

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

October 9, 2009

The Fall Meeting of the Board of Trustees of The University of Tennessee was held at 1:30 p.m. EDT, Friday, October 9, 2009 in the Hollingsworth Auditorium, Ellington Plant Science Building, The University of Tennessee, Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Vice Chair James L. Murphy called the meeting to order. Reverend Chuck Lester gave the invocation.

II. ROLL CALL

Secretary Catherine Mizell 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
Karen C. Johnson
Andrea J. Loughry
James L. Murphy, III
Verbie L. Prevost
Richard G. Rhoda
Karl A. Schledwitz
Jan F. Simek
Don C. Stansberry
Robert S. Talbott
Betty Ann Tanner
Sumeet S. Vaikunth
Timothy K. Webb
Charles E. Wharton

The Secretary announced the presence of a quorum. Governor Bredesen, and Commissioner Givens were absent due to other commitments. Members of the administration, faculty, staff, and media were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. INTRODUCTIONS

The Vice Chair recognized and welcomed Emeriti Trustees in attendance--John Schommer, Anna York, and Candace White. The Vice Chair also welcomed Commissioner Webb, attending his first full Board meeting, and presented him with a Trustee pin. He then welcomed newly appointed Non-voting Faculty Trustee Karen C. Johnson, a professor and vice chair of the Department of Preventative Medicine at the UT Health Science Center in Memphis, and Non-voting Student Trustee Sumeet S. Vaikunth, a student in the College of Medicine. He presented each of the newly appointed Trustees with a Trustee pin.

IV. APPROVAL OF MINUTES OF PRIOR MEETINGS

Trustee Forrest moved approval of the minutes of the June 17, 2009 meeting of the Board of Trustees as presented in the meeting materials. Trustee Talbott seconded the motion, and the motion carried unanimously.

V. ADOPTION OF HONORARY RESOLUTIONS

The Vice Chair recognized Dr. Simek to present a Resolution honoring Dr. Herschel (Pat) Wall for his service as Chancellor of the UT Health Science Center (Exhibit 1). Dr. Simek expressed his appreciation to Dr. Wall for his service as Interim Chancellor and Chancellor for the past two and a half years and his lengthy and distinguished service to the University. He then recited the Resolution included with the meeting materials. Trustee Cates moved adoption of the Resolution, Trustee Hagler seconded the motion, and the motion carried unanimously.

Accepting the Resolution, Dr. Wall expressed his appreciation for the opportunity to serve this great University for such a long time and stated that he and his wife Jean look forward to continued service to the University. He added that he appreciated the way Dr. Simek has handled with grace and thoughtfulness this transition and stated that he looks forward to working with Interim Chancellor Schwab.

Trustee Cates noted that Dr. Wall has made critical contributions to the UT Health Science Center, including assisting in raising millions of dollars for UTHSC, reconnecting UTHSC with the community, and initiating or reinvigorating relationships with peer institutions, specifically with St. Jude's with the assistance of UT alumnus Dr. Bill Evans. Trustee Cates also remarked that the West Tennessee community is

grateful to Dr. Wall and grateful that he is staying connected to continue his service to UTHSC.

The Vice Chair then noted that Dr. Schommer was not able to attend the June Board meeting to make farewell remarks when the Board adopted a Resolution honoring his service as Faculty Trustee. He invited Dr. Schommer to make remarks to the Board.

Dr. Schommer discussed his positive experiences and insight from serving on the UT Martin Faculty Senate and the UT Faculty Council, attending UT Leadership Institute, and serving on the Board of Trustees. He thanked the Trustees for their sincere commitment to the University and stated that it has been an honor to serve with them.

VI. TRUSTEE LIFETIME LEADERSHIP OF THE UNIVERSITY OF TENNESSEE AWARD

Vice Chair Murphy stated that he began discussing the possibility of a Lifetime Leadership Award several weeks ago with Henry Nemcik, Vice President for Development and Alumni Affairs. The award would honor an individual who has made an outstanding contribution to advancing the purpose, vision, sense of community, generosity of spirit, pride and traditions of The University of Tennessee. He stated that Mr. Nemcik spoke with members of Board about presenting this inaugural award to Dr. Ed Boling. Vice Chair Murphy stated that the Development Council meeting last week was the best time to present the award to Dr. Boling, and the award was presented to Dr. Boling last week with the understanding that Board would approve the award at this meeting. The Vice Chair asked the Trusteeship Committee to study the name and the criteria for this very special award and present recommendations to the Board at the Winter Meeting. He added that Dr. Boling is someone who without question has devoted his life to the betterment of the University.

The Vice Chair recognized Trustee Loughry for a motion. Trustee Loughry stated that it was with great honor that she presented the award to Dr. Boling last week on behalf of the Board. She moved that the Board approve awarding the inaugural Trustee Lifetime Leadership award to Dr. Edward J. Boling. Trustee Driver seconded the motion, and the motion carried unanimously.

Unfortunately, Dr. Boling was not able to attend the meeting, but the Trustees were able to view an outstanding video presentation about Dr. Boling and his outstanding service to the University. Vice Chair Murphy reported that Dr. Boling was very touched upon receipt of the award. He commended the producers of the video for capturing the spirit of Dr. Boling and his wife Carolyn and their commitment to the University.

VII. UT KNOXVILLE SHOWCASE-GOVERNOR'S CHAIRS

The Vice Chair recognized Chancellor Jimmy Cheek to introduce the Knoxville campus presentation on the Governor's Chair program.

Dr. Cheek began by noting that this is a unique program funded by the State of Tennessee and Oak Ridge National Laboratory for the purpose of attracting top scientists to broaden and enhance the unique research partnership between the University and ORNL. Currently, there are seven Governor's Chairs, and six are at UT Knoxville. He described the unprecedented growth this year in the Governor's Chair program, with five leading scientists recruited this year.

Dr. Cheek then introduced two of Governor's Chairs, Dr. Howard Hall, a nuclear chemist and expert in preventing and responding to nuclear terrorism, and Dr. Yilu Liu, an expert in the technologies used to monitor power grids and a researcher in ways to create the next generation "smart grid." Dr. Cheek noted that in addition to being a superb scientist, Dr. Liu is an outstanding teacher of undergraduate and graduate students. He noted that Dr. Hall has been described as the number one "dirty bomb" expert in the world. Dr. Liu and Dr. Hall each presented a summary of their research activities.

VIII. PRESIDENT'S REPORT

The Vice Chair called on Dr. Simek for his report. Dr. Simek stated that his report would focus primarily on matters discussed at the August 25th workshop. He began, however, by stating that despite all the challenges, UT is today the best university it has ever been, as exemplified by the two outstanding presentations by the Governor's Chairs. He added that the University has the largest and best student enrollments it has ever had and the best faculty it has ever had. He then briefly discussed his thoughts on the ongoing discussions about reorganization of higher education in Tennessee, noting that he will continue to push for high standards for graduation rates at higher education institutions across the state. He noted that he believes one of the outcomes of a performance funding model will be more college graduates across the state.

He then briefly discussed the budget and the proactive and collective efforts being made across the University to address budget cuts expected in the future. He noted that the administration has been working to minimize the impact of cuts, but that attention now must turn to ways of generating new revenues. He stated that the University will face a severe problem very quickly; faculty and staff have not had a pay raise in three years. He stated that he believes that due to the economy, the University has not been raided for the best faculty and staff. He noted, however, that other states will come out of this recession before Tennessee does, and the University needs to be prepared for that and plan for salary increases, to protect the most susceptible staff and to do something for the lowest paid employees.

Turning to action items from the August workshop, Dr. Simek noted that the conversation focused on the relationship between the system administration and the component units of the University. In anticipation of the workshop, he had asked the Chancellors to confer with their staff and come to the meeting with perspectives and ideas for discussion. Dr. Simek stated he was pleased to note that there was overall consensus about the relationship between the system administration and the campuses: the campuses should have autonomy and day-to-day decision making responsibility.

Addressing one campus concern, it was agreed that campuses need sufficient timelines and lead time regarding system administration requests for budget information. Another question raised by the campuses concerned responsibility for setting the strategic plan. The consensus was that the Trustees, with the President and Chancellors, devise a simple and measurable plan that recognizes campus distinctiveness. Although campus distinctiveness may require distinctive measures, greater emphasis will be placed on consistency of data.

Concerning campus involvement with the capital projects process, the consensus was that there would be system administration oversight with Board, THEC, and state; campus authority and involvement in the construction phase; and improved communication between the system administration and campuses. He noted that Chancellors argue they have inadequate input in the prioritizing of capital projects and budget. He stated that the system administration will consult frequently with the campuses and will make sure the priorities are collective priorities.

Concerning purchasing procedures, there was consensus that they are time consuming and cumbersome, and the process should be streamlined and transferred to the campuses.

There was also consensus that the system administration should promote interaction between the campuses in key areas, such as student affairs, research, and purchasing, as well as identify other areas for collaboration opportunities. He added that there was a suggestion of competitions among the campuses to suggest innovative ideas.

Concerning the need for consistent, accurate, and comparable data, Dr. Simek stated that the administration has put together a working group to develop that on a fast track. He stated that he believes the Banner Student Management System will help significantly in this regard.

Concerning lack of succession planning and leadership development, the consensus was to develop a formal process to identify and develop leadership candidates.

Concerning relocation of the system administration away from the Knoxville campus, the consensus was to look for space in Knoxville after a review of costs. Dr. Simek stated that the administration will present a proposal at a future Board meeting.

Concerning the legislative agenda for the University, there was consensus that the University should broaden its approach and include increased opportunities for campus leadership to meet with legislators. This process was started last year and was quite successful, and Dr. Simek stated that we will continue to move forward with it. The system administration will develop communication to ensure consistency but added that he believes the legislature appreciates the view of those closest to what the University does, the students, faculty and campus leadership.

Concerning the appropriate title for the chief executive officer of the System, Dr. Simek noted that as the organization is restructured, titles will be reviewed.

He concluded his remarks concerning the workshop by stating that he found it to be a remarkably productive exercise resulting in much consensus on many issues.

Turning to other matters, Dr. Simek stated that at the last Board meeting he was charged with looking at a pilot program for reduced-cost admission for out of state students in graduate programs at UTC. He stated that UTC administration has provided financial data, capacity data, and a rationale. The rationale included all of the graduate programs rather than the two or three discussed previously. He stated that he agrees with expanding the pilot program to all graduate programs, because doing so only adds a small number of additional students, and it would cost more to market limited programs than all programs. He stated that there is significant capacity available to grow these programs. He noted that the one thing that he has asked of UTC is accountability, noting that his concern is that UTC improves as it carries out this program. He stated that he appreciates the need to provide access but wants to see how this program makes UTC. He reported that Chancellor Brown agrees, and at the 2010 October meeting, UTC will bring documentation of the effectiveness of the program, that it has cost UTC nothing, and that UTC has a higher quality graduate student body than today.

Dr. Simek then added his personal thanks to Dr. Wall for his service as Chancellor. He stated that he truly values Dr. Wall's integrity and sincere concern for the institution. He noted that Dr. Steve Schwab will step in as Interim Chancellor, and a search for a new Chancellor for UTHSC will begin shortly.

Dr. Simek next discussed the presidential search, noting that the Trustees charged him at the workshop to continue with the administrative restructuring so that when a job description for the presidency is proposed, there will be no loose ends yet to be

determined. He stated that he is continuing to do that and anticipates that a presidential search could begin in the spring or early summer.

Trustee Wharton stated that, with respect to searches for any of the senior-level positions, he would like to see that the search committees also look strongly at internal candidates. He added that external consultants may feel the need to justify their fee by doing national searches for outside candidates.

Trustee Loughry requested a list of the workshop action items.

IX. ACTION ITEM FROM THE EXECUTIVE AND COMPENSATION COMMITTEE-AMENDMENT TO UNIVERSITY OF HEALTH SYSTEM INC. CHARTER

The Vice Chair recognized Dr. Simek to discuss the next item of business, Amendment to University Health System Inc. Charter (Exhibit 2). Dr. Simek stated that University Health System, Inc., (UHS) is the 501(c)(3) non-profit corporation created in 1998 to manage and operate The University of Tennessee Medical Center in Knoxville. The UHS Charter, approved by the University's Board of Trustees in 1999 and amended in 2007 with the approval of the Board of Trustees, provides for the following UT members on the 15-member UHS Board of Directors: the President of the University, or designee, the Chancellor of UTHSC, or designee, and the Vice President for Business and Finance. He stated that the UHS Board of Directors has approved an amendment to the UHS Charter deleting "The Vice President for Business and Finance of The University of Tennessee" as a UT member and substituting "The Chancellor of the University of Tennessee, Knoxville, or such other member of the President's Staff of The University of Tennessee as may be designated by the President of The University of Tennessee."

Dr. Simek explained that the Vice President for Business and Finance was designated initially due to the complexities of the lease arrangements. Dr. Simek stated that because the lease has been in place for some time and the relationship is working well, he is recommending that the Chancellor of the UT Knoxville serve on the Board due to the **UT** Knoxville student presence at the **UT** Medical Center. He added that the Executive and Compensation Committee approved this proposal at its September 10 meeting and recommended Board approval.

Trustee Talbott moved approval of the Amendment to the UHS Charter as presented at this meeting. Trustee Loughry seconded the motion, and the motion carried unanimously.

X. ACTION ITEMS FROM THE TRUSTEESHIP COMMITTEE

The Vice Chair recognized Trustee Loughry, Chair of the Trusteeship Committee, to discuss action items from the September 10, 2009 committee meeting. Trustee Loughry reported on the committee's discussion of a proposed Bylaw amendment concerning titles of certain elected University Officers (Exhibit 3). She stated that the proposed Bylaw amendments are necessary to conform the titles of certain elected University Officers with the system administration reorganization approved by the Board on June 17, 2009. At its meeting on September 10, 2009, the Trusteeship Committee approved the proposed amendments for recommendation to the full Board.

The Vice Chair called for a motion. Trustee Loughry moved approval of the proposed Bylaw amendment concerning the titles of certain elected University Officers. Trustee Stansberry seconded the motion. The Vice Chair called for a roll call, and the motion unanimously carried.

Trustee Loughry stated that the next action item from the committee meeting is a Bylaw Amendment Concerning a Health Affairs Advisory Board (Exhibit4). She called on Vice Chair Murphy to discuss the item. He stated that this item is proposed in keeping with a recommendation of the EGG Management Consultants' Final Report of its assessment of the UT Medical Group, and in keeping with the endorsement of the Executive and Compensation Committee and the Audit Committee of the Board. He stated that the proposed Bylaw amendment directs the Vice Chair of the Board to appoint a Health Affairs Advisory Board to serve in an advisory capacity to the President and the UTHSC Chancellor in the oversight and management of UTHSC, including its relationship with the UT Medical Group and other affiliated entities.

Trustee Loughry stated that on September 10, 2009, the Trusteeship Committee approved the proposed amendment for recommendation to the full Board. The Vice Chair called for a motion. Trustee Loughry moved approval of the proposed Bylaw Amendment Concerning a Health Affairs Advisory Board. Trustee Carroll seconded the motion. The Vice Chair called for a roll call vote, and the motion carried unanimously.

Trustee Loughry stated that the next action item from the committee meeting was the approval of an Amendment of the Code of Ethics for Appointed Trustees (Exhibit 5). She called on Ms. Mizell to discuss the item. She noted that a recent question from a Trustee has pointed out the need to provide greater clarity in the Code of Ethics for Appointed Trustees concerning letters of recommendation for relatives seeking employment with the University. She discussed her research and review of statutory language. She stated that the proposed amendment of the Code of Ethics makes it clear that letters of recommendation and other actions in aid of a relative seeking employment with the University are prohibited under Article II, Section 2, of the Code even though routine letters of recommendation for non-relatives seeking employment

with the University are allowed under Article II, Section 3. Trustee Blackburn asked Ms. Mizell to define the scope of the University, for example would this include University Health System, Inc., the Biofuels Initiative, the Solar Farm, and ORNL. Ms. Mizell explained that the provision arguably applies only with respect to the University itself as a legal entity. University Health System, Inc., for example, is a separate legal entity. She noted, however, that in all cases, it would be best for Trustees to consult with the General Counsel before taking action in aid of a relative seeking employment with an entity closely related to the University.

Trustee Loughry stated that the Trusteeship Committee approved the amendment for recommendation to the full Board. Trustee Loughry moved approval of the proposed amendment to the Code of Ethics for Appointed Trustees. Trustee Driver seconded the motion, and the motion carried unanimously.

XI. CONSENT ITEMS

The Vice Chair reminded the Trustees that each Trustee may attend any Board committee meeting, and most Trustees do attend all committee meetings held in conjunction with a full Board meeting. He noted that each item on the consent agenda was reviewed fully by the appropriate committee. Except as noted below, all items were recommended by the committees for approval as consent items.

The Vice Chair stated that the Finance and Administration Committee recommended that Item L.a., concerning sale of the 940 Cherokee residence, be removed from the consent agenda. In addition, two items were added to the agenda in the Finance and Administration Committee, one of which would be added to the consent agenda. The Vice Chair called for a motion to add the first new item, UTK KUB Easement (Sanitary Sewer Utility), to the Board agenda and to the consent agenda as item M. Trustee Wharton moved that the item be added to the Board agenda and consent agenda. Trustee Talbott seconded the motion, and the motion carried unanimously. The Vice Chair stated that the second new item is a proposal regarding the acquisition of land for the West Tennessee Solar Farm. Trustee Talbott moved that the item be added to the Board agenda. Trustee Wharton seconded the motion, and the motion carried unanimously.

The Vice Chair then asked for any other requests to remove items from the consent agenda. There being none, the following items were submitted for approval by unanimous consent:

- A. Annual Report to the General Assembly (Exhibit 6)
- B. Naming of the Civil, Environmental, and Industrial Engineering Building at UT Knoxville (Exhibit 7)

- C. Revision of UTC Graduate Admission Requirements (Exhibit 8)
- D. Closure of Memphis Location of UT Knoxville M.S.W. Program (Exhibit 9)
- E. Revision of Board of Trustees Policy Statement on Travel (Exhibit 10)
- F. Annual Flight Operations Report (Exhibit 11)
- G. FY 2010-11 Operating Budget Appropriations Request (Exhibit 12)
- H. FY 2010-11 Capital Outlay and Capital Maintenance Projects (Exhibit 13)
- I. FY 2010-11 Revenue/Institutionally Funded Projects (Exhibit 14)
- J. Cherokee Farm Campus Development Guidelines (Exhibit 15)
- K. Real Property Transactions (Exhibit 16)
 - a. Withdrawn from consent agenda
 - b. UTK- KUB Easement
 - c. UTIA- Columbia Water and Power system Easement
 - d. UTIA- Acquisition of Property
- L. UTK- KUB Easement (Sanitary Sewer Utility) (Exhibit 17)

The Vice Chair asked for a motion to approve the consent agenda. Trustee Stansberry moved approval of the consent agenda. Trustee Loughry seconded the motion, and the motion carried unanimously.

Proposal to Sell Residence, 940 Cherokee Boulevard, Knoxville

The Vice Chair called on Trustee Talbott, Chair of the Finance and Administration Committee, to make a report on the proposal to sell the residence at 940 Cherokee Boulevard (Exhibit 18). Trustee Talbott stated that after the discussion at the committee meeting, it was decided to bring the item to the full Board for the full Board for discussion. He added that the committee voted to approve the sale at a price of no less than \$4 million. He stated that after the meeting, it was brought to his attention that \$4 million may be too low, and he would like the Board to discuss that number. Trustee Talbott stated that he has heard from a realtor who knows the Knoxville market and whom he respects that the minimum should be \$5 million. Trustee Talbott

moved approval that the residence be sold so long as the sale price is not less than \$5 million.

Trustee Cates noted that by agreeing to sell with the appraised value as a minimum sale price, the Board maintains flexibility because the property does not have to be sold at the appraised value. Trustee Talbott responded that he is concerned that appraisals in this market may be too low and not reliable. He added that if a \$5 million minimum is set, an offer can always be brought to the Board to determine if the Board would approve a sale for less than \$5 million.

Trustee Wharton expressed concern that approving a minimum might act as a target for the price offered. He then expressed his overall concern about selling the residence. He discussed rationale for keeping the residence, notably as a place for development and fund raising activities. Trustee Horne asked that additional information be considered, specifically recommending that Dr. Johnson and Dr. Boling, who used the property, be consulted about the use of the residence for private fund raising. He stated that he thought any president would be more likely to have private dinners if not required to use his or her private home. He stated that he also agreed with Trustee Talbott that the appraisals are too low. Trustee Hall stated his opinion that the proceeds from sale of the residence could be well used by the University, with a portion of them set aside for a location for the system administration. He stated that parking for the residence is problematic, and it does not have an identity with the campus. Trustee Stansberry stated that he does not find that public housing assists in hiring the president the University. Trustee Talbott stated that he believes \$180,000 a year being spent on maintenance of the residence each year is not reasonable for the University. Trustee Forrest stated that the residence is essentially a zero dollar investment that has returned potentially \$5 million and could continue to appreciate. He also expressed the view that some of the most troublesome issues with the residence were not with the house but rather with the occupants. Henry Nemcik, Vice President for Development and Alumni Affairs, stated that it would be UT Knoxville that would get the most use of the residence, not the system, and stated that overall he felt the house was not necessary to his fund raising efforts. Trustee Hagler stated that she agreed with Trustee Cates that flexibility should be maintained. Trustee Schledwitz stated that after studying all of the issues and the trend away from housing, he agrees with selling the residence, but he also agrees with Trustee Hagler and does not want to set a minimum above the appraised value. He added that he does not believe the Board is qualified to make that determination and to do so could be viewed as micromanaging. Trustee Schledwitz moved to amend Trustee Talbott's motion to eliminate the \$5 million minimum and require Board or Executive and Compensation Committee approval before acceptance of an offer to sell the residence. Trustee Loughry seconded the motion, and it was carried. The Vice Chair next asked for a vote on Trustee Talbott's motion, as amended, to sell the house, in compliance with state processes and with approval of the sale price by the Board or Executive and Compensation Committee. Trustee Hall seconded the motion, and it was carried.

Trustee Horne, Trustee Wharton, and Trustee Forrest voted no.

Acquisition of Land for West Tennessee Solar Farm

Vice Chair Murphy stated that he would abstain from voting on the next item of business, acquisition of land for West Tennessee Solar Farm (Exhibit 19), because his firm represents Haywood County, which holds the option on the property. Trustee Schledwitz moved approval of the acquisition of land for the West Tennessee Solar Farm as presented at the meeting. Trustee Hagler seconded the motion, and the motion carried unanimously, with Vice Chair Murphy abstaining.

XV. OTHER BUSINESS

The Vice Chair stated that no other business had been brought to his attention.

XVI. ANNOUNCEMENTS

The Vice Chair made the following announcements:

Audit Committee will meet October 29, 2009 in Chattanooga.

Trusteeship Committee will meet in Nashville on November 12, 2009.

Winter meeting of the Board is schedule for February 25-26, 2010 in Martin.

Annual meeting will be June 23-24, 2010 in Knoxville.

Fall meeting will be October 21-22, 2010 in Knoxville.

The Vice Chair also noted that there will be another workshop in 2010, most likely in late summer.

XVII. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary