

MINUTES OF THE SPECIAL MEETING

BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

December 12, 2003

The special meeting of the Board of Trustees of The University of Tennessee was held at 1:30 p.m. Eastern Standard Time, Friday, December 12, 2003, in the Board Room, Andy Holt Tower, Knoxville.

I. CALL TO ORDER

Mr. R. Clayton McWhorter, Vice Chair of the Board, called the meeting to order.

II. ROLL CALL

The Secretary called the roll, and the following members were present:

Mr. Michael Combs
Mr. J. Steven Ennis
Commissioner Ken Givens
Mr. James A. Haslam, II
Mr. Waymon L. Hickman
Dr. Rhynette N. Hurd
Mr. Jerry L. Jackson
Mr. D. Lynn Johnson
Dr. Joseph E. Johnson
Mrs. Andrea J. Loughry
Mr. R. Clayton McWhorter
Mr. James L. Murphy, III
Mr. John H. Pontius
Dr. Richard G. Rhoda
Commissioner Lana C. Seivers
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Dr. Richard G. Rhoda
Mr. John C. Thornton
Ms. Carol L. White
Mrs. Susan R. Williams
Mr. James L. "Bucky" Wolford

The Secretary announced the presence of a quorum.

III. NEW BUSINESS

- A. REPORT AND RECOMMENDATIONS OF THE AUDIT COMMITTEE.** Mr. Waymon Hickman, Chair of the Audit Committee, said the Committee met twice since it was formed in October. Mr. Hickman moved approval of minutes of the Audit Committee meetings held on November 5, 2003 and November 21, 2003. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

Mr. Hickman presented an organizational chart (Exhibit 2) showing the line of reporting for the Department of Audit and Consulting Services through its Executive Director to the Audit Committee and ultimately to the Board. Mr. Hickman presented the Committee's Charter (Exhibit 3) and moved its approval. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

- B. APPOINTMENT OF THE BOARD PROCESS AND GOVERNANCE COMMITTEE.** Mr. McWhorter said the Executive Committee recommended approval of appointments to the Board Process and Governance Committee (Exhibit 4). Mr. James A. Haslam, II, moved acceptance of the Executive Committee's recommendation. Mr. Jerry L. Jackson seconded, and the motion carried unanimously.

Mr. McWhorter said the Executive Committee recommended approval of the appointment of Mr. D. Lynn Johnson as Chair of the Advancement and Outreach Committee to replace Mr. B. C. "Scooter" Clippard whose term on the Board expired. Mr. Jerry L. Jackson moved approval of the recommendation. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

- C. ADOPTION OF CODE OF ETHICS FOR TRUSTEES.** Ms. Catherine Mizell said in May 2003, the General Assembly passed a statute requiring the Board of Trustees, the Board of Regents and the Higher Education Commission to adopt a Code of Ethics to govern

the conduct of appointed trustees on those boards. The Board of Trustees is subject to conflict of interest rules mandated by statute and a formal Conflict of Interest Policy in effect since 1992. That policy deals principally with matters of financial interest. The statute recently passed by the General Assembly appears to go beyond financial interests, seeking a broader code to govern the conduct of appointed trustees. Ms. Mizell said the draft of the Code of Ethics (Exhibit 5) addresses various governance responsibilities of the Trustees, duty of care in carrying out the fiduciary responsibilities, due diligence, time commitment and potential conflicts of interest that might not involve financial interests.

Mr. Haslam asked for clarification of Article II, Section 3. He said all Trustees get calls about admissions to the University. Mr. Haslam said his understanding is if he receives a call from a parent whose child has applied to law school, he can call the dean of the law school and ask for the status of the application and relay that information to the parent. Mr. Haslam said if the parent asks that he write a letter of recommendation for the son, he can do so. He cannot call the dean of the law school and insist that the student be admitted.

Ms. Mizell said Mr. Haslam's perception is correct.

Mr. Wolford referred to Article I, Section 4, and suggested an addition to the section. He suggested the statement be amended to read:

Failure of a Trustee to attend three regular meetings of the Board or a committee of which the Trustee is a member in succession shall be cause for the Board to consider the Trustee's removal.

Ms. Mizell said the suggestion will be incorporated.

Mr. Haslam suggested Board members discuss in detail Article II, Section 4, Gifts, Favors, and Gratuities. He said Board members need to know what they can and cannot do. Mr. Haslam asked Ms. Mizell to explain the section.

Ms. Mizell said the first part of the statement derives from a statute. The second part of the statement is a broader provision that

attempts to say a Trustee should not accept any kind of gift, favor or gratuity that might have the appearance of affecting the Trustee's impartial performance of duties, but it does not prohibit the incidental benefit a Trustee may accrue by virtue of the fact that a Trustee hosts a dinner for the Board or hosts a reception for the Board or a Trustee allows Board members to fly on his or her private plane to meetings or other events of the Board. She said the statement is not intended to prohibit a Trustee from receiving anything of value that is received by virtue of the office such as the right to attend certain events or the right to receive meals and things of value in connection with a meeting. Ms. Mizell said neither is it intended to prohibit the benefits that accrue to donors when they make contributions to the University.

Mr. Johnson suggested an addition to the final sentence of Article II, Section 3. He suggested the sentence read:

However, this section does not prohibit routine letters of recommendation or requests for information about the status of an individual's application for admission, employment, discipline, and similar matters.

Ms. Mizell said the suggestion will be incorporated.

Mr. D. Lynn Johnson made the motion that the Code of Ethics policy as revised, be approved. Mr. James A. Haslam, II seconded, and the motion carried unanimously.

D. APPROVAL OF THE NAMING OF THE HEARING AND SPEECH CENTER BUILDING, KNOXVILLE. Mr. Don C. Stansberry, Jr. moved approval of the naming of the Dr. Bernie Silverstein and Dr. Hal Luper Hearing and Speech Center Building (Exhibit 6). Mr. James A. Haslam, II seconded, and the motion carried unanimously.

E. APPROVAL OF THE RETIREMENT INCENTIVE PLAN FOR AGRICULTURAL EXTENSION SERVICE EMPLOYEES WITH FEDERAL APPOINTMENT. Mr. D. Lynn Johnson moved approval of the recommended voluntary retirement incentive plan for Agricultural Extension Service employees with federal appointments,

subject to all required federal approvals (Exhibit 7). Mrs. Susan Williams seconded, and the motion carried unanimously.

F. NAME CHANGE FOR THE AGRICULTURAL EXTENSION SERVICE. Dr. Johnson reported for the information of the Board the name change of The University of Tennessee Agricultural Extension Service to The University Extension to bring it in line with programs at other land-grant universities across the country and more accurately reflect the responsibilities within the unit.

D. REPORT AND RECOMMENDATIONS OF THE PRESIDENTIAL SEARCH COMMITTEE. Mrs. Andrea Loughry, Chair of the Search Committee said Search Committee members traveled to forums across the state to receive input from constituents about the qualifications and characteristics necessary for the President of the University. She said the Search Committee and the Search Advisory Council met to condense the information it received in the forums into a redefined list of characteristics.

The Search Committee interviewed search consulting firms and chose Baker_Parker of Atlanta, Georgia to assist with the search. The guarantee from Korn Ferry was evaluated, and the Search Committee concluded the Baker_Parker firm best suited the needs of the present search.

Mrs. Loughry said the timeline for the presidential search has been approved. The regular winter Board meeting will be held in Martin on March 3-4, 2004. Mrs. Loughry said the advertisements for the president's position will be published in *The Chronicle of Higher Education*, *Black Issues* and several other publications in January 2004. At that time, the compensation package will be available through the presidential search website. Mrs. Loughry said the Search Advisory Council will interview candidates April 13-15 and recommend four to six for interviews with the Search Committee on April 20. She said the timeline calls for a special meeting of the Board of Trustees on April 21 to interview the finalists recommended by the Search Committee. A decision will be made at that time.

Mrs. Loughry said over the past six weeks the Search Committee received advice indicating that publication of the compensation

package in all advertisements is far outside the norm for higher education and is inadvisable. She said at the Search Committee's request the compensation package be available on the website. Mrs. Loughry moved that the Statement of Guiding Principles be amended to read:

The Search Committee shall recommend to the Board a compensation package for the new president. The compensation package shall be posted on the presidential website as soon as practical after the first formal advertisement or announcement of the position. All advertisements and announcements of the position shall refer readers to the presidential website for information about compensation.

Mr. James L. Murphy seconded, and the motion carried unanimously.

Based on research drawn from a compensation study published in *The Chronicle of Higher Education* and a comparison of the compensation of presidents of SREB universities (Exhibit 8), Mrs. Loughry said that the Presidential Search Committee recommends the compensation package for the president be within the range of \$400,000 to \$500,000, including any incentive package the Executive Committee might recommend. In addition, the University will provide a house and a car for the President's use.

Mr. McWhorter said the entire compensation will be paid by the University. The UT Foundation will pay no part of the compensation.

Mrs. Loughry moved approval of the compensation package as presented. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

Mrs. Loughry said the Search Committee heard expressions of concern or confusion about the University's organizational structure in the public forums. She said since the issue has been unresolved for a some time, it is imperative that the Board of Trustees address the matter before a new president is hired. Mrs. Loughry said since such

a governance issue is beyond the scope of the Presidential Search Committee, the Search Committee recommends that the Board refer the matter of organizational structure to the Board Process and Governance Committee and charge that Committee to study and make recommendations to the Board. Mr. Don C. Stansberry, Jr., moved approval of the recommendation of the Presidential Search Committee. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

IV. OTHER BUSINESS

The Vice Chair asked for other business to come before the Board. No other business was presented.

X. ADJOURNMENT

There being no further business to come before the Board, the meeting was adjourned.

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Catherine S. Mizell
Vice President, General Counsel and
Secretary