

MINUTES OF THE WINTER MEETING  
BOARD OF TRUSTEES  
THE UNIVERSITY OF TENNESSEE

February 27, 2009

The Winter Meeting of the Board of Trustees of The University of Tennessee was held at 1:15 p.m. CST, Friday, February 27, 2009 in the O.D. Larry Dining Hall in the Student Alumni Center on the campus of The University of Tennessee Health Science Center in Memphis.

**I. CALL TO ORDER AND INVOCATION**

Mr. James L. Murphy, Vice Chair of the Board, called the meeting to order. Sister Sharon Glumb from the Catholic Campus Ministry at The University of Tennessee Health Science Center gave the invocation.

**II. ROLL CALL**

Ms. Catherine Mizell, Secretary, called the roll, and the following members were present:

Charles C. Anderson  
Anne Holt Blackburn  
William Y. Carroll  
George E. Cates  
Spruell Driver, Jr.  
Tyler S. Forrest  
John N. Foy  
D. Crawford Gallimore  
Monice Moore Hagler  
James E. Hall  
Douglas A. Horne  
Andrea J. Loughry  
Brittany M. McGruder  
James L. Murphy, III  
Verbie L. Prevost  
John D. Petersen  
Richard G. Rhoda  
Karl A. Schledwitz  
John J. Schommer  
Don C. Stansberry  
Betty Ann Tanner  
Charles E. Wharton

The Secretary announced the presence of a quorum. Governor Bredesen, Commissioner Givens, Commissioner Webb, and Trustee Robert S. Talbott were

absent from the meeting. Members of the media, the Health Science Center faculty and staff, and the President's staff were present. Members of the media and public could also view the meeting by webcast.

The Vice Chair called the Board's attention to the revised agenda distributed to each member prior to the meeting. He stated that the revised agenda included items related to the Presidential transition and announced that the meeting would follow the revised agenda.

### **III. INTRODUCTIONS**

The Vice Chair extended his sincere thanks on behalf of the Board to Karl and Gail Schledwitz for a wonderful reception Wednesday evening at their home. The Vice Chair also thanked his co-hosts, George and Bena Cates and Andrea and Ed Loughry for a delightful dinner on Thursday evening. He thanked Karl Schledwitz and George Cates for all their efforts in arranging the entertainment and social events.

The Vice Chair welcomed all faculty and staff, members of the media and public, and everyone watching the meeting by the webcast. He stated that this meeting will be the last meeting for Faculty Trustee John Schommer and Student Trustee Brittany McGruder. He noted that their terms will expire on May 31, 2009 prior to the next meeting of the Board. He stated that they will be invited to attend the meeting in June and receive a formal resolution recognizing their service on the Board.

### **IV. APPROVAL OF MINUTES OF PRIOR MEETINGS**

Trustee Andrea Loughry moved approval of the minutes of the October 23, 2008 meeting of the Board of Trustees as presented at the meeting. Trustee Gallimore seconded the motion, and the motion carried unanimously.

### **V. PRESIDENTIAL TRANSITION**

The Vice Chair stated that the next items of business relate to the Presidential transition. Dr. Petersen recused himself from the meeting at that time.

#### **A. Acceptance of Resignation of Dr. John D. Petersen and Approval of Severance Terms and Conditions**

The Vice Chair discussed Dr. Petersen's resignation and severance terms and conditions. He stated that Dr. Petersen recently notified him that he would like to resign his appointment as President and go on leave of absence until the end of June. He explained that he then entered into discussions with Dr. Petersen regarding separation terms, and those discussions are reflected in the separation agreement.

The Vice Chair reviewed the basic terms, which include Dr. Petersen's resignation effective June 30, 2009, his leave of absence effective March 1, 2009, his occupancy of the President's residence until the end of May 2009, a severance payment of one-year's salary in exchange for Dr. Petersen's waiver and release with respect to rights he may have under his previous employment agreement. The Vice Chair noted that there could be an issue as to whether any rights survive the expiration of the previous employment agreement. He explained that the separation agreement will resolve all rights to the \$250,000 retention bonus and also any rights Dr. Petersen may have had to a faculty position. He stated that the agreement includes a mutual non-disparagement provision and full release of claims. The Vice Chair recommended approval of the separation agreement. He asked if there were any comments or questions from the Board. Trustee Wharton stated that it was his understanding that Dr. Petersen has agreed from March until the end of June to be available for advice and counsel and to assist Dr. Simek with transitional issues. The Vice Chair stated that Dr. Petersen has repeatedly agreed to be of assistance during that period and has already been very helpful to Dr. Simek with the transition.

Trustee Stansberry moved adoption of the Resolution (Exhibit 1) accepting the resignation of Dr. John D. Petersen and approving the Separation Agreement with Dr. John D. Petersen. Trustee Schledwitz seconded the motion, and the motion carried unanimously. The Vice Chair invited Dr. Petersen to re-join the meeting at that time.

The Vice Chair stated that there are not many Trustees were serving on the Board when Dr. Petersen was hired. The few that were recognize that things have changed dramatically since he began his presidency. At the time Dr. Petersen was hired, the Board gave him some clearly defined tasks. The Board asked that he restore confidence in the University with the Governor, the Legislature, and the University's alumni. The Vice Chair stated that Dr. Petersen did an excellent job of restoring that confidence, and in that regard the University has benefited in the last four years from the fact that he went out very quickly and developed those good relationships. The Vice Chair stated that there were also vacancies in key positions, and Dr. Petersen did an excellent job of filling those vacancies. The University now has excellent leadership on the campuses and in the system administration. The Board also asked Dr. Petersen to maximize the relationship with Oak Ridge, and there is no question he has done that. The presentation the Board just heard in the Research, Outreach, and Economic Development Committee meeting about the federal stimulus package recognized the fact that we are poised to maximize our benefit because we have established such a good relationship with Oak Ridge. The last major item the Board asked Dr. Petersen to focus on was increasing fund raising, and again there is no question of his success in that regard, as noted in our reports about the success of the campaign for Tennessee.

The Vice Chair commended Dr. Petersen for the professional manner in which he has handled his resignation, noting that throughout their discussion, his focus was on the University and what he can do to position the University to be the best it can be following his departure. He volunteered to assist with the transition and with respect to every matter has done what is best for the University. The Vice Chair thanked Dr. Petersen for his devotion to the University and his friendship and wished him well in all his future endeavors. The Vice Chair then opened the floor for comments.

Trustee Stansberry stated that he had a speech prepared to thank Dr. Petersen, but his remarks were very much in line with those of the Vice Chair, and he heartily seconded those remarks. He added that he had the privilege of being the Vice Chair of the Board when Dr. Petersen began his presidency and stated that he would always be grateful for the support, help, encouragement, and cooperation he received from Dr. Petersen.

Trustee Wharton stated that he would like to thank Dr. Petersen for charting the course of the University with a Strategic Plan and for the class he brought to the University.

Trustee Loughry stated that she also wanted to say best wishes to Dr. Petersen on his passage into one of the most exciting phases of his life, his first grandchild arriving in April.

Trustee Cates commended Dr. Petersen for his work with the UT Health Science Center, first in his efforts to truly understand its needs and then fighting many a battle on behalf of UTHSC. Starting with a huge increase in public awareness, Dr. Petersen has really helped UTHSC to progress during his presidency.

Trustee Gallimore stated that he wanted to thank Dr. Petersen for the attention he gave to UT Martin during his presidency and to particularly thank him for hiring Tom Rakes as Chancellor. Trustee Schommer seconded those remarks.

Trustee Forrest stated that on behalf of the students of UT, he appreciated everything Dr. Petersen has done during his presidency.

Trustee Anderson stated that he remembered having lunch with Dr. Petersen his second week on the job, and Dr. Petersen stated that he would make the relationship between UT and ORNL one that we could all be proud of. He noted that now we have an exceptional opportunity because Dr. Petersen followed through on that promise. He thanked Dr. Petersen for all he did to lay the groundwork of that relationship.

Trustee Foy stated that Dr. Petersen is truly a southern gentlemen and that it has been his pleasure to know him and work with him.

Trustee Tanner thanked Dr. Petersen for the time he spent with her on the phone this past week explaining the budget reduction plan. She stated that he is a true professional and she really appreciates all he has done for the University. The Board offered a standing ovation to Dr. Petersen.

**B. Appointment of Dr. Jan Simek as Acting President Effective March 1, 2009 through June 30, 2009 and as Interim President Effective July 1, 2009.**

The Vice Chair stated that the next item of business was a joint recommendation by Dr. Petersen and the Vice Chair. He stated that he and Dr. Petersen recognized that Dr. Jan Simek did an excellent job serving as the interim Chancellor for UT Knoxville and agreed early on that he was the right person to fill the role of interim President. Dr. Simek was willing to take on this responsibility as long as the role would be for an interim period because he does not want to give up his role on the faculty. The Vice Chair directed the Board's attention to the Resolution to approve Dr. Jan Simek as Acting President effective March 1, 2009 through June 30, 2009 and as Interim President effective July 1, 2009 (Exhibit 2).

Trustee Loughry moved approval of Dr. Jan Simek as Acting President effective March 1, 2009 through June 30, 2009 and as Interim President effective July 1, 2009. Trustee Driver seconded the motion. The Vice Chair called for any further discussion. Hearing none, the Vice Chair called for a vote, and the motion carried unanimously.

**C. Revised Authorization for Check Signatures**

The Vice Chair stated that the next item of business was required to authorize Dr. Simek to sign University checks in his role as Acting President and then as Interim President (Exhibit 3).

Trustee Carroll moved approval of the revised authorization for check signatures. Trustee Cates seconded the motion, and the motion carried unanimously.

**VI. PRESIDENT'S REPORT**

The Vice Chair recognized Dr. Petersen to address the Board. He noted that the report on the Strategic Plan would be presented at the end of the agenda.

Dr. Petersen stated that he wanted to start by thanking Don Stansberry, Andrea Loughry, Jim Murphy and Spruell Driver, each a member of the search committee that enabled him to have an opportunity to be President of UT. He stated that he was happy at the University of Connecticut, but he felt he would never forgive himself for

passing on the opportunity to be President of UT and partner with ORNL. He discussed the outstanding opportunities available to UT based on the relationship with ORNL.

Dr. Petersen noted that when his presidency began, he had an opportunity to hire some very excellent people. He prided himself on hiring good people, smarter than himself. He stated that in the beginning of his presidency, he and his staff held an intensive work session to work out some important initiatives for UT such as the Strategic Plan and statewide branding for the University. He discussed the rationale around “a *Spirit*, a *Vision* and a *Plan*.” He noted that *Spirit* recalls an institution steeped in a very rich history. *Vision* is what you can do to position yourself for the success for the future. He stated that because of our great assets, our relationship with ORNL, St. Jude, other strategic partners, campuses and units, UT has outstanding opportunities for the future.

Dr. Petersen discussed the capital campaign and noted that Henry Nemcik has changed the way the University raises funds, very quickly going from about \$80 million the first year to an average of \$200 million a year. He also discussed success with governmental affairs for the University due to the dynamic perspective of Hank Dye. He stated that the Strategic *Plan*, the framework to move the *Vision* forward, was a concerted effort by many people. He commended David Millhorn for his strategic thinking and driving of the programmatic pieces. He stated that there is a tremendous amount of loyalty and commitment on the senior staff. He stated that we have the *Spirit*, *Vision*, and *Plan* and opportunities even in these tough times to move forward. He stated that if he were to give some advice to the Board on his way out, he would say that you are being presented with some very difficult decisions. The planning concerning the budget aimed at emerging from this economic downturn on a positive and upward trajectory involves a commitment from faculty and staff to make tough decisions. He advised the Board to trust the faculty and staff that care very deeply about making the tough decisions to position the University for the future. Although he would never advise the Board to accept recommendations without question, he encouraged them to keep in mind that they have a very talented team working to make these recommendations.

In conclusion, he noted that at the first Board meeting when he accepted the position of President, he thanked everyone in the room but his wife. He wanted to be sure at this time to thank his wife for all her support and also to thank Emeriti Presidents Joe Johnson and Ed Boling for their guidance and mentoring. He thanked the Board, faculty, staff and students for being given the opportunity to lead one of the greatest enterprises in the country, one with great opportunity for the future.

## **VII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE**

The Vice Chair stated that there was one action item from the Finance and Administration Committee meeting held the previous day.

#### **A. Revised Traffic and Parking Regulations, UT Martin**

In the absence of committee chair Bob Talbott, the Vice Chair recognized Trustee Bill Carroll, the immediate past Chair of the Finance and Administration Committee, to present the Revised Traffic and Parking Regulations for UT Martin (Exhibit 4). Mr. Carroll stated that the revisions to the traffic and parking regulations for UT Martin were presented to the Committee by Chancellor Rakes, and the Committee unanimously recommended approval of the proposed changes. He reviewed the proposed changes, including the proposed changes in parking fines. He stated that the approval of the revised regulations require approval by a roll call vote by the full Board under the Tennessee Uniform Administrative Procedures Act. Trustee Carroll stated that Chancellor Rakes was available to answer any questions from the Board.

Trustee Stansberry moved approval of the revisions to the Traffic and Parking Regulations for UT Martin. Trustee Wharton seconded the motion. The Vice Chair conducted a roll call vote, and the motion carried unanimously.

### **VIII. REPORT FROM THE CHAIR OF THE FOUNDATIONS STUDY COMMITTEE**

The Vice Chair recognized Trustee Charles Wharton, Chair of the Foundations Study Committee, to report to the Board. Trustee Wharton updated the Board on the activities of the Committee over the last few months. He discussed the Committee's strategy to transition the University from reliance on public funding to private funding. He stated that the Committee set out to develop and recommend best practices for UT. To understand how some of our successful peers operate, Henry Nemcik arranged fact finding visits to the University of Virginia, the University of North Carolina, and Texas A&M. He stated that the Committee also met with representatives from the University of Texas and the University of Florida. He thanked Trustee Doug Horne once again for providing the use of his plane and covering the expenses for the trip to Texas.

Trustee Wharton stated that each peer relayed to the Committee that foundations should not drive the purpose or the priorities of the University. He noted that UT has probably the highest per capita fund raising officers of any of the peers visited. On average across the University, each fund raising officer produces approximately \$3 million in donations annually. No peer institution came close to that amount. The Committee will recommend a strategy to double the size of the development staff. He noted that when he was chair of the Development Council from 2000-2002, the University raised between \$85 and \$90 million a year. Now UT has doubled that amount. The Committee finds that the Development Office right now is not staffed to

meet current and future fundraising needs, and it is unlikely that additional E&G dollars will be available to support a larger staff. The Committee also finds that development officers are underpaid relative to the University's peers, and in most instances the difference is significant. The Committee observed that compared to the three schools visited, the State of Tennessee has not made the commitment to education over the last 20 or 30 years that other states have made. For example, at University of North Carolina, \$500 million has just been secured for capital projects.

Trustee Wharton stated that the current structure in the Development Office is very unlikely to meet the University's future needs. At this point, Committee members have met with all of the Chancellors and most of the Vice Chancellors, many of the Deans, faculty and staff members, and the intent is to continue to hold these meetings and meet with the executive committee of the Alumni Association, to meet with the new Constitutional Officers and to continue to meet with faculty across all campuses. The Committee's tentative recommendations include the following: to move toward an independent foundation with its own staff and organization and to have a Chief Investment Officer dedicated to overseeing the management of the foundation's funds together with the foundation's board. He stated that the Committee will recommend a structure, based on a rigorous review, that would allow individual campuses or units to have their own foundations. For example, the UTHSC could have a foundation with its own identify, its own board, that would help tremendously with fund raising in Memphis. The campus foundations would use the back office support of the main foundation. The Athletic Department in Knoxville could have its own foundation with its own board that could enhance the amount of money given back to the University for its academic programs. He noted that revision of the affiliation agreement between the University and the UT Foundation would maximize fundraising, maximize transparency, and maximize internal controls. The Committee would recommend Trustees on the board of every foundation established. The Committee seeks to support the independent foundation by not using the corpus of gifts. Methods used by peer foundations allow for support of the foundation without using any gift money. The Association of Governing Boards has compiled a list of methods the Committee will review and consider, and then make a recommendation. The Committee feels it has become imperative to consider this transition to provide a consistent source of income to the University outside of public funding.

## **IX. REPORT OF THE AUDIT COMMITTEE**

The Vice Chair noted that since the Trustees were able to attend the meeting of the Audit Committee on Wednesday and received the report of the consultants on UTMG, there is nothing new to report to the Board. Trustee Hall, Chair of the Audit Committee, concurred.

## **X. CONSENT ITEMS**



The Vice Chair reminded the Trustees that each Trustee is invited to all committee meetings. He noted that each item on the consent agenda was reviewed fully by the appropriate committee. He noted several items on the Consent Agenda that were revised after their review and discussion during the committee meetings: Item C. was amended by the Finance and Administration Committee to require prior approval of the Executive and Compensation Committee as well as the President for mandatory furloughs without pay, reduction in time worked, across the board salary reductions, and similar salary measures; Item I. Was withdrawn in the Academic Affairs and Student Success Committee meeting; Item J. was amended by the Academic Affairs and Student Success Committee to add language requested by the faculty representatives and also to add a student representative to the evaluation process; Item K. was amended in the Academic Affairs and Student Success Committee meeting to provide that all the campus procedures would be consistent with the amendments to the system-wide procedural framework adopted in Item J. and also to provide that the UTC procedures would be subject to approval by the Faculty Senate and if the Faculty Senate did not approve those amendments, UTC would use the procedures in the system-wide framework.

The Vice Chair then asked for any requests to remove items from the Consent Agenda. There being no requests, the following items were submitted for approval by unanimous consent:

- A. Use of Quasi Endowment Funds to Initiate a Fundraising Plan for the College of Veterinary Medicine (Exhibit 5)
- B. Use of Proceeds Under UT Medical Center Lease and Transfer Agreement to Repay Hamilton Eye Institute (Exhibit 6)
- C. Approval of Revised Budget for FY 2008-09 (Exhibit 7, as amended)
- D. UTIA Voluntary Retirement Incentive Program for Staff (Exhibit 8)
- E. Real Property Transactions (Exhibit 9)
  - 1. Air Rights Easement (UTK)
  - 2. WUOT Easement (UTK)
  - 3. City of Knoxville Property Conveyance (UTIA)
  - 4. Gibson County Property Conveyance (UTIA)
- F. Appointment of Spruell Driver as the Board's Representative on the UTAA Strategic Planning Committee (Exhibit 10)

- G. Naming of Neyland Stadium Media Center (Exhibit 11)
- H. Proposed Revision of Policy on Naming Facilities and Other Assets (Exhibit 12)
- ~~I. Proposed Consolidation of UTK College of Social Work by Closure of MSSW Program Location in Memphis (withdrawn)~~
- J. System-wide Procedural Framework for Academic Program Discontinuance (Exhibit 13, as amended)
- K. Proposed Campus Procedures to Implement System-wide Procedural Framework for Academic Program Discontinuance (Exhibit 14, as amended)
- L. Proposal for a Program of Study Leading to the Degree of Masters of Science in Mathematics (UTC) (Exhibit 15)
- M. Proposal to Create the Graduate School of Education in the College of Education, Health and Human Sciences (UTK) (Exhibit 16)
- N. Awarding of Honorary Degrees (Exhibit 17)
  - A. Doctor of Philosophy in Public Service and Leadership (UTC)
  - B. Doctor of Humane and Musical Letters (UTK)

Trustee Wharton moved approval of the consent agenda. The motion was duly seconded by Trustee Loughry and carried unanimously.

## **XI. OTHER BUSINESS**

The Vice Chair asked Sylvia Davis to present the report on the University of Tennessee Integrated Strategic Plan. Ms. Davis referred the Board to the materials included in the meeting notebook (Exhibit 18). She stated that the Strategic Plan reflects UT's vision. It recognizes that our campuses and institutes individually and collectively contribute to the achievement of the University's mission. The alignment of the plan between the system and campuses represents how the University efficiently and effectively serves the people of the State. She discussed the components of the Plan. She stated that the components of the Plan are how the University articulates its goals, what frames decisions and what guides activities. She discussed the enabling infrastructure that supports the implementation of the Plan. Ms. Davis stated that the Plan defines who we are, who we serve, our core mission, and our culture. She stated that it sets out our course and becomes the foundational component of the UT Scorecard. She referred the Board to the Campus and Institute Scorecards included in the meeting materials. She stated that Strategic Planning is a highly complicated

process involving many people and departments. She stated that Spruell Driver, Chair of the Academic Affairs and Student Success Committee, is planning a detailed workshop in his Committee on the Strategic Planning Process.

Before adjourning the meeting, the Vice Chair invited Dr. Jan Simek to address the Board. Dr. Simek expressed his gratitude to Dr. John Petersen for his leadership. Dr. Simek discussed his 25 years with UT, noting that he came to the University in 1984 as an assistant Professor in Anthropology expecting to stay for a brief time but stayed because he fell in love with the University, its vision, the mission of a land grant university, the students and the beauty of the State of Tennessee. He added that it has been a real pleasure to spend his entire academic career at UT.

Dr. Simek stated that it is with a little trepidation, but a great sense of honor, that he will serve as interim President of the University. He stated that this is a very difficult time for the University, but it is also time of great opportunity. He stated that the University has the best students it has ever had, and they deserve the best education we can provide, and they will get it. He stated that the administration will strive in all of its endeavors through these difficult times to focus on the students and their needs. He added that we also have a remarkable opportunity with ORNL thanks to Dr. Petersen, Dr. Millhorn, and other UT staff members and their efforts. He stated that we are in a position to do amazing things with ORNL with the Federal stimulus package, and we will work hard to maximize our position in that regard. He stated that as a state land grant institution, UT is dedicated to serving the people of Tennessee. He noted that as an archeologist, he has spent most of his 25 years on the landscape of Tennessee and is always struck by the dedication the people of Tennessee feel toward the University, whether they were students here or not. He stated that we have an opportunity to give back to them, even more than we have in the past, and we will seize that opportunity. Outreach is one of the most important things a land grant University does and added that as difficult as these times are, we will not shirk our responsibilities in that regard. He stated that although he has spent his career in Knoxville, he will be fully cognizant of each campus and UT's presence across the state. He stated that he intends to do his best to learn about each unit to further their missions, because it is the cohesive whole that is the important entity. He thanked the Board for their support.

## **XII. ANNOUNCEMENTS**

The Vice Chair announced that the Executive and Compensation Committee is scheduled to meet on May 5, 2009 in Nashville. The next meeting of the Board would be June 16-17, 2009 in Knoxville. As discussed at the Finance and Administration Committee meeting, a special meeting of the Finance and Administration Committee

meeting may be scheduled prior to the next Board meeting, sometime in late April or May, possibly on the same day as the next Executive and Compensation Committee meeting. The purpose of the meeting would be to provide an update on the budget due to the significant financial concerns leading up to the vote on the budget items at the June meeting. Trustee Hagler asked if interim reports regarding program discontinuances would be provided to the Board prior to the June meeting. The Vice Chair stated that program discontinuances, if necessary, would be discussed at the special meeting of the Finance and Administration Committee, and those reports would be provided to the Board as soon as they become available. He then recognized Ms. Mizell for additional announcements.

Ms. Mizell recognized Chancellor Wall and thanked him for hosting the meeting and events on the UTHSC campus. She thanked the UTHSC staff for their assistance behind the scenes, specifically, Pam Houston for coordinating all the logistics and Brian Gard for coordinating the pre-planning and traveling from Knoxville to assist with all the meetings and events.

### **XIII. ADJOURNMENT**

With no further business to come before the Board, Trustee Stansberry moved adjournment of the meeting. Trustee Driver seconded the motion, and it carried unanimously.

Respectfully Submitted,

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\_\_\_\_\_ Catherine S. Mizell, Secretary