

MINUTES OF THE WINTER MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

March 2, 2005

The winter meeting of the Board of Trustees of The University of Tennessee was held at 1:30 p.m., Wednesday, March 2, 2005, in the Chattanooga Room, University Center, Chattanooga.

I. CALL TO ORDER AND INVOCATION

Mr. Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order, and Dr. Don Klinefelter, UT Chattanooga Professor of Philosophy and Religion, gave the invocation.

II. ROLL CALL

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

Ms. Lauren Brannon
Mr. J. Steven Ennis
Commissioner Ken Givens
Mr. Waymon L. Hickman
Dr. Rhynette N. Hurd
Mr. Jerry L. Jackson
Mr. D. Lynn Johnson
Mrs. Andrea J. Loughry
Mr. R. Clayton McWhorter
Mr. James L. Murphy, III
Dr. John D. Petersen
Commissioner Lana Seivers
Mr. Karl A. Schledwitz
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Mr. John C. Thornton
Dr. Susan Vickerstaff
Mrs. Susan R. Williams
Mr. James L. A Bucky@ Wolford

The Secretary announced the presence of a quorum.

III. INTRODUCTIONS AND WELCOMING REMARKS

Dr. John Petersen introduced Mr. Hank Dye who will serve as the University's Vice President of Public Relations, Government Affairs and Communications effective April 1, 2005. He is a UT graduate and has most recently been principal in the public relations firm of Dye, Van Mol and Lawrence in Nashville.

Vice Chair Stansberry introduced Emeriti Trustees Tiffany Smith-Porter, Verbie Prevost and Martha Butterfield.

Mr. Stansberry welcomed and presented a Trustee pin to Mr. Karl A. Schledwitz, newly appointed Trustee from Memphis.

Mr. Stansberry introduced Mr. Spruell Driver, President of the National Alumni Association; Mr. Dan Marcum, President of the Development Council; Dr. Richard Rice, President of the Faculty Senate in Chattanooga; and Mr. James Armour, President of the Student Government Association in Chattanooga, each of whom made brief comments on the activities of their organizations.

IV. PRESIDENT'S REPORT

Dr. Petersen thanked Board members for their support. He said lottery scholarships have meant additional students at all UT campuses. Additional students represent challenges and pressures on the University, but those challenges must be addressed if Tennessee is to have an educated populace.

President Petersen stressed the significance of partnerships. Governor Bredesen has supported faculty hiring at the academy level as well as the construction of the third building of the joint institute buildings. Commitment for the third building was made when UT-Battelle took over the management of the Oak Ridge National Laboratory. The UT-Battelle partnership is important for the University and for the State of Tennessee. Dr. Petersen said laboratories like Oak Ridge go through annual reviews by the Department of Energy. The Oak Ridge Lab received an outstanding rating in its most recent review which is due in large part to the partnering of the UT-Battelle management team.

Dr. Petersen said another important partnership involves the UT Health Science Center, St. Jude's Children's Research Hospital, Vanderbilt Medical School, the Oak Ridge National Laboratory and UT Knoxville. The partnership involves a \$250 million Genomes to Life initiative from the Department of Energy.

Dr. Petersen said in difficult financial times the University is working to leverage its resources with those of its partners. He said the University must continue to cultivate partnerships with the private sector— from individuals, corporations and foundations – and leverage those with the state provided dollars in order to build the strategic initiatives that define excellence at each UT campus and institute. He stressed that each campus or institute needs to be selective in choosing unique endeavors in order to be first class.

President Petersen said a small incubation facility has been established in Knoxville from funding from a number of sources. The facility includes partners from the economic and community development segment of the state government, Knox County, the Tennessee Valley Authority, Knoxville Utility Board and The University of Tennessee. The partnership will allow the faculty to take their intellectual properties forward towards commercialism.

Dr. Petersen brought the Board up to date on the progress of searches for members of his senior administrative staff as well as the news from the campuses and institutes including the construction of a new \$22 million basic science facility for the UT Cancer Institute. Plans are moving forward on the \$42 million building for the College of Pharmacy which will hopefully be completed in 2008. A partnership at the Health Science Center is key in the protection of vital organs when an individual is hemorrhaging which sometimes happens in combat situations.

Dr. Petersen said UT Martin had record enrollment in the Spring 2005 semester. Applications at the Martin campus are up, and 91 percent of the students are receiving lottery scholarships. UTM's Colleges of Business and Public Affairs, Engineering and Education have been reaccredited.

President Petersen said ground will be broken soon for the expansion of the College of Veterinary Medicine providing more clinical space for the ever-increasing case load. Scientists at the

Institute of Agriculture have raised and released predator beetles to attack the hemlock wooly adelgid that has been devastating hemlocks in the Smoky Mountains.

Dr. Petersen said the Institute of Public Service continues its work with governments throughout the state.

Dr. Petersen said at UT Chattanooga construction has begun on a campus greenway to connect the Martin Luther King community and the campus to the Tennessee River Walk and the downtown river front development. UT Chattanooga awarded its first Ph.D. degree at its June commencement.

The Space Institute is invigorating its relationship with Arnold Engineering with a focus on materials science and aerospace engineering.

President Petersen said the Governor has proposed a new engineering building at Knoxville that has private funding to support it. The athletics administration building at Knoxville is nearing completion. An environmental symposium will be featured on the Knoxville campus with Senator Howard Baker, Vice President Al Gore and Environmental Protection Agency Chief William Ruckleshaus as guest speakers.

V. APPROVAL OF AWARDING AN HONORARY DEGREE FROM THE UNIVERSITY OF TENNESSEE TO THE HONORABLE HOWARD H. BAKER, JR.

Dr. John Petersen recommended that Knoxville award a Doctor of Humane Letters degree to the Honorable Howard H. Baker, Jr. at its May commencement (Exhibit 1).

Mr. James A. Haslam, II, moved approval of President Petersen's recommendation. Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

VI. APPROVAL OF MINUTES OF PRIOR MEETINGS

Dr. Rhynette N. Hurd moved approval of the minutes of the November 1, 2004 Executive and Compensation Committee

meeting, the November 10, 2004 Board of Trustees meeting and the January 14, 2005 Executive and Compensation Committee (Exhibit 2).

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

VII. NEW BUSINESS

A. Discussion of Enrollment Management Issues

Dr. Petersen said with the compression of institutional resources and the significant increase in enrollment brought about by the lottery scholarships, he, his staff and Board members have discussed the enrollment management dilemma that faces institutions of higher education. He said as a result, an expert in the field of enrollment management has been invited to offer his input. Dr. Petersen introduced Dr. Dolan Evonvich, Vice Provost for Enrollment Management, the University of Connecticut.

Dr. Evonvich said he would work through a hand-out (Exhibit 3) and would welcome questions and input from Trustees at all points in the presentation. He said enrollment management is a relatively new concept in higher education and relates to everything that impacts a student at a university.

He said the question of campus growth and appropriate student body size should be addressed. Growth questions impact the number of residence halls needed and the number and type of classrooms necessary to serve the student population on a given campus.

Dr. Evonvich asked Trustees to consider how new revenue could be generated if campus growth is not considered desirable. Governmental support, both Federal and state, appear flat at best. He said the question of student diversity should be evaluated for each campus. The campuses should also examine the ratio of in-state to out-of-state students to determine what is best for their particular situation.

Graduation and retention rates must be reviewed. Dr. Evonvich said discussions of the time frame necessary to graduate from undergraduate school are usually based on six years. A key component to the graduation rate is accessibility to required classes. Students must be able to get the classes they need. He said the University of Connecticut has redirected its graduation conversations to a four-year graduation plan. For those students who want to graduate in four years, the faculty and staff and Connecticut feel it is their obligation to assist them in doing so. Dr. Evonvich said knowing how an institution's graduation rate compares to those of its peers is important. He said the faculty and staff at Connecticut think it is a good investment for students to complete their educations in four years. It reduces student debt and allows students to get into the work force more quickly.

In response to a question from Mr. Lynn Johnson, Dr. Evonvich said recruitment is a key component in retention and graduation rates. He said an institution must have a process in place to identify prospective students early. Research has revealed that high achieving high school sophomores are making their college decisions in their sophomore year.

Mr. Jerry Jackson asked about the importance of international recruiting in the enrollment process. Dr. Evonvich said international and national recruiting are issues that should be evaluated by each institution. While a diverse student population is desirable, international recruiting is an expensive endeavor. Recruitment across the United States must be done over a period of time through the development of relationships with people in other areas, it is not something that is successful over night.

Use of institutional financial aid can shape the class. Dr. Evanovich said aid can be used to bring in better students, more diverse students or out-of-state students depending on the University's goals. Money available for aid from the endowment, from scholarships, from colleges and

departments and other sources can be layered to attract a certain category of students.

Dr. Evanovich said one of the questions facing universities revolves around the question of growing or not growing and how that choice relates to how the university's funding needs will be met. Funding sources – tuition and fees, state support and private philanthropy – should be reviewed to determine how the institution is using its resources and programs to achieve the maximum benefit.

B. CONSENT ITEMS

Mr. Stansberry said the consent agenda is a new part of the meeting format that came from the efforts to restructure Board meetings. It is designed to increase the efficiency of the time devoted by the Board. Each of the items on the consent agenda has been considered by the appropriate committees, and all have been recommended for approval through the consent agenda.

1. Proposal for a Program of Study Leading to the Degree of Bachelor of Science in Communications with a Major in Public Relations (UT Knoxville) (Exhibit 4).
2. Ratification of Acceptance of Gift of Real Property from UnumProvident (UTC) (Exhibit 5).
3. Approval to Grant an Easement to the Duck River Electric Membership Corporation (UTIA) (Exhibit 6).
4. Approval to Grant an Easement to the Glen Hills Utility District of Greene County, Tennessee (UTIA) (Exhibit 7)
5. Approval to Sell Gift Property at or above the Appraised Value (Exhibit 8).
6. Approval of Acquisition of Real Property by Gift from Memphis Bioworks Foundation for Site of Regional Biocontainment Laboratory (UTHSC) (Exhibit 9).

7. Approval of President=s Recommendation for Appointment to the University Health System Board of Directors (Exhibit 10).
8. Approval of Vice Chair=s Recommendation of Committee Appointments for New Trustee from Shelby County (Exhibit 11).
9. Approval of Vice Chair=s Recommendation for Appointment to the Audit Committee (Exhibit 12).

Mr. Stansberry asked if any member of the Board would like to have any item removed from the consent agenda for individual attention. No such request was made.

Mr. James A. Haslam, II, moved approval of the consent agenda. Mr. James L. Murphy, III, seconded, and the motion carried unanimously.

C. RECOMMENDATIONS OF THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

Chair Susan Williams said the Advancement and Public Affairs Committee received an update on administrative searches. She said the selection of a director of state relations will soon be completed. Mrs. Williams said the Advancement and Public Affairs Committee developed three goals. Those three goals have champions. Trustee Bucky Wolford will work with the other committee chairs to assist with communications needs they might have.

1. **Approval of Naming an Athletic Facilities at UT Knoxville.**
Mrs. Williams recommended for naming two facilities in Knoxville.

She said Board policy currently provides for naming facilities in recognition of an individual, the University has received a large pledge from a corporation in Knoxville. In order to name a facility for a corporation, the Board must approve an exception to current Board policy.

Mrs. Williams moved that the Board approve an exception to the Board policy to allow the soccer stadium to be named for the Regal Entertainment Group (Exhibit 13). The motion was seconded by Mr. D. Lynn Johnson, and the motion carried unanimously.

Mrs. Williams moved approval of the naming of the track and field stadium at The University of Tennessee, Knoxville for the LaPorte family of Elizabethton, Tennessee and Houston, Texas (Exhibit 14). Mr. J. Steven Ennis seconded, and the motion carried unanimously.

D. RECOMMENDATIONS OF THE ACADEMIC AFFAIRS AND STUDENT LIFE COMMITTEE

- 1. Increase in Pharmacy Class Size and Expansion of Pharmacy through Statewide Satellites.** Mrs. Andrea Loughry moved approval of the proposal to increase the size of the entering PharmD class incrementally from 125 to 200 by the fall of 2006 (Exhibit 15). Mr. D. Lynn Johnson seconded, and the motion carried unanimously.

E. RECOMMENDATIONS OF THE EXECUTIVE AND COMPENSATION COMMITTEE.

- 1. Approval of President's Recommendation for Appointment and Compensation of Vice President for Health Affairs and Chancellor of The University of Tennessee Health Science Center.** Mr. Stansberry said the Executive and Compensation approved Dr. Petersen's recommendation to elect Dr. William F. Owen, Jr., Vice President of Health Affairs and Chancellor of The University of Tennessee Health Science Center.

Dr. Petersen said following an extensive search, seven candidates were interviewed in Memphis. In January 2005, the search committee recommended four candidates for consideration. Dr. Petersen said after meeting with each of the four candidates, his recommendation is that Dr. Owen be elected as set out in Exhibit 16.

Mrs. Johnnie Amonette moved that Dr. William F. Owen, Jr., be elected Chancellor of The University of Tennessee Health Science Center and Vice President for Health Affairs with the compensation recommended by the Executive and Compensation Committee.

Dr. Rhynette Hurd seconded, and the motion carried unanimously.

Mr. Stansberry invited comments from Dr. Owen.

Dr. Owen thanked the Board for its vote of confidence. He said the goals he has for himself and the Health Science Center staff are attainable over the next five to ten years because all the necessary components to do so are in place. He said the Health Science Center will meet its mission of teaching the next generation of health scholars. Dr. Owen said he wants UTHSC to be the preferred recruiter and person of placement for its alumni in the various disciplines. He said he sees UTHSC as being excellent in terms of having faculty who are routinely

rewarded for their excellence in teaching and whose models are espoused and mimicked around the country. He said he also sees UTHSC as excellent in that searches for academy level position can be filled by outstanding candidates from the Health Science Center. Dr. Owen said intramural funding will rise from the top sixty to the top twenty. He said he will work to see that the faculty and external partners practice the future of medicine and that the future of medicine and health care delivery is delivered to the citizens of Tennessee. He hopes to see a work environment in which the faculty are entrepreneurial, where there is diversity, openness, and intellectual expressiveness.

E. RECOMMENDATIONS OF THE FINANCE AND ADMINISTRATION COMMITTEE

1. **Approval of FY 2005 Revised Budget.** Mr. William B. Stokely, III moved approval of the revisions to the original 2005 budget as presented in the FY 2004-2005 revised budget document (Exhibit 17) and as recommended and approved by the Finance and Administration Committee. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.
2. **Approval of Filing of Flight Operations Annual Report.** Mr. William B. Stokely, III, moved approval of the annual Flight Operations Report (Exhibit 18). Mr. James L. Murphy, III, seconded, and the motion carried unanimously.
3. **Approval of Gift of Fountain and Installation at 940 Cherokee Boulevard.** Mr. William B. Stokely, III, moved approval of the gift of a fountain from Dr. and Mrs. John Petersen and the installation of the fountain at 940 Cherokee Boulevard (Exhibit 19). Mr. Jerry L. Jackson seconded, and the motion carried unanimously.

F. RECOMMENDATIONS OF THE GOVERNANCE COMMITTEE.

1. **Approval of Bylaw Amendment Concerning Approval of Annual Operating Budget Request.** Mr. James L. Murphy, III, said the Governance Committee approved the Bylaw Amendment with a revision removing the word Aand@

from Article I, Section 2(e) (1) after the introductory word Approve. He moved approval of the Bylaw Amendment as amended by the Governance Committee (Exhibit 20). Dr. Rhynette N. Hurd seconded, and the motion carried unanimously by roll call vote.

2. **Approval of Statement of Qualifications and Core Competencies for Membership on the Board of Trustees.** Mr. Murphy said the Governance Task Force recommended that the Board adopt a Statement of Qualifications and Core Competencies for membership on the Board and transmit them to the Governor for his use in selecting future Trustees. Mr. Murphy moved approval of the Statement of Qualifications and Core Competencies for Membership on the Board of Trustees (Exhibit 21). Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

Mr. Murphy said the only other item discussed by the Governance Committee was the recommendation from the Comptroller that the relationship between the UT Board of Trustees and the UT Foundation be reviewed. He said a subcommittee will be appointed to review and make a full report to the Board at the June Board meeting.

- H. **REPORT OF THE AUDIT COMMITTEE.** Mr. Hickman called attention to the Audit Committee minutes (Exhibit 22). He acknowledged the addition of Dr. Rhynette Hurd to the Audit Committee, and said he looks forward to receiving her ideas and input. Mr. Hickman said the Tennessee Higher Education Accountability Act requires the University to notify all employees and students of the method that should be used to report suspected fraud. Mr. Hickman said Dr. Petersen sent out letters containing the guidelines for reporting fraud, and three reports have been received. He called the Board's attention to the Audit Plan (Exhibit 23) contained in their materials. He complimented Mr. Mark Paganelli on his commitment and dedication to his job.

- I. **REPORT OF THE OUTREACH COMMITTEE.** Mr. Thornton said the Committee met earlier in the day and heard a

presentation regarding an Upper Cumberland Economic Development Initiative (Exhibit 24). He said Dr. Fred Tompkins gave a presentation on leveraging intellectual property to promote economic development for start up companies. Mr. Thornton said the royalties coming to the University are small at this point, but the University is poised to increase the royalties significantly. He said the SimCenter, where the Committee held its morning meeting, is the best of its kind in the world. Mr. Thornton said 21 students are involved in the SimCenter, 15 working towards a Ph.D. degree and 6 towards a Master's degree. The Center has the capacity to handle 40 students.

J. REPORT OF THE UTC CHANCELLOR'S ADVISORY COUNCIL.

Mr. Thornton said freshman enrollment at UT Chattanooga is up sixteen percent. He said the cap on increased enrollment at UT Chattanooga has been lifted allowing the campus to grow to its capacity and receive state support. African-American applications are up nine percent.

Mr. Thornton thanked Dr. Fred Obear for his service as Interim Chancellor of UT Chattanooga. He said the Chancellor's Search Committee presently has fourteen candidates. The number will be reduced to six or eight candidates during an afternoon meeting.

K. REPORT OF THE ATHLETICS BOARDS. Mr. Thornton said UT Chattanooga was ranked 81st in all time basketball programs by Street and Smith. He said the men's basketball team is number one in its division of the Southern Conference. The UTC women's basketball team has won six straight Southern Conference regular season championships, and the softball team has won eight of the last nine regular season championships. He said while the football program is not doing as well as the other teams, the last two football recruiting seasons should translate into a better season this fall for them.

Mr. Jim Haslam said in men's athletics in Knoxville, Coach Fulmer had an outstanding recruiting class that is ranked between from one and three in the nation. The men's basketball team, baseball team and swimming teams have

good records as do the tennis, golf and track teams. Four of six Lady Vols sports teams won SEC titles. Coach Pat Summitt is in line to break Dean Smith's all time winning record in the second round of the NCAA basketball tournament. Mr. Haslam said academic integrity is often discussed in conjunction with athletics. The academic progress rate for athletics programs is determined based on factors related to each student athlete's participation in their sport and in the classroom. An overall ranking of 925 must be achieved to teams eligible to play. UT's score is 944 while the average for NCAA schools is 938. Mr. Haslam said athletic fundraising is strong, and the construction of athletics facilities is on track.

Vice Chair Stansberry took the opportunity to recognize Mr. Clayton McWhorter who will be retiring from service on the Board at the end of May. Mr. McWhorter asked that he not be reappointed. Mr. Stansberry recognized Mr. McWhorter for his leadership particularly in a most difficult period. He personally thanked him for the mentoring he provided as Mr. Stansberry assumed the role as Vice Chair of the Board. He asked that the recognition of Mr. McWhorter's extraordinary leadership be placed in the official record.

VIII. OTHER BUSINESS

- A. FUTURE MEETINGS.** Mr. Stansberry noted that the Executive and Compensation Committee will meet April 29 in Nashville. The next meeting of the Board will be the annual meeting to be held in Knoxville on June 22-23. The fall meeting of the Board of Trustees will be held October 27-28 in Knoxville.

IX. ADJOURNMENT

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

Catherine S. Mizell

Vice President, General Counsel and Secretary