growth both in Tennessee and in MMC's 19 primary recruitment counties. This signifies that establishing a UT campus in Giles County provides the opportunity to expand access to quality and affordable education in the southern middle region of Tennessee to support workforce development. The UT Promise, Tennessee Promise, and Tennessee Reconnect are initiatives that foster the state's ability to increase access to education. UT Promise is an innovative undergraduate scholarship program guaranteeing free tuition and mandatory fees for qualifying Tennessee residents attending UT's campuses in Knoxville, Chattanooga, Martin, and Memphis. This student-success oriented scholarship program requires students to complete volunteer service hours and meet with a volunteer mentor. In addition, the success of the Tennessee Promise and Tennessee Reconnect programs suggests that expanding access can increase college-going rates and enrollment at universities.



When Tennessee first launched the Tennessee Promise program, offering free community college to recent high school graduates starting in fall of 2015, the state saw an immediate 5.8 percentage point increase in the college-going rate, defined by THEC as the percentage of high school graduates who enroll at a postsecondary institution in the summer or fall semester immediately after high school graduation. Partnerships with community colleges in the future could present strategic opportunities to enhance degree attainment in the region.

Figure 10 – College-going rate of public high school graduates in Tennessee after launch of Tennessee Promise



Source: THEC Tennessee Promise Annual Report

As the state expanded free community college and trade schools to all adults with the introduction of Tennessee Reconnect in the fall of 2018, it saw a two percent increase in total undergraduate community college enrollment from fall of 2017 to fall of 2018 and a three percent increase in enrollment at TCAT locations during the same time, showing that increasing access has the potential to boost enrollment. At the same time, enrollment at four-year public institutions remained flat, indicating that **increasing access and opportunity in one type of institution may not need to impact other institutions.**

The UT System also has made gains in enrollment in recent years. Between Fall 2015 and Fall 2019, total enrollment at the three UT System campuses at Knoxville, Chattanooga, and Martin increased 6 percent, 2 percent, and 7 percent, respectively. At the same time, enrollment at all higher educations have decreased while enrollment at public four-year institutions has remained relatively flat.

Given the UT Promise scholarship program and the increase in enrollment that occurred with the establishment of Tennessee Reconnect and Tennessee Promise, a UT campus in Giles County has potential to similarly enhance enrollment and expand access to education in the southern middle region. **A UT campus could create an opportunity to better serve the residents of southern middle Tennessee by providing an affordable option and a potential pathway for community college graduates seeking to obtain a bachelor's degree.**

Takeaways from the *Delivering Value to the State of Tennessee* subsection:

- The state of Tennessee has experience in expanding access to college for its citizens through the UT Promise, Tennessee Promise, and Tennessee Reconnect programs.
- There was a year-over-year increase in the college-going rate of public high school graduates when Tennessee implemented the Tennessee Promise initiative.
- There was a year-over-year increase in enrollment at public four-year, public two-year, and TCAT institutions when Tennessee implemented the Tennessee Reconnect initiative.
- Despite declining enrollment reported nationwide and amongst Tennessee public institutions, the University of Tennessee System has made enrollment gains from Fall 2015 and Fall 2019.

LEVERAGING A NEW UT SYSTEM ASSET IN SOUTHERN MIDDLE TENNESSEE

A UT campus in Giles County would be positioned to capitalize on the opportunity to provide education and training tailored to meet workforce needs, thereby delivering value to the southern middle region and state of Tennessee. By leveraging the UT System, there is potential for this UT campus in Giles County to evolve MMC’s current academic portfolio, enhance its student services, and grow enrollment.

MMC’s Current Academic Portfolio

Select labor market industries that are forecasted to grow over the next few years—healthcare and social assistance, business and professional services, and educational services—align with current academic programs at MMC. Furthermore, MMC’s Nursing, Business Administration, and Education programs represent three of the four top enrolled programs at MMC (the fourth being Human Performance) over the past three academic years.

Figure 11 – Alignment of MMC’s academic programs with industry demand

Major Industry	Alignment with MMC’s academic programs
Health Care and Social Assistance	<ul style="list-style-type: none"> • Nursing • Biology • Chemistry • Mathematics • Behavioral Sciences
Business <ul style="list-style-type: none"> • Professional, Scientific, and Technical Services • Management of Companies and Enterprises • Finance and Insurance 	<ul style="list-style-type: none"> • Business Administration: Accounting, Management, Management Information Systems • Master of Business Administration
Educational Services	<ul style="list-style-type: none"> • Education with Licensure: Biology, Business, English, History, Mathematics, Physical Education • Elementary Education

Figure 12 – Enrollments by program category at MMC: Academic years 2017-18 to 2019-20
(See Appendix D – 4 for full list of MMC programs with corresponding enrollment data)

Program	2017-18	2018-19	2019-20	CAGR
Business	195	222	225	7.4%
Criminal Justice	52	66	65	11.8%
Education	105	97	100	-2.4%
Human Performance	125	108	107	-7.5%
Humanities	107	77	74	-16.8%
Math and Sciences	94	106	83	-6.0%
Nursing	173	125	90	-27.9%
Other/Unknown	268	217	236	-6.2%
Grand Total	1,042	948	934	-5.3%

Note: Due to students enrolled in two majors, the program rows may not sum to the total row.

Source: MMC

Overall, there was a decline in program enrollment at MMC over these three academic years, at a -5.3 percent annualized decrease. The decline is driven in large part by the decrease in enrollment in MMC's Nursing program (-27.9 percent CAGR) and reflects a deliberate effort made by MMC to address concerns over program quality. MMC was placed on probation by the accrediting body due to low graduation and exams pass rates and was not allowed to admit students to the Nursing program for one calendar year. MMC has since been removed from this probation. Efforts to address concerns over Nursing program quality is not unique to MMC. Another Tennessee institution also reported a decline in Nursing enrollment in excess of 50 percent year-over-year, with a corresponding lift to graduation and exam pass rates.

Enrollments in the humanities, which is comprised of English, History, General Studies, and Liberal Arts majors also decreased during the three academic years at an annualized -16.8 percent. Enrollments in the Math and Sciences program, which consists of Biology, Chemistry, and Mathematics, have fluctuated, increasing by twelve enrollments from academic year 2017 to 2018 and then declining by 23 enrollments the following academic year. Despite overall enrollment declines, enrollment in the Business program has grown at an annualized rate of 7.4 percent. Enrollment in the Education program has been relatively flat at an annualized decline of 2.4 percent. Other notable programs that have experienced growth over the past three years at MMC are Criminal Justice and Human Performance: Exercise Science.

The trend in MMC's program completions has demonstrated a similar pattern as enrollments, where the Business program has produced the most graduates of any program, though completions have declined marginally over the last three academic years. Business and Education comprise a large portion of degree completions at MMC, but degree completions in nursing have decreased because of a lower enrollment headcount. Most degree completions in Math and Sciences are awarded to students in the Biology major and degree completions in the Other/Unknown programs comprise mostly of Behavior Sciences graduates.

Figure 13 – Degree completions by program category at MMC: Academic years 2017-18 to 2019-20 (See Appendix D – 5 for full list of MMC programs with corresponding enrollment data)

Program	2017-18	2018-19	2019-20	CAGR ⁶
Business	42	42	42	0.0%
Criminal Justice	8	15	4	-29.3%
Education	12	15	15	11.8%
Human Performance	33	18	16	-30.4%
Humanities	9	7	14	24.7%
Math and Sciences	15	14	18	9.5%
Nursing	15	22	10	-18.4%
Other/Unknown	26	24	28	3.8%
Grand Total	156	154	145	-3.6%

Source: MMC

Academic Portfolio Growth

As a small private institution, MMC's academic portfolio, student services, and ability to target and market effectively appear to be less robust and less comprehensive than institutions with greater capacity to provide these resources and opportunities. A UT campus presents an opportunity for MMC to grow strategically in multiple avenues to meet the workforce needs of the southern middle Tennessee region.

From an academic portfolio standpoint, a UT campus in Giles County could seek to expand its academic programming through collaboration with other UT campuses. Based on the workforce needs as well as the educational landscape in Tennessee, this UT campus could consider adding business concentrations and/or specializations to its existing business program. Business has projected growth over the next five years of over 12,000 new jobs requiring a postsecondary degree by 2025. MMC currently offers three business undergraduate majors: Management, Accounting, and Information Systems. Other Tennessee institutions each offer at least six majors or specializations. The UT campus in Giles County could enhance MMC's academic portfolio by introducing additional offerings, either to grow in line with the other institutions (e.g., finance) or to offer more unique programs (e.g., analytics). In addition, the UT System could leverage institutional knowledge at other UT System campuses, such as the nationally ranked Supply Chain Management program at UT Knoxville, or Agribusiness in partnership with UT Martin, to support and build the fledgling business program at this future UT campus.

Figure 14 – Comparison of undergraduate business degree offerings offered at proximal institutions

	Martin Methodist College	Middle Tennessee State University	Tennessee State University	UT Chattanooga	University of Alabama in Huntsville	University of North Alabama
Management	✓	✓	✓	✓	✓	✓
Accounting	✓	✓	✓	✓	✓	✓
Finance		✓	✓	✓	✓	✓
Marketing		✓	✓	✓	✓	✓
Economics		✓	✓	✓	✓	✓
Information Systems	✓	✓	✓		✓	✓
Business Analytics		✓		✓		

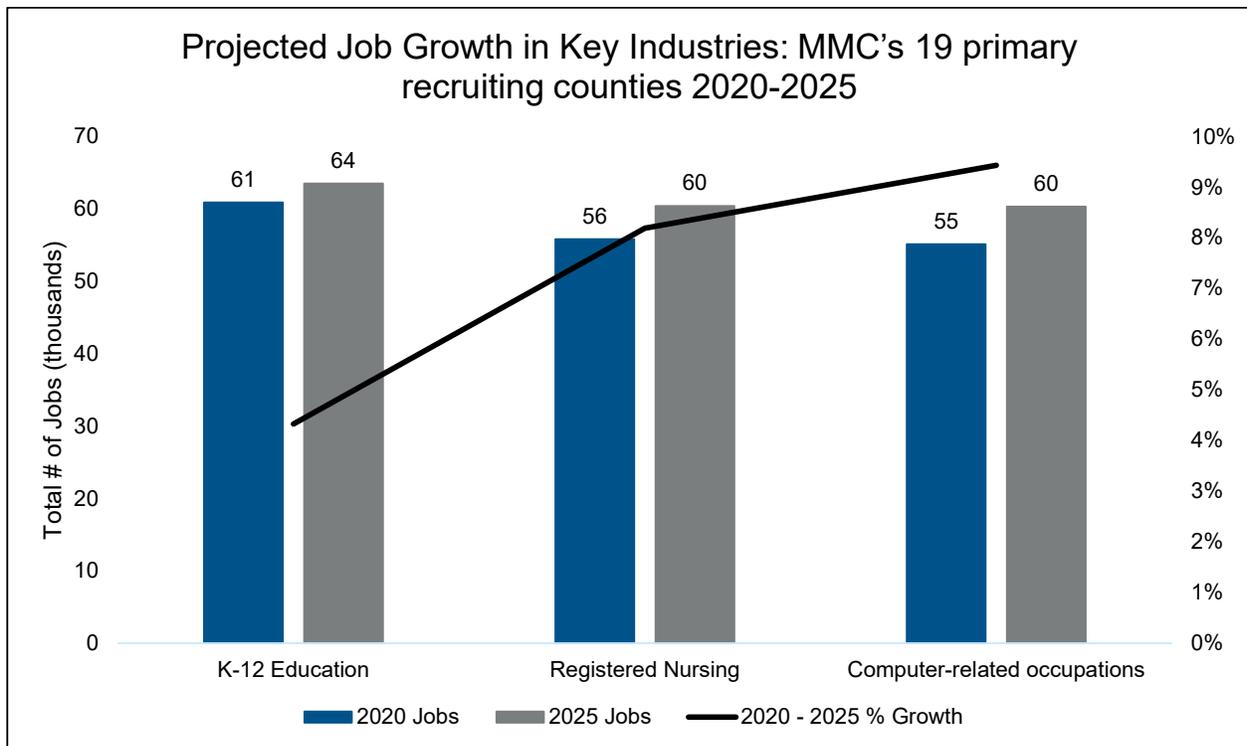
⁶ Compound annual growth rate, or CAGR, is the mean, or "smoothed," annual growth rate over a specified period of time longer than one year.

HR Management			✓	✓		
Supply Chain		✓	✓			
Hospitality & Tourism			✓			
Entrepreneurship				✓		

Source: University websites

Another professional field is computer science and related occupations, which the UT campus could consider incorporating into its academic portfolio. Computer-related occupations comprise over 55,000 current jobs and over 60,000 projected jobs in the 19-county region and are also comparable to the volume of jobs for nursing and K-12 education. Job growth in computer-related occupations is projected to total nearly 5,200 over the next five years, eclipsing both K-12 education and nursing in raw totals. Half of the forecasted growth will come from “software developers and software quality assurance analysts and testers,” while the other half is comprised of various other occupations, such as computer systems analysts and computer and information systems managers. Computer science, along with data analytics and artificial intelligence, is also identified as a targeted area for growth in the state by the Tennessee Higher Education Commission. *(For additional computer science analysis, please see Appendix D – 6).*

Figure 15 – Forecasted job growth in select occupations in K-12 Education, Registered Nursing, Computer-related occupations requiring a bachelor’s degree: MMC’s 19 primary recruiting counties 2020-2025



Source: Emsi database

Another potential avenue for growth that a UT campus in Giles County could explore is a pre-engineering program in partnership with UT Chattanooga or another UT System school. This program would prepare students for an engineering program at another UT campus and facilitate movement to other UT System campuses. Engineering jobs requiring at least a bachelor’s degree are projected to grow in the 19-county region, defined as



MMC’s primary recruitment area by Martin Methodist, by over 2,000 between 2020 and 2025. While the growth forecast is not as big as that for computer-related jobs, engineering and engineering technology represent an area of potential expansion by a future UT campus in this region. Furthermore, proximal Tennessee and Alabama institutions have increased their completions by a combined compound annual growth rate of 14 percent, indicating student interest for this program. *(For additional engineering analysis, please see Appendix D – 7).*

Student Services Enhancement

In addition to considering new programs, there are strategic actions that this UT campus could take to enhance existing academic offerings. Though enrollment in humanities majors at MMC have been trending down over the past three academic years, a UT campus in Giles County could seek to bolster the skill set of its students by combining a select number of quantitative classes (e.g., computer science) with the humanities to create an interdisciplinary or dual major. In this manner, students would acquire certain desired hard skills, such as coding, along with the critical thinking skills of a traditional liberal arts degree. This UT campus could also seek to utilize the Biology major as a training ground for students seeking to be nursing candidates but for whom additional classwork or training is required. Students, then, would still be making progress towards a degree while the UT campus could move only those students with adequate preparation into the program, hence mitigating potential issues regarding accreditation. A UT campus in Giles could also consider growing the current human performance program by evolving it into a kinesiology offering through partnerships with other UT campuses. Completions in human performance have been declining at MMC over the past 3 years (30.4 percent annualized decline), but there is growing student interest in kinesiology at the other UT campuses.

Related to the academics, student services are a critical factor in students’ success. An assessment of student services indicates that there is room for growth in MMC’s student service offerings and its student success outcomes via full-time retention and six-year graduation rate trends. The assessment suggests that MMC is overstaffed in financial aid but understaffed in five other administrative units: student success and retention, disability services, health & wellness, diversity, equity and inclusion, and residential life. A UT campus in Giles County may be able to transfer some personnel working in financial aid to support one or more of the understaffed units, in particular student services, where MMC may be below existing UT campuses. *(For student services analysis, please see Appendix D – 8).*

The ability to reallocate existing resources devoted to student success and retention could enable this UT campus to raise the full-time retention and six-year graduation rates that MMC currently reports, which sit below the other UT campuses. In Figure 16, full-time retention and six-year graduation ranges are shown for the other UT campuses to allow for variability in the given rates. However, at all three UT campuses, the full-time retention rate and six-year graduation rate remains within a narrow band during the time period analyzed.

Figure 16 – MMC’s full-time retention and 6-year graduation rates benchmarked against existing UT campuses

	2019	2015-2019 Range		
	Martin Methodist College	The University of Tennessee-Martin	The University of Tennessee at Chattanooga	The University of Tennessee at Knoxville
Full-time retention rate	61%	71%-76%	70%-74%	85%-87%
6-year graduation rate	36%	46%-50%	40%-48%	69%-73%

Source: IPEDS. The full-time retention rate is the percent of the (fall full-time cohort from the prior year minus exclusions from the fall full-time cohort) that re-enrolled at the institution as either full- or part-time in the current year.

The data suggest that a UT campus in Giles County has the potential to grow both MMC’s current full-time retention and six-year graduation rates. Given that certain student success and retention positions and units at MMC may be understaffed, a UT campus in Giles County could reallocate resources to improve its student



success rates. (Notably, the financial forecast included below does not include additional investments in these areas.) This UT campus, therefore, could reflect strategically on the delivery of its academic advising and student services to realize growth in student retention and graduation rates and positively impact student success.

Targeted Enrollment Growth

A UT campus in Giles County could also broaden its reach to grow enrollment totals by targeting certain non-“traditional age” students, such as adult learners who have some college credits but no degree. Research indicates that adult learners have shown increased interest in considering additional education but decreased confidence that education or training will be valuable. Higher education experts believe that institutions will need to adapt and deliver on the value of higher education ensuring greater alignment between learners’ needs and the training institutions provide.⁷ These potential non-“traditional age” students will represent a growing share of the overall higher education landscape moving forward, and the UT campus’s ability to strategically engage this market segment could improve enrollment.

This UT campus could also seek to partner with local community colleges, such as Columbia State, Motlow State, or the new Lawrence County Education Center to build 2+2 programs and to develop a pipeline of transfer students. The National Student Clearinghouse reports that upward transfer enrollment nationwide increased by 2.6 percent over the last year.⁸ The upward transfer pathway demonstrates a potential growth avenue where this UT campus in Giles County could develop partnerships with local community colleges to build a pipeline of students, especially since at least 30 enrollees at Tennessee community colleges near Pulaski transfer to four-year institutions in Alabama every fall.

The UT campus in Giles County has sufficient capacity to enroll several hundred additional students, as can be seen via comparison to another Tennessee public institution: Middle Tennessee State University (MTSU), used here as an example. **The average class size at MMC is 7.9; at MTSU, that figure is in the low 20’s. The student-faculty ratio at MMC is 13:1, and at MTSU, it is 17:1.** In terms of campus capacity, MMC’s enrollment peak in the last 10 years was 1043 students. Given MMC’s current enrollment of 739 FTE (FY20), this suggests that there is capacity to add *at least* 300 students within current facilities. The efforts to grow enrollment outlined above could have an impact on the Giles County campus’s financial standing, as doing so may only bring class sizes in line with other Tennessee public institutions and not necessitate the hiring of additional faculty. (The financial forecast included below demonstrates the potential impact of an enrollment increase of 150 students.)

A UT campus in Giles County may be able to grow educational offerings and enrollment totals in Tennessee without taking away from other Tennessee public institutions. **Nearly two-thirds of MMC’s enrollment comes from Giles County and the four counties adjacent to it: Lawrence, Maury, Lincoln, and Marshall. In particular, nearly half of MMC’s students reside in the counties of Giles and Lawrence.** (For a map of enrollment at MMC by county, please see Appendix D – 9). On the other hand, less than one percent of University of Tennessee at Martin and University of Tennessee at Chattanooga’s enrollment comes from Giles and Lawrence. Enrollment from Maury, Lincoln, and Marshall is an insignificant proportion of undergraduate enrollment at other Tennessee institutions, namely Middle Tennessee State University, University of Tennessee at Martin, and University of Tennessee at Chattanooga. Indeed, **MTSU stated in a recent interview with the Knoxville News Sentinel that approximately 1,500 of its nearly 22,000 student body are from MMC’s region, or about 7 percent of the total, acknowledging that the two institutions do not overlap significantly in their geographic reach.**

Since other institutions generally do not recruit or enroll students from the immediate counties around Pulaski, this suggests that the target geographic recruiting markets of the four institutions listed in Figure 17 below do not

⁷ Inside Higher Ed – Postsecondary Paradox (October 8, 2020)

⁸ Inside Higher Ed – Transfer Enrollment Declines (October 27, 2020)

overlap significantly. Therefore, a UT campus in Giles County would not duplicate the services of other institutions, but rather, complement the UT System as well as the entire Tennessee higher education landscape by expanding access to the southern middle region of Tennessee, through its potential to leverage other UT campuses to expand and evolve current academic offerings.

Figure 17 – Fall 2019 enrollment of TN residents for Martin Methodist College and proximal institutions: by MMC’s primary recruiting counties

Note: dark blue shows where enrollment is 4% or above total Tennessee in-state enrollment whereas the light blue is where enrollment is below 4% of total Tennessee in-state enrollment, demonstrating in which counties enrollment is most concentrated.

County	2019 Fall Enrollment						2019 County Population Estimates (TN Rank)
	Martin Methodist College	Middle Tennessee State (New 1st Year) ⁹	Middle Tennessee State (New Transfers) ⁹	UT Martin	UT Chattanooga	UT Knoxville	
Giles	261 (37.4%)	^10	^11	34 (0.5%)	33 (0.3%)	^12	29,464 (50)
Lawrence	75 (10.8%)	^10	^11	35 (0.5%)	49 (0.5%)	^12	44,142 (35)
Maury	53 (7.6%)	45 (1.4%)	70 (3.4%)	76 (1.1%)	205 (2.0%)	^12	28,907 (51)
Lincoln	38 (5.5%)	^10	^11	7 (0.1%)	48 (0.5%)	^12	34,366 (44)
Marshall	30 (4.3%)	^10	31 (1.5%)	38 (0.6%)	41 (0.4%)	^12	97,984 (15)
Rutherford	27 (3.9%)	891 (26.9%)	492 (24.0%)	125 (1.9%)	418 (4.0%)	629 (3.4%)	332,285 (5)
Davidson	25 (3.6%)	437 (13.2%)	315 (15.4%)	95 (1.4%)	734 (7.0%)	1,224 (6.5%)	694,144 (2)
Williamson	23 (3.3%)	245 (7.4%)	203 (9.9%)	87 (1.3%)	845 (8.1%)	1,859 (9.9%)	238,412 (6)
Total enrollment	697 (100%)	3,312 (100%)	2,048 (100%)	6,725 (100%)	10,466 (100%)	18,720 (100%)	6,829,174

9. MTSU provides enrollment by county data only for new first year and transfer students.

10. MTSU provides enrollment by county data only for the top fifteen counties. There may be new first year students from counties marked as “^”, but these students would total no more than 18 and comprise less than 0.6% of total new TN first year students.

11. MTSU provides enrollment by county data only for the top fifteen counties. There may be new transfer students from counties marked as “^”, but these students would total no more than 15 and comprise less than 0.8% of total new TN transfer students.

12. The University of Tennessee at Knoxville provides enrollment by county data only for the top ten counties. There may be undergraduate students from counties marked as “^”, but these students would total no more than 402 and comprise less than 2.2% of total TN undergraduate students.

Sources: University Factbooks and Fact sheets

Overall, a UT campus in Giles County could help to address the gap in institutions serving the southern middle region of Tennessee without detracting from other Tennessee institutions. The lack of institutions located in this region indicates an opportunity for a UT campus to enhance education offerings and thus helping the region to meet local workforce needs a boost the economy.

Takeaways from the **Leveraging a New UT System Asset in Southern Middle Tennessee** subsection:

- Academic programs currently offered at Martin Methodist, such as Business, Nursing, and Education, are aligned with labor market needs.
- The UT System has the potential to grow academic offerings, either by expanding existing programs or by implementing new ones, to match labor demands.
- The UT System also has the potential to improve upon MMC's student success metrics, such as retention and graduation rates.
- There are potential populations outside of "traditional-age" students that the UT System could target to increase enrollments at this new institution.
- Such enrollment growth can occur without detracting from the enrollment pipelines of other public colleges and universities in the state of Tennessee.

ENSURING SUCCESS

This report reflects a broad assessment of MMC, the labor market in southern middle Tennessee, and the institutional landscape within that same region, as well as the impact these factors may play in the development and success of a potential new UT campus in Giles County. However, as with all projections and estimates, there are risks that may affect the outcome of this acquisition. Key risks (as well as the potential mitigation of these risks) may include:

Risk 1: Enrollments may not reach expected levels, especially within certain groups. It is unclear how much of MMC's current enrollment is driven by the institution's Methodist mission. Thus, the effect that the transition from a private Methodist college to a public, secular campus would have on enrollment cannot be projected. In particular, the extent to which the over 100 Alabama students currently attending MMC may weigh the institution's religious affiliation in their decision to enroll. A variation on this risk is that enrollments may grow more slowly than hoped, leaving the campus to face financial deficits over its first two years. This would require bridge funding in these early years even if enrollments eventually reach target levels. This possibility is discussed at greater length in the Financial and Accounting Due Diligence section below.

Funding for this UT campus in Giles County may be driven by enrollment totals in two channels: net tuition revenue as well as state appropriations through THEC's Outcomes-Based Funding Formula. Changes to enrollment, then, may impact the UT campus's financials.

In addition, the nursing program is identified as a potential risk given MMC's previous probationary status. Capacity constraints or concerns over quality and accreditation may limit the UT campus's ability to scale this program. (In conversation with UT, [MMC has stated that they do not regard nursing accreditation as a relevant go-forward concern due to significantly restored successful outcomes since the probation.](#))

This UT campus, however, can take steps to mitigate this particular risk, some of which have been identified above. Expanding access to non-traditional age students such as adult learners, community college graduates, and dual high school/college enrollees can diversify the potential UT campus's revenue streams. Also, in becoming a public institution, this UT System campus in Giles County can potentially attract more students by offering lower tuition than MMC currently offers.

Risk 2: Student performance may not materially increase, specifically as measured by retention and graduation rates. This may cause a dual impact on the financial health of the UT campus in Giles County, as both tuition revenue and revenue derived from the THEC funding formula may suffer.



However, the UT System has vast institutional knowledge related to sustaining and improving student performance and outcomes; the System has a track record of success at both UT Chattanooga and UT Martin. Also, the UT System is developing an early warning system to detect and address potential causes for concern in its student body.

Risk 3: Changes in the economy and/or technological disruptions could shift the labor market outlook.

The labor market analysis above considers ways in which industries and employment in southern middle Tennessee are forecasted to develop over the next several years. There may be unforeseen and unforeseeable economic shocks, analogous to the recent COVID-19 pandemic, that arise. Such events may materially impact labor forecasts. Similarly, developments in technology may accelerate and alter the forecasts presented in this report.

Several industries central to this analysis, such as business, nursing, and education, however, are more resilient to market shocks. The need for skilled professionals in these areas would likely remain stronger, and therefore the need for the education to acquire these skills would also persist. In addition, computer science is a key growth area for this potential UT campus in Giles County; development and growth of this program may moderate any effects of technological disruption or market shocks.

Risk 4: Impact of the COVID-19 pandemic on enrollment.

As a result of the COVID-19 pandemic and subsequent recession, there have been significant higher education budget cuts and a downward trend in enrollment overall for higher education. The National Student Clearinghouse reports declines in Fall 2020 enrollment across the board in higher education based on reporting from about 76 percent of postsecondary institutions. Overall enrollment declines persist due to ongoing uncertainty related to the COVID-19 pandemic and the future of higher education.

Takeaways from the *Ensuring Success* subsection:

- Projections and estimates carry inherent risks; identifying and proactively mitigating these risks can help ensure the long-term success of a new campus.
- Four risk categories and their appropriate mitigation, if applicable, have been identified: enrollment projections, student performance, labor market shocks, and COVID disruptions to higher education.

Financial and Accounting Due Diligence

INTRODUCTION

This portion of the report includes two subsections: (1) a review of MMC's comprehensive audited financial statements, including cash flows, through fiscal 2020 and (2) a review of MMC's current year (fiscal 2021) budget and pro forma plans for fiscal 2022 assuming an acquisition by the UT System.

FINANCIAL STATEMENTS

Summary of MMC Balance Sheet

As of June 30

\$ in thousands

Balance Sheet				
	2017	2018	2019	2020
Assets				
Cash and cash equivalents	\$ 1,945	\$ 3,125	\$ 2,002	\$ 2,464
Investments	13,871	14,308	13,745	11,889
Total cash and investments	15,816	17,433	15,747	14,353
Property, plant and equipment, net	17,466	16,850	17,038	16,825
Pledges receivable	-	500	2,000	1,501
Beneficial interests and other	2,641	2,814	2,755	2,794
Total assets	\$ 35,923	\$ 37,598	\$ 37,540	\$ 35,473
Liabilities				
Notes payable, long-term debt, and capital lease obligations	\$ 8,665	\$ 8,835	\$ 8,925	\$ 8,433
Payables and other liabilities	778	965	995	981
Total liabilities	9,443	9,800	9,920	9,414
Total net assets	26,480	27,797	27,620	26,059
Total liabilities and net assets	\$ 35,923	\$ 37,598	\$ 37,540	\$ 35,473

- 1 Cash and investment balances declined by \$3.1 million between June 2018 and June 2020.
- 2 Pledges receivable increased in recent years, resulting in a balance of \$1.5 million as of June 2020.
- 3 As of June 2020, MMC had \$6.9 million of notes payable due to the USDA, included in notes payable.
- 4 Total net assets declined by \$1.7 million over the past two fiscal years.

In FY2019 and FY2020, MMC experienced two consecutive years of declines in total net assets and declines in total cash and investments. These declines primarily resulted from negative operating cash flows, as discussed below.

MMC's cash and investments totaled \$14.4 million as of June 2020. Meanwhile, MMC's donor-restricted net assets for endowment and similar funds totaled \$14.3 million as of June 2020, which indicates that most cash and investments are restricted for endowed purposes. As of this report date, discussions are underway regarding a post-acquisition change in governance of the endowment—part of which is restricted to purposes specific to MMC's current mission—and how it could continue supporting educational activities of the institution after the acquisition.

As of June 2020, MMC had \$6.9 million of notes payable for a rural development loan through the U.S. Department of Agriculture (USDA) and a \$1.6 million Small Business Administration Paycheck Protection Program (PPP) Loan maturing in April 2022—plus notes payable of less than \$0.1 million due to financial institutions, less unamortized bond issuance costs, resulting in total notes payable and long-term debt of \$8.4 million. According to MMC's FY2020 audited financial statement, the \$1.6 million PPP loan will be forgiven contingent upon MMC meeting certain criteria such as utilization for payroll, rent, and utility costs. The financial analysis in this section assumes that this loan will be forgiven.

During fiscal 2019, MMC formed a single member LLC, Reveille Properties, LLC (Reveille), which is wholly controlled by the College and whose activities are included in MMC's financial statements. Reveille entered into a promissory note with the USDA for \$7.0 million in December 2018 which bears interest at 3.875% annually on a



fixed basis. The funds from this loan were utilized to pay off certain other notes that MMC had during 2019 and the loan is collateralized by certain real property of the College. UT System may be able to explore savings opportunities by refinancing this loan.

Summary of MMC Revenues and Expenses

By Fiscal Year Ending June 30

\$ in thousands

Summary of Revenues and Expenses				
	2017	2018	2019	2020
Activity without donor restrictions:				
Net tuition and fees revenue	\$ 9,534	\$ 8,431	\$ 8,121	\$ 8,324
Auxiliary revenue, operating gifts, and other revenues, excluding net assets released from restrictions	6,260	6,538	6,176	5,780
Total revenues without donor restrictions, excluding net assets released from restrictions	15,794	14,969	14,297	14,104
Total expenses, including interest and depreciation	17,725	17,465	17,580	16,695
Net results without donor restrictions, excluding net assets released from restrictions	(1,931)	(2,497)	(3,283)	(2,592)
Donor restricted activity:				
Gains and losses on investments and other investment income	1,044	736	7	(161)
Gifts and pledges with donor restrictions	640	2,963	3,022	1,201
Change in fair value of beneficial interest	156	115	76	(10)
Incr (decr) in total net assets	\$ (90)	\$ 1,317	\$ (177)	\$ (1,561)

1 Expenses shown here include depreciation and other accruals, thus, are more than the budget amounts.

2 Gifts and pledges with donor restrictions are invested in the endowment, applied to capital investments, and/or utilized for operating purposes after the initial pledge or gift date.

The schedule above summarizes MMC's actual revenues, expenses, and non-operating activity over the past four years as reported in the College's audited financial statements.

MMC experienced declines in total net assets in three of the past four years, largely due to enrollment declines that led to reductions in net tuition revenues. MMC reduced its expenses in FY2020 to stabilize net operating activity; however, the College still experienced a deficit leading to a \$1.6 million decline in total net assets.

MMC's total donor restricted activity declined in FY2020. Donor restricted activity includes gains and losses on the endowment and gifts with donor restrictions, which include gifts for the endowment, gifts for capital purposes (e.g., gifts for construction), and amounts to be utilized for operating purposes after the initial pledge or gift date. Releases from restrictions, which are recorded as a reduction in donor restricted activity and an offsetting increase to operating revenue, net to zero and are not reflected in this schedule.

Summary of MMC Changes in Cash and Investments

By Fiscal Year Ending June 30

\$ in thousands

Summary of Changes in Cash and Investments				
	2017	2018	2019	2020
CHANGES IN CASH AND INVESTMENTS				
Total revenues without donor restrictions, excluding net assets released from restrictions	\$ 15,794	\$ 14,969	\$ 14,297	\$ 14,104
Expenses before interest and depreciation	15,770	15,461	15,762	14,556
Subtotal cash flows	24	(493)	(1,465)	(453)
Add: Gifts and pledges with donor restrictions	640	2,963	3,022	1,201
Less: Purchases of property, plant, and equipment	(1,889)	(1,024)	(1,828)	(1,474)
Less: Principal payments on debt	(551)	(457)	(334)	(502)
Less: Interest payments on debt	(375)	(365)	(177)	(460)
Subtotal incr (decr) in cash and investments	(2,150)	625	(782)	(1,687)
Nonoperating endowment and investment income, net	1,044	736	7	(161)
Changes in working capital and other balance sheet activity	408	(363)	(912)	453
Incr (decr) in cash and investments before debt proceeds	(698)	998	(1,686)	(1,394)
Add: Proceeds from new debt	240	620	-	-
Total incr (decr) in cash and investments	\$ (458)	\$ 1,617	\$ (1,686)	\$ (1,394)

1 MMC's cash flows from operations, excluding releases from restrictions, are negative.

2 Cash and investments declined by \$3.1 million over the past two years as outlined in this schedule.

MMC experienced negative changes in total cash and investment balances in three of the past four years (FY2017, FY2019, and FY2020). These declines in cash and investments were driven by operating deficits, capital expenses (i.e., purchases of property, plant, and equipment), and debt service requirements (i.e., principal and interest payments).

FY2018 was the only year in which MMC generated an increase in total cash and investments over the past four years. In FY2018, MMC generated an increase in total cash and investments due to (a) capital expenditures of only \$1.0 million, which were lower than in other recent years; (b) nonoperating investment returns totaling \$0.7 million (especially for gains on endowment assets), which were more than in the past two years; and (c) \$0.6 million of proceeds from new debt.

In FY2019, MMC restructured its debt portfolio, which led to the capitalization of deferred loan costs and adjustments in total outstanding debt balances.

Summary of MMC Cash Flows

Fiscal 2020

\$ in millions

Summary of Current State Cash Flows	
	FY20 Actuals
Net tuition and fees revenue	\$ 8.3
Auxiliary revenues	3.4
Operating gifts without donor restrictions	0.7
Endowment and other investment income in operating revenues	0.5
Other operating revenues	1.2
Revenues before releases from restrictions	14.1
Expenses Before Depreciation & Interest	14.6
Operating cash flows excluding releases from restrictions	(0.5)
Gifts with donor restrictions	1.2
Endowment and investment income with donor restrictions	(0.2)
Subtotal cash flows	0.5
Less: Purchases of property, plant, and equipment	(1.5)
Less: Principal and interest payments	(1.0)
Working capital, rounding, and other	0.6
Total change in cash and investments before debt proceeds	\$ (1.4)

1 Following an acquisition by the UT System, tuition revenue is expected to decline to \$5.2 million due to lower net tuition revenue per student; however, that would be offset by state funding contemplated to total \$4.7 million per year.

2 Additional expenses, especially for faculty and staff benefits, are expected to increase operating expenses in FY2022 following the acquisition.

3 Baseline negative cash flows (pre-acquisition) reflected here totaled negative \$1.4 million in FY2020. The acquisition plan assumes decreased tuition and gift revenues and increased benefit costs, offset by \$4.7 million of state support for students. These changes are expected to result in negative cash flows approaching \$1 million following the acquisition--pending targeted enrollment increases.

Prior to capital expenses and debt expense, MMC generated positive cash flow of \$500,000 in FY2020; however, capital expenses and debt service resulted in a total decline in cash and investments. Similarly, in FY2019 operating cash flows were insufficient to cover capital expenses and debt service requirements. The pro forma schedules on the following pages reflect the positive impact of state support to offset expected reductions in revenues; however, the data still indicates the continuation of negative cash flows in the current state (before enrollment increases).



BUDGET & PLANNING

This budget and planning section provides details on revenues and expenses in MMC's operating funds. Data to support these schedules were provided by MMC representatives.

Summary of Income and Expenses – Operating Funds

INCOME AND EXPENSES – OPERATING FUNDS	Actual FY2019	Actual FY2020	Budget FY2021	Pro Forma FY2022
INCOME				
1 Tuition	\$ 17,192,045	\$ 17,147,627	\$ 15,838,128	\$ 7,249,215
2 Student Fees	1,418,426	1,440,441	1,491,900	112,500
5 Scholarships	(10,500,113)	(10,248,671)	(9,340,600)	(2,185,750)
6 Net Tuition & Fees	8,110,358	8,339,397	7,989,428	5,175,965
7 <i>FTE Enrollment</i>	757	739	671	671
8 Endowment Income	509,743	602,881	556,057	556,057
9 Church Conference Apport.	532,352	518,620	500,000	-
10 Gifts - Unrestricted	1,347,699	785,375	685,000	500,000
11 State Appropriations	-	-	-	4,681,000
12 Auxiliary Revenue	3,247,615	3,360,217	2,909,100	3,051,000
13 Miscellaneous Revenue	715,453	600,128	255,491	74,000
14 Total Other Revenue	6,352,862	5,867,221	4,905,648	8,862,057
15 TOTAL INCOME	14,463,220	14,206,618	12,895,076	14,038,022
EXPENSES				
16 Salaries, Benefits, & Insurance	8,726,726	8,600,210	8,284,325	9,270,298
Non-Personnel Expenses				
17 Instruction	752,242	679,673	721,856	544,865
18 Student Services	1,157,621	1,037,340	672,511	662,701
19 Administration	525,790	509,760	557,257	557,257
20 General Institution	626,536	589,238	665,096	615,562
21 Auxiliary Services	1,151,125	985,991	1,013,339	1,029,339
22 Physical Plant Maintenance	1,757,002	1,724,564	1,560,000	1,660,000
23 Total Non-Personnel Expenses	5,970,316	5,526,565	5,190,059	5,069,724
24 Debt Service	554,285	438,242	372,447	481,187
25 TOTAL EXPENSES	15,251,327	14,565,018	13,846,831	14,821,209
26 Net before transition support and other	\$ (788,107)	\$ (358,400)	\$ (951,755)	\$ (783,187)
27 Release from restrictions and other proceeds	842,000	866,000	596,384	-
28 Use of anticipated cash surplus	-	-	400,000	-
29 One-time transition support from the State	-	-	-	500,000
30 Net surplus (deficit)	\$ 53,893	\$ 507,600	\$ 44,629	\$ (283,187)

- 1 The pro forma FY2022 column reflects a decrease in net tuition and fee revenue, which is mainly associated with lower rates for the UT System, and a decreased enrollment projection from FY2020.
- 2 State appropriations in the FY2022 forecast assume \$4.7 million to provide additional support for the educational mission.
- 3 Salaries, health insurance, and other benefit expenses are projected to increase by 11.9% in FY2022 primarily due to benefit costs within the UT System.
- 4 The debt includes a \$6.9 million USDA loan and a PPP loan.
- 5 One-time transition support from the state of \$500,000 has been added to reduce the deficit, especially as it relates to the decline in net tuition revenue.

Note: FTE enrollment totals shown here include undergraduate and graduate full-time equivalent students (e.g., one full-time student equals 1.0 FTE and one half-time student equals 0.5 FTE). The FY2020 FTE enrollment of 739 shown above is the average of actual fall 2019 (794 FTE students) and spring 2020 (684 FTE students) totals. According to MMC, fall 2020 enrollment totaled 717 FTE students and the average for FY2021 is expected to total 671 FTE students.

The schedule above reflects activity within MMC's Operating Funds in a budget format perspective, with actuals for FY2019 and FY2020, the budget for FY2021, and a post-acquisition pro forma plan (per MMC) for FY2022. The FY2022 pro forma column shows a recurring operating deficit of \$783,187, which is reduced by one-time transition support of \$500,000, resulting in a net deficit of \$283,187. The post-acquisition FY2022 pro forma plan includes the following notable line item changes from the FY2021 budget: (a) reduced net tuition revenue; (b) \$0.5 million reduction in Church support; (c) increased salary and benefits expenses; and (d) a \$4.7 million state appropriation allocation to support operations.

The FY2022 pro forma increase in salaries, benefits, and insurance is primarily attributable to an increase in the cost per person under the UT System's health insurance and other benefit programs. The FY2022 increase also includes filling 3 vacant faculty positions that were not included in the FY2021 budget as they were left unfilled for the current year. Further, the FY2022 pro forma amount assumes less than \$50,000 of vacancy savings.

The pro forma analysis assumes an annual \$4.7 million allocation of state appropriations. Future levels of state funding will depend on (a) changes in state revenues and (b) MMC's performance relative to all other Tennessee public colleges and universities.



The UT System's state guidelines would require the MMC campus to set aside about \$0.4 million to fund receivables and inventories and about \$0.3 million in unallocated current funds for contingencies. Tennessee public colleges and universities are required to have reserves of expendable net assets at the end of each fiscal year sufficient to offset balances in receivables and inventories (working capital) and to maintain a reserve for contingencies equivalent to 2%-5% of annual operating expenditures. Further, MMC expects to have a letter-of-credit balance of \$1.5 million as of June 2021 and expects to incur an operating funds deficit of nearly \$0.3 million during FY2022. Due to the amounts outlined in this paragraph, \$2.5 million would be needed to bring MMC expendable net assets to acceptable levels (either through immediate additional funding or enrollment increases).

Summary of Net Tuition and Fees Modeling (based on pro forma FY2022)

Net Tuition Revenue Modeling	Pro Forma FY2022	Additional 50 Students	Additional 100 Students	Additional 150 Students	Additional 200 Students	Additional 250 Students
FTE Enrollment (Fall/Spring Average)	671	721	771	821	871	921
Average net tuition & fee revenue per student	\$ 7,714	\$ 7,714	\$ 7,714	\$ 7,714	\$ 7,714	\$ 7,714
Net tuition & fees	\$ 5,175,965	\$ 5,561,655	\$ 5,947,346	\$ 6,333,036	\$ 6,718,727	\$ 7,104,417
Pro forma FY2022 room and board revenue	2,831,000	2,831,000	2,831,000	2,831,000	2,831,000	2,831,000
Estimated additional room and board revenue	-	189,939	379,879	569,818	759,757	949,696
State appropriations and other revenue	6,031,057	6,031,057	6,031,057	6,031,057	6,031,057	6,031,057
Total revenue	14,038,022	14,613,652	15,189,281	15,764,911	16,340,541	16,916,170
Total expense	14,821,209	14,821,209	14,821,209	14,821,209	14,821,209	14,821,209
Net before transition support	(783,187)	(207,557)	368,072	943,702	1,519,332	2,094,961
One-time transition support from the state	500,000	500,000	500,000	500,000	500,000	500,000
Net surplus (deficit)	(283,187)	292,443	868,072	1,443,702	2,019,332	2,594,961

The baseline pro forma FY2022 enrollment model assumes 671 FTE students, which equals the expected FY2021 FTE enrollment (i.e., average of fall 2020 enrollment of 717 FTE students and forecasted spring 2021 enrollment of 625 FTE students). Thus, the FY2022 pro forma plan assumes a continuation of the current year combined FTE enrollment, as well as no changes in staffing or salary levels, which leads to a deficit of \$783,187 before transition support, according to information received from MMC.

The schedule above models the net tuition and fee impact that additional students could bring to the UT campus in Giles County. This schedule also models the potential impact of additional room and board revenue to show how additional students could impact auxiliary revenues. The additional room and board revenue is based on average revenue per residential student applied to approximately 42% of the additional modeled students. Given MMC's capacity for growth, total expenses were held constant for modeling purposes. Accordingly, this schedule indicates that MMC would need to increase its enrollment by **150 students** (achieving FTE enrollment of 821 students) to generate net results totaling \$943,702 (before transition support). UT System leaders estimate that this is a minimum target recognizing that net results are needed to meet state requirements for reserves of expendable net assets, as well as contingencies to respond to campus enhancement opportunities and unanticipated needs.

The data below shows the historical Fall FTE enrollments, highlighting that MMC has enrolled over 1,000 students in the past ten years. These enrollment figures suggest that MMC has the capacity for an additional 150 students without requiring significant investments.

TICUA Fall Enrollment by Full-Time Equivalent (FTE) (2010 - 2019)									
2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
971	1,002	997	1,043	994	1,004	894	876	821	810

Note: Data above represents the Fall Full-Time Equivalent calculated in the following manner: Total FTE = Total Full-time Headcount + 1/3 Part-time Enrollment Headcount. FTE in the Summary of Income and Expenses – Operating Funds and Summary of Net Tuition and Fees Modeling (based on pro forma FY2022) show a Fall/Spring average, whereas the data above only shows the Fall enrollment.



The average net tuition and fees per student in the table above is a consolidated average per FTE student, after scholarship discounts. The stated rates per student for each institution, before discounts, are shown below.

	Undergraduate	Graduate
MMC Stated Tuition Rates		
All Students, 2019-2020, 30 credit hours per year	\$ 24,900	\$ 14,850
UT Proposed Tuition Rates		
In-State, 2021-2022, full-time student	\$ 10,080	\$ 14,850
Out-of-State, 2021-2022, full-time student	\$ 25,774	\$ 18,334

Note: The expected average discount rate for 2021–2022 is \$3,500 per student according to MMC forecasts.

Comparison of Budget vs. Financial Statements

When considering the budget-formatted statements for operating funds versus the audited financial statements, UT System leaders considered the differences between these statement formats. The financial statements are prepared in accordance with GAAP and, thus, include accruals and all funds. The budget formats are generally cash-basis for operating funds only. Because of these and other differences, there will be variances between these two statements. Some key points to consider for FY2020:

- Accrual-based FY2020 revenues without donor restrictions, before net assets released from restrictions, totaled \$14.1 million per the audited financial statements. This total is comparable to the \$14.2 million of total income in the operating funds for FY2020 per the budget-format schedules provided by MMC.
- Net tuition and fees in both the audited financial statements and the budget-format schedules totaled \$8.3 million in FY2020.
- Expenses totaled \$16.7 million in FY2020 per the audited financial statements. In comparison, expenses per the budget-format schedules provided by MMC totaled \$14.6 million in FY2020. The difference in these amounts is primarily attributable to \$1.7 million of depreciation, as well as other non-cash accrued expenses, which are reflected in the financial statements but not in the budget-format schedules.

RISKS

When considering the financial impact of the proposed acquisition, the UT System identified two key risks:

- **Enrollment growth** – Over the last four years, MMC has seen a decline in enrollment, leading to decreased tuition, fees, and auxiliary revenues. As explained in this report, there is an opportunity to attract and retain new students throughout southern middle Tennessee and northern Alabama with an additional University of Tennessee campus in Giles County. Data modeled in this financial section of the report provides a high-level view of the potential impact for additional students to the institution, but it does not include enrollment projections.
- **Cash flow of the deficits** – MMC has experienced deficits in annual cash flows. It is expected that there will be a deficit facing the new institution at the time of the transition. Growing enrollments and other growth opportunities could reduce the deficit in the future, but an upfront investment will be necessary to support the university over the first few years.

UT ASSESSMENT OF STRATEGIC FIT

When considering the option to acquire MMC, it is important to evaluate the strategic fit within the University of Tennessee System. As assessed in this report's market and strategic portion, there is a need for a public institution in the southern middle region of Tennessee. If the UT campus in Giles County can bring in new students, this new UT System campus has the capacity to increase student enrollment and would benefit from the additional tuition revenue.

Takeaways from the *Financial and Accounting* section:

- As of June 2020, MMC had \$35.5 million of assets (including facilities and endowment funds) and \$9.4 million of liabilities (including \$6.9 million to the USDA for a rural development loan).
- MMC has experienced negative changes in total net assets in three of the past four years, largely due to enrollment declines that led to reductions in net tuition revenues and operating deficits.
- MMC experienced declines in total cash and investment balances in three of the past four years, driven by operating deficits, capital expenses (i.e., purchases of property, plant, and equipment), and debt service requirements (i.e., principal and interest payments).
- Given an assumption that MMC's line of credit balance will total \$1.5 million at the end of FY2021 and the need to establish liquidity, it is estimated that \$2.5 million of bridge funding from the UT System would be needed upon acquisition.
- The post-acquisition FY2022 pro forma plan assumes a \$0.3 million operating deficit after the following notable changes from the FY2021 budget: (a) reduced net tuition revenue; (b) \$0.5 million reduction in Church support; (c) increased salary and benefits expenses; and (d) a \$4.7 million state appropriation allocation to support operations, as well as \$0.5 million of one-time transition support from the state for operating purposes as the campus develops enrollment growth.
- MMC's current year and pro forma FY2022 enrollment totals 671 full-time equivalent students. To generate operating cash flows allowing for service enhancements, contingency needs, and sufficient liquidity, the analysis indicates that enrollments will need to increase by 150 students, which is the recommended target in this report.

Operational Due Diligence

INTRODUCTION

University of Tennessee System functional leaders led due diligence reviews of Martin Methodist College data across several operational areas. These areas included:

- Governance / Corporate Documents
- Real Property
- Tax Items
- Contractual Relationships
- Insurance
- Benefit Plans
- Human Resources
- Intellectual Property
- Physical Assets and Information Technology Assets
- Accreditation
- Student Enrollment and Student Services
- Programs and Curriculum
- Financial Aid
- Marketing Materials

In October 2020, the UT System requested documentation from Martin Methodist College covering a wide range of operational elements within these areas. Over 150 documents were received and in fulfillment of the data request. These items were assessed by UT System functional leaders, who noted comments, concerns, and key findings. Huron's subject matter experts in higher education and mergers and acquisitions provided guidance to the UT System functional leaders carrying out this due diligence.

The subsection immediately below, includes summary comments on takeaways from the operational due diligence led by the UT System team. In Appendix A, the UT System team's full comments are provided in summary, including takeaways, risks, and additional analyses that UT may be necessary should this process move forward.

SUMMARY COMMENTS ON OPERATIONAL DUE DILIGENCE

This report is oriented towards surfacing risks and issues at Martin Methodist College that could impact the System's decision about whether or not to move forward in pursuit of the acquisition. If the System elects to move forward, additional analysis will be necessary to effectively integrate MMC into the UT System. Throughout the due diligence in Appendix A, some of those areas for additional consideration are highlighted.

Summarizing over the operational due diligence sections below, some of the foremost risks related to the potential acquisition of Martin Methodist College include:

- MMC's Enrollment Trends – Like many institution's, MMC's student enrollment has trended downward in recent years. This issue is discussed in detail in the Strategic & Market Due Diligence section.
- MMC's Long-Term Growth & Financial Stability – Related to the enrollment decline and other issues, MMC will require investment and reorganization in order to become more financially stable. A pro forma for the new institution in FY2022 forecasts a deficit of \$283,187, inclusive of proposed \$4.7 million of state appropriations and one-time transition support of \$500,000 from the state. Additional bridge funding of

\$2.45 million is forecast to be necessary to balance the Giles County campus's books at the end of FY22. This issue and pathways to financial stability are discussed in detail in both the Financial Due Diligence section and the Strategic & Market Due Diligence section.

- Delivering UT System Benefits to MMC Employees – UT's benefit costs are higher than MMC's benefits costs. If the acquisition occurs, UT will take on an additional total cost of approximately \$800K. The higher cost of UT System benefits will impact the financial projections as discussed in the Financial Due Diligence section.
- Sustaining Philanthropic Support – MMC has historically relied upon philanthropic support. There is an open question around whether this philanthropic support will continue when the institution is no longer formally affiliated with the United Methodist Church.
- Asset & Liability Transferability – UT System General Counsel is still working to ascertain the ability transfer/assume certain assets and liabilities, based on MMC's gift, grant, loan or other program requirements, as well as United Methodist Church approval in some cases.
- USDA Loan – MMC is the guarantor of a \$7 million loan from the USDA to Reveille Properties LLC, a nonprofit LLC of which MMC is the sole member. The USDA will need to approve the transfer of this loan and UT would need to obtain approval from the Tennessee State School Bond Authority (TSSBA) on this matter.

If the Board approves of this acquisition and the opportunity moves forward, additional analysis will be required in order to effectively integrate MMC (as a re-titled institution) into the UT System. These analyses may include (but will not be limited to):

- Conducting a thorough staffing analysis and compensation study, building on the initial review of the existing employee census data, to assess the current standing and needs of the existing workforce.
- Reformatting academic programs under UT System and THEC policy to ensure that they produce sufficient graduates each year and have no budgetary concerns.
- Developing plans and timelines for updating policies and procedures related to academic programs and delivery as well as HR, IT, and other operational areas.
- Begin the process of rebranding the institution in all dimensions, including athletics, to frame the acquired institution as a UT asset.

Additional operational due diligence detail can be found below in Appendix A.

Conclusion

There are strategic benefits of this potential acquisition to the state and to the region. Through the Tennessee Promise and Tennessee Reconnect initiatives, the state has demonstrated that expanding access to higher education can also increase enrollment at Tennessee's public institutions. The UT System has the opportunity to provide a quality, affordable education to prospective students in the southern middle region of Tennessee with the acquisition of this campus in Giles County, an area that lacks a public, four-year institution on Tennessee's side of the border. While there are four nearby public universities in Alabama, these institutions are also serving Tennesseans by enrolling over 1,200 Tennessee students in Fall 2019.

In addition, this region trails the state's rate in achieving postsecondary credentials while also being an area where growth of college-educated jobs is forecasted in the next five years. This presents the opportunity for the UT System to simultaneously grow the credential rate and to align academic programs with the labor market at this campus. Further, the UT System should implement strategies at this campus to achieve sustained enrollment growth, such as enhancing student services and targeting non-traditional college-age students for enrollment.

There are also potential risks to this acquisition, which are primarily financial in nature and are related to how successful the institution would be in scaling enrollment, especially among traditional college-age students. While the state would acquire net assets (especially property and buildings) in the acquisition, the pro forma financial analysis forecasts an operating deficit of \$0.3 million in FY2022, inclusive of proposed annual state appropriations totaling \$4.7 million and one-time operating transition support of \$0.5 million (in addition to \$0.5 million of one-time capital and other non-operating transition support).

In addition to the state support described above, \$2.5 million in bridge funding is estimated as the amount needed to cover MMC's line of credit, the net operating deficit, and increases to cash and investment balances to meet state liquidity requirements. Also, investments in facilities or student services may be required and are not factored into the pro forma statements.

To achieve success at the UT campus in Giles County, enrollments (currently at 671 full-time equivalent students) will need to grow. The financial modeling indicates a breakeven point with an additional 100 students; however, the analysis indicates that the UT System should instead target an additional 150 students to generate sufficient operating cash flows for meeting liquidity requirements and contingencies.

This report lays out benefits and risks associated with this acquisition. The decision for the UT System to proceed with the transaction is a reflection of UT System leadership's tolerance for this financial risk to achieve these strategic benefits for the System and the state.

Appendix A – Operational Due Diligence Detail

UT COMMENTARY ON OPERATIONAL DUE DILIGENCE AREAS

The content below was completed by University of Tennessee functional leaders as noted, with guidance and counsel from the Huron team. Each topic contains key issues identified during the review of the due diligence data requested, risks, and additional actions the University would need to undertake if the acquisition is approved (these actions identified during the due diligence constitute only a partial list of the activities that would need to occur to make the transition of MMC into the UT System successful).

Governance / Corporate Documents

Due Diligence Led By: UT Office of the General Counsel; Office of the Secretary and Special Counsel to the Board

ISSUES FROM DATA REVIEW

MMC's Charter specifies that if it is dissolved, the assets are to be distributed to organizations of the Methodist Church. MMC's counsel has consulted with leadership at the Conference of the Methodist Church. The Chancellor of the Conference of the Methodist Church has expressed support for the transfer of the assets of MMC, and suggested that the structure of MMC could be retained to hold endowment assets that have restrictions that are specific to the Methodist mission and the charter provision would not be triggered. Alternatively, the charter could be amended. The risk would arise if the General Conference does not agree to the transfer but could be managed if the MMC entity is not dissolved.

RISKS

- The ability of MMC to retain strong philanthropic support when no longer formally affiliated with the United Methodist Church is unknown.
- The ability to transfer/assume certain assets/liabilities, based on gift, grant, loan or other program requirements is not yet fully known.

ADDITIONAL ACTIONS

- The path to disaffiliation and transfer of assets by the Methodist Church and the structure of the Methodist-focused endowment assets need to be finalized.
- The transfer of assets will require approvals of not only the MMC Board, but also the United Methodist Church and the TN Attorney General.
- Understanding the terms and conditions of all outstanding debt obligations and the ability to assign and assume this debt and/or restructure the outstanding obligations will need to be a condition for closing.
- Whether key grants/loans are eligible to continue in place for the benefit of the campus and its programs is a critical consideration.

Real Property

Due Diligence Led By: UT System Office of Capital Projects; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

- As with many campuses, many MMC buildings are older. However, the facilities are generally well-maintained. Regular attention has been given to the routine replacement of package HVAC units used in many facilities.
- In a facilities assessment conducted by consulting firm Bureau Veritas (BV), the estimated immediate facilities maintenance needs are approximately \$50,000. Note: the costs of addressing these needs are not included in the FY22 financial pro forma (See an executive summary of the results of BV's work in Appendix B).
- The Health Resources and Services Administration lien for geothermal improvements would need to be released.

RISKS

A \$7 million USDA loan to Reveille Properties LLC, a nonprofit LLC of which MMC is the sole member and which four campus properties secured by the loan.

ADDITIONAL ACTIONS

- The transfer of real property assets will need to go through the State Building Commission review and comply with all requirements, including title work and Phase I reports. (Reports for three MMC buildings were completed in 2018, with no recommendations. UT will need to do additional due diligence in this area).
- Determine if MMC has an Asbestos Containing Materials survey and operating control plan in place. Determining the quantities and location of these materials will impact the future cost of capital maintenance projects. If this plan is not already in place, a budget may need to be allocated to create one if this acquisition moves forward.
- UT will need to analyze the estimated funding needs identified by BV considering the capital maintenance funding model used by THEC that determines how much capital maintenance funding the campus is likely to receive.

Tax Items

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

Tax Records provided were reviewed and no issues noted.

RISKS

None identified.

ADDITIONAL ACTIONS

None identified.



Contractual Relationships

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

Contracts examined contained some terms and conditions to which UT, as a State entity, could not agree.

RISKS

None identified.

ADDITIONAL ACTIONS

- If the acquisition occurs, the University will need to examine each contract to determine whether UT can provide services—through staff or existing contracts—in a more cost-effective manner.
- All contracts will need to be reviewed to determine whether they contain terms and conditions to which UT, as a State entity, cannot agree. Affected contracts would require renegotiation.

Insurance

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

- No concerns arose during due diligence in this section.
- In comparing MMC's coverage to estimates to provide this same type of coverage through UT, it appears that approximately \$11,160 in savings would result. The details are provided below.

	MMC	UT	Difference
Auto Insurance	\$17,310	\$30,666*	
Workers Comp Insurance	\$14,758	\$13,712	
General Policy covers several items	\$245,310		
Fidelity Bond	\$248		
General Liability		\$1,817	
Tort Admin		\$3,304	
Property		\$31,857	
Athletics		\$185,110	
Total	\$277,626	\$266,466	\$11,160

*This amount includes \$4,266 for liability through the State and \$26,400 for additional coverage.

RISKS

None identified.

ADDITIONAL ACTIONS

- UT determined MMC's costs for purchasing comparable coverage if the acquisition occurs. However, if the college becomes a campus of the University, other options can be considered. For example, existing UT campuses self-insure rather than purchasing comprehensive auto insurance.
- If the acquisition occurs, MMC would need to purchase an extension to its current liability insurance (commonly referred to as "tail insurance") to cover any claims made after the acquisition pertaining to or arising from events that occurred before the acquisition.

Benefit Plans

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

As a UT entity, MMC's benefits costs would increase almost \$800,000. Each institution's costs for retirement and health/life insurance are as follows:

- MMC paid \$175,923.24 in retirement costs. If part of UT, the cost would be \$590,947.68 for additional cost of \$415,024.44.
- UT's costs for employer health and life insurance will cost \$836,480.04. MMC is paying \$453,031.20. Thus, if the acquisition occurs, MMC's costs will increase by \$383,448.84.
- Total retirement and employer health/life insurance costs will increase by \$798,473.28.

RISKS

The higher cost of UT benefits will impact the financial projections as discussed in the Financial Due Diligence section.

ADDITIONAL ACTIONS

UT would need to work with the State's Risk Management office to ensure MMC employees' continuity of coverage for insurance and appropriate transition for retirement benefits.

Human Resources

Due Diligence Led By: UT System Office of Human Resources; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

- The human resources (HR) function at MMC would benefit from enhancing its compensation administration, employee training/development, records management, and performance management systems.
- After the initial review of the existing employee census data, MMC could benefit from a thorough staffing analysis and compensation study to assess the current standing and needs of the existing workforce.

RISKS

Risks inherent to the HR function include:

- Issues associated with compliance and risk management (legal issues) will be ongoing risks.

ADDITIONAL ACTIONS

If the acquisition occurs, UT will need to evaluate the HR infrastructure to determine what organizational changes are needed to ensure MMC's function aligns with UT policies and HR practices throughout the System.

Intellectual Property

Due Diligence Led By: UT Office of the General Counsel

ISSUES FROM DATA REVIEW

MMC identified no intellectual property (IP) rights, though certain IP rights (common law trademark rights to logos, copyrights to material written by employees) may exist.

RISKS

No risks identified.

ADDITIONAL ACTIONS

Although MMC identified no intellectual property rights, the employee handbook addresses the topic. If the acquisition occurs, UT will need to review whether IP exists at MMC. UT has its own intellectual property policy that MMC would need to follow.

Physical Assets and Information Technology Assets

Due Diligence Led By: UT System Office of Enterprise Risk Officer; UT System Treasurer; UT Office of the General Counsel

ISSUES FROM DATA REVIEW

- MMC's capitalization thresholds are lower than UT's.
- According to UT's Interim Chief Information Officer's overall assessment of the IT assets, there are no immediate items that are high risk. There are areas that could be improved to fit into the overall UT System IT strategy, but none that will be costly.

RISKS

None identified.

ADDITIONAL ACTIONS

- Changes in MMC's protocols for capitalizing assets may need to be changed.
- IT assets evaluated further to determine desired upgrades to align with the rest of the UT System.
- UT would need to Integrate MMC's existing employee information, asset data, and financial transactions into UT's accounting system. MMC's student system would also have to be integrated into the accounting system for proper reporting.

Accreditation

Due Diligence Led By: UT System Office of Academic Affairs and Student Success; UT Office of the General Counsel



ISSUES FROM DATA REVIEW

- Documents provided by MMC indicate that the institution is accredited by SACSCOC at the associate, baccalaureate, and master's levels, and also that the institution has specialty accreditation for Nursing and Education. All correspondence and documents indicate that the institution and its programs are currently accredited with no conditions, sanctions, or other adverse actions.
- MMC is establishing a special education program that appears to require state approval and the institution is preparing to request that approval. Federal documentation permitting attendance of foreign students appears to be in order.

RISKS

None identified.

ADDITIONAL ACTIONS

- If the acquisition occurs, MMC will develop a prospectus, in collaboration with the UT System Institutional Effectiveness Team, to submit to SACSCOC by March 15, 2021. The SACSCOC Board of Trustees will vote on the proposed acquisition of MMC by the UT System at its June meeting. Subsequent to approval of the Board, SACSCOC will send a substantive change committee to MMC in the fall to certify that the new constituent of the UT System continues to adhere to the accreditor's *Principles of Accreditation*.
- MMC is accredited as an independent institution, just as each University of Tennessee campus is accredited as an independent institution. MMC, if it joins the UT System, will maintain that independent accreditation like all other UT campuses. The existing UT network of accreditation liaisons can incorporate the MMC accreditation liaison for mutual benefit and support. Based on our assessment, MMC's accreditation aligns with the University of Tennessee.

Student Enrollment and Student Services

Diligence Led By: UT System Office of Academic Affairs and Student Success

ISSUES FROM DATA REVIEW

- Documents provided by MMC point to an overall decline in MMC's enrollment and student success outcomes over the past three years. MMC's flagship nursing program had a significant decline.
- Due to its relatively small enrollment, the inclusion of MMC in the UT System should not greatly impact the overall UT System totals and percentages on key student success metrics.
- The MMC documents also reflect a modest increase in their business management and exercise science programs, as well as growth in their graduate student enrollment.

RISKS

Three-year undergraduate enrollment decline, particularly in the nursing program is a primary concern. Other concerns are relatively low retention and graduations rates of undergraduate students, in relation to UT campuses as well as self-defined MMC peer institutions.

ADDITIONAL ACTIONS

The UT System will provide support and consultation to MMC in the areas of enrollment, retention, and graduation.



Programs and Curriculum

Due Diligence Led By: UT System Office of Academic Affairs and Student Success

ISSUES FROM DATA REVIEW

MMC will need to have clear plans and timelines in place for updating policies and procedures as quickly as possible, particularly for programs currently under development (e.g., Cybersecurity, Information Systems, and K-12 Special Education). Additionally, before seeking final approval of these programs, it would be advisable to have these programs reformatted under UT and THEC policy to ensure they will produce enough graduates each year and have no budgetary concerns.

RISKS

None identified.

ADDITIONAL ACTIONS

- MMC's emphasis on academic programs in business, education, and nursing aligns well with projected Tennessee workforce demands and UT System strengths in these areas. Moreover, interest at MMC in pre-engineering as an academic focus creates collaborative opportunities with UT campuses. Agri-business, cybersecurity, and related areas were also identified by MMC leaders as potential programs to explore.
- If the acquisition occurs, the following will need to be done:
 - Identify which programs are eligible for accreditation and which currently have it.
 - Depending on whether MMC opts to collaborate on any joint programs in the future, it will be important to reassess the number of clinical and placement sites for students.
 - Alignment of courses to participate in the UT Online Consortium.
 - Regarding the UT Online Consortium, it would be beneficial to incorporate faculty and staff into the system-wide steering committee, assuming the MMC acquisition comes to fruition.

Financial Aid

Due Diligence Led By: UT System Office of Budget and Planning; UT System Office of Academic Affairs and Student Success; UT Office of the General Counsel; UT System Office of Enterprise Risk Officer; UT Knoxville Office of Enrollment Management

ISSUES FROM DATA REVIEW

- While no Department of Education program reviews have occurred (not unusual for a small private institution), the two most recent (Veterans Affairs and TN Student Assistance Corporation) resulted in findings of errors rather than systemic failures.
- Approximately 99% of MMC's students receive financial aid of some type, and 46% are eligible for federal Pell grants. Sixty percent of students participate in athletics, receiving a higher percentage of aid than non-athletes.
- The number of categories of students that require tuition discounts would increase if MMC were to become a State institution.



- MMC’s financial aid awarding processes are currently performed manually.

RISKS

None identified.

ADDITIONAL ACTIONS

Determine whether any institutional scholarships could no longer be awarded if the acquisition occurred.

Marketing Materials

Due Diligence Led By: UT System Office of Communications & Marketing

ISSUES FROM DATA REVIEW

Marketing budgets for the campus have been very minimal over the past three years.

RISKS

- For Martin Methodist to make an impact on enrollment, it will need to invest in marketing activities targeted towards growing enrollment. Note: the costs of addressing these needs are not included in the FY22 financial pro forma
- While this isn’t necessarily a risk, MMC will need to rebrand all aspects – including athletics – to fully benefit from the partnership.

ADDITIONAL ACTIONS

MMC will need to rebrand all aspects – including athletics – to fully benefit from the partnership.

Appendix B – Summary of Facility Condition Assessments of Martin Methodist College

This summary was drafted by the UT System Office of Capital Projects based on an external report completed by Bureau Veritas (BV) as retained by the UT System.

Executive Summary

- Overall, the condition of the MMC campus appears to be equivalent to and in some cases better than UT System buildings that have been assessed so far.
- Similarly, data from BV indicates that the condition of the MMC campus appears to be equivalent to or better than universities which BV has completed assessments for.
- BV projects capital maintenance expenditures over the next 5 years to total \$5,946,600. Note: the FY22 financial pro forma estimates \$250,000 per year for plant fund expenses. While state capital maintenance funding has not yet been estimated, there may be a gap of some significance here.

Background

Bureau Veritas (BV) was retained to render an opinion on the physical condition of the facilities, site, and infrastructure at Martin Methodist College (MMC). Based on observations, interviews, and documents reviewed, opinions were rendered as to structural integrity, building system condition, and the facility’s overall condition.

Results of Condition Assessments

Facility Condition Index (FCI) is an industry standard measure used to rate and compare the physical condition of buildings including the exterior and building envelope, interiors, mechanical, electrical, plumbing, site, and infrastructure systems. FCI is calculated by dividing the estimated cost of a building’s repair and replacement needs by the building replacement cost. A higher FCI indicates a building is in poorer condition and has a greater need of capital maintenance funding.

FCI Ranges and Description

FCI Ranges and Description	
0 – 5%	In new or well-maintained condition, with little or no visual evidence of wear or deficiencies.
5 – 10%	Subjected to wear but is still in a serviceable and functioning condition.
10 – 30%	Subjected to hard or long-term wear. Nearing the end of its useful or serviceable life.
30% and above	Has reached the end of its useful or serviceable life. Renewal is now necessary.

Prior to initiating due diligence on MMC, assessments were being performed on approximately 4.5M square feet of E&G space on the UT System campuses across the state. Consequently, BV was able to quickly engage with UT in the assessment of MMC facilities.



	5 year	10 year
MMC Average Facility Condition Index	5.80%	15.37%

Another method of comparison is to look at the forecasted expenditure based on the condition assessment and needed repairs divided by the square footage of the buildings.

	5 year	10 year
MMC Forecast Expenditures	\$19.27/sf	\$52.05/sf

Key Findings

Detailed findings from the assessments are summarized in Table 1 which can be found at the end of this summary.

- In general, the MMC assessments identified issues that are consistent with buildings of this age.
- The current condition of MMC buildings is equivalent to and in some cases better than the overall index of the limited number of UT System buildings assessed to date over both a 5 and 10-year outlook.
- BV noted the lack of fire alarm and/or fire sprinkler systems in several buildings. While a complete life safety code assessment has not been completed, it is anticipated that, in general, these buildings were constructed in compliance with codes in place at the time of construction. However, BV recommends designing and installing systems in compliance with current code requirements in the 3-5-year timeframe, which is included in the expenditure forecast.

MMC Expenditure Forecast

Based on the condition assessments and using cost estimating tools, a short-term (1-2 year), near-term (3-5 year) and midterm (6-10 year) expenditure forecast has been developed and is summarized below. See Table 2 on the following pages for a more comprehensive look. Approximately \$1.4M of repairs will be needed in the next 1-2 years, an additional \$4.55M in years 3-5 and \$10.07M in years 6-10.

	Immediate	Short-Term (1-2 years)	Near-Term (3-5 years)	Med-Term (6-10 years)
MMC	\$52,400	\$1,439,300	\$4,454,900	\$10,068,300

Conclusions

- The lack of fire alarm and fire suppression systems in some buildings represents a maintenance/modernization needs that we recommend budgeting for so that they can be addressed. Note: these budgets have not yet been developed and are not included in the FY22 financial pro forma.
- Overall, the condition of the MMC campus appears to be equivalent to and in some cases better than UT System buildings that have been assessed so far.
- Data from BV shows the 5-year average FCI for universities and colleges they have assessed ranges from 13.01% to 20.54% with an average of 17.92% and the 10-year average ranging from 21.56% to 41.63% with an average of 29.01%. MMC, at 5.8% and 15.37% respectively, is in comparatively good condition.

- BV's Facility Condition Assessments have not revealed any reasons to not proceed with the potential acquisition of MMC.

Table 1 – Key Findings

KEY FINDINGS		
BUILDING	CONDITION	KEY FINDINGS
Colonial Hall	Fair	Isolated areas of wood trim and wood window components are exhibiting rot that needs repair/replacement.
Upperman Hall	Fair	There are isolated areas of brick and wood trim repairs needed. The metal roofs and wood parapets at the entry porticos are in poor condition. The exterior steps to the basement need repairs/replacement.
D. W. Johnston Center & Warden Memorial Library	Fair	Building lacks a fire alarm system and fire sprinkler system.
Gault Fine Arts	Good to Fair	Deteriorated wood board mechanical enclosure, cracking along exterior concrete wall
Andrews Science Building	Fair	Building lacks a fire alarm system and fire sprinkler system.
Martin Hall and Theatre	Fair	The concrete exterior steps to the basement level are deteriorated and represent a safety hazard. The building lacks a fire alarm system and fire sprinkler system.
Criswell Hall	Good to Fair	Building lacks fire suppression, aging fire alarm system, a percentage of the PTAC units are becoming aged
Starnes Student Union Building & Dining Hall	Good to Fair	Building lacks fire suppression and fire alarm system.
Student Apartment A and B	Fair	There is a missing section of downspout that needs to be replaced prior to the cold weather to eliminate any freezing issues in the area.
Curry Christian Life Center	Fair	The fire alarm panel does not function. There is only a local alarm. The alarm system should be replaced to accommodate the need of the facility. The commercial grade carpet in the women's locker room should be replaced in the short term. Also, the stripping in the parking lot needs to be updated to clearly show the parking spaces.
Oakwood Apartments	Good to Fair	None at present
Athletic Building	Good	None at present



Table 2 – Expenditure Forecast

EXPENDITURE FORECAST				
System	Immediate	Short Term (1-2 yr)	Near Term (3-5 yr)	Med Term (6-10 yr)
Structure	-	\$16,394	\$2,531	\$8,808
Facade	\$5,500	\$147,521	\$1,053,301	\$889,473
Roofing	\$900	\$14,498	\$6,228	\$293,235
Interiors	-	\$9,664	\$915,418	\$1,949,268
Conveying	-	\$5,304	-	-
Plumbing	\$2,800	\$14,109	\$270,635	\$1,750,553
HVAC	-	\$52,511	\$661,163	\$713,007
Fire Protection	-	\$790,525	\$24,866	\$4,839
Electrical	-	-	\$880,087	\$1,604,470
Fire Alarm & Electronic Systems	\$4,000	\$271,868	\$264,146	\$354,320
Equipment & Furnishings	-	-	\$205,843	\$818,337
Special Construction & Demo	-	-	\$30,540	\$9,272
Site Pavement	\$1,650	\$45,217	\$61,317	\$395,883
Site Development	-	\$71,592	\$78,819	\$1,240,642
Site Utilities	-	-	-	\$36,121
Accessibility	\$37,500	-	-	-
TOTALS	\$52,400	\$1,439,300	\$4,454,900	\$10,068,300

Appendix C – Operational Due Diligence

Data Inventory

Governance/Corporate Documents

Due Diligence Led By: UT Office of the General Counsel; Office of the Secretary and Special Counsel to the Board

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	Legal Entity Chart (corporate structure)	N/A
2	Articles of Incorporation/Organization w/ amendments	MMC Incorporation Document
3	Bylaws w/ amendments	Bylaws – Board of Trustees
4	Charter Documents and Master Plan Amendments	Restated Charter - 2001
5	List of Governing Board Members	Members MMC Board of Trustees
6	Board minute books	2019 (1) Winter BOT Manual (2) Spring BOT Manual (3) Summer BOT Manual (4) Fall BOT Manual 2020 (1) Winter BOT Manual (2) Spring BOT Manual (3) Summer BOT Manual Committee Minutes Fall 2018 through Spring 2020
7	List of Corporate Officers	List of Corporate Officers
8	All state and local business licenses, permits required for operation	Bookstore business license – City of Pulaski Bookstore business license – Giles County Swimming pool permit
9	Administration/upper management organizational chart	MMC Student Affairs Organization Chart MMC Organizational Chart – 7/19
10	Descriptions of all compensation arrangements for executives and employees Copies of any and all written compensation plans, and descriptions of all unwritten compensation plans, including, without limitation, performance evaluation plans or profit-sharing plans	There is only one compensation arrangement and that is to be reviewed on campus at the document review.

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
11	Documentation of tax status and tax exemptions (state and federal)	501c3 Letter of Designation MMC Tax Certificate of Exemption (State) Tax Acct. # for Bookstore, Movie Theater and Health Club Sales
12	Documentation of all restricted gifts presently held by or for the benefit of MMC or, if no documentation, a description of any restrictions placed on the gifts, and if any restricted gifts have been disposed of, a description of the restrictions and the disposition	It is requested that this documentation be reviewed on campus at the document review.
13	Documentation relating to MMC's affiliation with the United Methodist Church and documentation of MMC's action to terminate such affiliation	Document explaining the affiliation with UMC (Restated) Charter Letter from MMC to Tennessee United Methodist Church Letter of Intent MMC - UT

Real Property

Due Diligence Led By: UT System Office of Capital Projects; UT Office of the General Counsel

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	Schedule of all real property owned or leased by MMC	Schedule of Values August 2020
2	Copy of existing surveys for the property listed in Item #1	These documents may be reviewed at the campus document review.
3	Copy of existing environmental assessments for the property listed in Item #1	Environmental Audit Report 2008 Additional documents available for review at the campus document review
4	Evidence of zoning compliance for the property listed in Item #1, or any notices of special assessments or any zoning or building code violations received by MMC	N/A
5	All correspondence and filings with the state and/or county regarding any and all real estate matters including real estate tax exemptions for the property listed in Item #1	Tax exemption letters – State Board of Equalization Tax exemption letters – State Board of Equalization (for current purchases) Tax exemption for two properties in process
6	Copy of all easements, or other recorded or non-recorded interests in or encumbrances on the property listed in Item #1	N/A

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
7	Original Floor Plans/"As-Builts" for all buildings owned by MMC	Floor plans for all MMC Buildings: Abernathy House Andrews Science Building Apartment 1 pod Bookstore Campus Overview Google Campus Overview CCL Church Leadership CLC Gym Coaches Trailer Colonial Hall Criswell Gualt Fine Arts Johnston Library Maintenance Martin Hall Oakwood Apartments Student Union Building Upperman Hall Upward Bound
8	Copies of all leases currently in effect	Maker lab new agreement Mitel Agreement for MMC RJ Young 2019-23 TCF Equipment Lease - 2015 Ford F650 Athletics

Tax Items

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	Copies of all 990s and similar state reports for MMC for last 3 years	FY17, FY 18, and FY 19 Form 990 FY17, FY 18, and FY 19 Form 990-T
2	All material correspondence with the State of Tennessee and IRS regarding payroll tax issues	N/A
3	State and local tax returns for the last 3 years	N/A
4	Employment tax filings for the last 3 years	FY 2018-2018, 2018-2019, and 2019-2020 Tax Filings Reports
5	Copies of any tax liens filed against MMC	N/A

Contractual Relationships

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	Copies of all articulation, residency, clinical instruction, internship and other agreements related to the delivery of any part or aspect of the academic programs	Acadeum Consortium CIC Consortium Articulation Agreement Columbia State Community College Articulation Agreement Motlow State Community College
2	Advertising, marketing and public relations agreements	Songwriters Dream April 8 2021 Martin Methodist Songwriters Dream Executed Agreement Feb 20, 2020 and March 26, 2020
3	All service/maintenance agreements	Spray Pest Control and Termite starting on 7/1/20 ACT NRCUA 19-20 MMC Paymetric Gateway for inSite 2/14/19 MMC (PUTN) XiIntercept addendum 2/14/19 MMC (PUTN) XiPay addendum 2/14/19 MM Platform countersigned 6/27/19 ACT NRCUA 19-20 MBS Contract Meter rental agreement - Neopost
4	All agreements with suppliers/vendors with a yearly value in excess of \$50,000 or with a remaining term of more than 2 years (including outstanding purchase commitments)	ATT Dedicated Internet Voice Bundle Contract CAMS Contract Metz 5 th Amendment to Food Service Agreement Metz 6 th Amendment 8/20 Mongoose National Management Contract
5	Sales representative agreements (list of all reps and evidence of appropriate registration/qualification in applicable territories)	N/A
6	Surety bonds	N/A
7	License/franchise agreements, joint venture or partnership agreements	N/A
8	Consultant agreements or arrangements, engagement personnel and contact information	Bucci Title III Contract

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
9	Reports and studies regarding MMC prepared by investment bankers, investment advisors, accountants, engineers, environmental consultants, management consultants, or other consultants and advisors	CFO Colleague Athletic Scholarships Comparative Review (1 and 2) CFOC MRA Summary Investment Reports 2019 and 2020 Tim Czerniec 11/14/17 finance presentation
10	Technology license agreements to which the MMC is a party, as licensor or licensee	Chart of MMC License Information
11	Governmental grant contracts and sub-contracts received at any time in the last 3 fiscal years	CARES Institutional Award Document
12	Copyright or intellectual property right assignment agreements and/or course/program development agreements	N/A
13	Copy of all collection agency agreements	S & S contract – collection agency – 5-15-17
14	Other contracts or agreements not covered above which could materially affect the condition of MMC, including any agreements entered into by MMC which binds the MMC assets or business or benefits or is necessary for MMC operations	HRSA – Notice of Federal Interest
15	Any contracts, agreements or MOUs with MMC donors	Request that these documents be reviewed in person at the campus document review
16	Any partnership or joint venture agreements or contracts	N/A

Insurance

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	All insurance policies, binders, certificates of insurance covering MMC or its agents, properties, employees, students, etc., including: <ul style="list-style-type: none"> • Property • General liability; umbrella excess • Auto • Errors Omission • Fidelity (incl. ERISA fiduciaries) • Crime • Cyber • Any Professional Liability Coverage • Workers' compensation • Specialty coverage, e.g.: flood, earthquake, etc. • Other 	2016, 2019-2020 and 2020-2021 fidelity bonds Church Mutual – Auto Policy, General Liability, Umbrella Policy, Workers Comp Policy College Vehicle Listing 6/15/20
2	Analysis of the most recent 3 fiscal year premiums and copies of claims	Church Mutual – Loss Runs – Detail
3	Correspondence with insurance agents and carriers re: deficiencies and recommendations related to MMC	N/A
4	Copy of insurance manuals, risk management reports, and claims audits concerning MMC	N/A
5	Listing of key-man life insurance and related cash surrender value for MMC officers/employees	N/A

Benefit Plans

Due Diligence Led By: UT System Treasurer; UT Office of the General Counsel

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	Reports and related documents for all Profit Sharing Plans, if any	N/A
2	Reports and related documents for all Defined Benefit Plans, if any	N/A
3	Reports and related documents for all Defined Contribution Plans, if any	2017 SAR Martin Methodist 2018 SAR Martin Methodist Martin Methodist UA 2019

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
4	Reports and related documents for all 403(b) and/or 401(k) Plans, if any	Signed 314273 2018 403b ERISA TIAA – IRS Approval Letters for 403(b) and 401(a) Plans
5	Reports and related documents for all Section 125 Plans (cafeteria plans)	N/A
6	Analysis of contributions to plans and the plans' assets for the last 3 fiscal years and current YTD	2016, 2017, and 2018 Defined Contribution Filing 2016 TDA Filing
7	Summary Plan documents and employee disclosures for the last 3 years	314273 403b ERISA
8	Documentation establishing contribution obligations and evidence of compliance with such for applicable plans	2016, 2017, and 2018 Defined Contribution Filing 2016 TDA Filing
9	Actuarial reports for each plan (most recent 2 fiscal years)	N/A
10	IRS determination letters for all plans	N/A
11	Copy of Form 5500s (and any audit reports) for the most recent 3 fiscal years and correspondence indicating filing date	2019 DC Filing Amended
12	Investment management or custodial agreements relating to applicable plans	N/A
13	Pension Benefit Guarantee Corporation premium payment schedule, if any	N/A
14	Analysis of all terminated pension plans or unfunded pension liabilities, including post-retirement and post-employment benefits under FAS 87 and FAS 106	N/A

Human Resources

Due Diligence Led By: UT System Office of Human Resources; UT Office of the General Counsel

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	Current employee census information, categorized by department, and including position title, salary or wages, date of hire, age, % of FTE, benefits, disciplinary action taken, complaints, claims, disability, highest degree completed. Classification as faculty or staff. If faculty: whether they are tenured or not. And indication as to whether the individual has a contract and, if so, expiration of the contract	Option 1 Medical HDHP HSA Plan Option 2 Medical Plan PPO SBC Option 1 HDHP HSA Plan 2020 SBC Option 2 PPO Copay Plan 2020 Employee Census Data File provided by MMC Instructions for additional documentation
2	All employment contracts	Statement requesting these documents be reviewed in person at the campus document review.
3	Employee handbooks, contracts, policies, and manuals	2020-2021 Faculty Handbook Employee Handbook 7-2020 Rev. 003
4	All faculty appointment letters	Statement requesting these documents be reviewed in person at the campus document review.
5	All payroll tax returns over the last 3 years and current YTD	Tax Filings Reports 2017-2018 Tax Filings Reports 2018-2019 Tax Filings Reports 2019-2020
6	Copy of all I-9 forms completed and filed in the last 3 years	Statement requesting these documents be reviewed in person at the campus document review.
7	Analysis of employee compensation (by employee), plus any bonus arrangements	N/A
8	Provide access to MMC's unemployment tax file	Statement requesting these documents be reviewed in person at the campus document review. TN DOL Monthly Statements of Benefit Charges
9	Any employment and consulting agreements (including any terminated within the past 2 years), specifically: <ul style="list-style-type: none"> • Officer agreements • Golden parachutes • Loans to & from officers, directors or management • Property • Any housing or vehicle agreements with faculty or management 	N/A

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
10	Copy of all non-competition, non-solicitation and confidentiality agreements (include a listing of the coverage such as the areas and time periods)	N/A
11	Copy of all Employee Welfare, Benefit Plans/Policies, specifically: <ul style="list-style-type: none"> • Medical/dental insurance and medical reimbursement • Life insurance • Disability insurance • Severance pay plan, if any • Bonus plans adopted by the Board or management • Vacation, holidays, sick and personal days • Leaves of absence • Tuition reimbursement, prepaid legal services, etc. • Other 	Statement requesting these documents be reviewed in person at the campus document review. MMC Benefit Guide Provided
12	Copy of all commissions or incentive payment or profit plans	N/A
13	Copy of all deferred compensation or retiree benefits, if any	N/A
14	Copy of any pay equity studies for employee compensation or status	N/A
15	Copy of policies, time sheets, etc., which would show compliance with wage and hour laws	Statement requesting these documents be reviewed in person at the campus document review.
16	Proof of compliance with Family and Medical Leave Act	Statement requesting these documents be reviewed in person at the campus document review.
17	Copy of any Salary Administration Plan	N/A

Intellectual Property

Due Diligence Led By: UT Office of the General Counsel

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	Schedule of all significant intellectual property, including trade secrets	MMC Employee Handbook 10/19 (Intellectual Property Policy pages 18-21)
2	Patent letters or patent applications, of MMC, or MMC if used for the benefit of MMC business	N/A
3	Trademark/service mark registrations or applications	N/A

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
4	Licenses or royalty agreements (including software licenses) where the licensed property is used by or for the benefit of MMC	N/A
5	Correspondence to or from third parties relating to the validity or infringement of intellectual property owned by, or used for the business of, MMC, including patent technology, trade secrets, trademarks (service marks) trade dress, business values and copyrights	N/A
6	Copyright registrations of MMC, or MMC if used for the benefit of MMC business	N/A
7	Identify the basis for any understandings with faculty with respect to the ownership of curricula, course materials and courseware used in the MMC business	N/A

Physical Assets and Information Technology Assets

Due Diligence Led By: UT System Office of Enterprise Risk Officer; UT System Treasurer; UT Office of the General Counsel

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	Schedule of all fixed assets and locations	Fixed Assets with location through 6/30/20
2	Schedule of all UCC filings	UCC Financing Statement
3	Schedule of all equipment leases	Summary of Operating Lease 2019.20 Revised MMC Cabling Overview



Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
4	Listing of all MMC computer hardware and software applications: <ul style="list-style-type: none"> • The list should detail: brand, model, internal memory, capacity in megabytes (millions), disk capacity in megabytes, date of purchase, purchase price, payment method, annual maintenance costs, department location and operating system software. • The list should indicate the application name, function use or description, the type of software (word processing, spreadsheet, database, general ledger, etc.), date of purchase, purchase price, payment method, annual maintenance cost and type and number of machines used on List of issues with any of the IT systems	Telecommunication closets plan Computer hardware prices Copy of servers documentation Martin Methodist disaster recovery plan 2020 MMC License info MMC Network Topology Revised MMC cabling overview Site hardware summary Workstation hardware and software inventory
5	Copy or access to all computer systems documentation for MMC	See Item #4
6	Copy of the Disaster Recovery Plan for MMC	Martin Methodist DR Plan 2020 MMC Backup and Recovery Procedures
7	List of all local area networks, including: operating system, topology & number of nodes	See Item #4
8	List of all communication equipment of MMC, detailing the brand name, model, date of purchase, purchase price, purchase method, annual maintenance cost and quantity for: <ul style="list-style-type: none"> • Telephone equipment • Fax equipment • Computer modems • Voicemail system 	See Item #4
9	List of equipment and personnel supporting MMC's website	Equipment Supporting Website MMC List of Personnel Supporting Website

Accreditation

Due Diligence Led By: UT System Office of Academic Affairs and Student Success; UT Office of the General Counsel

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	<p>Copies of MMC’s regulatory approvals</p> <p>Copies of the following for each accrediting agency:</p> <ol style="list-style-type: none"> 1. Location and Site Approvals 2. Educational Program Approvals 3. Adverse Actions or Conditions 4. Annual Reports 5. Self-Evaluation Report 6. Substantive Changes 7. Site Visit Reports 8. Student Complaints 9. Pending Applications 	<p>1.1 Location and Site Approvals SACSCOC Approval Closure of Northfield Off-Campus Instructional Site 5 December 2018 SACSCOC Approval Off-Campus Instructional Site Maker Lab 10 Sept 2018</p> <p>1.2 Education Program Approvals MMC SBE Action Items 42018</p> <p>1.3 Adverse Actions or Conditions 2017 MMC State Rejoinder No adverse actions SACS Reaffirmed 1/14/20</p> <p>1.4 Annual Reports MMC Performance Report Notice – 2017, 2018, 2019</p> <p>1.5 Self-Evaluation Report Assessment Report for Division of Education – 2017-2018, 2018-2019, 2019-2020 Most recent compliance report for SACSCOC</p> <p>1.6 Substantive Changes SACSCOC Approval Criminal Justice MS and Public Health Educator BS April 2020 SACSCOC Response Governance Change 6 Mo Notification</p> <p>1.7 Site Visit Reports</p> <p>1.8 Student Complaints MMC Policy on Student Complaints</p> <p>1.9 Pending Applications SPED Memo No pending applications</p> <p>Nursing Program 2017, 2018, and 2019 Annual Survey CCNE Nursing Program Certificate of Accreditation October 2012 CCNE Nursing Program Website Listing of Accredited Programs CIPR May 30 2018 SACSCOC Decennial Reaffirmation of Accreditation 1/14/20 Overall SQACSCOC Accreditation</p>



<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
2	A copy of MMC's state/jurisdictional applications, including exhibits and attachments, for approval to operate a branch campus, grant degrees or provide any educational services	N/A
3	Copies of all compliance review reports and all notices of probation or other disciplinary action issued by any state authorizing agency that may affect MMC's ability to operate	N/A
4	Copies of all licenses, certificates, or approvals issued by any state/jurisdictional agency in the last 2 years authorizing any recruiter to recruit students or perform any other activity directly or indirectly on behalf of MMC within such state/jurisdiction	N/A
5	Copies of any site visit reports by any state/jurisdictional agency concerning a visit or review of the MMC campus	On-Site Report State Department of Education SACSCOC On Site Reaffirmation Visit and On Site Review of Maker Lab
6	Copies of all correspondence to and from the State/jurisdictional regulatory authority(ies) for the last 3 years	Letters from SACS Substantive Change Approvals since 2019 Reaffirmation Criminal Justice MS April 2020 Public Health Educator BS April 2020 21 February 2019 Acknowledging Receipt of Substantive Change Policy 29 March 2018 Student Completion Data versus Peer Group 5 December 2018 Northfield Closure Approved Accreditation Committee Chair Draft MMC On-Site Report MASTER E Mail from Wheelan Completion Data Report 15 August 2018 General Instructions for Completing the Faculty Roster Form Response – martinmeth – 2020 SCO11619 – Governance Change 6 Mo Notification SACS Maker Lab Approval SACS Reaffirmed 1/14/20
7	Copies of MMC's institutional accreditation approvals, including approvals specifically related to MMC specialty accreditors	Approval for Education Program Approval for Nursing Program SACS Approval for All Educational Programs
8	Copy of the Statement of Affiliation Status and Status of Record and Scope for institutional accreditation and similar notice for any other Accreditation	See Item #7

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
9	Copy of accrediting commission approval letters for each program offered	See Item #7
10	Copy last self-study report submitted to any accrediting commission in application for a new or renewal grant of accreditation or for any focus or limited review	Education 2019-2020 Assessment Report for Division of Education (All Programs) Nursing CIPR May 30 2018 SACSCOC Most Recent Decennial Compliance Report
11	Copy of any on-site evaluation reports by an evaluation team, for a new or renewal grant of accreditation or for any focused or limited review	On-Site Report State Department of Education SACSCOC On Site Reaffirmation Visit and On Site Review of Maker Lab
12	Copy of other material correspondence to and from the accrediting agencies	N/A
13	Provide a copy of any programmatic accreditation/licensing application, including exhibits and attachments	See Item #10
14	Copies of the Annual Institutional Reports (AIRs), if any to state regulatory and accrediting agencies	See Item #10
15	If applicable, evidence of authority to enroll non-immigrant aliens through the Student Exchange Visitor Program, or other program governed by the US Department of Homeland Security	I-17 Petition Notice of Confirmation of Complete Filing Recertification Approval SEVIS Certification Expiration

Student Enrollment and Student Services

Due Diligence Led By: UT System Office of Academic Affairs and Student Success

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	List number of students by program for each enrollment period during the current year and previous 3 years, broken down by: <ul style="list-style-type: none"> • Total Enrollment <ul style="list-style-type: none"> ○ New Students ○ Returning Students • Total New Students <ul style="list-style-type: none"> ○ #FT Students ○ #PT Students • Total Returning Students <ul style="list-style-type: none"> ○ #FT Students ○ #PT Students ○ Total # of credit hours 	Chart of students by program



Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
2	Detailed enrollment reports for the last 3 fiscal years detailing the following: <ul style="list-style-type: none"> • Incoming first year students by cycle • Continued 2nd, 3rd, and 4th year students by cycle • Graduates by cycle • Any other status category that are tracked by MMC 	Enrollment status chart
3	List of individual courses offered for current year and previous 3 years and number of enrollments per course, organized by delivery format and location, as applicable	Chart of courses offered
4	Enrollment Growth Calculation per program identified in Item #1	Chart of growth rate by program
5	Provide detailed enrollment reports identifying courses taken and credit recognized for all cycles in the last 3 fiscal years	Chart of credit recognized
6	Calculate overall retention rate and retention rate per program	Chart of retention by program
7	Copy of catalogs and admissions materials, including admissions criteria, related to MMC students	Admissions Criteria from the Catalog MMC 2020-2021 Catalog See Item #1
8	Provide any regular marketing and recruiting reports managed by MMC	Only reports managed by MMC are the regular admissions and marketing reports made to the Board of Trustees. See Item #6

Programs and Curriculum

Due Diligence Led By: UT System Office of Academic Affairs and Student Success

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	List of all educational programs offered by MMC presently and in the last 3 years <ol style="list-style-type: none"> 1. Date the Institution began offering the program; 2. Percentage of the program offered at that location; 3. Clock hours approved by ED, each State, and each Accrediting Agency; 4. Credit hours approved by ED, each State, and each Accrediting Agency; 5. Weeks of instruction approved by ED, each State, and each Accrediting Agency; 6. Days of instruction per week; 7. Hours of instruction per week; 8. Credential offered students who successfully complete the program; 9. Whether and to what extent the program is accepted for credit toward any other of the Institution's degree or certificate programs; and 10. Date the Institution ceased offering the program (if applicable) 	MMC division program list MMC 2020-2021 degree programs
2	List, with full street address, of every facility at which MMC has offered instruction in any form, in the last 3 years	Education Program Placement Sites List of CP placement schools General Instructional Locations Instruction location names Nursing Program Clinical Sites Nursing clinical sites 3 years
3	List of courses offered by correspondence or telecommunications	Fall 2020 online courses
4	List of all programs approved but not yet offered by MMC	N/A
5	List of all applications in process for new MMC program approvals and the status of each application	All applications in process for new program approvals
6	List of all MMC programs approved but no longer offered	MMC division program list
7	Description of the curriculum development process employed by MMC	2020-2021 Faculty Handbook Curriculum development from the SACSCOC Compliance Report See Item #3 of the Faculty Handbook for description of the curriculum development process.

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
8	Curriculum samples for each MMC program and delivery format	Associate of Arts Degree 2020-2021 Select curriculum samples: BA BS Biology Gen Bio Emphasis 2020-2021 BA BS Business Education with Licensure 2019-2020 BA BS Church Educational Ministry 2020-2021 BA BS Dramatic Arts 2020-2021 BA BS Elementary Education 2020-2021 BA BS HPPE with Licensure 2019-2020 BA BS Interdisciplinary Studies 2020-2021 BA BS Mathematics Education with Licensure 2019-2020 BA BS Religion and Philosophy 2020-2021 BA English 2020-2021 BA Music General 2020-2021 BBA Accounting Emphasis 2020-2021 BS BA Beh Sci Gen Psy 2020-2021 BS BA Chemistry Biochemistry 2020-2021 BS BA Criminal Justice 2020 BS BA History 2020-2021 BS BA Mathematics 2020-2021 BS Cybersecurity 2020-2021 BS in Public Health Education 2020-2021 BSN RN to BSN 2020-2021 BSN Traditional and LPN to BSN 2020-2021 Master of Business Administration 2020-2021 MS in Criminal Justice 2020-2021
9	Description of the program approval process employed by MMC	2020-2021 Faculty Handbook Program Approval from the SACSCOC Compliance Report Procedures for proposing a new program
10	Detailed analysis of cost associated with the development and launch of each new MMC program and new course developed and/or offered over the last 3 calendar years	Chart of courses programs offered Cover Sheet program costs MS in Criminal Justice prospectus December 2019 Public Health Education Proposal December 2019

Financial Aid

Due Diligence Led By: UT System Office of Budget and Planning; UT System Office of Academic Affairs and Student Success; UT Office of the General Counsel; UT System Office of Enterprise Risk Officer; UT Knoxville Office of Enrollment Management

Item #	Document(s) Requested Description	Identification of MMC Documents Reviewed by UT
1	Program Participation Agreements for current and past 3 years	Eligibility and certification approval report PPA approval letter and PPA
2	Copies of all correspondence to or from the DOE for the last 3 years regarding any aspect of MMC's operations and participation in Title IV programs	Eligibility and certification approval report PPA approval letter and PPA
3	The following: 1. Copies of the request for documents, subpoena, program review report and final program review determination (and/or initial and final audit determination letters, and/or draft and final audit reports); 2. Any and all correspondence to and from ED, OIG, CFPB, FTC, and DOJ related to the program review, audit, investigation, subpoena, or request for information or documentation; and 3. Any appeal documentation (e.g., request for review, motions, briefs, orders governing proceedings, and decisions of the Secretary or an administrative judge.)	N/A
4	Financial Aid Office Procedures Manual related or applicable to the processing of MMC students and the administration of Title IV programs in support of MMC students, including at a minimum: <ul style="list-style-type: none"> • Student budgets • Cost of attendance calculations • Student awarding procedures 	2020-2021 COA Catalog Financial Aid Information Copy of Matrix 2020-2021 Student Handbook Financial Aid Information
5	Copies of all DOE program review reports, Office of the Inspector General audit reports, and any other form of DOE compliance review.	N/A
6	Copies of all State and Guaranty Agency reviews, if any	MMC post-survey letter TSAC review 2019
7	Third Party Servicer and Consultant agreements or contracts (if applicable)	FAST user agreement MMC MMC Nelnet 2020 MMC Default Management Contract
8	Calculation of the composite score for MMC for the last 3 years, YTD	2017-2018, 2018-2019, and 2019-2020 Composite



<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
9	List of every Title IV Program in which students participate, have participated, or have had the ability to participate in during the last 3 years	List of Title IV programs
10	List of every Title IV Program that has been discontinued during the last 3 years	Statement that no programs have been discontinued
11	List of every type of financial aid program (e.g. Veterans Administration, JTPA, state programs), including institutional scholarship programs that have been available to students during last 3 years	List of available financial aid programs
12	Copies of all compensation plans in effect in the last 3 years for all persons engaged in admissions and recruiting	N/A
13	Copies of any loan or deferred payment instruments used by MMC and/or MMC to extend credit to MMC students over the past 3 years	N/A
14	Copies of approvals for any State grant programs in which students may participate	N/A

Marketing Materials

Due Diligence Led By: UT System Office of Communications & Marketing

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
1	<p>Provide a listing and copies of all MMC marketing materials prepared in the last 3 years, specifically:</p> <ul style="list-style-type: none"> • MMC materials, brochures, catalogs, viewbooks, etc. • Program catalogs • TV ads • Newspaper and magazine ads • Radio ads • Internet advertising • Direct Mail campaigns • Billboard advertising • Website • Other 	<p>UT MMC Conversation with Presidents FB UT MMC Conversation with President Linkin MMC Commencement Program 2018 – 2020 Press Releases Academics Catalog 2017-2018, 2018-2019, 2019-2020, and 2020-2021 Academics MMC Governors Award Program 2017 Academics Student Final Honor Code 2018 Academic Student Handbook 2020-2021 Academics Summer Class Brochure 2018 and 2019 Over 300 MMC admissions, advancement, athletics, campus life, community, concert, COVID 19, family day, academic program, church, presidential, and social media materials and MMC advertisements and brochures</p>

<i>Item #</i>	<i>Document(s) Requested Description</i>	<i>Identification of MMC Documents Reviewed by UT</i>
2	Documentation indicating when each of the marketing materials in Item #1 was last updated	Credo branding and marketing update June 2019 Statement regarding no documentation. Can discuss at the campus document review.
3	Last and current fiscal year's marketing plan for MMC and any related support	MMC Marketing Plan University Status 2020
4	Last and current fiscal year's marketing budget for MMC	MMC Marketing Budget
5	Copy of any correspondence with the Federal Trade Commission concerning MMC	All Applications in Process for New Program Approvals
6	Marketing studies, feasibility studies, analyses and similar reports related to marketing concerning MMC prepared within the last 3 years	Copy of 15.6 Hanover Data Supplement – Prospective Nursing Student Survey Credo branding and marketing update June 2019 Credo MMC Brand Discovery Market Research Summary Report June 2018 Credo MMC brand standard suggestions Marketing Position Analysis Martin Methodist Brandategy Prospective Student Survey – Hanover 2019
7	Press releases issued by MMC in the last 3 years	See Item #1

Appendix D – Additional Data & Analyses

This section provides additional detail and data for reference as a supplement to what appears in the report.

Appendix D – 1: List of counties in MMC’s 19 county recruitment area and targeted group of eight counties

The list of 19 counties in MMC’s primary recruitment area include:

- Bedford
- Coffee
- Davidson
- Decatur
- Franklin
- Giles
- Hardin
- Hickman
- Humphries
- Lawrence
- Lewis
- Lincoln
- Marshall
- Moore
- Maury
- Perry
- Rutherford
- Wayne
- Williamson

To focus on the labor market trends of the rural and immediate region around Pulaski, a targeted group of eight counties were also analyzed:

- Coffee
- Franklin
- Giles
- Lawrence
- Lincoln
- Marshall
- Maury
- Moore

These eight counties were chosen based on proximity to Pulaski, where MMC currently primarily recruits students from, counties that have tuition reciprocity agreements with Alabama institutions, counties that have potential to increase their postsecondary credential attainment (see Figure 1 in the Market and Strategic Due Diligence section).

Appendix D – 2: Labor Market Analysis

The growth in jobs from 2020-2025 requiring higher education across the state of Tennessee, the 19-county region, and the 8-county region around Giles was examined. All regions project the largest occupational growth occurring in business and management, healthcare, and computer science occupations. In the region of eight counties, architecture and engineering jobs are growing more significantly than for the 19 counties and state of Tennessee, and jobs related to education are expected to decline over the next five years.

Below is additional data on industry demand for certain occupations and skills in each of the five industries in the 19-county region. The employment outlook for the Health Care and Social Assistance; Professional, Scientific, and Technical Services, Management of Companies and Enterprises; Educational Services; and Finance and Insurance industries are broken down in the following pages.

A2A – Health Care and Social Assistance

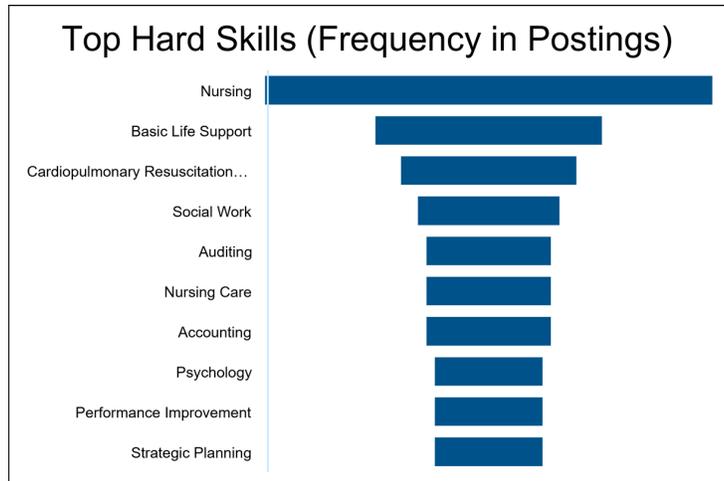
Top occupations requiring postsecondary degree by highest number employed for 19-county region, 2020-2025

Select Occupations	Employed in Industry (2020)	Change (2020-2025)	% Change (2020-2025)	Median Hourly Earnings	Typical Entry Level Education
Physicians, All Other; and Ophthalmologists, Except Pediatric	2,008	216	11%	\$102.15	Doctoral or professional degree
Physical Therapists	1,586	153	10%	\$41.14	Doctoral or professional degree
Nurse Practitioners	2,139	329	15%	\$47.42	Master's degree
Physician Assistants	798	160	20%	\$42.55	Master's degree
Registered Nurses	17,464	2,070	12%	\$31.20	Bachelor's degree
Medical and Health Services Managers	3,104	345	11%	\$45.52	Bachelor's degree
Dental Hygienists	1,336	161	12%	\$34.02	Associate's degree
Radiologic Technologists and Technicians	1,052	146	14%	\$25.19	Associate's degree

Note: The selected occupations are based on occupations with the largest "Change (2020-2025)" with regard to typical entry level education. The timeframe for the Top Companies Posting and Top Hard Skills data is Oct 2019-Sep 2020.

Top Companies Posting (Oct 2019 - Sep 2020)

Company	Unique Postings
HCA Holdings, Inc.	2,318
Ascension	566
Corizon Health, Inc.	329
Community Health Systems, Inc.	305
Centerstone	304
Wellpath Inc.	303
Navihealth, Inc.	263
LHC Group, Inc.	263
Lifepoint Health, Inc.	256
Acadia Healthcare Company, Inc.	237



A2B – Professional, Scientific, and Technical Services

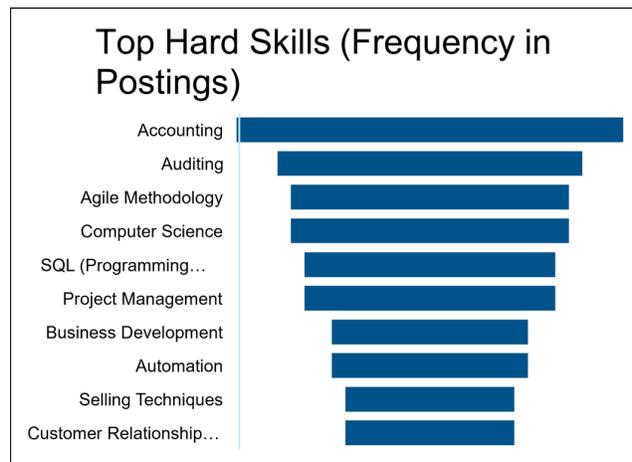
Top occupations requiring postsecondary degree by highest number employed for 19-county region, 2020-2025

Select Occupations	Employed in Industry (2020)	Change (2020 - 2025)	% Change (2020 - 2025)	Median Hourly Earnings	Typical Entry Level Education
Lawyers	3,020	228	8%	\$49.13	Doctoral or professional degree
Accountants and Auditors	6,407	825	13%	\$32.33	Bachelor's degree
Management Analysts	3,049	620	20%	\$37.19	Bachelor's degree
Software Developers and Software Quality Assurance Analysts and Testers	2,485	611	25%	\$45.75	Bachelor's degree
Market Research Analysts and Marketing Specialists	1,379	347	25%	\$28.22	Bachelor's degree
General and Operations Managers	1,923	326	17%	\$46.37	Bachelor's degree

Note: The selected occupations are based on occupations with the largest "Change (2020-2025)" with regard to typical entry level education. The timeframe for the Top Companies Posting and Top Hard Skills data is Oct 2019-Sep 2020.

Top Companies Posting (Oct 2019 - Sep 2020)

Company	Unique Postings
Deloitte LLP	1,274
Randstad N.V.	821
Ernst & Young LLP	290
Children's Hospital Medical Center	260
H&R Block, Inc.	212
PricewaterhouseCoopers LLP	203
CGI Inc.	188
Revature LLC	178
N & A Inc.	178
Accenture PLC	148



A2C – Management of Companies and Enterprises

Top occupations requiring postsecondary degree by highest number employed for 19-county region, 2020-2025

Select Occupations	Employed in Industry (2020)	Change (2020 - 2025)	% Change (2020 - 2025)	Median Hourly Earnings	Typical Entry Level Education
Financial Managers	1,097	257	23%	\$52.65	Bachelor's degree
Accountants and Auditors	1,039	215	21%	\$32.33	Bachelor's degree
General and Operations Managers	901	200	22%	\$46.37	Bachelor's degree
Project Management Specialists and Business Operations Specialists, All Other	698	156	22%	\$27.81	Bachelor's degree
Software Developers and Software Quality Assurance Analysts and Testers	474	143	30%	\$45.75	Bachelor's degree

Note: The selected occupations are based on occupations with the largest "Change (2020-2025)" with regard to typical entry level education. The timeframe for the Top Companies Posting and Top Hard Skills data is Oct 2019-Sep 2020.

Top Companies Posting (Oct 2019 - Sep 2020)

Company	Unique Postings
Universal Health Services, Inc.	106
Akzo Nobel N.V.	92
Experian PLC	66
Sanofi	13
Rentokil Initial PLC	10
Budd Thyssenkrupp Company	10
Vivendi	6
SMS Holdings	6
Robert W. Baird & Co. Incorporated	6
BDO International Limited	5



A2D – Educational Services

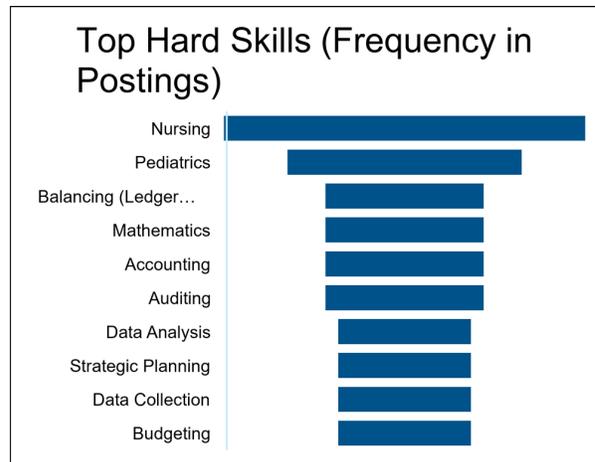
Top occupations requiring postsecondary degree by highest number employed for 19-county region, 2020-2025

Select Occupations	Employed in Industry (2020)	Change (2020 - 2025)	% Change (2020 - 2025)	Median Hourly Earnings	Typical Entry Level Education
Postsecondary Teachers	5,483	143	3%	\$33.39	Doctoral or professional degree
Education Administrators, Kindergarten through Secondary	395	44	11%	\$42.50	Master's degree
Elementary School Teachers, Except Special Education	1,587	177	11%	\$25.78	Bachelor's degree
Secondary School Teachers, Except Special and Career/Technical Education	1,190	135	11%	\$25.89	Bachelor's degree
Tutors and Teachers and Instructors, All Other	954	101	11%	\$19.88	Bachelor's degree

Note: The selected occupations are based on occupations with the largest "Change (2020-2025)" with regard to typical entry level education. The timeframe for the Top Companies Posting and Top Hard Skills data is Oct 2019-Sep 2020.

Top Companies Posting (Oct 2019 - Sep 2020)

Company	Unique Postings
Vanderbilt University	2,418
Lipscomb University	385
Meharry Medical College	245
Pearson PLC	177
Metropolitan Nashville Public Schools	124
Middle Tennessee State University	118
Tennessee State University	116
Belmont University	104
Rutherford County Schools	80
The University of The South	67



A2E – Finance and Insurance



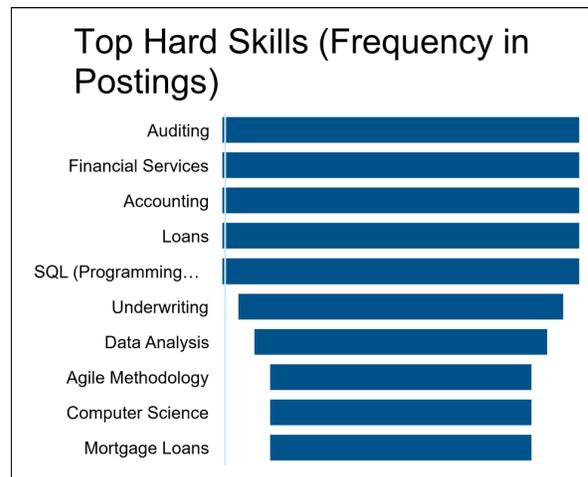
Top occupations requiring postsecondary degree by highest number employed for 19-county region, 2020-2025

Select Occupations	Employed in Industry (2020)	Change (2020 - 2025)	% Change (2020 - 2025)	Median Hourly Earnings	Typical Entry Level Education
Personal Financial Advisors	1,375	261	19%	\$33.95	Bachelor's degree
Financial Managers	1,924	229	12%	\$52.65	Bachelor's degree
Securities, Commodities, and Financial Services Sales Agents	1,716	212	12%	\$26.17	Bachelor's degree
Financial and Investment Analysts, Financial Risk Specialists, and Financial Specialists, All Other	1,321	150	11%	\$33.12	Bachelor's degree
Software Developers and Software Quality Assurance Analysts and Testers	662	94	14%	\$45.75	Bachelor's degree

Note: The selected occupations are based on occupations with the largest "Change (2020-2025)" with regard to typical entry level education. The timeframe for the Top Companies Posting and Top Hard Skills data is Oct 2019-Sep 2020.

Top Companies Posting (Oct 2019 - Sep 2020)

Company	Unique Postings
Anthem, Inc.	1,264
Asurion, LLC	596
Cigna Corporation	406
Humana Inc.	376
UBS LIMITED	340
Alliancebernstein Holding L.P.	285
Citizens Financial Group, Inc.	240
UnitedHealth Group Incorporated	225
American International Group, Inc.	198
The Travelers Companies, Inc.	147



Appendix D – 3: Projections of High School Graduates

The projection of high school graduates from 2011-2031 is based on data from WICHE. WICHE publishes a report every four years including detailed data and projections on high school graduate populations for all 50 states. The 2020 publication has not been released yet so the data below from 2011-2031 is projection data. Overall, the projected number of high school graduates in the state of Tennessee from 2011-2031 is expected to decline 4%.

A3 – Projected number of high-school graduates, 2011-2031

	2011	2031	% Change 2011-2031
US	3,452,793	3,298,597	-4%
South	1,218,627	1,268,731	4%
Tennessee	68,331	65,459	-4%

Source: Western Interstate Commission for Higher Education, Knocking at the College Door: Projections of High School Graduates, 2016

Appendix D – 4: MMC Enrollment by Program

A4 – Enrollments by program at MMC: Academic years 2017-18 to 2019-20

Program/Major	2017-18	2018-19	2019-20	CAGR
Business	195	222	225	7.4%
Bus Admin: Accounting	37	45	36	-1.4%
Bus Admin: Management	128	154	151	8.6%
Bus Admin: Mgmt Info Systems	16	19	21	14.6%
Master of Business Administration	20	18	25	11.8%
Criminal Justice	52	66	65	11.8%
Criminal Justice	52	66	65	11.8%
Education	105	97	100	-2.4%
Biology with Licensure	6	4	3	-29.3%
Business with Licensure	11	3	5	-32.6%
Elementary Education	57	55	54	-2.7%
English with Licensure	3	9	8	63.3%
History with Licensure	11	7	7	-20.2%
Mathematics with Licensure	2	7	8	100.0%
Physical Education with Licensure	16	12	15	-3.2%
Human Performance	125	108	107	-7.5%
HPPE: Exercise Science	38	44	61	26.7%
HPPE: PE (non-licensure)	38	18	6	-60.3%
HPPE: Sport Management	52	47	42	-10.1%

Humanities	107	77	74	-16.8%
English	7	8	7	0.0%
General Studies	81	52	53	-19.1%
History	10	11	12	9.5%
Liberal Arts	10	6	2	-55.3%
Math and Sciences	94	106	83	-6.0%
Biology	69	82	67	-1.5%
Chemistry	10	13	11	4.9%
Mathematics	17	15	9	-27.2%
Nursing	173	125	90	-27.9%
Nursing	173	125	90	-27.9%
Other	268	217	236	-6.2%
Behavioral Sciences	92	77	74	-10.3%
Church Music	1	-	-	-100.0%
Church's Educational Ministry	-	1	2	-
Dramatic Arts	1	1	-	-100.0%
Dual enrollment	147	111	116	-11.2%
Interdisciplinary Studies	-	3	22	-
Music	7	4	4	-24.4%
Nondegree Seeking	10	12	13	14.0%
Pre-Seminary	8	5	4	-29.3%
Religion and Philosophy	6	5	4	-18.4%
Grand Total	1,042	948	934	-5.3%

Source: MMC

Note: Due to students enrolled in two majors, the major rows may not sum to the program rows and the program rows may not sum to the total row.

Appendix D – 5: MMC Completions by Program

A5 – Degree completions by program at MMC: Academic years 2017-18 to 2019-20

Program/Major	2017-18	2018-19	2019-20	CAGR
Business	42	42	42	0.0%
Bus Admin: Accounting	6	8	8	15.5%
Bus Admin: Management	26	27	17	-19.1%
Bus Admin: Mgmt Info Systems	2	2	7	87.1%
Master of Business Administration	9	6	10	5.4%



Criminal Justice	8	15	4	-29.3%
Criminal Justice	8	15	4	-29.3%
Education	12	15	15	11.8%
Biology with Licensure	-	1	2	-
Elementary Education	8	9	10	11.8%
English with Licensure	-	-	1	-
History with Licensure	2	2		-100.0%
Physical Education with Licensure	2	3	2	0.0%
Human Performance	33	18	16	-30.4%
HPPE: Exercise Science	10	9	7	-16.3%
HPPE: PE (non-licensure)	13	4	-	-100.0%
HPPE: Sport Management	10	5	9	-5.1%
Humanities	9	7	14	24.7%
English	1	1	5	123.6%
General Studies	2	3	4	41.4%
History	1	2	4	100.0%
Liberal Arts	5	1	1	-55.3%
Math and Sciences	15	14	18	9.5%
Biology	9	8	15	29.1%
Chemistry	-	1	1	-
Mathematics	6	5	2	-42.3%
Nursing	15	22	10	-18.4%
Nursing	15	22	10	-18.4%
Other	26	24	28	3.8%
Behavioral Sciences	23	22	15	-19.2%
Interdisciplinary Studies	-	-	9	-
Music	1	-	1	0.0%
Pre-Seminary	2	1	1	-29.3%
Religion and Philosophy	-	1	2	-
Grand Total	156	154	145	-3.6%

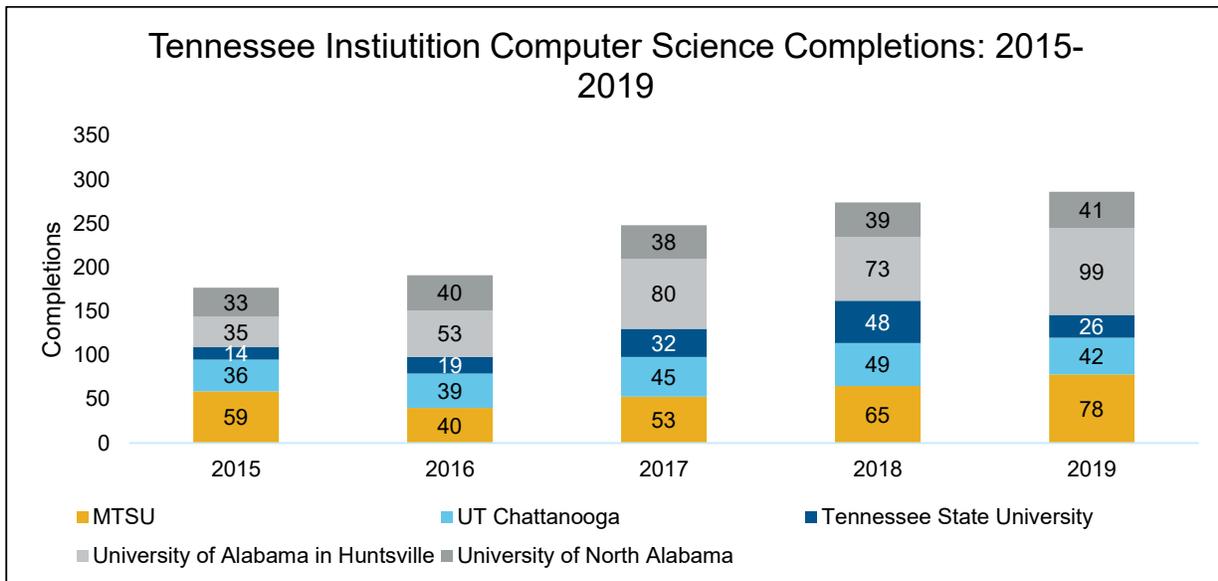
Appendix D- 6: Computer Science

Below is a table of forecasted growth in jobs of select occupations related to computer science over the next five years.

A6 – Forecasted job growth of select computer-related occupations in the 19-county region, 2020-2025

Description	2020 Jobs	2025 Jobs	2020 - 2025 Change	2020 - 2025 % Change
Software Developers and Software Quality Assurance Analysts and Testers	16,667	19,267	2,600	16%
Computer Systems Analysts	8,829	9,494	665	8%
Computer and Information Systems Managers	6,629	7,225	596	9%
Computer Occupations, All Other	5,491	5,927	436	8%
Information Security Analysts	2,173	2,553	380	17%
Network and Computer Systems Administrators	4,820	5,095	275	6%
Database Administrators and Architects	2,188	2,337	149	7%
Computer Network Architects	2,206	2,320	114	5%
Computer and Information Research Scientists	567	635	68	12%
Computer Programmers	5,546	5,461	(85)	(2%)
Total	55,117	60,314	5,198	9%

Computer science completions at comparable institutions – MTSU, UT Chattanooga, Tennessee State University, University of Alabama in Huntsville, University of North Alabama – have increased over the last five years demonstrating student interest and a market opportunity. Of these institutions, University of Alabama in Huntsville has seen the most significant growth in computer science completions from 2015-2019 (64 completions, or 182%). MTSU and Tennessee State University have also experienced increases in their computer science completions. The labor market suggests that computer science is a growing field with projected increases in several computer-related occupations.



Source: IPEDS



Appendix D – 7: Engineering

A7 – Growth rate of engineering/engineering technology completions at Tennessee and Alabama public institutions, 2015-2019

TN & AL Public Institutions	2015	2016	2017	2018	2019	CAGR
Middle Tennessee State University	106	111	134	131	188	15.4%
Tennessee State University	48	45	73	96	72	10.7%
The University of Tennessee at Chattanooga	126	163	169	204	213	14.0%
University of Alabama in Huntsville	336	287	309	358	383	3.3%
University of North Alabama	0	0	0	0	3	-
Tennessee Institution Total	280	319	376	431	473	14.0%
Alabama Institution Total	336	287	309	358	386	3.5%
Institutions Total	616	606	685	789	859	8.7%

Source: IPEDS

Appendix D – 8: Student Services and Student Outcomes

To analyze the efficiency of MMC's student services, the number of students served in each administrative unit per FTE personnel were identified and then benchmarked against those at the following institutions: Fisk University, Rhodes College, Maryville College, and Tennessee Wesleyan University. These institutions are comparable to MMC but were also chosen based on visibility into their respective student services.

A8A – Comparison of student to FTE personnel in administrative student service units at other institutions

Unit	MMC	Fisk	Rhodes	Maryville	Tennessee Wesleyan	MMC Students per FTE	Other institutions Students per FTE	Over / Under-Staffed
Enrollment (IPEDS)	910	780	2,036	1,146	1,008			
Financial Aid FTE	4.5	3	3	3	2	202	452	Over
Student Accounts	2.25	3	2	2	2	404	552	At Par
Student Success / Retention	0.5	2	3	1	3	1,820	552	Under
Orientation / FYE	0.75	1	1	-	1	1,213	1,275	At Par
Disability	0	1	2	1	1	N/A	994	Under
Health & Wellness	0.5	3	5	2	1	1,820	452	Under
DEI	0	-	-	1.5	1	N/A	862	Under
Residential Life	1	3	5	2.75	1	910	423	Under
Student Conduct	0.5	-	1	1	-	1,820	1,591	At Par

Student Conduct = Community Standards; Residential house managers too
Professional live-in staff for Residence Halls too

A8B – Current MMC staffing in administrative student service units

MMC Administrative Unit	FTE Personnel	Overstaffed / Understaffed
Financial Aid	4.5	Overstaffed
Student Accounts	2.25	At Par
Student Success/Retention	0.5	Understaffed*



Orientation/FYE	0.75	At Par
Disability Services	<0.5	Understaffed
Health & Wellness	0.5	Understaffed
Diversity, Equity, and Inclusion	<0.5	Understaffed*
Residential Life	1	Understaffed
Student Conduct	0.5	At Par

*may be influenced by student services organizational model

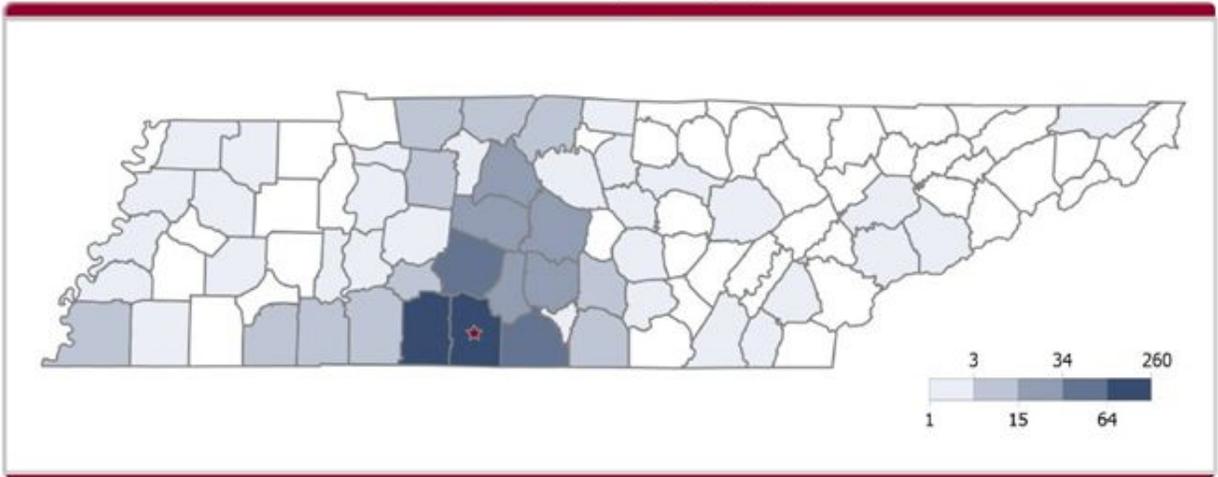
MMC was denoted as “at par” with institutions in the table above if MMC’s metric was within 25% of the students per FTE reported at the other institutions in an administrative unit. If MMC was more than 25% below the group average, it was denoted as “understaffed.” Conversely, if MMC was more than 25% over the group average, MMC was denoted as “overstaffed.” This assessment of student services indicates that MMC is overstuffed in financial aid but understaffed in five other administrative units: student success/retention, disability services, health & wellness, diversity, equity and inclusion, and residential life. MMC may be able to transfer some personnel working in financial aid to one or more of the understaffed units.

Appendix D – 9: Map of Enrollment at MMC, 2019

The map below shows enrollment at MMC by Tennessee county in 2019 where enrollment is most concentrated in Giles and Lawrence county.

A9 – Map of Enrollment at Martin Methodist College by County, Fall 2019

Fall Headcount by County Map





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UT will assume those liabilities of MMC expressly specified in the Agreement. The parties anticipate that the closing of the Transaction will occur on or before June 30, 2021 (the “Closing”). This Term Sheet is intended to be a summary evidencing the current intentions of the parties with respect to the Transaction as reflected in discussions between UT and MMC to date, and it is expressly understood and agreed that this Term Sheet does not constitute, and will not give rise to, any legally binding obligations on the part of either UT or MMC.

2. **Required Approvals and Notices Prior to Signing the Agreement.** The approvals and notices for the Transaction before the parties execute the Agreement are as follows:
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 - b. The Board of Trustees of the University of Tennessee;
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 - e. Department of Education Notification for Title IV.
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8. **Liability and Post-Closing Insurance.** UT will not assume liability for any legal claims or liabilities caused by the acts or omissions of MMC, its trustees, employees, students, agents or contractors prior to the Closing, unless expressly stated in the Agreement. MMC will obtain tail insurance coverage with commercially reasonable limits to satisfy any insurable liabilities or claims that are

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made after the Closing for acts, omissions, or events that occur prior to the Closing, and UT shall be named as an additional insured under such policy.

9. **Closing Conditions.** The following conditions must be satisfied prior to the Closing:
- a. All necessary approvals, releases, and waivers from the United Methodist Church (“UMC”), in a written form satisfactory to UT in its sole discretion, so that MMC can transfer to UT all assets included in the Agreement with clear and unencumbered title, including the Trustees of the Tennessee Annual Conference of the UMC releasing the “trust clause” and all other UMC rights in the MMC assets and the Tennessee Annual Conference of the UMC approving the termination of the connectional relationship between MMC and the UMC.
 - b. All necessary approvals of the General Assembly of the State of Tennessee, including legislative approval of the new UT campus and appropriation of funding by the State of Tennessee at the appropriate time, to address all necessary transition costs to establish a new UT campus at the site of MMC and ongoing operating costs of the new campus with such funding to include a one-time allocation of funds for transition costs of MMC.
 - c. Attorney General approval of the transfer of MMC’s assets under the Tennessee Nonprofit Corporation Act.
 - d. All necessary approvals of the Transaction by the Tennessee State School Bond Authority and the State Building Commission of the State of Tennessee.
 - e. Release of liens on MMC real property, if required in UT’s discretion, and approvals required for UT to assume MMC’s existing USDA loan and transfer of the HRSA geothermal infrastructure, all at no charge to MMC.
 - f. Approval by Southern Association of Colleges and Schools and any other necessary accreditation body for the Transaction.
 - g. MMC procuring insurance coverage that insures all insurable claims and liabilities arising from events prior to the Closing.
 - h. All necessary approvals from the NAIA and/or any other governing bodies regarding MMC’s athletics programs.
 - i. No material adverse changes in the assets or operations of MMC from the date of the Agreement until closing.
10. **MMC Endowment.** The parties agree that the current MMC endowment will not be included in the assets that are transferred to UT as part of the Transaction. The UMC or another designated entity will continue to hold and manage the existing

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12. **Expenses; No Reliance and Not Agents.** Each party shall bear its own expenses in evaluating the Transaction. Each party shall continue to conduct its business as a going concern, and MMC shall not alter its operations or finances in reliance upon the Transaction. Neither UT nor MMC is an agent of the other, nor are any of their respective employees agents of the other. This Term Sheet shall not be deemed to create any form of relationship, joint venture, partnership or business organization or entity between the parties and does not give rise to any rights hereunder.
13. **Termination.** Either party may, in its sole discretion, for any reason, and without any financial or legal liability to the other party, decide to cease discussions regarding the proposed Transaction prior to execution of the Agreement by providing written notice to the other party.
14. **Publicity Releases.** Without mutual written consent, which may be accomplished by email provided by both UT and MMC, neither UT nor MMC shall make any further announcement, post related information on any website or release any information concerning this Term Sheet or the Transaction to any member of the public or press unless such release is required in compliance with any applicable federal, state or local laws, ordinances, statutes, rules and regulations in effect at the time.
15. **Marketing Regarding Potential Transaction.** Until the Transaction is effective at Closing, all marketing or advertising materials published by either party will expressly state that the Transaction is subject to necessary approvals as set forth in

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this Term Sheet. All such marketing or advertising of the Transaction by MMC will be coordinated with and approved in advance by UT, and vice versa.

16. **Exclusivity.** MMC agrees that it will not engage in discussions or negotiations with another institution of higher education or other entity regarding the transfer of its assets or a merger from December 9, 2020, through July 20, 2021, unless one of the parties terminates discussions of a Transaction in writing prior to such date in accordance with Section 13.

4.2



The University of Tennessee
Board of Trustees

Resolution ___-2020
Authorization to Proceed with Acquisition of
Martin Methodist College

WHEREAS, the rates of postsecondary attainment in the southern middle Tennessee region significantly lag the state's overall rate as well as the target of 55% set out in Tennessee's Drive to 55 campaign;

WHEREAS, there is evidence that indicates an unmet labor need for educated workers in the region as well as the state more broadly;

WHEREAS, increasing access to quality, affordable, public education through an expanded presence of The University of Tennessee ("University") in this part of the state may be an effective means of improving the state's college-going rate and addressing unmet labor need;

WHEREAS, Martin Methodist College ("MMC"), founded in 1870, is a private, liberal arts, four-year college located in Pulaski, Tennessee;

WHEREAS, through the acquisition of MMC, the University would have the opportunity to establish a new University campus in Giles County that would serve prospective students in the southern middle region of Tennessee, an area that has been underserved; and

WHEREAS, such action would be consistent with the University's land-grant designation and its mission of delivering education, discovery, outreach and public service that contributes to the economic, social and environmental well-being of all Tennesseans;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The proper officers of the University are hereby authorized to seek the necessary authorizations of the Tennessee General Assembly, acting through legislation, resolution or appropriations, to acquire MMC as contemplated in the non-binding Term Sheet, attached hereto as Exhibit A.



2. Subject to the necessary legislative authorizations and other required approvals, the officers are authorized to proceed with negotiating a definitive agreement (the "Asset Transfer and Transition Agreement"), which shall be in form and substance consistent with the Term Sheet.
3. The Asset Transfer and Transition Agreement shall be subject to review and final approval by the Board of Trustees.
4. The proper officers of the University be and hereby are authorized to take any and all such actions as may be required or which they may deem necessary or appropriate in order to accomplish the foregoing.

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