



AUDIT & BUSINESS COMMITTEE

June 22, 2023

Roaden University Center, Room 282

MINUTES

Meeting was streamed live via link found on this web page:

<https://www.tntech.edu/board/meetings/>

AGENDA ITEM 1 – Call to Order

The Tennessee Tech Board of Trustees Audit & Business Committee met on June 22, 2023, in Roaden University Center Room 282. Chair Johnny Stites called the meeting to order at 10:04 a.m.

Chair Stites asked Mr. Lee Wray, Secretary, to call the roll. The following members were present:

- Johnny Stites
- Fred Lowery
- Thomas Lynn

Other board members also in attendance were Tom Jones, Rhedona Rose, Barry Wilmore, Trudy Harper, and Savannah Griffin. Dan Allcott participated virtually. A quorum was physically present. Tennessee Tech faculty, staff and members of the public were also in attendance.

AGENDA ITEM 2 – Approval of Minutes

Chair Stites asked for approval of the minutes of the March 9, 2023, Audit & Business Committee meeting. Chair Stites asked if there were questions or comments regarding the minutes. There being none, Mr. Lowery moved to recommend approval of the March 9, 2023, Audit & Business Committee minutes. Mr. Lynn seconded the motion. Mr. Wray called a roll call vote. The motion carried unanimously.

LEE 10/2/23

AGENDA ITEM 3 – Maintenance and Mandatory Fees

Dr. Stinson presented information to recommend a 2.93% maintenance and mandatory fee increase with 2.92% maintenance increase and 2.96% mandatory fee increase. Mandatory factors to consider under T.C.A. § 49-7-1603 are level of state support, total cost of attendance and efforts to mitigate the financial effects on students. Additional factors to consider are THEC binding range, comparison to peer institutions and other LGIs, and Higher Education Price Index. The mandatory fee increase to the program service fee component will be used to help fund development of facilities. A tuition and fee comparison of other LGIs was provided.

Mr. Lynn moved to send the recommended FY2023-24 maintenance and mandatory fees to the Board for approval and to place it on the Board’s regular agenda. Mr. Lowery seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 4 – Non-Mandatory Fees

Dr. Stinson presented a fee proposal to increase the Craft Center housing rates for single occupancy by \$350 per semester and double occupancy \$325 per semester. The increase will help provide resources for maintenance of housing units, build reserves to fund major renovations and upgrades to units and bring rates for housing at the Craft Center into closer alignment with on-campus rates. Dr. Stinson advised that non-mandatory fees are not subject to THEC binding rates.

Mr. Lowery moved to send the recommended Non-Mandatory fee for Craft Center Housing effective Fall 2023 to the Board for approval and to place it on the Board’s regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 5 – FY2022-23 Estimated and FY2023-24 Proposed Budget

Dr. Stinson presented information on the changes in E & G revenues, functional expenses, and natural expenses. (Attachment A).

Mr. Lynn moved to send the FY2022-23 Estimated and FY2023-24 Proposed budgets and organizational chart to the Board for approval and place it on the Board’s regular agenda. Mr. Lowery seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 6 – Disclosed Projects FY2023-24

Dr. Stinson presented two campus funded projects. The projects included the Student Event Center and J.J. Oakley Residence Hall and Innovation Center.

Lee 10/12/23

Mr. Lowery moved to send the FY2023-24 disclosed projects for the Student Event Center and J.J. Oakley Residence Hall and Innovation Center to the Board for approval and to place it on the Board's regular agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 7 – Capital Budget FY2024-25

Dr. Stinson presented the FY2024-25 Capital Budget requests. The capital outlay request is for an academic classroom building which includes demolition of Matthews- Daniel Hall and Crawford Hall and construct a new academic classroom building on the same site to support College of Education, College of Arts & Sciences, administrative offices for Communications & Marketing and Research and Development. The Capital Maintenance projects requests for state funding in order of priority is Bryan Fine Arts Auditorium upgrades, roof replacements for Bell Hall and Ray Morris Hall, air handler replacement for Henderson Hall and T.J. Farr, utility infrastructure upgrades phase 1.1, utility infrastructure upgrades phase 1.2, power monitoring system, Bryan Fine Arts building exterior repairs, and University Services building mechanical upgrades.

Mr. Lynn moved to send the FY2024-25 Capital Budget requests to the Board for approval and to place it on the Board's regular agenda. Mr. Lowery seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 8 – Emeritus President Contract

Dr. Stinson stated that Dr. Robert Bell had a President Emeritus Contract with the university and TN law required the contract to be reviewed annually. A report for Dr. Bell and what he accomplished the past year along with a copy of his agreement was provided in Diligent.

Mr. Lynn moved to send the 2023-24 emeritus contract for Dr. Bell to the Board for approval and to place it on the Board's consent agenda. Mr. Lowery seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 9 – Tech Farm Operating Agreement

Dr. Stinson presented the operating agreement to be effective July 1, 2023, between Tech Farm LLC and the university. After discussions between the University, Tech Farms LLC and Tennessee Tech University Foundation, the University desires to expand its use of the Farms for educational, agricultural, research, and scientific purposes and has requested that it assume from Tech Farms all responsibility for the daily operations, management, maintenance, and upkeep of the Farms.

LEE 10/12/23

Under this agreement, Tech Farms will continue to own all the Farm real property and improvements and will also continue to own all timber rights and all mineral rights. It is the intention of Tech Farms LLC to set aside any proceeds from the sale of timber and the development of any mineral rights in a quasi-endowment in the TTU Foundation for the maintenance and upkeep of the improvements on the Farms' properties.

Ownership of all farm machinery, all equipment and all non-attached improvements will be transferred from Tech Farms LLC to the University along with all cattle and other livestock on the Farms. Tennessee Tech will be responsible for all staffing and expenses of all operations which it undertakes on the Farms. Tennessee Tech will not pay any rental or lease payments to Tech Farms LLC.

Chair Stites expressed his concern that TTU would be spending money on maintenance on property it does not own and asked to clarify language in Item C on the agreement (Attachment B). Mr. Jones pointed out that the TTU Foundation was the sole member of Tech Farms LLC. Dr. Stinson advised on page 3 item 10 could address Mr. Stites concerns. Mr. Stites still thought it was conflicting and needs to be clarified. Trudy Harper suggested to delegate to Dr. Oldham and Dr. Stinson to work with the lawyer on clarifying the agreement to make clear and to vote with that expectation. Dr. Oldham stated the suggestion would be to make Item C exception clear that it does not include permanent structures.

Mr. Lowery moved to send the Tech Farm operating agreement with clarification as discussed to the Board for approval and to place it on the Board's consent agenda. Mr. Lynn seconded the motion. Mr. Wray took a roll call vote. The motion carried unanimously.

AGENDA ITEM 10 – Faculty Promotions

Dr. Bruce advised that thirty-four faculty members were awarded promotion by the President beginning August 2023. This accounts for about seven percent of faculty. This includes six from Lecturer to Senior Lecturer, 15 from Assistant to Associate Professor and 13 from Associate to Professor. Details of the promotions were provided in Diligent.

This was an informational item therefore no action was required.

AGENDA ITEM 11 – Tenure Recommendations

Dr. Bruce advised the President's recommendation for tenure beginning August 2023 included 14 faculty members. If the recommendations are approved by the Board the percentage of tenured faculty will be 54%. Details of the candidates were provided in Diligent.

Mr. Lynn moved to send the tenure recommendations to the Board for approval and to place it on the Board's consent agenda. Mr. Lowery seconded. Mr. Wray took a roll call vote. The

Lee 10/17/23

motion carried unanimously.

AGENDA ITEM 12 – Internal Audit Quality Assessment Review

Deanna Metts presented the review of Internal Audit’s Quality Assessment Review and external validation as required by Institute of Internal Audit Standards. The report was provided in Diligent.

There was no action required on this item.

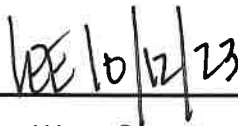
AGENDA ITEM 13 – Adjournment of Open Session & Call to Order on Non-Public Executive Session

There being no further business, the meeting adjourned at 11:41 a.m. After a short break, the Non-Public Executive Session began at 11:48 a.m. Trustees and Administration were present for the meeting.

AGENDA ITEM 14 – Adjournment

There being no further business, the Non-Public Executive Session adjourned at 12:23 p.m.

Approved,



Lee Wray, Secretary



Tennessee
TECH

FY2022-23 Estimated & FY2023-24 Proposed Budget





Tennessee TECH

FY2022-23 Estimated Budget



Changes in E&G Revenues

	October Revised Budget BOT Approved December 2022 FY2022-23	Current Estimate Presented for Approval June 2023 FY2022-23	Difference
Tuition & Fees	\$100,544,000	\$103,087,100	\$2,543,100
State Approp	\$79,920,600	\$79,920,600	\$0
Other	\$12,949,300	\$16,356,000	\$3,406,700
Total E&G Revenues	\$193,413,900	\$199,363,700	\$5,949,800



Revised FY23 vs. Current Estimate FY23 Reconciliation of Changes in E&G Revenues

- Tuition and Fees
 - Conservative estimate in enrollment driven maintenance (tuition) and fees
\$2,293,278
- Other
 - Increase in interest income revenue \$2,200,000
 - Increase in Athletics income \$511,650
 - Increase non-mandatory fees \$250,000
 - Indirect Cost increase \$175,000
 - Career Services income \$118,000
 - Salvage income \$70,000

Changes in E&G Functional Expenses

	October Revised Budget BOT Approved December 2022 FY2022-23	Current Estimate Presented for Approval June 2023 FY2022-23	Difference
Instruction	\$87,781,500	\$87,655,700	(\$125,800)
Research	\$6,972,900	\$7,314,000	\$341,100
Public Service	\$3,297,200	\$3,113,100	(\$184,100)
Academic Supp.	\$17,641,500	\$17,929,600	\$288,100
Student Serv.	\$23,825,400	\$24,680,800	\$855,400
Institutional Supp.	\$18,128,200	\$18,404,000	\$275,800
Maint & Oper.	\$18,274,500	\$17,750,900	(\$523,600)
Scholarship	\$19,154,100	\$19,146,600	(\$7,500)
Total E&G Functional Expenses	\$195,075,300	\$195,994,700	\$919,400



Revised FY23 vs. Current Estimate FY23 Reconciliation of Changes in E&G Functional Expenses

- Instruction
 - Reallocation of university-wide managed benefits (\$125,000)
- Research
 - Rural Reimagined transferred to research \$144,076
 - Reallocation of university-wide managed benefits \$125,000
- Public Service
 - Rural Reimagined transferred to research (\$144,076)
- Academic Support
 - TAF increase due to conservative fall budget \$109,750
 - Reallocate portion of College online fee to Provost for course development \$31,942
 - IT ERP Project Manager position \$125,271
- Student Services
 - Athletics – revenue adjustment \$514,653
 - RUC Coordinator position - \$55,906
 - International Education - \$79,822
 - Disability Services \$32,000
 - Police adjustments \$63,923
- Inst. Support/Maint. & Operation
 - Mercer Comp Study \$300,000
 - Property insurance savings (\$1,000,000)
 - Utilities increase \$175,000
 - Crossville TAP \$200,000
 - Market adjustments \$117,434



Changes in E&G Natural Expenses

	October Revised Budget BOT Approved December 2023 FY2022-23	Current Estimate Presented for Approval June 2023 FY2022-23	Difference
Salary and Wages	\$87,736,836	\$86,423,769	(\$1,313,067)
Fringe Benefits	\$33,379,952	\$33,901,020	\$521,068
Travel	\$2,075,850	\$2,715,462	\$639,612
Operating & Utilities	\$51,385,055	\$52,190,073	\$805,018
Scholarships & Fellowships	\$19,682,220	\$19,713,840	\$31,620
Capital	\$815,104	\$1,050,657	\$235,553
Total E&G Natural Expenses	\$195,075,017	\$195,994,821	\$919,804



Revised FY23 vs. Current Estimate FY23 Reconciliation of Changes in E&G Natural Expenses

- Salary and Wages
 - Lapse Strategic Investment Pool (\$2,016,821)
 - Chair and Department stipends \$289,000
 - IT Project Manager, EHS Coordinators, International Education \$262,000
 - Market adjustments – Police & Facilities \$151,405
- Benefits
 - New positions - \$148,150
 - Health Services \$55,200
 - Funds transferred to cover GA fee waivers \$318,000
- Travel
 - Units transferred dollars from operating or temporary wages to cover travel expenditures \$639,000
- Operating & Utilities
 - Lapse invested back at College/VP level \$1,101,947
 - Transfer funds for positions (\$213,371)
- Scholarships
 - Funds added to cover state fee wavier mandates \$31,620
- Capital
 - Funds transferred to cover infrastructure \$235,553





Tennessee
TECH

FY2023-24 Proposed Budget



Changes in Permanent E&G Revenues – FY23 to FY24

	July Proposed Budget BOT Approved June 2022 FY2022-23	July Proposed Budget Presented for Approval June 2023 FY2023-24	Difference
Tuition & Fees	\$100,785,900	\$105,062,800	\$4,276,900
State Appropriations	\$73,823,600	\$80,803,800	\$6,980,200
Other	12,798,400	13,136,800	\$338,400
Total E&G Revenues	\$187,407,900	\$199,003,400	\$11,595,500
State Appropriations -- One Time (Special Initiatives)	\$5,040,000	\$1,350,000	(\$3,690,000)
Adjusted Total E&G Revenues	\$192,447,900	\$200,353,400	\$7,905,500



Proposed FY23 vs. Proposed FY24 Reconciliation of Changes in Permanent E&G Revenues

- Tuition and Fees
 - Maintenance and Out-of-State increase adjusted at Current Estimate FY23 \$1,855,000 from conservative Revised Budget
 - Fee increase adjusted to actuals at Current Estimate FY23 \$335,400 from conservative Revised Budget
 - Maintenance and Out-of-State increase at Proposed FY24 based on estimated Fall 2023 student enrollment \$1,873,000
 - Fee increase at Proposed FY24 based on estimated Fall 2023 student enrollment \$213,500
- State Appropriations
 - Base adjustment – Outcomes Formula \$251,900
 - Outcomes Funding & Inflationary Cost \$2,285,100
 - Formula Salary Pool – Partial 5% \$2,920,000
 - CEROC - \$1,000,000
 - Group Health Adjustments \$287,600
 - UAAL (Unfunded Actuarial Accrual liability) Allocation, OPEB, TCRS Rate Adjustment, Risk Management Premiums \$235,600
- Other
 - Indirect Cost \$150,000
 - Parking Permits \$162,250
 - Departmental revenues (band camp, workshops, application fees, etc.) \$26,150
- State Appropriations –One Time (Special Initiatives)
 - Water Center \$150,000 – New in FY24
 - Appalachian Craft Center (\$2,840,000) – FY23 not repeated in FY24
 - CEROC (\$1,000,000) – shift to permanent state appropriations in FY24

Changes in Permanent E&G Functional Expenses – FY23 to FY24

	July Proposed Budget BOT Approved June 2022 FY2022-23	July Proposed Budget Presented for Approval June 2023 FY2023-24	Difference
Instruction	\$78,441,400	\$81,436,000	\$2,994,600
Research	\$2,750,800	\$3,162,900	\$412,100
Public Service	\$2,056,600	\$2,056,400	(\$200)
Academic Supp.	\$14,308,000	\$15,728,000	\$1,420,000
Student Serv.	\$22,823,600	\$24,140,900	\$1,317,300
Institutional Supp.	\$19,915,000	\$20,367,400	\$452,400
Maint & Oper.	\$16,319,900	\$19,049,300	\$2,729,400
Scholarship	\$17,536,300	\$20,628,000	\$3,091,700
Total E&G Expenses	\$174,151,600	\$186,568,900	\$12,417,300
State Appropriations – One Time (Special Initiatives)	\$8,540,000	\$1,350,000	(\$7,190,000)
Adjusted Total E&G Expenses	\$182,691,600	\$187,918,900	\$5,227,300



Proposed FY23 vs. Proposed FY24 Reconciliation of Changes in E&G Functional Expenses

•	Instruction	•	Institutional Support
–	FY24-Salary Pool & Benefits - \$2,620,163	–	FY24-Salary Pool & Benefits - \$1,164,290
–	FY24-Faculty Promotions \$250,000	–	FY24-State Appropriation Group Health \$352,400
–	SAF & Online Fee adjustments \$295,108	–	Crossville TAP Property \$552,000
–	Chair stipends \$289,000	–	New positions & adjustments - \$186,310 (HR Specialist, 2- EHS Coordinators)
–	Benefit reallocation-university wide (\$800,000)	–	Benefit reallocation-university wide (\$1,800,000)
•	Research	•	Maintenance & Plant
–	FY24-Salary Pool & Benefits - \$33,131	–	FY24-Salary Pool & Benefits - \$307,368
–	FY23-Office of Research funding shift (\$46,077)	–	FY24-Utilities-anticipated ACME online \$447,400
–	CEROC permanent funding - \$480,000	–	Police & Facilities positions & critical adjustments \$343,629
–	Benefit reallocation-university wide (\$55,000)	–	FY23-Loss of TVA reimbursement \$260,000
•	Public Service	–	FY23-Inflationary cost increase of utilities \$1,736,069
–	FY24-Salary Pool & Benefits - \$29,361	–	Utilities reallocated to Auxiliary due to increase (\$330,000)
–	Benefit reallocation-university wide (\$30,000)	•	Scholarships
•	Academic Support	–	Presidential Scholars - 1st year FY23 - \$1,240,400
–	FY24-Salary Pool & Benefits - \$614,648	–	Athletic scholarships FY23 - \$170,480
–	ITS maintenance contracts \$300,000	–	Presidential Scholars - 2nd year FY24 - \$1,481,400
–	IT ERP Project Manager position \$125,271	–	TCA mandated scholarships \$200,000
–	Library \$150,000	•	State Appropriations - One Time (Special Initiatives)
–	FY23-Office of Research funding shift \$46,077	–	Water Center \$150,000
–	Online Fee adjustments \$187,920	–	Appalachian Craft Center (\$2,840,000)
•	Student Services	–	CEROC (\$1,000,000) - shift to permanent state appropriations
–	FY24-Salary Pool & Benefits - \$701,557	–	Crossville TAP (\$3,500,000)-shift to permanent state appropriations
–	Athletics inflationary cost \$224,425		
–	Athletics positions \$189,000		
–	RUC Coordinator position - \$55,906		
–	International Education position & reclass - \$79,822		
–	Disability Services \$30,000		
–	CourseDog software \$100,113		
–	Benefit reallocation-university wide (\$60,000)		



Changes in Permanent E&G Natural Expenses – FY23 to FY24

	July Proposed Budget BOT Approved June 2022 FY2022-23	July Proposed Budget Presented for Approval June 2023 FY2023-24	Difference
Salary and Wages	\$85,226,460	\$91,107,638	\$5,881,178
Fringe Benefits	\$37,031,366	\$36,643,520	(\$387,846)
Travel	\$1,584,615	\$2,068,849	\$484,234
Operating & Utilities	\$31,854,442	\$35,232,106	\$3,377,664
Scholarships & Fellowships	\$18,093,623	\$21,185,287	\$3,091,664
Capital	\$361,094	\$331,500	(\$29,594)
Total E&G Expenses	\$174,151,600	\$186,568,900	\$12,417,300
State Appropriations – One Time (Special Initiatives)	\$8,540,000	\$1,350,000	(\$7,190,000)
Adjusted Total E&G Expenses	\$182,691,600	\$187,918,900	\$5,227,300



Proposed FY23 vs. Proposed FY24 Reconciliation of Changes in E&G Natural Expenses

<ul style="list-style-type: none"> • Salary & Wages <ul style="list-style-type: none"> - FY24-5% Salary Pool & Benefits - \$3,792,968 - New faculty position, promotions and critical adjustments (COB-Lecturer, Psy Professor, Engineering critical adjustments, FY23 additional promotions) - \$517,980 - Chair stipends \$289,000 - Academic Support positions (ITS) \$118,219 - Student Services positions & adjustments (RUC Coordinator, International Education Coordinator) - \$383,000 - Institutional Support positions & adjustments (HR Specialist, 2-EHS Coordinators) - \$186,310 - Police and Facilities positions & critical adjustments \$343,629 - FY24-Faculty promotions \$250,000 • Benefits <ul style="list-style-type: none"> - FY24-Salary Pool Benefits - \$1,137,891 - Benefits for new positions - \$302,631 - FY24-State Appropriation Group Health \$523,200 - Benefit adjustment-University wide reallocated to utilities (\$2,352,000) • Travel <ul style="list-style-type: none"> - Athletics inflationary cost \$138,073 - Funds reallocated from operating \$350,000 	<ul style="list-style-type: none"> • Operating & Utilities <ul style="list-style-type: none"> - Crossville TAP Property \$500,000 - Athletics inflationary cost \$86,352 - Disability Services \$30,000 - CourseDog software \$100,113 - Library \$150,000 - FY24-Utilities-anticipated ACME online \$447,400 - FY23-Loss of TVA reimbursement \$260,000 - FY23-Inflationary cost increase of utilities \$1,736,069 - FY24-Lab Science contracts \$350,000 - SAF & Online Fee adjustments \$483,028 - CEROC perm funding - \$480,000 - Funds reallocated from capital \$30,000 - Funds reallocated to travel (\$350,000) - Funds reallocated to salaries (\$478,487) - Funds reallocated to benefits (new positions) (\$116,200) - Utilities reallocated to Auxiliary due to increase (\$330,000) • Scholarships <ul style="list-style-type: none"> - Presidential Scholars-1st year FY23 - \$1,240,400 - Athletic scholarships FY23 - \$170,480 - Presidential Scholars - 2nd year FY24 - \$1,481,400 - TCA mandated scholarships \$200,000 • Capital <ul style="list-style-type: none"> - Funds reallocated to operating (\$30,000) • State Appropriations - One Time (Special Initiatives) <ul style="list-style-type: none"> - Water Center \$150,000 - Appalachian Craft Center (\$2,840,000) - CEROC (\$1,000,000) - shift to permanent state appropriations - Crossville TAP (\$3,500,000)-shift to permanent state appropriations
---	--



Attachment B

FIRST AMENDMENT AND MODIFICATION OF OPERATING AGREEMENT FOR AGRICULTURAL PROPERTY

THIS FIRST AMENDMENT AND MODIFICATION OF OPERATING AGREEMENT FOR AGRICULTURAL PROPERTY ("First Amendment") between **TECH FARMS, LLC**, a Tennessee nonprofit limited liability company ("Tech Farms"), and **TENNESSEE TECHNOLOGICAL UNIVERSITY**, a public educational institution which is operated through the Tennessee state university system ("TTU"), is entered into to be effective as of the 1st day of July, 2023 (the "Effective Date"). This Agreement is also joined by the Tennessee Technological University Foundation, for the purpose of evidencing its approval to the terms hereof.

RECITALS:

A. Tech Farms and TTU entered into that certain Operating Agreement for Agricultural Property which was executed on June 27, 2017 ("the Operating Agreement"), pertaining to the use, operation, management, and upkeep of the two farm properties donated by Millard Oakley and wife J.J. Oakley (the Farms) ; and

B. Tech Farms and TTU desire to enter into this First Amendment in order to acknowledge the continuation of the Operating Agreement and to modify certain provisions therein; and

C. TTU desires to expand its use of the Farms for educational, agricultural, research, and scientific purposes, and has requested that it assume from Tech Farms all responsibility for the daily operations, management, maintenance, and upkeep of the Farms, and to also assume responsibility for performance of all obligations and payment of all costs incurred in undertaking such expanded uses; and

D. Tech Farms is willing to allow TTU to undertake all such expanded uses and to assume responsibility for the performance of all obligations and payment of all costs relating thereto; and

E. Pursuant to legislative changes by the State of Tennessee, TTU is no longer operated through the Tennessee Board of Regents system, but rather is operated by an independent board as part of the state university system established under T.C.A. §Title 49, Chapter 8;

NOW, THEREFORE, in consideration of the premises set forth herein, the receipt and sufficiency of which is acknowledged, Tech Farms and TTU agree as follows:

1. **Continuation of Term of Operating Agreement.** The initial term of the Operating Agreement expired on June 30, 2021. The Operating Agreement commenced a new five (5) year term on July 1, 2021 as specified in Article 2 of the Operating Agreement, and the provisions regarding renewal terms as set forth in Article 2 shall continue in full force and effect, except regarding the payment of consideration as modified by this First Amendment.

2. **Adjustments in Payment of Consideration.** In recognition of the assumption of responsibilities and costs by TTU as established herein, the annual cash consideration which has previously been paid by TTU to Tech Farms as established under Article 1 of the Operating Agreement shall be terminated. Effective as of the Effective Date, TTU will no longer be required to pay cash consideration for usage of the Farm, and instead shall assume full control of and responsibility for all Farm operations, management, maintenance, and upkeep, as detailed in this First Amendment. If circumstances evolve during the Term of the Operating Agreement (as it may be extended from time to time) to require the reestablishment of cash consideration to be paid by TTU, any future adjustments in consideration will be negotiated between the parties as specified in Article 1 and Article 2 of the Operating Agreement.

3. **Expansion in TTU's Rights for Use of Premises.** TTU's rights to use of the Farms as specified in Article 3 of the Operating Agreement shall be expanded so that TTU will have the right to utilize the entirety of the Farms, including all agricultural property; all farm structures; all greenhouse and nursery facilities; all wells, ponds, and irrigation systems; all farm equipment and machinery, all fencing and gates, all utility systems, all roadways, and all other real property or personal property associated with the ongoing use of the Farms, except for the management and harvesting of timber and exercise of mineral rights, as detailed herein. TTU's rights for expanded use of the Farms shall not materially diminish the value of the Farms as agricultural and timber-producing properties.

4. **Undertaking of New or Additional Operations.** With TTU's expanded rights of use of the Farms and its assumption of the day-to-day operation of the Farms as detailed herein, the provisions of Article 4 in the Operating Agreement are modified to the extent that TTU no longer needs to advise Tech Farms of plans, operational details, and budget details of any new or additional operations which TTU undertakes on the Farms, unless such operations would threaten to materially undermine the value or availability of the Farms for agricultural and timber production purposes. Notwithstanding these expanded rights, TTU will not have the right to construct new buildings and/or structures on the Farms which do not relate to or arise from agriculture and other natural science programs.

5. **Responsibility for Day-to-Day Operations, Maintenance, and Management of the Farms.**

(a) In recognition of TTU's expanded uses of the Farms, the management responsibilities assigned to Tech Farms in Article 5(a) of the Operating Agreement shall be transferred to and assumed by TTU, effective as of the Effective Date. All ongoing uses and operations by Tech Farms will terminate not later than the Effective Date.

(b) Tech Farms will continue to own all of the Farm real property and improvements, and will also continue to own all timber rights and all mineral rights on the Farm, which shall be managed in accordance with the provisions of Section 7 below.

6. **Responsibility for Staffing.** The provisions of Article 6 of the Operating Agreement shall remain in effect, expanded to include all new activities being undertaken by TTU. After the Effective Date, TTU will be responsible for all staffing and expenses of all operations which it undertakes on the Farms, and Tech Farms shall not be required to maintain

any employees or staff, or to perform any ongoing management, maintenance, upkeep, or repair duties or obligations.

7. Ownership of Improvements and Equipment; Transfer of Equipment to TTU; Obligations for Insurance.

(a) Ownership of all Real Property in the Farms and all attached improvements thereon, as well as ownership of all timber rights and mineral rights, shall remain with Tech Farms. As a modification of Article 7 of the Operating Agreement, Ownership of all farm machinery, all equipment, and all non-attached improvements shall be transferred from Tech Farms to TTU, by donation through a Quitclaim Bill of Sale, on an AS-IS, WHERE-IS basis, with Tech Farms making no warranty of title or condition of repair or suitability for any intended use or purpose of any of such machinery or equipment. No later than the Effective Date, Tech Farms shall deliver such Quitclaim Bill of Sale and TTU shall assume all responsibility and all costs for ownership, use, operation, maintenance, repair, and replacement, and all attendant liabilities pertaining to any such machinery, equipment, and improvements.

(b) As the owner of the Real Property and all improvements thereon, Tech Farms shall be responsible for keeping in place all property and casualty insurance needed for repair, reconstruction, or replacement of any improvements which are damaged by fire, flood, or other casualty, and in the event of loss to any such improvements, Tech Farms shall use the proceeds of such insurance to repair, reconstruct, or replace the damaged improvements, unless the parties agree otherwise. Correspondingly, TTU shall be responsible for insuring its interest in all equipment and personal property utilized in connection with its operations on the Farms.

8. Ownership of Cattle. As a modification of Article 8 of the Operating Agreement, no later than the Effective Date, Tech Farms will transfer to TTU by donation through a Quitclaim Bill of Sale the ownership of all cattle and other livestock on the Farms. TTU will assume the ownership of such cattle and livestock on an AS-IS basis, with no representations or warranties.

9. Proceeds and Use of Products From Agricultural Operations. The provisions of Article 9 of the Operating Agreement are modified to state that the proceeds and use of all products generated in operations from the Farms, including the sale of hay, produce, and orchard products which may have previously accrued to the benefit of Tech Farms, shall belong to TTU, except for the proceeds of timber harvest or mineral production as detailed in Section 10 below.

10. Timber Rights and Proceeds from Timber and Mineral Rights Production. Tech Farms shall continue to own all timber and mineral rights on the Farms (to the extent that such mineral rights are held by Tech Farms), and the proceeds from any sale of timber or the development of any mineral rights shall be retained by Tech Farms. It is the intention of Tech Farms to set aside any such proceeds in a quasi-endowment for the maintenance and upkeep of the improvements on the Farms' properties.

11. AS-IS Condition of Land and Improvements. The provisions of Article 10 of the Operating Agreement shall remain unchanged.

12. **Liability of Parties; Responsibilities for Personal Injury or Property Damage.** The provisions of Article 11 in the Operating Agreement shall remain unchanged.

13. **No Other Modifications.** Except as expressly set forth in this First Amendment and Modification, all other provisions of the Operating Agreement remain in full force and effect and unmodified by this Agreement.

14. **No Present Defaults.** Each party acknowledges to the other that as of the date of this instrument, no defaults or failures in performance exist by either party under the provisions of the original Operating Agreement.

[remainder of page intentionally blank; signature page follows]

IN WITNESS WHEREOF, the parties have executed this First Amendment and Modification as of the date first above written.

TECH FARMS, LLC

By: _____
Title: _____

**TENNESSEE TECHNOLOGICAL
UNIVERSITY**

By: _____
Title: _____

JOINDER BY TTU FOUNDATION

The Tennessee Technological University Foundation also joins in this Agreement to indicate its approval of the terms hereof, in recognition of its role as the sole member of the Tech Farms, LLC nonprofit LLC.

**TENNESSEE TECHNOLOGICAL
UNIVERSITY FOUNDATION**

By: _____
Title: _____