



**Middle Tennessee State University
Board of Trustees
Finance and Personnel Committee**

Tuesday, November 14, 2023

MEC Training Room – 2nd Floor
Miller Education Center
503 East Bell Street
Murfreesboro, Tennessee 37130



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

November 14, 2023

AGENDA

Call to Order and Opening Remarks

Roll Call

Approval of Minutes (Action) Tab 1

THEC 2024-25 Operating Recommendations (Information) Tab 2

THEC 2024-25 Capital Outlay/Maintenance Recommendations (Information)..... Tab 3

Compensation (Action)..... Tab 4

2023-24 October Revised Budget (Action) Tab 5

Research Foundation (Action) Tab 6

Closing Remarks

Adjournment



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: November 14, 2023

SUBJECT: **Approval of Minutes**

PRESENTER: Pete DeLay
Committee Chair

BACKGROUND INFORMATION:

The Finance and Personnel Committee met on August 15, 2023. Minutes from this meeting are provided for your review and approval.

**MIDDLE TENNESSEE STATE UNIVERSITY
BOARD OF TRUSTEES**

**FINANCE AND PERSONNEL COMMITTEE
MINUTES**

The Finance and Personnel Committee met on Tuesday, August 15, 2023, in the Miller Education Center Meeting Room at Middle Tennessee State University.

Call to Order

Committee Chair Pete Delay called the meeting to order at 10:25 a.m. and welcomed everyone in attendance, both in person and virtually.

Roll Call

Board Secretary James Floyd called the roll. The following Committee members were in attendance: J.B. Baker, Tom Boyd, Pete DeLay, Bill Jones, Mary Martin, Steve Smith, Chris Karbowski Vanek, Pam Wright, and Molly Mihm. A quorum was declared.

Also present were Sidney A. McPhee, President; Alan Thomas, Vice President for Business and Finance; Joe Bales, Vice President for University Advancement; Mark Byrnes, Provost; Andrew Oppmann, Vice President for Marketing and Communications; Yvette Clark, Vice President for Information Technology and Chief Information Officer; Sarah Sudak, Interim Vice President for Student Affairs and Dean of Students; Diane Snodgrass, Interim Chief Audit Executive; James Floyd, University Counsel and Board Secretary; and Kim Edgar, Assistant to the President and Chief of Staff.

Approval of Minutes – Action

The first agenda item was the approval of the minutes from the May 23, 2023, Finance and Personnel Committee meeting. Trustee Jones moved to approve the minutes from the May 23, 2023, meeting.

Trustee Boyd asked for clarification concerning the student-athlete housing addition mentioned in the capital disclosures section of the minutes. Dr. McPhee responded that it was an additional study and support space for the student-athletes and would not impact current construction planning.

Trustee Boyd seconded the motion. A voice vote was taken, and the motion to approve the minutes from the May 23, 2023, Finance and Personnel Committee meeting passed unanimously.

Classified Employee Grievance Annual Report – Information

Kathy Musselman, Assistant Vice President for Human Resources, presented the Classified Employee Grievance Annual Report as the next agenda item. She informed the Committee that TCA §49-8-117 requires each State University Board to provide an annual report to the education committees of the Senate and the House of Representatives summarizing the number of grievances filed by classified individuals who have been demoted, suspended, or terminated. There were no grievances to report for the fiscal year July 1, 2022 - June 30, 2023.

Philanthropy Update – Information

The final agenda item was a report presented by Joe Bales, Vice President for University Advancement, on the Middle Tennessee State University Foundation's philanthropic activity. Mr. Bales began the presentation by recognizing Board Chair Smith for forty years of consecutive giving and Chairman Delay as a member of the Old Main Society.

Mr. Bales directed the Committee to the FY 2022-23 fundraising activity reports in the meeting materials. He informed the Committee that last year's top ten gifts represented \$8.8 million of a record-setting \$18.2 million total.

Mr. Bales discussed the value of key individual gifts and how they offset the downward national trend of alumni donors. He noted that research indicates that younger alumni are less engaged

in personal philanthropy than their parents, which is an issue that must be addressed going forward.

Mr. Bales also discussed where the MTSU Foundation ranks relative to its in-state peers and the factors affecting those rankings. He informed the Committee that advancement does not have a national accrediting agency, so it is important to understand that reporting standards may not be the same for all institutions when making comparisons with schools in neighboring states.

The presentation ended with a discussion of the various challenges affecting alumni giving and the need to make support for state matching fund programs a priority in the upcoming legislative session.

Closing Remarks and Adjournment

Committee Chair DeLay adjourned the meeting at 10:46 a.m.

Respectfully submitted,
Finance and Personnel Committee



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Information Item

DATE: November 14, 2023

SUBJECT: **THEC 2024-25 Operating Appropriation
Recommendations**

PRESENTERS: Alan Thomas
Vice President for Business and Finance

BACKGROUND INFORMATION:

Each year, the Tennessee Higher Education Commission (THEC), at its fall meeting, makes the following recommendations for the campuses:

- Operating appropriations
- Tuition and mandatory fee guiding ranges

THEC staff is recommending operating state appropriations for 2024-25 in the amount of \$140.7 million for MTSU, representing a \$2.4 million increase, or 1.7%, over 2023-24 appropriations. This net increase is a combination of an increase of \$700,000 in the outcomes formula adjustments and a \$1.7 million increase in proposed new funding for higher education. At the request of Finance and Administration (F&A), THEC did not include a salary component in their recurring recommendation, which allows F&A to apply the general

government’s salary policy to higher education in the Governor’s Budget. A schedule of THEC’s 2024-25 state appropriations distribution recommendation is included in these materials.

THEC is also recommending \$35 million non-recurring for Statewide Cybersecurity, addressing institutional infrastructure at all of Tennessee’s public colleges and universities.

The Complete College Tennessee Act (CCTA) requires THEC to make student fee and state appropriation recommendations concurrently. The FOCUS Act expanded THEC’s authority on student fees, requiring THEC to issue binding tuition ranges each year. THEC’s formula model suggests a tuition range of 0% to 6% as a guiding tuition range, as well as a guiding tuition and mandatory fee range for all public universities, community colleges, and colleges of applied technology. THEC staff is recommending the Commission adopt the tuition and mandatory fee ranges as guidance only, with the flexibility to approve final, binding ranges later in the fiscal year once clarity on the state budget and overall impact on higher education funding is determined.

Below is some historical data regarding prior year THEC recommendations for operating appropriations and tuition/mandatory fee ranges:

Year	THEC Recommendation	Governor’s Budget
2021-22	\$ 998,800	\$ 998,800
2022-23	7,480,600	7,480,600
2023-24	12,338,500	3,017,900
2024-25	2,413,200	TBD

Year	Binding Tuition & Mandatory Fee Ranges
2021-22	0 – 2%
2022-23	0 – 0%
2023-24	0 – 3%
2024-25 (Guiding Range)	0 – 6%

The above recommendations will be presented to the Commission for approval at their November 16th meeting.

ATTACHMENT I

State Appropriations History

Academic Formula Units	2019-20	2020-21	2021-22	2022-23	2023-24
LGI Universities					
Austin Peay	\$50,503,100	\$51,097,700	\$58,069,700	\$66,773,300	\$74,622,000
East Tennessee	70,579,000	71,656,300	78,255,200	89,413,300	99,448,300
Middle Tennessee	107,399,400	106,483,000	112,926,200	126,537,400	138,312,300
Tennessee State	41,795,200	41,365,200	43,192,500	47,671,200	53,322,300
Tennessee Tech	59,597,500	60,428,600	64,329,000	74,695,300	84,488,500
University of Memphis	123,370,700	123,734,100	133,589,000	151,179,000	167,759,900
Subtotal	\$453,244,900	\$454,764,900	\$490,361,600	\$556,269,500	\$617,953,300
Community Colleges¹					
Chattanooga	\$33,669,500	\$33,084,400	\$35,357,600	\$38,480,200	\$41,642,800
Cleveland	12,302,400	11,937,900	12,983,800	14,638,800	16,411,400
Columbia	16,836,200	17,615,800	19,529,800	22,011,600	23,461,900
Dyersburg	10,516,000	10,717,100	11,574,200	12,900,400	14,301,100
Jackson	15,102,200	14,879,600	16,234,400	17,835,300	19,154,000
Motlow	17,565,300	19,334,000	22,731,900	25,764,300	27,332,500
Nashville	23,374,700	22,732,000	23,863,600	26,991,000	29,145,600
Northeast	21,089,900	23,013,900	24,770,700	26,952,800	28,477,700
Pellissippi	34,933,800	35,442,700	38,335,600	43,071,500	46,028,800
Roane	24,110,700	24,116,500	26,138,700	28,434,700	30,143,100
Southwest	30,253,800	29,938,100	31,503,300	34,496,100	36,726,400
Volunteer	26,331,900	27,806,100	30,892,500	34,821,200	37,072,300
Walters	25,527,400	25,474,600	27,113,400	31,017,600	34,315,000
Subtotal	\$291,613,800	\$296,092,700	\$321,029,500	\$357,415,500	\$384,212,600
UT Universities					
UT Chattanooga	\$58,905,900	\$59,510,200	\$63,908,400	\$71,977,100	\$78,862,000
UT Knoxville	247,059,300	247,566,300	265,574,900	303,375,800	337,108,900
UT Martin	35,748,200	34,665,400	36,668,900	41,369,400	46,095,700
Subtotal	\$341,713,400	\$341,741,900	\$366,152,200	\$416,722,300	\$462,066,600
Total Colleges and Universities	\$1,086,572,100	\$1,092,599,500	\$1,177,543,300	\$1,330,407,300	\$1,464,232,500
TN Colleges of Applied Technology	\$75,727,400	\$75,622,700	\$88,471,700	\$105,030,600	\$112,096,700
Total Academic Formula Units	\$1,162,299,500	\$1,168,222,200	\$1,266,015,000	\$1,435,437,900	\$1,576,329,200

Note: All years of appropriations are recurring funds only.

1 - Detail for the community colleges was estimated by THEC based on information from the Tennessee Board of Regents. Funds are allocated to the community colleges as a system.

ATTACHMENT II

2024-25 State Appropriations Distribution Recommendation

A B C D E = C + D F = E + A G = E / A H = F / B

	2023-24 Appropriation ¹	2024-25 Formula Calculation	Breakdown of 2024-25 Changes		2024-25 Changes ⁴	2024-25 Recommendation	Percent Change	Percent Funded
			Outcomes Formula Adjustments	Share of New Funding				
Academic Formula Units								
LGI Universities								
Austin Peay	\$74,622,000	\$110,991,300	(\$806,500)	\$910,300	\$103,800	\$74,725,800	0.1%	67.3%
East Tennessee ²	97,348,300	146,352,200	(15,800)	1,200,300	1,184,500	98,532,800	1.2%	67.3%
Middle Tennessee	138,312,300	209,021,600	698,900	1,714,300	2,413,200	140,725,500	1.7%	67.3%
Tennessee State	53,322,300	76,648,500	(2,346,700)	628,600	(1,718,100)	51,604,200	-3.2%	67.3%
Tennessee Tech ²	76,988,500	114,925,100	(556,800)	942,600	385,800	77,374,300	0.5%	67.3%
University of Memphis	167,759,900	254,895,500	1,760,000	2,090,600	3,850,600	171,610,500	2.3%	67.3%
Subtotal	\$608,353,300	\$912,834,200	(\$1,266,900)	\$7,486,700	\$6,219,800	\$614,573,100	1.0%	67.3%
Community Colleges³								
Chattanooga	\$41,642,800	\$61,328,700	(\$855,800)	\$503,000	(\$352,800)	\$41,290,000	-0.8%	67.3%
Cleveland	16,411,400	25,090,600	275,300	205,800	481,100	16,892,500	2.9%	67.3%
Columbia	23,461,900	34,397,900	(585,400)	282,100	(303,300)	23,158,600	-1.3%	67.3%
Dyersburg	14,301,100	22,612,800	737,700	185,500	923,200	15,224,300	6.5%	67.3%
Jackson	19,154,000	28,056,400	(494,900)	230,100	(264,800)	18,889,200	-1.4%	67.3%
Motlow ⁵	27,183,500	38,880,900	(1,325,500)	318,900	(1,006,600)	26,176,900	-3.7%	67.3%
Nashville	29,145,600	43,019,800	(535,000)	352,800	(182,200)	28,963,400	-0.6%	67.3%
Northeast ⁵	27,775,700	40,757,700	(669,500)	334,400	(335,100)	27,440,600	-1.2%	67.3%
Pellissippi ⁵	45,391,700	66,165,700	(1,387,800)	542,700	(845,100)	44,546,600	-1.9%	67.3%
Roane ⁵	29,826,000	42,949,800	(1,262,000)	352,300	(909,700)	28,916,300	-3.1%	67.3%
Southwest	36,726,400	53,097,000	(1,413,900)	435,500	(978,400)	35,748,000	-2.7%	67.3%
Volunteer	37,072,300	54,248,100	(994,300)	444,900	(549,400)	36,522,900	-1.5%	67.3%
Walters	34,315,000	54,606,600	2,001,500	447,900	2,449,400	36,764,400	7.1%	67.3%
Subtotal	\$382,407,400	\$565,212,000	(\$6,509,600)	\$4,635,900	(\$1,873,700)	\$380,533,700	-0.5%	67.3%
UT Universities								
UT Chattanooga	\$78,862,000	\$119,284,500	\$468,900	\$978,300	\$1,447,200	\$80,309,200	1.8%	67.3%
UT Knoxville ²	330,140,700	506,657,000	6,814,800	4,155,400	10,970,200	341,110,900	3.3%	67.3%
UT Martin ²	45,455,700	68,821,900	314,700	564,500	879,200	46,334,900	1.9%	67.3%
Subtotal	\$454,458,400	\$694,763,400	\$7,598,400	\$5,698,200	\$13,296,600	\$467,755,000	2.9%	67.3%
Total Colleges and Universities	\$1,445,219,100	\$2,172,809,600	(\$178,100)	\$17,820,800	\$17,642,700	\$1,462,861,800	1.2%	67.3%
TN Colleges of Applied Technology ²	\$95,445,700	\$143,783,000	\$178,100	\$1,179,200	\$1,357,300	\$96,803,000	1.4%	67.3%
Total Academic Formula Units	\$1,540,664,800	\$2,316,592,600	\$0	\$19,000,000	\$19,000,000	\$1,559,664,800	1.2%	67.3%

1 - Recurring funding. Includes funding of \$7.4M for legislative initiatives. A breakdown of these initiatives by campus is included in Appendix A.

2 - Does not include recurring funds appropriated to ETSU (Gray Fossil Site \$350,000, School of Nursing \$1.0M, and Rural Public Health Project \$750,000), TTU (Wind Tunnel / Supercomputer \$3.5M, College of Engineering \$3.0M, and Cybersecurity \$1.0M), UT Knoxville (College of Engineering \$3.0M and American Civics Institute \$3.97M), UT Martin (Parsons Center \$200,000, Selmer Center \$190,000, and Somerville Center \$250,000), and the TCATs (Correctional Education Investment Initiative \$426,000, TCAT Morristown Truck Driving School \$225,000, and TCAT Waitlist \$16.0M). These appropriations are included as Program Initiatives.

3 - THEC's community college recommendation is for the sector as a whole. Institutional detail displayed here is for informational purposes only.

4 - Includes \$1.8M in recurring FY24 appropriations, redistributed through the formula.

5 - Does not include \$1.8M in recurring FY24 appropriations distributed for inflationary considerations.

ATTACHMENT V

2024-25 State Appropriations Funding Scenarios

			A	B	C	D
			Alternative Funding Scenarios			
Academic Formula Units	Outcomes Formula Calculation	Share of Total Outcomes Formula Calculation	\$19,000,000 THEC Recommendation ¹	\$141,000,000 Flat Tuition Scenario ²	Flat Funding Scenario ³	\$17,000,000 THEC Recommendation
LGI Universities						
Austin Peay	\$110,991,300	5.11%	\$74,725,800	\$80,571,000	\$73,815,500	\$74,630,000
East Tennessee	146,352,200	6.74%	98,532,800	106,240,300	97,332,500	98,406,500
Middle Tennessee	209,021,600	9.62%	140,725,500	151,733,400	139,011,200	140,545,100
Tennessee State	76,648,500	3.53%	51,604,200	55,640,800	50,975,600	51,538,100
Tennessee Tech	114,925,100	5.29%	77,374,300	83,426,600	76,431,700	77,275,100
University of Memphis	254,895,500	11.73%	171,610,500	185,034,200	169,519,900	171,390,400
Subtotal	\$912,834,200	42.01%	\$614,573,100	\$662,646,300	\$607,086,400	\$613,785,200
Community Colleges						
Chattanooga	\$61,328,700	2.82%	\$41,290,000	\$44,519,800	\$40,787,000	\$41,237,100
Cleveland	25,090,600	1.15%	16,892,500	18,213,800	16,686,700	16,870,800
Columbia	34,397,900	1.58%	23,158,600	24,970,100	22,876,500	23,128,900
Dyersburg	22,612,800	1.04%	15,224,300	16,415,100	15,038,800	15,204,700
Jackson	28,056,400	1.29%	18,889,200	20,366,800	18,659,100	18,865,000
Motlow	38,880,900	1.79%	26,176,900	28,224,500	25,858,000	26,143,300
Nashville	43,019,800	1.98%	28,963,400	31,229,000	28,610,600	28,926,300
Northeast	40,757,700	1.88%	27,440,600	29,587,000	27,106,300	27,405,400
Pellissippi	66,165,700	3.05%	44,546,600	48,031,100	44,003,900	44,489,400
Roane	42,949,800	1.98%	28,916,300	31,178,200	28,564,000	28,879,200
Southwest	53,097,000	2.44%	35,748,000	38,544,300	35,312,500	35,702,100
Volunteer	54,248,100	2.50%	36,522,900	39,379,800	36,078,000	36,476,100
Walters	54,606,600	2.51%	36,764,400	39,640,100	36,316,500	36,717,200
Subtotal	\$565,212,000	26.01%	\$380,533,700	\$410,299,600	\$375,897,900	\$380,045,500
UT Universities						
UT Chattanooga	\$119,284,500	5.49%	\$80,309,200	\$86,591,200	\$79,330,900	\$80,206,300
UT Knoxville	506,657,000	23.32%	341,110,900	367,793,300	336,955,500	340,673,500
UT Martin	68,821,900	3.17%	46,334,900	49,959,300	45,770,400	46,275,400
Subtotal	\$694,763,400	31.98%	\$467,755,000	\$504,343,800	\$462,056,800	\$467,155,200
Total Colleges and Universities	\$2,172,809,600	100.00%	\$1,462,861,800	\$1,577,289,700	\$1,445,041,100	\$1,460,985,900
TN Colleges of Applied Technology	\$143,783,000		\$96,803,000	\$104,375,100	\$95,623,700	\$96,678,800
Total Academic Formula Units	\$2,316,592,600		\$1,559,664,800	\$1,681,664,800	\$1,540,664,800	\$1,557,664,700

1 - Based on a request of \$17M for outcomes productivity

2 - Based on a request of \$17M for outcomes productivity and \$124M to prioritize flat tuition and fees, resulting in a total new recurring appropriation recommendation of \$141M.

3 - Based on no new recurring funding. In this scenario, base funding is redistributed between academic formula units based on performance but no new recurring appropriations are provided.

ATTACHMENT VII

2024-25 Total Formula Revenue Analysis

Academic Formula Units	State Appropriation Recommendation ¹	Tuition Revenue ²	Out-of-State Tuition Revenue ²	Total Revenue	Total Formula Revenue Need	Difference (Short)	Percent Funded
LGI Universities							
Austin Peay	\$74,725,800	\$60,864,400	\$2,327,600	\$137,917,800	\$205,278,900	(\$67,361,100)	67.2%
East Tennessee ³	100,632,800	101,936,000	11,998,500	214,567,300	287,232,000	(72,664,700)	74.7%
Middle Tennessee	140,725,500	159,980,700	18,462,400	319,168,600	388,191,600	(69,023,000)	82.2%
Tennessee State	51,604,200	55,623,500	33,822,600	141,050,300	156,288,900	(15,238,600)	90.2%
Tennessee Tech ³	84,874,300	85,778,600	4,280,600	174,933,500	216,431,200	(41,497,700)	80.8%
University of Memphis	171,610,500	167,942,800	13,802,700	353,356,000	487,582,000	(134,226,000)	72.5%
Subtotal	\$624,173,100	\$632,126,000	\$84,694,400	\$1,340,993,500	\$1,741,004,600	(\$400,011,100)	77.0%
Community Colleges⁴							
Chattanooga	\$41,290,000	\$22,725,000	\$80,800	\$64,095,800	\$93,588,400	(\$29,492,600)	68.5%
Cleveland	16,892,500	9,701,900	287,500	26,881,900	37,715,800	(10,833,900)	71.3%
Columbia	23,158,600	15,931,000	373,900	39,463,500	51,814,800	(12,351,300)	76.2%
Dyersburg	15,224,300	9,160,200	463,900	24,848,400	34,005,000	(9,156,600)	73.1%
Jackson	18,889,200	11,154,600	85,100	30,128,900	42,164,200	(12,035,300)	71.5%
Motlow	26,176,900	18,109,300	373,700	44,659,900	58,567,000	(13,907,100)	76.3%
Nashville	28,963,400	20,266,400	652,300	49,882,100	64,998,900	(15,116,800)	76.7%
Northeast	27,440,600	16,581,500	99,600	44,121,700	61,083,100	(16,961,400)	72.2%
Pellissippi	44,546,600	26,462,000	1,621,100	72,629,700	99,956,500	(27,326,800)	72.7%
Roane	28,916,300	15,435,500	328,300	44,680,100	64,729,100	(20,049,000)	69.0%
Southwest	35,748,000	19,508,400	2,575,500	57,831,900	79,854,300	(22,022,400)	72.4%
Volunteer	36,522,900	21,210,000	555,500	58,288,400	81,972,200	(23,683,800)	71.1%
Walters	36,764,400	17,287,300	695,200	54,746,900	82,113,900	(27,367,000)	66.7%
Subtotal	\$380,533,700	\$223,533,100	\$8,192,400	\$612,259,200	\$852,563,200	(\$240,304,000)	71.8%
UT Universities							
UT Chattanooga	\$80,309,200	\$94,544,900	\$6,985,600	\$181,839,700	\$222,721,400	(\$40,881,700)	81.6%
UT Knoxville ³	348,079,100	384,716,100	139,473,900	872,269,100	956,025,100	(83,756,000)	91.2%
UT Martin ³	46,974,900	54,072,900	2,256,500	103,304,300	129,542,800	(26,238,500)	79.7%
Subtotal	\$475,363,200	\$533,333,900	\$148,716,000	\$1,157,413,100	\$1,308,289,300	(\$150,876,200)	88.5%
Total Colleges and Universities	\$1,480,070,000	\$1,388,993,000	\$241,602,800	\$3,110,665,800	\$3,901,857,100	(\$791,191,300)	79.7%
TN Colleges of Applied Technology ³	\$113,454,000	\$45,720,300	\$0	\$159,174,300	\$177,510,000	(\$18,335,700)	89.7%
Total Academic Formula Units	\$1,593,524,000	\$1,434,713,300	\$241,602,800	\$3,269,840,100	\$4,079,367,100	(\$809,527,000)	80.2%

1 - Recurring; accounts for recommended \$17M in additional funding for academic formula units.

2 - Assumes no salary increases, tuition increases of 1.0%, and annual enrollment increases of 0% at universities, community colleges and colleges of applied technology.

3 - Includes recurring funds appropriated to ETSU (Gray Fossil Site \$350,000, School of Nursing \$1.0M, and Rural Public Health Project \$750,000), TTU (Wind Tunnel / Supercomputer \$3.5M, College of Engineering \$3.0M, and Cybersecurity \$1.0M), UT Knoxville (College of Engineering \$3.0M and American Civics Institute \$3.97M), UT Martin (Parsons Center \$200,000, Selmer Center \$190,000, and Somerville Center \$250,000), and the TCATs (Correctional Education Investment Initiative \$426,000, TCAT Morristown Truck Driving School \$225,000, and TCAT Waitlist \$16.0M).

4 - THEC's community college recommendation is for the sector as a whole. Institutional detail displayed here is for informational purposes only.



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Information Item

DATE: November 14, 2023

SUBJECT: **Capital Outlay and Capital Maintenance Requests**

PRESENTERS: Alan Thomas
Vice President for Business and Finance

BACKGROUND INFORMATION:

Each year, the Tennessee Higher Education Commission (THEC), at its fall meeting, makes recommendations concerning capital outlay and capital maintenance funding for the campuses.

The following THEC staff recommendations will be presented to the Commission for approval at the November 16th meeting.

Capital Outlay Funding:

The Tennessee Higher Education Commission (THEC) ranked priority list of recommended projects for funding in 2024-25 is included in these materials. **MTSU's request for a new Liberal Arts, Archives, and Museum Building is included in THEC's capital outlay funding request as the #2 project.** The total project cost is \$99.5 million, of which \$91.6 million is being

requested from the State, with the University required to match the remaining \$7.9 million.

THEC is recommending a total of twelve (12) capital outlay projects for funding in 2024-25. The capital outlay recommendation totals \$861.6 million for all higher education. As shown in your materials, this request includes three (3) projects for the Tennessee Board of Regents (TBR), totaling \$172.3 million (20% of the total appropriation); six (6) projects for the LGIs, totaling \$428 million (49.7% of the total); and three (3) projects for the University of Tennessee, totaling \$261.3 million (30.3% of the total).

Capital Maintenance Funding:

In June of this year, the MTSU Board of Trustees approved the University's submittal of 13 capital maintenance projects for the 2024-25 fiscal year, totaling \$17.4 million. The projects included central plant and campus utilities updates, roof repairs and replacements, structural and exterior envelope repairs, campus-wide access control and security updates, elevator modernization, lighting and electrical updates, and HVAC and controls updates.

THEC staff is recommending all capital maintenance projects for funding in 2024-25, totaling \$251.5 million for higher education. In addition, THEC is requesting funding for two special initiatives – Americans with Disabilities Act (ADA) and Safety and Security – in the amount of \$145.4 million. MTSU would receive \$8.0 million for the ADA initiative and \$1.9 million for the Safety and Security initiative. Funding amounts for capital maintenance, as well as the special initiatives, are shown in the attached materials by institution.

Capital Projects Recommendation

ATTACHMENT I

THEC 2024-25 Capital Projects Recommendation Summary

2024-25 Capital Outlay

THEC Priority

		Total Project Cost	Previous Project Approval	2024-25 Project Cost	Match %	Previous Match Funds	2024-25 Institutional Funds	2024-25 State Appropriation Request ¹	
1	UTK	Chemistry Building	\$ 199,000,000	\$ -	\$ 199,000,000	17%	\$ -	\$ 33,830,000	\$ 165,170,000
2	MTSU	Liberal Arts, Archives, and Museum Building	\$ 99,500,000	\$ -	\$ 99,500,000	8%	\$ -	\$ 7,921,000	\$ 91,579,000
3	ETSU	Brown Hall Renovation Phase II	\$ 97,200,000	\$ 47,700,000	\$ 49,500,000	2%	\$ 1,908,000	\$ 1,980,000	\$ 47,520,000
4	VSCC/TCAT Hartsville	Wilson County Higher Education Center	\$ 57,000,000	\$ -	\$ 57,000,000	4%	\$ -	\$ 2,200,000	\$ 54,800,000
5	TTU	Academic Classroom Building	\$ 90,400,000	\$ -	\$ 90,400,000	8%	\$ -	\$ 7,232,000	\$ 83,168,000
6	UTC	Fletcher Hall Addition & Renovation	\$ 96,420,000	\$ -	\$ 96,420,000	31%	\$ -	\$ 30,000,000	\$ 66,420,000
7	UTHSC	Gross Anatomy Lab Renovation	\$ 30,260,000	\$ -	\$ 30,260,000	2%	\$ -	\$ 605,200	\$ 29,654,800
8	TSU	New Engineering Building	\$ 184,890,000	\$ 60,000,000	\$ 124,890,000	4%	\$ 3,120,000	\$ 7,973,400	\$ 116,916,600
9	UoM	Research Modernization	\$ 70,000,000	\$ -	\$ 70,000,000	6%	\$ -	\$ 4,200,000	\$ 65,800,000
10	TCAT Shelbyville	Lincoln County Campus Replacement	\$ 42,000,000	\$ -	\$ 42,000,000	0%	\$ -	\$ -	\$ 42,000,000
11	APSU	Military Academic Building	\$ 28,224,000	\$ -	\$ 28,224,000	18%	\$ -	\$ 5,168,410	\$ 23,055,590
12	TCAT Nashville	Robertson/Sumner County Campus Replacements	\$ 75,500,000	\$ -	\$ 75,500,000	0%	\$ -	\$ -	\$ 75,500,000
TBR Total			\$ 174,500,000	\$ -	\$ 174,500,000	1%	\$ -	\$ 2,200,000	\$ 172,300,000
LGI Total			\$ 570,214,000	\$ 107,700,000	\$ 462,514,000	6%	\$ 5,028,000	\$ 34,474,810	\$ 428,039,190
UT Total			\$ 325,680,000	\$ -	\$ 325,680,000	20%	\$ -	\$ 64,435,200	\$ 261,244,800

2024-25 Capital Maintenance

	Project Count	2024-25 Project Cost	2024-25 State Appropriation Request
TBR Total: TCATs	10	\$ 17,760,000	\$ 17,760,000
TBR Total: Community Colleges	25	\$ 41,130,000	\$ 41,130,000
LGI Total	46	\$ 94,990,000	\$ 94,990,000
UT Total	23	\$ 97,650,000	\$ 97,650,000
Statewide ADA Campus Request	8	\$ 117,370,000	\$ 117,370,000
Statewide Safety and Security Campus Request	8	\$ 28,000,000	\$ 28,000,000

2024-25 Overall Capital Projects

	Project Count	2024-25 Project Cost	2024-25 Institutional Funds	2024-25 State Appropriation Request
Capital Outlay Request	12	\$ 962,694,000	\$ 101,110,010	\$ 861,583,990
Capital Demolition	12	\$ 5,490,000	\$ -	\$ 5,490,000
Capital Maintenance Request	120	\$ 396,900,000	\$ -	\$ 396,900,000
Capital Investment	144	\$ 1,365,084,000	\$ 101,110,010	\$ 1,263,973,990

Total Points

* Total score is the median of the reviewers' total scores.

Scoring Rubric

100	25	20	30	25
Median of Total Scores*	1	2	3	4
	State Goals	Impact on Campus	Project Development	Space Needs
94.30	24.20	18.60	27.70	23.80
94.20	23.60	18.50	27.90	24.20
93.00	20.50	20.00	28.50	24.00
91.30	23.80	17.90	27.30	22.30
90.50	23.70	19.30	25.60	21.90
88.50	24.20	17.10	24.30	22.90
84.50	21.50	16.50	23.50	23.00
83.50	23.80	15.00	24.20	20.50
74.90	17.70	17.40	19.30	20.50
73.50	24.00	10.00	20.00	19.50
71.30	15.25	12.50	25.50	18.00
67.50	20.00	9.50	19.50	18.50

1. State Goals

Increasing student persistence and attainment; economic and workforce development, alignment of mission and project, advancement of strategic plan, academic programs served, improvements to academic programs, student impact, enrollment, and graduation data.

2. Impact on Campus

Master Plan and Strategic Plan: Consistency with master plan, progression of master plan projects, space needs and facility conditions, project planning and programming,

3. Project Development and DB70

Project scope description, evidence of physical facility need, history of related facilities, results and date of Physical Facilities Survey, basis for project cost estimate, project schedule, equipment list, revenue sources, fundraising and partnerships, and operations plan.

4. Space Needs

Space allocation summary by formula space type, demonstrated need for space, rebalance of campus space needs, preservation of existing space, space improvements to address program delivery, planned demolitions, migration plan, and architectural

1 - Reflects current year total state appropriation request not including other funding sources

Capital Projects Recommendation ATTACHMENT V 2024-25 THEC Capital Maintenance¹

Special Initiative: ADA Funding

Governing Board	State Request
APSU	\$ 3,700,000
ETSU	\$ 8,280,000
MTSU	\$ 8,080,000
TSU	\$ 5,600,000
TTU	\$ 16,400,000
UoM	\$ 7,730,000
TBR	\$ 40,040,000
UT	\$ 27,540,000
2024-25 Total	\$ 117,370,000

Special Initiative: Safety and Security

Governing Board	State Request
APSU	\$ 896,000
ETSU	\$ 2,184,000
MTSU	\$ 1,876,000
TSU	\$ 1,400,000
TTU	\$ 1,484,000
UoM	\$ 3,444,000
TBR	\$ 5,712,000
UT	\$ 11,004,000
2024-25 Total	\$ 28,000,000

General Capital Maintenance

Governing Board Share ²	State Request
APSU	3.38% \$ 8,490,000
ETSU	6.73% \$ 16,940,000
MTSU	6.92% \$ 17,400,000
TSU	3.98% \$ 10,000,000
TTU	5.12% \$ 12,870,000
UoM	11.64% \$ 29,290,000
TBR CC	16.35% \$ 41,130,000
TBR TCAT	7.06% \$ 17,760,000
UT	38.82% \$ 97,650,000
2024-25 Total	100.00% \$ 251,530,000

Capital Maintenance Total

Governing Board Share	State Request
ADA Funding	\$ 117,370,000
Safety and Security	\$ 28,000,000
APSU	\$ 8,490,000
ETSU	\$ 16,940,000
MTSU	\$ 17,400,000
TSU	\$ 10,000,000
TTU	\$ 12,870,000
UoM	\$ 29,290,000
TBR	\$ 58,890,000
UT	\$ 97,650,000
2024-25 Total	\$ 396,900,000

1 - A detail, prioritized list of all capital maintenance projects for all higher education is on the following pages (attachments VI and VII).

2 - Shares for each governing board are determined annually by the Sherman Dergis Formula, an industry-standard facility reinvestment formula. The formula calculates an annual estimate for capital maintenance for each campus using aggregate size, age, and use of facilities. Shares here are determined based on each governing board's formula based on 2023-24 usage.



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: November 14, 2023

SUBJECT: **Compensation**

PRESENTER: Kathy Musselman
Assistant Vice President for Human Resources

BACKGROUND INFORMATION:

Policy 808 – Compensation Reporting and Approvals requires the Board of Trustees to approve salary increases of MTSU employees.

On June 20, 2023, the MTSU Board of Trustees approved the allocation of the state appropriation salary pool of \$6.1 million to employees. The approval involved the implementation of an across-the-board raise of 3.2% or \$1,250, whichever is greater, for employees on the payroll as of June 30, 2023. These increases were implemented on the July 31, 2023, payroll for classified and administrative staff and on August 31, 2023, for faculty.

Since the State only partially funds the salary pool, the University is committed to providing additional funding of \$3 million dollars and is recommending the

implementation of market salary increases for faculty and staff. Of these funds, \$2,449,000 will be allocated to salary increases and the remaining to employee benefit costs associated with these increases.

The market adjustments will be based on 2020-21 CUPA data and will be effective January 1, 2024, for employees on the payroll as of December 31, 2023. With the allocated resources, employees whose current salary is below the market predicted salary will receive 46.7% of the recommended adjustment in accordance with the University's approved compensation plan.

Additional information has been included in your materials that show how these market salary adjustments affect the remaining gap between actual salaries and market salaries of the whole University.

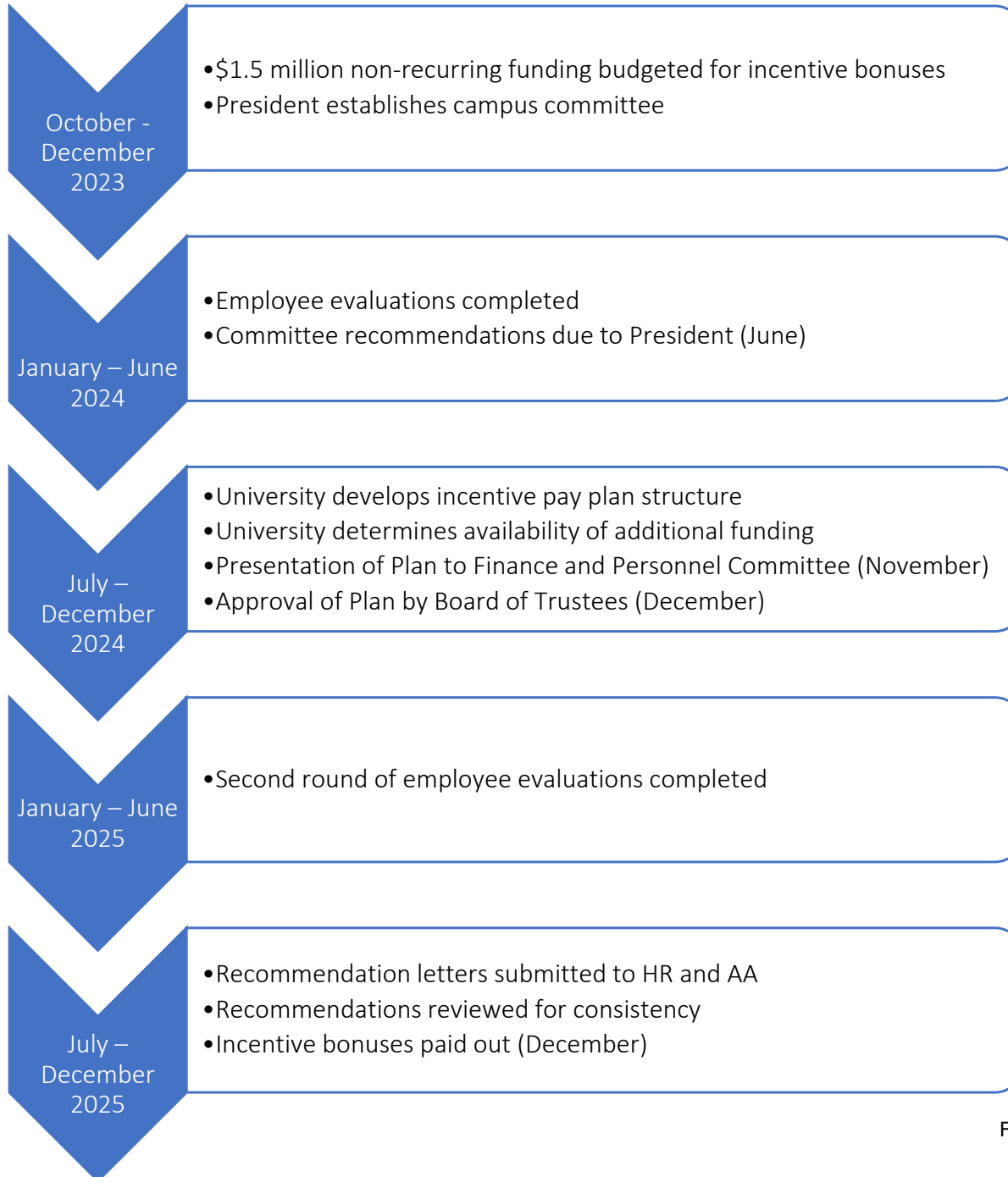
One-time funding will be available from these resources due to the mid-year implementation of the salary increases. The University is developing an incentive plan for employees using these additional resources. A tentative timeline is provided in these materials and will be discussed at the meeting.

Implementation of Market

	Full Market using 2020-21 CUPA Data	Market Increases January 1, 2024	Net Remaining Need for Market
Faculty	3,095,906	1,445,574	1,650,332
Administrative	1,624,747	758,642	866,105
Classified	524,194	244,763	279,431
Total Salary	5,244,847	2,448,979	2,795,868
Benefits at 22.5%	1,180,091	551,021	629,070
Total Including Benefits	6,424,938	3,000,000	3,424,938

MTSU Incentive Pay Proposed Timeline

October 2023 – December 2025





**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: November 14, 2023

SUBJECT: **2023-24 October Revised Budget**

PRESENTERS: Alan Thomas
Vice President for Business and Finance

BACKGROUND INFORMATION:

The Board of Trustees is charged with approving the operating budgets and setting the fiscal policies for Middle Tennessee State University. As required by THEC, one of the three budgets submitted by the University annually is an October (Revised) budget.

The attached budget submitted for your review and approval contains the following changes since the July (Original) Budget:

- Increased state appropriations to reflect funding of \$2.0 million for our Medical Education Program jointly administered by MTSU and Meharry Medical College and \$2.6 million in funding for increased employee benefits and risk management premiums.

- Adjustments to tuition and fee revenue based on fall enrollment and funding related to the Higher Education Emergency Relief Fund (HEERF).
- Adjustments to expenditure budgets for (1) fall enrollment, (2) funding related to HEERF, (3) re-budgeting of various student fee revenue balances from the prior year, (3) purchases in process at year-end but not be completed until the current fiscal year (encumbrances), (4) scholarships, and (5) marketing and branding commitments.
- Adjustments to auxiliary and restricted budgets based on fall enrollment information.

**MIDDLE TENNESSEE STATE UNIVERSITY
ANALYSIS OF BUDGET CHANGES FOR REVENUE CATEGORIES
OCTOBER BUDGET 2023-24**

	<u>2022-23 Estimated Budget</u>	<u>2022-23 July Budget</u>	<u>2023-24 October Budget</u>	<u>Difference</u>
Tuition and Fees	\$ 202,154,900	\$ 207,928,700	\$ 203,607,900	\$ (4,320,800)
State Appropriations	134,721,900	135,845,500	140,511,400	4,665,900
Federal Grants and Contracts	1,150,000	1,150,000	1,150,000	-
Local Grants and Contracts	60,000	60,000	60,000	-
State Grants & Contracts	45,000	45,000	45,000	-
Private Grants & Contracts	282,500	282,500	282,500	-
Sales & Services of Educ Activities	669,900	646,700	646,700	-
Sales & Services of Other Activities	18,525,200	17,635,200	17,635,200	-
Other Sources	<u>1,656,900</u>	<u>1,667,900</u>	<u>2,667,900</u>	<u>1,000,000</u>
	<u>\$ 359,266,300</u>	<u>\$ 365,261,500</u>	<u>\$ 366,606,600</u>	<u>\$ 1,345,100</u>

MIDDLE TENNESSEE STATE UNIVERSITY
UNRESTRICTED EDUCATION AND GENERAL EXPENDITURES BY FUNCTIONAL CATEGORY
OCTOBER BUDGET 2023-24

	Estimated Budget 2022-23	July Budget 2023-24	October Budget 2023-24	Difference
Instruction	\$ 191,368,700	\$ 175,593,100	\$ 194,109,700	\$ 18,516,600
Research	12,075,300	6,840,400	12,384,800	5,544,400
Public Service	9,370,000	4,981,500	9,373,400	4,391,900
Academic Support	37,139,600	36,645,100	37,776,000	1,130,900
Student Services	42,855,100	40,264,200	43,921,700	3,657,500
Institutional Support	29,939,900	28,219,200	30,513,300	2,294,100
Operation and Maintenance	31,237,200	31,593,300	33,660,000	2,066,700
Scholarships and Fellowships	36,379,200	30,874,100	38,387,200	7,513,100
Transfers	13,286,600	10,250,600	10,800,600	550,000
Total	<u>\$ 403,651,600</u>	<u>\$ 365,261,500</u>	<u>\$ 410,926,700</u>	<u>\$ 45,665,200</u>

**MIDDLE TENNESSEE STATE UNIVERSITY
UNRESTRICTED EDUCATION AND GENERAL EXPENDITURES BY NATURAL CATEGORY
OCTOBER BUDGET 2023-24**

	Estimated Budget 2022-23	July Budget 2023-24	July Budget 2023-24	Difference
Professional Salaries	\$ 157,217,700	\$ 164,599,000	\$ 164,461,300	\$ (137,700)
Other Salaries	24,484,300	25,206,200	25,593,700	387,500
Employee Benefits	70,550,300	70,390,600	71,424,600	1,034,000
Travel	5,809,600	5,199,300	5,392,100	192,800
Operating Expense	127,829,400	85,962,100	129,248,200	43,286,100
Capital Outlay	4,473,700	3,653,700	4,006,200	352,500
Transfers	13,286,600	10,250,600	10,800,600	550,000
Total	\$ 403,651,600	\$ 365,261,500	\$ 410,926,700	\$ 45,665,200

**MIDDLE TENNESSEE STATE UNIVERSITY
ANALYSIS OF BUDGET CHANGES FOR AUXILIARIES
OCTOBER BUDGET 2023-24**

<u>Auxiliary</u>	<u>2022-23 Estimated Budget</u>	<u>2023-24 July Budget</u>	<u>2023-24 October Budget</u>	<u>Difference</u>
Bookstore	\$ 313,125	\$ 348,928	\$ 348,145	\$ (783)
Food Service	2,940,468	3,059,950	3,059,167	(783)
Housing	16,687,000	16,710,000	16,615,000	(95,000)
Vending	145,500	145,500	143,000	(2,500)
Recreational Center	2,758,380	2,858,030	2,894,730	36,700
Post Office	512,300	512,300	542,300	30,000
Parking Services	4,990,960	4,994,628	4,993,845	(783)
Residential & Commercial Rentals	290,000	290,000	230,000	(60,000)
Health Services	4,007,500	4,207,500	4,189,300	(18,200)
TN Miller Coliseum	681,598	683,592	678,765	(4,827)
Student LD Service	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
TOTAL	<u><u>\$ 33,326,851</u></u>	<u><u>\$ 33,810,448</u></u>	<u><u>\$ 33,694,272</u></u>	<u><u>\$ (116,176)</u></u>

MIDDLE TENNESSEE STATE UNIVERSITY
SUMMARY OF RESTRICTED CURRENT FUNDS AVAILABLE AND APPLIED
OCTOBER BUDGET 2023-24

Revenues	2022-23 Estimated Budget	2023-24 July Budget	2023-24 October Budget	Difference
Tuition and Fees	\$ (2,750,000)	\$ 1,450,000	\$ 1,400,000	\$ (50,000)
Federal Grants and Contracts	48,500,000	37,500,000	38,500,000	1,000,000
State Appropriations: Centers of Excellence	420,700	439,400	439,400	-
State Appropriations: Special Allocations	489,500	489,500	489,500	-
State Grants & Contracts	47,500,000	46,000,000	47,000,000	1,000,000
Local Grants & Contracts	40,000	40,000	40,000	-
Private Grants & Contracts	525,000	525,000	525,000	-
Private Gifts	2,500,000	2,500,000	2,850,000	350,000
Endowment Income	650,000	600,000	600,000	-
Other Income	1,500,000	1,500,000	1,500,000	-
Total Revenues	<u>\$ 99,375,200</u>	<u>\$ 91,043,900</u>	<u>\$ 93,343,900</u>	<u>\$ 2,300,000</u>
Expenses				
Instruction	\$ 5,600,000	\$ 2,500,000	\$ 3,400,000	\$ 900,000
Research	4,700,000	4,500,000	5,750,000	1,250,000
Public Service	5,650,000	4,800,000	5,000,000	200,000
Academic Support	800,000	300,000	300,000	-
Student Services	3,750,000	3,000,000	3,000,000	-
Institutional Support	100,000	100,000	100,000	-
Operation and Maintenance	80,000	2,500	2,500	-
Scholarships and Fellowships	77,000,000	75,750,000	75,750,000	-
Auxiliary Enterprises	1,650,000	-	-	-
Total Expenses	<u>\$ 99,330,000</u>	<u>\$ 90,952,500</u>	<u>\$ 93,302,500</u>	<u>\$ 2,350,000</u>

**MIDDLE TENNESSEE STATE UNIVERSITY
BUDGET SUMMARY
OCTOBER BUDGET 2023-24**

	<u>2022-23</u>	<u>2023-24</u>	<u>2023-24</u>
	<u>Estimated Budget</u>	<u>July Budget</u>	<u>October Budget</u>
Beginning Fund Balance	\$ 58,859,400	\$ 14,519,300	\$ 56,841,600
Revenue	491,968,400	490,115,800	493,644,800
Expenses	<u>536,308,500</u>	<u>490,024,400</u>	<u>537,923,500</u>
Ending Fund Balance	<u>\$ 14,519,300</u>	<u>\$ 14,610,700</u>	<u>\$ 12,562,900</u>

MIDDLE TENNESSEE STATE UNIVERSITY
TSSBA DEBT SERVICE COVERAGE - DISCLOSED PROJECTS ADJUSTMENT
October Budget 2023-24

<u>Project Name</u>	<u>Total Project Budget</u>	<u>Amt. Financed by TSSBA</u>	<u>Est. Annual Debt Service</u>	<u>Est. Annual Related Fee Rev</u>
Addition/Rennovations to Murphy Center	59,000,000	59,000,000		
Athletic Video Board Upgrades	3,900,000	3,900,000		
Multi-Sport Indoor Practice Facility	28,400,000	28,400,000		



**Middle Tennessee State University
Board of Trustees**

Finance and Personnel Committee

Action Item

DATE: November 14, 2023

SUBJECT: **Research Foundation Agreement**

PRESENTER: David Butler
Vice Provost for Research and
Dean of Graduate Studies

BACKGROUND INFORMATION:

In order to support philanthropic investments in our colleges and universities, Tennessee state law - T.C.A. § 49-7-107 – calls for the governing board of each institution to enter into an agreement with the institution's foundation(s) to encourage and support private investment in our institutions. The MTSU Research Foundation was formed to promote the objectives of the University in promoting and managing research, innovation, and technology transfer and commercialization efforts, including providing assistance to faculty and staff in the procurement of patents and registering of copyrights and the licensing thereof. The Research Foundation's relationship to the University is based upon a shared interest in developing the University's research capacity and productivity and the success of the University's mission. The University's participation in and support of the Research Foundation's operations is

recognized as appropriate and desirable.

While the Research Foundation will operate independently, by law, from the University, it is prudent and beneficial to have a clear statement, agreed upon by both parties, of their specific responsibilities, authority, and the relationship between the University and the Research Foundation. This Agreement will also define and establish the standards and procedures for accounting for and auditing of accounts of the Research Foundation while at the same time preserving the private and independent status of the Research Foundation. With the approval of this Agreement, the Board of Trustees of the University designates the MTSU Research Foundation to receive private gifts that are related to or for the purposes of research grants and intellectual property, except for any gift for which the donor has specifically directed in writing that the gift be received and held by the University. In such case, it is understood and agreed that the University may name the Research Foundation as the manager of such gifts.

AGREEMENT BETWEEN
MIDDLE TENNESSEE STATE UNIVERSITY
AND
MTSU RESEARCH FOUNDATION

THIS AGREEMENT is made by and between Middle Tennessee State University (the “University”) and MTSU Research Foundation (the “Research Foundation”).

The University is a public institution of higher education created by T.C.A. § 49-8-101 and governed by the authority of a local governing Board of Trustees.

The Research Foundation is a private, non-profit corporation existing by virtue of T.C.A. § 49-7-107 and T.C.A. § 48-51-101 *et seq.* (Tennessee Nonprofit Corporation Act), has applied for tax-exempt under Section 501(c)(3) of Internal Revenue Code, and is organized in concert with the University. The Research Foundation is established by Articles of Incorporation filed with the State of Tennessee on July 15, 2019. Copies of the current documents are attached hereto as Exhibit A, and its purpose is as stated therein.

The Research Foundation’s relationship to the University is based upon a shared interest in the development of the University’s research capacity and productivity and the success of the University’s mission. Therefore, University participation in and support of the Research Foundation operations are appropriate and desirable. Because of the close, but independent, association of the Research Foundation with the University, it is prudent and beneficial to have a clear statement, agreed upon by the parties, of the responsibilities, authority, and the relationship of the University and the Research Foundation and to agree on the standards and procedures for accounting for and auditing of accounts of the Research Foundation. For the avoidance of doubt, nothing in this agreement is intended to eliminate the private and independent status of the Research Foundation.

By its approval of this Agreement, the Board of Trustees of the University approves the Research Foundation to receive private gifts that are related to or for the purpose of research grants and intellectual property. The types of private gifts that can be received by the Research Foundation does not include any gift for which the donor has specifically directed in writing that the gift be received and held by the University. It is understood that the University may name the Research Foundation as the manager of such a gift.

THE PARTIES HEREBY AGREE AS FOLLOWS:

I. RESEARCH FOUNDATION PURPOSE, POWERS, DUTIES, AND RESPONSIBILITIES

1. **Purpose.** The Research Foundation is organized for charitable, scientific, literary, and educational purposes, including for such purposes, the making of distributions to higher education institutes, or organizations that qualify as exempt organizations under Section

501(c)(3) of the Internal Revenue Code of 1986, as amended, or any corresponding section of any future federal tax code and, to the extent consistent with the provisions herein, to do any and all things allowable under the Tennessee Nonprofit Corporation Act. The Research Foundation is organized to operate for the benefit of the University, but only to the extent that such functions and purposes are for charitable, scientific, literary and educational purposes.

More specifically, the Research Foundation was formed to promote the objectives of the University in promoting and managing research, innovation, and technology transfer and commercialization efforts, including providing assistance to faculty and staff in the procurement of patents and registering of copyrights and the licensing thereof. In furtherance of these objectives, the Research Foundation was organized for the following purposes:

- a. Encourage, promote, and aid in the fulfillment of the educational, service, and research functions of the University;
 - b. Facilitate acquisition of research funds from public and private sources;
 - c. Develop and administer sponsored research and other projects conducted using University funds and/or by University faculty, staff, or students;
 - d. Accept donations to support activities of the Research Foundation;
 - e. Pursue appropriate legal protection for proprietary technologies developed using University funds and/or by University faculty, staff, or students;
 - f. Hold and manage intellectual property assets on behalf of the University; and
 - g. Promote commercialization of research products and transfer of University technologies to appropriate partners for their further development and commercialization.
2. **Powers.** The Research Foundation is empowered to and may exercise all rights and powers conferred on nonprofit corporations under the laws of Tennessee, or which may hereafter be conferred; provided however, that the Research Foundation shall not, except to an insubstantial degree, engage in any activities or exercise any powers that are not in furtherance of the purposes of the Research Foundation, as set forth above. Specifically, and without limiting the general powers granted to the Research Foundation under Tennessee law, the Research Foundation shall have the following powers:
- a. To encourage, promote, and develop the scientific and commercial value of inventions, discoveries, and processes by University faculty, staff, or students and to provide financial support for the publication and distribution of the results thereof;

- b. To encourage, promote, and conduct projects which will fulfill the research, teaching, and service functions of the University;
 - c. To accept, negotiate, and enter into contracts to support research, teaching, and service functions by the faculty and staff of the University;
 - d. To accept, administer, and disburse gifts, grants, and bequests of property of every kind or to hold said property in trust in such a manner as the Research Foundation deems appropriate for the furthering of the purposes of the Research Foundation;
 - e. To provide or assist in providing funds, scholarships, fellowships, professorships, support services, and facilities for scientific and other research by University faculty, staff, and students;
 - f. To apply for, take out, receive (by purchase or gift), hold, administer, license, and dispose of patents, patent rights, copyrights, licenses, assignments of inventions, discoveries, processes, secrets, and other intellectual property protection for any inventions, creations, or publications, and the income derived from or associated with; provided however, that no such income shall accrue to any officer, director, or employee of the Research Foundation for remuneration for services, except as an inventor or author of a project;
 - g. To receive grants from governments or other sources and to distribute such grants for the support of scientific, educational, and other research;
 - h. To sell, exchange, convey, mortgage, lease, transfer, or otherwise dispose of any such property, both real and personal, as the purposes of the Research Foundation may require, subject to such limitations as may be prescribed by law; and
 - i. To engage in all other activities which support and effectuate the purposes of the Research Foundation and which are not prohibited by law.
3. **Duties Relating to Inventions/Creations.** The Research Foundation shall act as the patent, copyright, and licensing agent for the University, and shall have the following duties relating to Inventions and Creations (as defined in the University's Intellectual Property Policy):
- a. Abide by all policies in the MTSU Intellectual Property Policy;
 - b. Investigate diligently the patentability, suitability for copyright registration, and commercial potential of all Inventions and Creations, pursuant to Section V.B. of the Intellectual Property Policy;
 - c. Pursue federal protection of those Inventions/Creations deemed patentable or copyrightable and of potential commercial value or, alternatively, to arrange for direct commercial development without patent protection or copyright registration where this appears to be a more attractive option; and

- d. Pursue an active licensing program for Inventions/Creations. The Research Foundation shall normally grant non-exclusive licenses in the pursuit of commercialization; however, where required for the effective commercialization of Inventions/Creations, the Research Foundation may negotiate exclusive licenses for a limited term.
4. **Prohibited Activities.** Notwithstanding any other provision of this agreement, the Research Foundation shall not conduct any other activity not permitted by an organization exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code, as amended, or the corresponding provision of any future United States Internal Revenue Law. No substantial part of the activities of the Research Foundation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the Research Foundation shall not participate in or intervene in (including the publishing or distribution of statements for) any political campaign on behalf of any candidate for public office.

No part of the net earnings of the Research Foundation shall inure to the benefit of, or be distributable to, its Board of Directors, trustee, members, officers, or any private individual, except that the Research Foundation shall be authorized and empowered to pay reasonable compensation for services rendered, and no trustee, director, officer, or any private individual shall be entitled to share in the distribution of any of the corporate assets upon dissolution of the Research Foundation.

The Research Foundation shall not engage in any act of self-dealing as defined in Section 4941(d) of the Internal Revenue Code, as amended, or corresponding section of any future federal tax code. The Research Foundation will not retain any excess business holdings as defined in Section 4943(c) of the Internal Revenue Code, as amended, or corresponding section of any future federal tax code. The Research Foundation shall not make any investments in such manner as to subject the Research Foundation to the tax under Section 4944 of the Internal Revenue Code, as amended, or corresponding section of any future federal tax code. The Research Foundation shall not make any taxable expenditures as defined in Section 4945(d) of the Internal Revenue Code, as amended, or corresponding section of any future federal tax code.

5. **Research Foundation Charter and Bylaws.** The Research Foundation is responsible for the performance and oversight of all aspects of its operations based on a comprehensive set of bylaws that clearly address the Research Foundation Board of Director's fiduciary responsibilities. The Research Foundation has filed its articles of incorporation with the Secretary of State of the State of Tennessee, with copies submitted to the University's legal counsel.
6. **Ethics Policy.** The Research Foundation shall adopt an ethics policy complying with T.C.A. § 49-7-107 that applies to and governs the conduct of all members of the Research Foundation's Board of Directors and the Director of the Research Foundation. Members must review and acknowledge the code of ethics annually.

7. **Research Foundation Business Affairs.** The business affairs of the Research Foundation shall be conducted, as elucidated below. The Research Foundation Board of Directors may develop further policies and procedures concerning the conduct of the Research Foundation's business affairs and to assure appropriate reporting of financial and other activities, as may be desired.

- a. Budget Preparation. With the assistance of University administrative personnel, the Research Foundation will create an itemized statement of the proposed operating income and expenditures for the following year. It shall be the policy of the Research Foundation to maintain its operating expenses at the lowest feasible level consistent with prudent management of its resources and effective service to faculty and staff of the University.
- b. Funds. The funds and income of the Research Foundation shall be deposited in accounts in such banks, trust companies, or other depositories, as the Research Foundation Board of Directors may select. Reserve funds of the Research Foundation may be invested in such kinds and types of securities as may be directed by the Research Foundation Board of Directors by resolution.

All gifts to the Research Foundation, or other income not otherwise designated by the donor, shall go into the general fund of the Research Foundation and shall be used exclusively for the benefit of the University, in accordance with the general purposes of the Research Foundation. The Research Foundation may receive, manage, invest, and disburse conditional gifts only if such gifts are for the exclusive use and benefit of the University.

All income and contributions to the Research Foundation shall be recorded, and such records shall be subject to examination at any reasonable time, upon request, by the Research Foundation Director or the University President.

- c. Distributions. The Research Foundation shall distribute any net income resulting from the commercialization of patents, copyrights, discoveries, and developments in accordance with Section VII of the Intellectual Property Policy. All disbursements from the Research Foundation shall be recorded, and such records shall be subject to examination at any reasonable time, upon request, by the Research Foundation Director or the University President.
- d. Negotiable Instruments. Checks, drafts, bills of exchange, notes, or other instruments or orders for the payment of money shall be signed in the name of the Research Foundation or, if made payable to the Research Foundation, may be endorsed for deposit to the credit of the Research Foundation, by such officer or officers, person or persons, as the Research Foundation Board of Directors may from time to time designate by resolution.

- e. Contracts. The Research Foundation does not have any authority to obligate the University in any manner. A contract may not be entered into in the names of both the Research Foundation and the University or in the name of either entity “on behalf of” the other unless expressly provided for in writing by both the University and the Research Foundation. If a transaction involves both the Research Foundation and the University, both the Research Foundation and the University must be treated as separate parties to the contract, and the contract for the transaction must be executed separately by authorized representatives of each party.
 - f. Document Retention Policy. The Research Foundation shall have a written mandatory document retention and periodic destruction policy that complies with Sarbanes-Oxley requirements. The policy should include guidelines for handling electronic files and voicemail, as well as paper documents. The Research Foundation’s policy will prohibit document purging if litigation, administrative proceeding, and/or an official investigation is anticipated or underway.
 - g. Business Reports. The Research Foundation shall issue reports to the University President and the Research Foundation Board of Directors, at least annually, on the work of the Research Foundation, including but not limited to, number of Invention/Creation disclosures, pursuits of patent and copyright applications, commercialization progress and efforts, etc.
 - h. Financial Reports. The Research Foundation is a nonprofit organization that reports under Financial Accounting Standards Board (FASB) standards. An annual financial report shall be issued and prepared in accordance with FASB standards, including all required note disclosures. As the Research Foundation will be treated as a component unit in the University’s financial statements in accordance with accounting principles general accepted in the United States of America, the Research Foundation’s financial report must be issued in a timely manner to be included as a component unit in the University’s financial statement for the fiscal year that ends on June 30 of the applicable year.
 - i. Risk Assessments. The Research Foundation will establish and implement a system of internal controls that adequately mitigates those risks and ensures compliance with all applicable laws and regulations. The Research Foundation will be included in the University's overall annual risk assessment as part of the Division of Academic Affairs.
8. **Solicitation, Acceptance, and Administration of Contributions**. The Research Foundation is hereby designated as an entity responsible for promoting and generating private sector, charitable support for the research and commercialization activity on behalf of the University. The Research Foundation may collect contributions for the University’s charitable, scientific, and educational purposes. The Research Foundation shall provide leadership and assistance, as requested, to the University and its departments in their fundraising activities, capital campaigns, and development programs with individuals, corporations, and other organizations. The Research Foundation shall comply with donor

intent and conditions upon acceptance of any contribution. Prior to accepting any donation that will require substantial University support (such as staff, financial assistance, storage, on-going maintenance, etc.), approval must be obtained from the University President and, if applicable, from the University Board of Trustees.

9. **Confidentiality of Sponsor, Venture Partner, and Donor Information.** The University and the Research Foundation may share employees and services, including information on sponsors, venture partners, and donors. As used herein, the Research Foundation’s “donor information” includes, but is not limited to, a compilation of contributors, prospects, alumni, friends, and supporters of the University. These records, as well as all other data, materials, and information belonging to the Research Foundation pertaining to past, current, and prospective donor information are proprietary to the Research Foundation and constitute its confidential information and trade secrets. The University and the Research Foundation shall comply with the provisions of T.C.A. § 49-7-140 regarding the confidentiality of gift records. Subject to those provisions, the Research Foundation may disclose confidential information from time to time to authorized University personnel (to include authorized volunteers) for purposes of cooperative planning and implementation of activities to promote research, commercialization, and/or the mission of the University. University personnel shall preserve the confidentiality of such shared information, including donor information.

10. Use of University Name and Trademarks.

The Research Foundation may, in connection with its lawful business and activities, use the name of the University as well as the University’s logo, seal, and other symbols and trademarks. The University President reserves the right to object to any particular use of any of the foregoing by the Research Foundation, and in the event of such an objection, the Research Foundation shall promptly cease and desist the use and cooperate with the University to achieve an acceptable use. The Research Foundation must not use the name of the University, its logo, seal, or other symbols and trademarks in any manner that represents or implies that the Research Foundation is an arm of the University or is authorized to act in any way on the University’s behalf without the University’s written authorization.

- a. The Research Foundation shall not delegate the authority to use the University’s name or trademarks without written approval of the University’s President and shall not permit the University’s name or trademarks to be used in connection with the advertising of non-University or non-Research Foundation products or services, unless such use is consistent with all policies of the University. All correspondence, solicitations, activities, and advertisements concerning the Research Foundation shall be clearly discernable as being from the Research Foundation and not the University.
- b. The Research Foundation agrees to cease using the University’s name and trademarks in the event of the dissolution of the Research Foundation; cessation of the Research Foundation being a non-profit corporation or recognized by the

Internal Revenue Service as described in Section 501(c)(3) of the Internal Revenue Code; or termination of this agreement.

11. **Operational Support from the University.** The University may not gift state or University funds to the Research Foundation; however, the University may provide payment for Research Foundation services as consideration for services rendered by the Research Foundation to the University. The University can also provide in-kind services to the Research Foundation that include, but are not limited to, the provision of office space, administrative support, and other staff.
12. **Respect for University's Personnel Administration.** The Research Foundation must respect the University Board of Trustees and University authority over personnel administration. Any Research Foundation expenditures for compensation and other payments to, or for the benefit of, University personnel and reportable as income to the recipient (such as salary, expense accounts, automobiles, club, or other organization memberships and dues, etc.) must be approved in advance, annually, by the University President, unless the salaries funded by the Research Foundation are in accordance with the University's compensation plan and included in the University's personnel budget. Advance approval of the University Board of Trustees shall be required if payments outside the University's compensation plan are made to, or for the benefit of, any University employee, including the President, and if the aggregate value of such payments to any individual University employee exceeds one thousand five hundred dollars (\$1,500.00) per fiscal year. This provision does not apply to reimbursement of business expenses incurred by University employees or to non-taxable recognition awards given to University employees.
13. **Taxes.** It is intended that the Research Foundation shall have the status of a corporation that is exempt from federal income taxation under Section 501(a) of the Internal Revenue Code as amended, or corresponding section of any future federal tax code and more specifically shall be an organization described in Section 501(c)(3) of the Code. Notwithstanding the foregoing, the Research Foundation shall be responsible for compliance with all applicable state and federal tax laws. If the University provides in-kind services to assist with the preparation and filing of required tax forms and returns, the Research Foundation shall supply all necessary information in a timely manner.
14. **Compliance with Applicable Laws.** The Research Foundation agrees to comply with all executive orders; federal, state, and local rules; regulations; and laws applicable to similar non-profit corporations.
15. **Compliance with University Policy.** The Research Foundation agrees to comply with any University policies as may be promulgated regarding the relationship between the University and the Research Foundation.
16. **Hold Harmless.** The Research Foundation shall indemnify and hold harmless the University, its governing board, officers, employees, agents, and students, in their official and individual capacities, from and against any and all claims of liability, injury, damages,

expenses, demands, and judgments, including court costs and attorneys' fees, arising out of the Research Foundation's breach of this agreement, except for injury or damage caused by the sole negligence of the University. This provision shall survive the termination or expiration of this Agreement.

17. **Research Foundation Legal Counsel.** The Research Foundation shall be responsible for obtaining its own legal counsel.
18. **Dissolution of Research Foundation.** Consistent with provisions of the Research Foundation's bylaws, should the Research Foundation cease to exist or cease to be an Internal Revenue Code 501(c)(3) nonprofit corporation, the Research Foundation will transfer its assets and property to the University, to a reincorporated successor to the Research Foundation, to another 501(c)(3) organization affiliated with the University, or to the state or federal government for public purposes, in accordance with the law and donor intent. Subject to the foregoing, the assets of the Research Foundation shall be distributed in accordance with the provisions of the Tennessee Nonprofit Corporation Act, as they now exist and as they may hereafter be amended or adopted.

The University will honor to the extent possible any donor restrictions on assets held by the Research Foundation, including, but not limited to, retaining endowment funds as permanent endowments for the purposes specified by the donor. If a donor agreement limits or precludes any portion of the Research Foundation's assets from matriculating to the University, the Research Foundation Board of Directors shall make all available effort to effectuate the transfer of such assets to the University.

Prior to the permanent dissolution or liquidation of the Research Foundation, a complete accounting of the Research Foundation will be attested to by an independent accounting firm.

II. UNIVERSITY POWERS, DUTIES, AND RESPONSIBILITIES

1. **Independence of Research Foundation.** The University agrees to encourage and maintain the independence of the Research Foundation and, at the same time, foster the cooperative relationship between the University and Research Foundation.
2. **General Powers of the University.** The University may:
 - a. Provide the professional services of its employees to the Research Foundation, within the employees' scope of their employment with the University;
 - b. Review the financial records of the Research Foundation to determine that the Research Foundation is adequately capitalized for any activities undertaken in the name of, for the benefit of, or in conjunction with the University;

- c. Request or require evidence satisfactory to the President or President's designee of insurance or self-insurance adequate in form and amounts to cover foreseeable liability arising from activities undertaken in the name of, for the benefit of, or in conjunction with the University;
 - d. Request periodic review of any written general agreement or memorandum of understanding between the University and the Research Foundation to ensure that it describes each party's responsibilities in a manner that makes it clear to third parties dealing with the Research Foundation that the Research Foundation is acting as a legal entity separate from the University; and
 - e. Take any action necessary to ensure that the actions of the University's officials, faculty, staff, or employees relative to the Research Foundation are consistent with policies established by the University regarding conflicts of interest, outside activities, and other matters.
3. **University Services to Research Foundation.** In consideration of the services provided to the University by the Research Foundation and as set forth herein, the University may assist the Research Foundation in the following:
- a. Provision of office space, telephones, computers, supplies, etc. for personnel. These will be considered in-kind services from the University.
 - b. Provision of clerical and administrative support services through the University's Office of Research and Sponsored Programs.
 - c. Provision of designated financial services including financial record keeping.
4. **Audit of Research Foundation Records.** In accordance with T.C.A. § 49-7-107(b), all annual reports, books of account, and financial records of the Research Foundation shall be subject to audit by the Comptroller of the Treasury of the State of Tennessee. Records and accounts maintained by the Research Foundation shall be audited on the same cycle as the University audit performed by the Comptroller or, with the approval of the Comptroller, by an independent public accountant. Approval of the contract between the independent public accountant and the Research Foundation shall be requested in advance by the University Board of Trustees and shall be on forms prescribed by the Comptroller. All annual reports, books of account, and financial records of the Research Foundation shall be available for audit, upon request, by the internal auditors of the University.
5. **Confidential Records.** The University acknowledges that under T.C.A. § 49-7-140, personally identifiable records and information concerning gifts received by both the University and the Research Foundation are protected against disclosure.

III. MUTUAL ACKNOWLEDGEMENTS AND OBLIGATIONS

1. **Termination.** Either party may terminate this agreement upon sixty (60) days' prior written notice to the other party.
2. **Term.** This agreement is based upon the University's fiscal year, which is July 1 through June 30. The term of this agreement shall commence on the date first written below and expire on June 30, 2028. At the conclusion of the initial term, this agreement will be subject to an automatic extension for successive one (1) year periods, unless either party notifies the other party in writing of its desire not to renew at least sixty (60) days prior to the end of the initial period or any extension period. If this Agreement is terminated by either party, all funds, assets, data, and information in the possession of the Research Foundation will be transferred to the University as soon as is practicable.
3. **Entire Agreement/Modification.** This agreement contains all the terms between the parties. It may be amended only in writing signed by legally authorized representatives of all parties. This agreement represents the entire agreement of the parties with respect to the subject matter hereof, and it expressly supersedes all previous written and oral communications between the parties. No amendment, alteration, or modification of this agreement or any exhibit attached hereto will be valid unless executed in writing by authorized signatories of both parties.
4. **Governing Law; Disputes.** This agreement will be governed by and construed in accordance with the laws of the State of Tennessee, without giving effect to any choice or conflict of law provision or rule that would cause the application of laws of any jurisdiction other than those of the State of Tennessee. Any and all claims pursuant to or arising under this Agreement against the University, including the Institution or its employees, shall be heard and determined by the Tennessee Claims Commission in the manner prescribed by law. Damages recoverable against the University shall be expressly limited to claims paid by the Claims Commission pursuant to T.C.A. Section 9-8-301 et seq. Any and all claims pursuant to or arising under this Agreement against the Research Foundation shall be heard by the Rutherford County Circuit Court. No other commission or court is the proper venue or forum for a claim other than the commission or court that is specified above.
5. **Severability.** If any one or more of the provisions of this agreement will be held to be invalid, illegal, or unenforceable, the validity, legality, or enforceability of the remaining provisions of this agreement will not in any way be affected or impaired thereby.
6. **Waiver.** The failure of any party hereto to insist upon strict performance of any provision of this agreement or to exercise any right hereunder will not constitute a waiver of that provision or right.

7. **Assignment.** Neither party will assign or transfer any obligation or interest in this agreement without the prior written approval of the other party.
8. **Jointly Prepared.** This Agreement has been jointly prepared by both Parties and will not be strictly construed against either Party.

Signature Page Follows

MTSU Research Foundation

By: _____
Bill Ketron, Chairman, Board of Directors

Date

Middle Tennessee State University

By: _____
Sidney A. McPhee, President

Date

ACKNOWLEDGED AND APPROVED:

Middle Tennessee State University Board of Trustees

By: _____
Stephen B. Smith, Chairman

Date

EXHIBIT A

ARTICLES OF INCORPORATION OF MTSU RESEARCH FOUNDATION, INC.

We, the undersigned, voluntarily form a non-stock, nonmember, public benefit nonprofit corporation pursuant to and under the provisions of the Tennessee Non-Profit Corporation Act:

ARTICLE I

The name of the corporation is MTSU Research Foundation, Inc.

ARTICLE II

Purpose of the Corporation

The mission of the MTSU Research Foundation, Inc. is to increase the impact and outcomes of Middle Tennessee State University's research and sponsored program's enterprise across the university's mission, including education, research, innovation, technology transfer.

The corporation is formed exclusively for charitable purposes, including the making distributions to organizations that qualify as exempt organizations under section 501(c)(3) of the Internal Revenue Code of 1986 or the corresponding provisions of any future tax code or laws.

ARTICLE III

Operations Prohibitions

No part of the net earnings of the corporation shall inure to the benefit of, or be distributable to, its members, trustees, officers, or other private persons, except that the corporation shall be authorized and empowered to pay reasonable compensation for services rendered and to make payments and distributions in furtherance of the purposes set forth in these Articles of Incorporation. No substantial part of the activities of the corporation shall be the carrying on of propaganda, or otherwise attempting to influence legislation, and the corporation shall not participate in, or intervene in (including the publishing or distribution of statements) any political campaign on behalf of or in opposition to any candidate for public office.

Notwithstanding any other provision in these Articles of Incorporation, the corporation shall not carry on any activities not permitted to be carried on (a) by a corporation recognized as exempt from Federal income tax under section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future Federal tax code, or (b) by a corporation, contributions to which are deductible under section 170(c)(2) of the Internal Revenue Code, or the corresponding section of any future Federal tax code.

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MTSU RESEARCH FOUNDATION, INC.

ARTICLE IV

Dissolution Clause

Upon the dissolution of the corporation, its assets shall be distributed for one or more exempt purposes within the meaning of section 501(c)(3) of the Internal Revenue Code, or the corresponding section of any future Federal tax code. Any such assets not so disposed of shall be disposed of by a court of competent jurisdiction of the county in which the principal office of the corporation is located, exclusively for such exempt or public purposes or to such organization or organizations, as such court shall determine, which are organized exclusively for such purposes.

ARTICLE V

Duration

The duration of the corporation shall be perpetual. The fiscal year ends the month of June.

ARTICLE VI

Conflict of Interest Policy

The purpose of the conflict of interest policy is to protect MTSU Research Foundation, Inc.'s interest when it is contemplating entering into a transaction or arrangement that might benefit the private interest of an officer or director of the organization or might result in a possible excess benefit transaction. This policy is intended to supplement, but not replace any applicable state or federal laws governing conflict of interest applicable to nonprofit or charitable organizations.

Section 2 Definitions

1. Interested Person – any director, principal officer, or member of a committee with governing board delegated powers, who has a direct or indirect financial interest, as defined below, is an interested person.
2. Financial Interest – A person has a financial interest if the person has, directly or indirectly, through business, investment, or family (a) an ownership or investment interest in any entity with which the organization has a transaction or arrangement, (b) a compensation arrangement with the organization or with any entity or individual with which the organization has a transaction or arrangement, or (c) a potential ownership or MTSU Research Foundation, Inc. investment interest in, or compensation arrangement with any entity or individual with which the organization is negotiating a transaction or arrangement.

MISU RESEARCH FOUNDATION, INC.

A financial interest is not necessarily a conflict of interest. Under Section 3 Part 2, a person who has a financial interest may have a conflict of interest only if the appropriate governing board or committee decides that a conflict of interest exists.

3. Compensation - Compensation includes direct or indirect remuneration as well as bonuses, retirement plan payments, unreimbursed allowances, a certain portion of life insurance premiums, gifts, and favors that are not insubstantial.

Section 3 Procedures

1. Duty to Disclose - In connection with any actual or potential conflict of interest, an interested person must disclose the existence of the financial interest and be given the opportunity to disclose all material facts to the members of the Board of Directors and members of committees with governing board delegated powers considering the proposed transaction or arrangement.

2. Determining Whether a Conflict of Interest Exists - After the disclosure of the financial interest and all material facts, and after any discussion with the interested person she/he shall leave the governing board or committee meeting while the determination of a conflict of interest is discussed and voted upon.

3. Procedure for Addressing the Conflict of Interest - An interested person may make a presentation at the governing board or committee meeting, but after the presentation, she/he shall leave the meeting during the discussion of, and vote on, the transaction or arrangement involving the potential conflict of interest.

The chairperson of the governing board or committee shall, if appropriate, appoint a disinterested person or committee to investigate alternatives to the proposed transaction or arrangement.

After exercising the necessary due diligence, the governing board or committee shall determine whether the organization can obtain, with reasonable efforts, a more advantageous transaction or arrangement from a person or entity that would not give rise to a conflict of interest.

If a more advantageous transaction or arrangement is not reasonably possible under the circumstances not producing a conflict of interest, the governing board or committee shall determine by a majority vote of the disinterested directors or committee members whether the transaction or arrangement is in the organization's best interest, for its interest, and whether it is fair and reasonable. In conformity with the above determination shall make its decision as to whether to enter into the transaction or arrangement.

If the governing board or committee has reasonable cause to believe a member has failed to disclose an actual or potential conflict of interest, it shall inform the member of the basis for such belief and afford the member an opportunity to explain the alleged

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failure to disclose. If, after hearing the member's response and after making further investigation, as warranted by the circumstances, the governing board or committee determines the member failed to disclose an actual or potential conflict of interest, it shall take appropriate disciplinary and corrective action.

Section 4 – Records of Proceedings

The minutes of the governing board and all committees with the board delegated powers shall contain the names of the persons who disclosed or otherwise were found to have a financial interest in connection with an actual or potential conflict of interest, the nature of the financial interest, and action is taken whether a conflict of interest was present, and the governing board's or committee's decision as to whether a conflict of interest in fact existed. The minutes shall also contain the names of persons who were present for discussions and votes relating to the transaction or arrangement, the content of the discussions, including any alternatives to the proposed transaction or arrangement, and a record of any votes taken in connections with the proceedings.

Section 5 - Compensation

A voting member of the governing board, who receives compensation, directly or indirectly, from the organization for services, is precluded from voting on matters about that member's compensation.

A voting member of any committee, whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the Organization for services precluded from voting on matters about that member's compensation.

No voting member of the governing board or any committee, whose jurisdiction includes compensation matters and who receives compensation, directly or indirectly, from the organization, either individually or collectively, is prohibited from providing information to any committee regarding compensation.

Section 6 – Annual Statements

Each director, principal officer, and member of a committee with governing board delegated powers, shall annually sign a statement which affirms such person has received a copy of the conflict policy, has read and understands such policy, has agreed to comply with the policy, and understands the organization is charitable and in order to maintain its federal tax exemption, it must engage primarily in activities which accomplish one or more of its tax-exempt purposes.

Section 7 – Periodic Reviews

To ensure the organization operates in a manner consistent with charitable purposes and does not engage in activities that could jeopardize its tax-exempt status; periodic reviews shall be conducted. The periodic reviews shall, at a minimum, include whether

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compensation arrangements are reasonable, based on competent survey information, and the result of arm's length bargaining and whether partnerships, joint ventures, and arrangements with management organizations conform to the organization's written policies, are properly recorded, reflected reasonable investment or payments for goods and services, further charitable purposes and do not result in inurement, impermissible private benefit, or in an excess benefit transaction.

Section 8 – Use of Outside Experts –

When conducting the periodic reviews, as provided for in Section 7, the organization may, but need not, use outside advisors. If the outside experts used, their use should not relieve the governing board of its responsibility for ensuring periodic reviews conducted.

ARTICLE VII

Name & Address of Registered Office and Principal Office

The name of the registered agent and address of the registered office and the principal place of business of the corporation in Tennessee Jeff Porter, 1301 East Main St., MTSU Box 124, Murfreesboro, TN 37132.

ARTICLE VIII

Mailing Address

The mailing address is 1301 East Main Street, MTSU PO Box, Murfreesboro, TN 37132

ARTICLE IX

Name and Addresses of Incorporators

The names and addresses of the incorporators are:

- 1 Patrick R. Geho, Executive Director, TN Small Business Development Lead Center, MTSU Box 98, Murfreesboro, TN 37132.
- 2 Dr. H. Lee Martin, President, Trinity Health Foundation, 625 Marker Street, Suite 400 Knoxville, TN 37902.
- 3 Bill Kepron, 805 S. Church St. Suite 12, Murfreesboro, TN 37120

ARTICLE X

Board of Directors

The affairs of the MTSU Research Foundation, Inc. shall be managed by a Board of Directors and by such officers as shall be described in the By-Laws of the Corporation.

MTSU RESEARCH FOUNDATION, INC.

ARTICLE XI

Limited Personal Liability of the Directors

No person, who is a director or officer of the corporation, shall be liable to the corporation for monetary damages for breach of fiduciary duty as a director. However, this provision shall not eliminate or limit the liability of a director for any breach of a director's duties of loyalty, due care or confidentiality to the corporation, for acts or omissions not in good faith or which involve intentional misconduct or a known violation of the law.

As of Apr. 15, 2019 the board of directors approved the Articles of Incorporation and recognized it will be effective when filed with the Secretary of State.

Bill Kelton
Signature of Officer

4/30/19
Date

Bill Kelton
Printed Name of Officer

Chairman
Title of Officer

B0699-2801 05/08/2019 8:44 AM Received by Tennessee Secretary of State Tre Hargett