

MINUTES OF THE FALL MEETING

BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

November 10, 2004

The fall meeting of the Board of Trustees of The University of Tennessee was held at 9:30 a.m., Wednesday, November 10, 2004, in the Plant Biotech Building, Knoxville.

I. CALL TO ORDER AND INVOCATION

Mr. Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order, and the Reverend Kally Elliott, Director of the Presbyterian Center on the Knoxville campus gave the invocation.

II. ROLL CALL

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

Mrs. Johnnie D. Amonette
Ms. Lauren Brannon
Mrs. Barbara C. Castleman
Commissioner Ken Givens
Mr. James A. Haslam, II
Mr. Waymon L. Hickman
Dr. Rhynette N. Hurd
Mr. D. Lynn Johnson
Mrs. Andrea J. Loughry
Mr. R. Clayton McWhorter
Mr. James L. Murphy, III
Dr. John D. Petersen
Dr. Richard G. Rhoda
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Mr. John C. Thornton
Dr. Susan Vickerstaff
Mrs. Susan R. Williams
Mr. James L. "Bucky" Wolford

The Secretary announced the presence of a quorum.

PRESENTATION BY DR. JEFF WADSWORTH. Vice Chair Stansberry called on Dr. John Petersen for the introduction of Dr. Jeff Wadsworth.

Dr. Petersen introduced Dr. Jeff Wadsworth, Director of Oak Ridge National Laboratory and President and CEO of UT-Battelle. Dr. Wadsworth presented a slide presentation (Exhibit 1) entitled "Expanding the Partnership." He described the partnership that has been in place between the Oak Ridge

National Laboratory and The University of Tennessee for decades, but in the last few years has expanded enormously through the UT-Battelle management and operation of the lab.

III. INTRODUCTIONS

Vice Chair Stansberry introduced Emeritus Trustee E. S. Bevins and Emeritus President Edward J. Boling and welcomed them to the meeting.

IV. WELCOMING REMARKS

Mr. Stansberry introduced Mr. Spruell Driver, Vice President of the National Alumni Association; Dr. Candace White, President of the Faculty Senate in Knoxville; and Mr. Chaz Molder, President of the Student Government Association in Knoxville, each of whom made a brief presentation on the activities of their organizations.

Vice Chair Stansberry introduced Ms. Lauren Brannon, the newly appointed student Trustee from UT Martin and Dr. Susan Vickerstaff, the faculty Trustee from Martin, and presented Trustee lapel pins to each.

V. CAMPUS ADVISORY COUNCIL REPORTS

Mr. John Thornton said the UTC Chancellor's Advisory Council met November 8. He noted the enrollment report reflected an increase of 162 new students for a total of more than 8,600 students on the campus. 19.9 percent of the student population is African-American and 27 percent of the freshmen. Mr. Thornton said the enrollment cap has been difficult to manage at UTC because the cap means UTC receives state support for only eight of the 160 new students. He said discussions are underway with Dr. Rhoda and the Higher Education Commission with regard to the problems resulting from the enrollment cap. Gifts and giving came in at over \$1.1 to athletics in Chattanooga last year. Mr. Thornton said the SimCenter is the best of its kind in the country and continues to do well, with twenty students who are pursuing their Ph.D. degrees.

VI. APPROVAL OF MINUTES OF PRIOR MEETINGS

Mr. D. Lynn Johnson moved approval of the minutes of the June 24, 2004 Executive Committee meeting and the June 24, 2004 annual Board meeting. Ms. Susan Richardson-Williams seconded, and the motion carried unanimously.

VII. ELECTION OF EXECUTIVE VICE PRESIDENT AND APPROVAL

OF COMPENSATION

Dr. John Petersen recommended the election of Dr. Jack Britt as Executive Vice President with an annual salary of \$225,000 and a non-accountable expense allowance of \$7,000 per year (Exhibit 2). He said Dr. Britt's move to Executive Vice President would represent a reassignment from his previous position of Vice President for Agriculture. Dr. Petersen said as the Chief Operating Officer role shifts more toward strategic academic initiatives, Dr. Britt brings an outstanding background and record in terms of strategic planning and strategic implementation of those plans through his work as Vice President for Agriculture. Dr. Britt's reassignment creates a vacancy in the Vice President for Agriculture position. Dr. Petersen said a search has been initiated for that position.

Mr. D. Lynn Johnson moved approval. Mr. John C. Thornton seconded, and the motion carried unanimously.

III. DESIGNATION OF INTERIM CHIEF FINANCIAL OFFICER.

President Petersen recommended that the Board designate Dr. Jack Britt to serve as Interim Chief Financial Officer (Exhibit 3). He said a national search will be initiated immediately for a Chief Financial Officer.

Mr. Waymon L. Hickman moved approval of the recommendation. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

IX. NEW BUSINESS

A. APPROVAL OF ANNUAL REPORT TO THE GENERAL ASSEMBLY

Mr. Stansberry said state law requires that the Board make an annual report to the General Assembly through the Governor (Exhibit 4).

He said the report actually covers 2003-04, the period before Dr. Petersen took office. It was prepared by the staff with the assistance of Dr. Joe Johnson.

Mr. D. Lynn Johnson moved approval of the report. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

B. REPORT AND RECOMMENDATION OF THE EXECUTIVE AND COMPENSATION COMMITTEE

Mr. Stansberry called attention to the report of the Executive and Compensation Committee (Exhibit 5). The committee is comprised of

the chairs of the standing committees of the Board and as such represents a cross section of the entire Board. The Vice Chair said the Executive committee intends to take an active role in setting the agenda for Board meetings and reviewing matters before they come to the Board. The actual Board meeting will be streamlined so that more and more of the Board's time can be given to presentations and substantive discussions.

Mr. Stansberry said the Executive and Compensation Committee recommended proposed Board meetings dates for 2005 (Exhibit 6). He said the Secretary polled Board members for meeting dates, and the dates presented are the most convenient to the majority of Trustees. He called attention to the change in the fall Board meeting date from its proposed date of October 19-20 to October 27-28 to coincide with the UT vs. South Carolina football game.

Mr. James L. Murphy, III, moved approval of the 2005 meetings dates including the change for the fall meeting. Mrs. Andrea J. Loughry seconded, and the motion carried unanimously.

C. RECOMMENDATION OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

Chair Susan Williams said the Advancement and Public Affairs Committee is charged with exercising oversight of the University programs relating to private gifts and alumni programs and support; public relations efforts; and government relations at the local, state and federal levels. The committee approved its charter and forwarded it to the Governance Committee.

Ms. Williams said four candidates for the position of Vice President for Public and Government Relations will be interviewed by Dr. Petersen. She said in working with the President and the Vice President for Public and Government Relations committee members want to improve the internal and external communications for the University, which includes working with THEC and the Board of Regents to help Tennesseans understand the value of higher education. Secondly, the committee will work with the other standing committees of the Board to help them communicate their initiatives to the various constituencies. Finally, the committee will work to establish, monitor and be involved in reaching stretch goals for federal funding and state funding for The University of Tennessee.

1. Approval of the Naming of a Building at UTC. Ms. Williams called on Mr. John Thornton. Mr. Thornton moved approval of an exception to the Policy on the Naming of

Facilities and approval of the naming of the UTC New Village Apartments, Phase I, in honor of Pat and Joe Johnson (Exhibit 7). Mr. James L. “Bucky” Wolford seconded, and the motion carried unanimously.

D. RECOMMENDATIONS OF THE FINANCE AND ADMINISTRATION COMMITTEE

Mr. William B. Stokely, III, said during the fall Board retreat Trustees discussed the need for system-wide, long-term capital improvements and maintenance funding and strategies for gaining support for a bond issue for the University for both needs. He said the Finance and Administration committee discussed various alternatives to further the objective, while recognizing that any concept needs the Governor’s support and coordination with the Tennessee Board of Regents system. The committee plans to establish a sub-committee to pursue the issue in more depth.

Mr. Stokely said the committee approved its charter and forwarded it to the Governance Committee. The purpose of the committee is to provide oversight of the University’s finances, business and facilities activities. The committee advises the Board of Trustees on the state of the University’s financial operations, budgetary allocations, student fees, personnel policies, investment performance strategy and returns and facilities. The committee serves to ensure the University operates within available resources and applicable Federal, state and University policies in a manner supportive of the University’s strategic plan.

Mr. Stokely said the committee received copies of the Investment Report on Endowment Funds and Performance and the Financial Report. He asked Treasurer Peccolo to briefly highlight the reports.

Mr. Peccolo distributed the Investment Report (Exhibit 8) and the Financial Statement (Exhibit 9). He said the Financial Statements are in draft form and do not include the auditor’s opinion. The Financial Statements are in final review and the opinion is expected soon. He said the Financial Statements will be in a different format based on the fact that the requirements of governmental accounting standards pronouncement have been incorporated showing as discreet entities related foundations. Mr. Peccolo said the Financial Statements will reflect assets of \$2.2 billion with liabilities of \$536 million leaving net assets of \$1.6 billion for the University system as a whole.

Mr. Peccolo said the Investment Report states that the University has \$716 million categorized as funds invested to benefit the University, which represents a \$76 million increase over last year. Strong

contributions and market returns brought about the improvement. \$28 million of the \$716 million was distributed to support the current fund operations of the University. He said the return last year was 16.3 percent. Mr. Peccolo said in spite of the fact that most of the equity market indexes were down by two to three percent, the University was able to break even.

Mr. Stokely said that the committee heard a presentation by Men's Athletic Director Mike Hamilton on the long-term expansion plans, redevelopment plans and renovation plans for Neyland Stadium. Materials were distributed. Mr. Stokely asked Mr. Hamilton to give a brief report on the overall project and specifically on the part of the plan being recommended.

Mr. Hamilton called attention to the Executive Summary (Exhibit 10). He said the renovation plans are the result of a six-month master planning process. Specific goals were kept in mind at all times – protect the integrity of the stadium; prepare the stadium for the next 75 years; provide concourse renovations, restrooms, concessions for the fans; provide safety and security issues relating to ingress and egress, (5) address infrastructure issues involving water, sewage and electricity; and do all in a physically responsible manner. Mr. Hamilton said a five phase plan is being brought forth with a request to immediately move forward with phase one which includes constructing an east side club box area, addressing basic infrastructure issues, and beginning work in three concourses. He said in addition there is an outside funded portion of phase one related to fascia signage. The phase one project is a \$16 million project, \$12 million of which would be UTAD funded with the remaining \$4 million to come from outside corporations. No funding will come from tax dollars or University dollars. All will be self-funded by the athletic programs.

Mr. James A. Haslam, II, moved approval of Phase I of the Neyland Stadium improvements. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

1. **Approval to Use Corpus of College of Business Administration Quasi-Endowment.** Mr. Stokely moved approval of the request to move \$671,923 from the UT Knoxville College of Business Administration Quasi-Endowment to provide current operating supporting to assist the College in developing new courses and redeveloping current offerings (Exhibit 11). The motion was seconded by Mr. James A. Haslam, II, and unanimously carried.
2. **Approval of FY 2005-06 Revenue/Institutionally Funded**

Projects. Mr. Stokely moved approval of the FY 2005-06 revenue/institutionally funded projects and authorization for the UT Administration to enter into contracts for design and construction within available funds (Exhibit 12). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

3. **Approval of FY 2005-06 Capital Outlay and Maintenance Budget.** Mr. Stokely moved approval of the FY 2005-06 Capital Outlay and Maintenance Budget and the authorization for the UT Administration to enter into contracts for design and construction within available funds (Exhibit 13). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.
4. **Approval to Accept Gift of Real Property in Memphis from Memphis Biotechnology Foundation.** Mr. James A. Haslam, II, moved approval to accept real property at 899 Madison Avenue in Memphis from the Memphis Biotech Foundation (Exhibit 14). Mrs. Susan R. Williams seconded, and the motion carried unanimously.
5. **Approval to Construct a Regional Biocontainment Laboratory at the Health Science Center.** Mr. James A. Haslam, II, moved approval of the proposal to construct a Regional Biocontainment Laboratory and authorization for the UT Administration to seek State approvals and enter into design and construction contracts (Exhibit 15). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.
6. **Approval to Grant a Greenway Easement to the City of Martin.** Mr. James A. Haslam, II, moved approval of the proposal to grant a greenway easement (Exhibit 16). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.
7. **Approval to Grant a Storm Water Easement to the Waterchase Condominium Association in Chattanooga.** Mr. James A. Haslam, II, moved approval of the proposal to grant a storm water easement (Exhibit 17). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.
8. **Approval to Acquire the SimCenter Building in Chattanooga from the Campus Development Foundation, Inc.** Mr. John C. Thornton moved approval to amend the Chattanooga campus Master Plan and acquire the SimCenter Building in Chattanooga from the Campus Development Foundation, Inc. (Exhibit 18). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

The meeting was recessed for the annual Board of Trustees photograph.

Mr. Stansberry reconvened the meeting and asked Mrs. Andrea J. Loughry, Chair of the Academic Affairs and Student Life Committee for the committee's recommendations.

E. RECOMMENDATION OF THE ACADEMIC AFFAIRS AND STUDENT LIFE COMMITTEE

Mrs. Loughry said the Faculty Senate presidents and SGA presidents met with the Academic Affairs and Student Life Committee. The committee heard reports from the SGA presidents. She said the committee also received a report on the Southern Association of Colleges and Universities reaccreditation and an update on compliance with the Geier Consent Decree (Exhibit 19).

- 1. Approval to Change Focus of THEC Center of Excellence at UTC from Computer Applications to Computational Engineering.** Dr. Rhynette N. Hurd moved approval (Exhibit 20). Mr. James L. "Bucky" Wolford seconded, and the motion carried unanimously.

F. RECOMMENDATIONS OF THE GOVERNANCE COMMITTEE

Mr. Murphy said the Governance Committee discussed developing a set of qualifications and core competencies for Trustees, which was an item that was recommended by the Governance Task Force and was discussed at the Trustee workshop. He said the committee anticipates presenting those for adoption by the full Board at the March Board meeting. He said the committee also discussed revisions to the Bylaws addressing the reporting relationship of the General Counsel.

- 1. Approval of Standing Committee Charters.** Mr. Murphy moved approval of standing committee charters as amended (Exhibit 21). Mr. James A. Haslam, II, seconded, and the motion carried unanimously.
- 2. Approval of Plan for New Trustee Orientation.** Mr. Murphy moved approval of the Plan for New Trustee Orientation as amended (Exhibit 22). Mr. James A. Haslam, II, seconded, and the motion carried unanimously.
- 3. Approval of Bylaw Amendment for Use of a Consent Agenda.** Mr. Murphy moved approval of the Bylaw

Amendment for Use of a Consent Agenda as amended (Exhibit 23). Mr. D. Lynn Johnson seconded, and the motion carried unanimously by roll call vote.

Chair Stansberry requested an amendment to the agenda to entertain the consideration of the approval of a new Chair of the Audit Committee.

Mr. James A. Haslam, II, moved approval of the motion to add the agenda item. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

Approval of Chair of the Audit Committee. Mr. Murphy moved approval of the Audit Committee recommendation to appoint Waymon L. Hickman as Chair of the Audit Committee. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

G. REPORT OF THE KNOXVILLE ATHLETICS BOARD

Mr. Haslam presented the report of the Knoxville Athletics Board (Exhibit 24).

X. OTHER BUSINESS

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

XI. ADJOURNMENT

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

Catherine S. Mizell
Vice President, General Counsel and Secretary