

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

October 24, 2008

The Fall Meeting of the Board of Trustees of The University of Tennessee was held at 1:15 p.m. EDT, Friday, October 24, 2008 in the Hollingsworth Auditorium, Ellington Plant Science Building, at the Institute of Agriculture in Knoxville.

I. CALL TO ORDER AND INVOCATION

In Vice Chair James L. Murphy's absence, Mrs. Andrea J. Loughry, served as Chair Pro Tempore and called the meeting to order. Reverend Tim Kobler from the Wesley Foundation at UT Knoxville gave the invocation.

II. ROLL CALL

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

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

The Secretary announced the presence of a quorum. She stated that Vice Chair of the Board Jim Murphy was absent due to illness. Governor Bredesen, Commissioner

Webb, and Commissioner Givens were unable to attend the meeting due to other commitments.

III. INTRODUCTIONS

The Chair stated that she would like to thank Doug and Brenda Horne once again for their generous contribution to the special reception and dinner for the Retiring Trustees and Emeritus Trustees. She thanked Interim Chancellor Jan Simek for arranging the entertainment, and also Lofton Stuart and the Alumni Association for hosting Wednesday evening's reception for the Trustees following the workshop.

The Chair welcomed Emeriti Trustees Barbara Castleman, Rhynette Hurd, Jerry Jackson, Waymon Hickman, Jim Haslam and Emeritus President Ed Boling, all of whom were in attendance.

The Chair next recognized the newly appointed Trustees: Mr. Tyler S. Forrest (non-voting student Trustee), Mr. John N. Foy (Hamilton County), Mr. Crawford Gallimore (Weakley County), Ms. Monice Moore Hagler (Shelby County), Dr. Verbie Prevost (non-voting faculty Trustee), and Mrs. Betty Ann Tanner (8th Congressional District). She welcomed the new Trustees on behalf of the Board and presented each with a Trustee lapel pin.

IV. APPROVAL OF MINUTES OF PRIOR MEETINGS

Ms. Blackburn moved approval of the minutes of the June 20, 2008 meeting of the Board of Trustees as presented at the meeting. Mr. Stansberry seconded the motion, and it carried unanimously.

V. NAMING OF BUILDINGS AT UT KNOXVILLE

The Chair stated that with the concurrence of Mr. Cates, Chair of the Advancement and Public Affairs Committee, the next items of business, the Naming of Buildings at UT Knoxville, were designated for action at the full Board meeting without a recommendation by the committee.

A. Naming of the New Music Building and the New Business Building

Dr. Petersen presented his recommendation for the naming of the new music building and the new business building at UT Knoxville (Exhibit 1). Dr. Petersen stated that Jim and Natalie Haslam have been tremendous advocates for the University, and their service, leadership, and generosity have had an incredible impact on the entire University. He stated that Jim and Natalie have served in numerous leadership roles

and currently serve as the co-chairs of the Campaign for Tennessee. In addition to their service, their family has committed nearly \$50 million to the University of Tennessee during this campaign. On behalf of the School of Music and the College of Arts and Sciences, Dr. Petersen recommended approval to name the new music building the "Natalie Leach Haslam Music Center." On behalf of the College of Business Administration, he recommended approval to name the new business building the "James A. Halsam II Business Building." Dr. Petersen noted that the naming recommendations meet the requirements set forth in the Board's Policy on the Naming of Facilities.

Mr. Stansberry moved approval of the naming of the new music building as the "Natalie Leach Haslam Music Center" and the naming of the new business building as the "James A. Haslam II Business Building." Mr. Anderson seconded the motion, and it carried unanimously.

B. Naming of the Anthropology Building

On behalf of the Department of Anthropology and the College of Arts and Sciences, Dr. Petersen recommended that the new anthropology building be named the "Dr. William M. Bass Anthropology Center" (Exhibit 2). He stated that Dr. Bass is the founder of the internationally-renowned Forensic Anthropology Research Facility (the Body Farm) and has committed \$250,000 toward the construction of the building. He stated that Jimmy and Dee Haslam, in recognition of Dr. Bass' dedication to forensic anthropology and his service to the University, have committed the balance needed (\$750,000) to make this research facility a reality. He noted that the naming recommendation meets the requirements set forth in the Board's Policy on the Naming of Facilities.

Mr. Talbott moved approval of the naming of the new anthropology building as the "Dr. William M. Bass Anthropology Center." Mr. Carroll seconded the motion, and it carried unanimously.

The Board offered a standing ovation to Mr. and Mrs. Haslam and Dr. and Mrs. Bass. Mr. Haslam and Dr. Bass offered their sincere appreciation to the Board and the University, and expressed their enthusiasm for the University's future success.

VI. ADOPTION OF HONORARY RESOLUTIONS

Mr. Hall stated that he was honored to read the Resolution prepared for Mr. Bucky Wolford. He presented and moved approval of the Resolution recognizing and thanking Mr. Wolford for his many contributions to The University of Tennessee during his tenure as a Trustee (Exhibit 3). Mr. Foy seconded, and the motion carried unanimously.

Mr. Stansberry stated that it was a special privilege to be asked to present the Resolution honoring Dr. Rhynette Hurd. He recited and moved approval of the Resolution prepared for Dr. Hurd recognizing and thanking her for her service and many contributions to The University of Tennessee during her tenure as Trustee (Exhibit 4). Ms. Blackburn seconded, and the motion carried unanimously.

Present to accept the Resolution, Dr. Hurd stated that she was truly honored to serve the University as a Trustee for eight years. She discussed the incredible growth of the University during the course of her service on the Board and the merit and commitment of the faculty. She thanked the administrators and staff for their support and the Board for their counsel and service to the University.

Dr. Rakes stated that he was honored to present the Resolutions for Mrs. Barbara Castleman and Mr. Jerry Jackson. He recited and moved approval of the Resolution prepared for Mrs. Barbara Castleman recognizing and thanking her for her service and many contributions to The University of Tennessee during her tenure as Trustee (Exhibit 5). Mr. Gallimore moved approval of the Resolution honoring Mrs. Castleman. Mr. Foy seconded the motion, and the motion carried unanimously.

Addressing the Board, Mrs. Castleman stated that she was truly grateful for the wonderful experience of serving the University as a Trustee. She stated that she and Bennie would continue to serve the University in other capacities in the future.

Dr. Rakes recited and moved approval of the Resolution prepared for Mr. Jerry Jackson recognizing and thanking him for his service and many contributions to The University of Tennessee during his tenure as Trustee (Exhibit 6). Mr. Stansberry moved approval of the Resolution honoring Mr. Jackson. Mr. Schledwitz seconded the motion, and the motion carried unanimously.

Accepting the Resolution, Mr. Jackson stated that he was honored by the recognition, noting that it had been his privilege to serve the University as a Trustee for 12 years. He stated that he was disheartened by the budget situation and decrease of funding from the state. He hoped that the state would keep in mind the importance of higher education for its people and recognize the progress the University has made, with the increase in scholarships and excellent qualifications of the incoming students, and allow the University to provide these students a first rate education.

VII. PRESIDENT'S REPORT AND REPORT ON STRATEGIC PLAN AND SCORECARD

The Chair recognized Dr. Petersen for his report. Dr. Petersen stated that he appreciated the service of each of the retiring Trustees and thanked them for their

counsel and guidance. He began his report by discussing his annual campus tour. He stated that he spent a day on each campus and was able to interact with faculty and students, and meet with community leaders, legislators and Trustees. He stated that the tour provided him an opportunity to take the pulse of each campus and connect with the leadership in that community. He reported that the last meeting was in Kingsport, and the community was very excited about the involvement of UT with their higher education initiative. He discussed his meetings with employees across the state and stated that he was able to attend the annual meeting of the Institute of Public Service in Chattanooga and visited employees of several different units located in Nashville. While in Nashville he had dinner with the Governor and was able to share some concerns and discuss opportunities important to the University. He stated that at each stop throughout the University, he heard enthusiasm about the University, opportunities available to it, and the University's ability to look across the state and benefit the citizens of Tennessee. He noted that of concern to everyone were the issues surrounding compensation. He stated that he continues to want to preserve the best people, and that concern was also shared by employees across the state. He stated that compensation will remain a priority during these tough financial times.

Dr. Petersen discussed the budget challenges and stated that UT has an opportunity to position itself for the future for excellence and growth when the economy turns around. He stated that the administration is working to handle not only these immediate budget cuts, but also expected cuts for the future. The administration is looking into areas across the University where potential savings can be generated to offset cuts and preserve our core mission. He discussed the important and timely work of the Board's Committee on Effectiveness and Efficiency for the Future and its efforts to ensure the long-term health of the University. He referred to Dr. Nolt's comments earlier in the day and stated that he was in agreement regarding our responsibility to the people of Tennessee and their sons and daughters attending UT to provide a first rate education. He stated that we cannot let our bottom line go lower than what is necessary to deliver the education we are expected to deliver. He stated that challenges for the coming year will be to make cuts in the most appropriate way so the University can retain resources to deliver quality programs.

Dr. Petersen noted that even with the daunting challenges, it has not been a year without great gains. He discussed the ground breaking for the demonstration plant for the biofuels initiative. He discussed comments made by the farmer at the ground breaking ceremony regarding the potential for his future and his community's future because of what this initiative could do to raise the economic levels for some of Tennessee's poorer counties. Dr. Petersen discussed the recent \$65 million grant awarded by the NSF for the supercomputer facility. He noted that this grant puts UT among the supercomputing elite not just in this country but in the world. It was the largest grant given by the NSF to any College or University, public or private, in the state of Tennessee. The supercomputer will open up immeasurable ways to assess

problems such as global warming, drug design or any problem requiring huge computational analysis. He reported that the Capital Campaign is in league with 28 other higher education institutions in terms of its magnitude and achievement. He noted that the campaign is three quarters of the way to its goal in half the time. He discussed the new Volkswagen headquarters in Chattanooga, the 2000 jobs it will bring to the area, and the opportunities it will present for UT Chattanooga.

Dr. Petersen next mentioned the streamlining initiatives at the University for HR and IT. He then discussed the continuing increase in enrollment across the University, noting that average ACT scores are up and retention rates are also increasing. He stated that even though there are difficulties surrounding UT financially, UT is making a significant impact on the state and the nation.

Dr. Petersen next discussed the 2008 UT System Scorecard Report (Exhibit 7). He reviewed student access and student success baseline numbers for 2007-08 in comparison with goals for FY 2009-10. He noted that enrollment goals were exceeded, while underrepresented groups and financial aid awards are close to set goals, but need improvement. He stated that graduation rates are increasing, but not as fast as he would like in terms of graduation rates for underrepresented groups. He stated that UT is actively recruiting STEM students, but enrollment in that area needs to increase. He noted that UT will focus on achieving improvement in this area, but increased enrollment will also require changes at the k-12 level across the state. He discussed research and economic development and the positive progress UT is making in those areas. He discussed increases in faculty due to growth in research grants. He also discussed jobs created due to economic development initiatives by the Institute for Public Service. Addressing outreach and globalization efforts, he noted the increase in Tennessee citizens benefiting from UT clinics and medical services. Concerning students with UT-sponsored international study experience, he noted that we are well under our goal and need to focus on methods to increase the number of student's gaining international experiences.

Dr. Petersen discussed next steps for UT. The administration will present a budget proposal to the Governor in November. He stated UT will continue to optimize its current resources through cost savings, the Effectiveness and Efficiency Committee initiatives and by re-positioning resources within our organization to strengthen our core mission.

The Chair asked for the status of strategic plans and scorecards for each campus. Dr. Petersen stated that each campus can provide that prior to the next meeting.

VIII. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

The Chair stated that the Executive and Compensation Committee met yesterday and designated the review and approval of the election and compensation of the Chancellor of UT Knoxville for action by the Board.

A. Election and Compensation of the Chancellor of UT Knoxville

Dr. Petersen recommended Dr. Jimmy Cheek, Senior Vice President for Agriculture and Natural Resources at the University of Florida, to serve as the next Chancellor of UT Knoxville effective February 1, 2009 (Exhibit 8). He reported that Dr. Cheek was chosen from an outstanding field of candidates. The search committee selected and recommended to Dr. Petersen two top applicants from the numerous applicants. Dr. Petersen thanked Dr. Harry "Hap" McSween, in attendance at the meeting, for his service and effectiveness as chair of the search committee and expressed his gratitude to each member of the search committee for their hard work.

Dr. Petersen discussed his final deliberation process and the letter of recommendation he circulated to the Board describing the offer presented to Dr. Cheek. He reported that Dr. Cheek will receive a base salary of \$345,000 and a \$10,000 non-accountable expense allowance, a housing allowance of \$20,000, a University vehicle, and a \$20,000 moving allowance. He stated that he will be reviewed for a tenured faculty appointment, with a base salary of 75% of his Chancellor salary if he were to leave the Chancellor position and serve in the faculty appointment on a full-time basis. In response to a question, Dr. Petersen stated that base salary ranges for peer southern flagship institutions were reviewed, and the offer to Dr. Cheek is well within the range. He stated that Dr. Cheek is an excellent choice and the best fit for the University. Discussing Dr. Cheek's background, Dr. Petersen stated that he has been at the University of Florida for his entire career. He was appointed to the vice president post at Florida in 2005, and his current role involves managing the Institute of Food and Agricultural Sciences, which includes the College of Agricultural and Life Sciences, the School of Natural Resources and the Environment, the School of Forest Resources and Conservation, elements of the College of Veterinary Medicine, the Florida Agricultural Experiment Station, 13 Research and Education Centers throughout Florida, and the Florida Cooperative Extension Service. Prior to assuming the vice president position, Dr. Cheek was dean of the College of Agricultural and Life Sciences for five years and assistant dean for seven years. Dr. Petersen noted that the due diligence review involved several administrators visiting the campuses of the final two candidates and meeting with faculty and colleagues. He stated that these visits were a very insightful and useful tool in the final decision process.

Dr. Schommer moved approval of the election and compensation of Dr. Jimmy Cheek as Chancellor of UT of Knoxville. Mr. Cates seconded the motion, and the motion carried unanimously.

The Chair, on behalf of the Board, expressed her appreciation to the search committee and its chair, Dr. Hap McSween, for their diligence and many hours of hard work.

IX. USE OF PROCEEDS UNDER LEASE AND TRANSFER AGREEMENT WITH UNIVERSITY HEALTH SYSTEMS, INC., TO PROVIDE INTERIM FUNDS FOR TRANSFER OF AUDIOLOGY AND SPEECH PATHOLOGY GRADUATE PROGRAMS FROM UT KNOXVILLE TO UTHSC

The Chair stated that with the concurrence of Mr. Talbott, Chair of the Finance and Administration Committee, this next item of business was designated for action at the full Board meeting without a recommendation by the committee. She noted that this was done so the Academic Affairs and Student Success Committee's action on the transfer of the Audiology and Speech Pathology programs from UT Knoxville to UT Health Science Center would precede action on this funding item.

The Chair recognized Dr. Petersen to discuss the use of proceeds under the Lease and Transfer Agreement with the University Health Systems, Inc. to provide interim funds for the transfer of Audiology and Speech Pathology Graduate Programs from UT Knoxville to UTHSC (Exhibit 9). Dr. Petersen stated that the University administration proposes to use the proceeds received under the 1999 UT Hospital Lease and Transfer Agreement with University Health Systems, Inc., to fund transitional costs for transfer of the Audiology and Speech Pathology graduate programs from UT Knoxville to UTHSC. The proposal calls for allocation of a maximum of \$1 million annually for four years to support the operating costs of the graduate programs under the administrative oversight of UTHSC College of Allied Health Sciences. He stated that UTHSC is very excited about this opportunity because Audiology and Speech Pathology is a key allied health program that fits well with their other clinical programs. The graduate program, in its entirety, will be transferred to UTHSC and there may be tuition modifications as it is brought in line with other programs. There will also be an opportunity to right-size the program in line with other graduate programs in Audiology and Speech Pathology. Although the undergraduate major will not be continued, there will be options for undergraduate students, specifically a concentration in the College of Education, Health and Human Services, to take the courses needed to enter the graduate program. Dr. Petersen stated that transfer of this program to UTHSC will give the clinic and program an opportunity to work without subsidy in the future. He stated that he will update the Board in the future on the progress of this program.

Mr. Cates stated that he believed it was entirely appropriate for the proceeds from the

lease and transfer agreement to be used for the UT Health Science Center in this capacity.

Mr. Cates moved approval of the use of proceeds under the Lease and Transfer Agreement with the University Health Systems, Inc. to provide interim funds for the transfer of Audiology and Speech Pathology Graduate Programs from UT Knoxville to UTHSC. Mr. Wharton seconded the motion, and the motion carried unanimously.

Mr. Schledwitz thanked the staff for addressing the concerns of the faculty, students and community with this proposal.

X. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE

Mr. Talbott stated that the Finance and Administration Committee met on the previous day and has one action item from that meeting for Board consideration.

A. Promulgation of Rules under the Tennessee Uniform Administrative Procedures Act on Charges for Producing Copies of Public Records.

Mr. Talbott stated that during the recent legislative session, the General Assembly amended the Tennessee Public Records Act to create the Office of Open Records Counsel (OORC) and to require OORC to establish a schedule of reasonable charges that a records custodian may use as a guideline to charge a citizen requesting copies of public records (Exhibit 10). OORC issued its Schedule of Reasonable Charges on October 1, 2008 with an effective date of October 31, 2008. The University administration proposes the Rules on Charges for Producing Copies of Public Records included in the meeting materials. The Rules incorporate the provisions of the OORC's Schedule of Reasonable Charges.

Mr. Talbott moved approval of the Promulgation of Rules under the Tennessee Uniform Administrative Procedures Act on Charges for Producing Copies of Public Records. Mr. Stansberry seconded the motion. The Chair called for a roll call vote, and the motion carried unanimously.

XI. REPORT OF THE AUDIT COMMITTEE

Mr. Hall stated that the Audit Committee met in Knoxville on September 19, 2008. He referred the Committee to the minutes in the meeting materials (Exhibit 11). He reported that Dr. Susan Martin, interim provost and vice chancellor for academic affairs at the Knoxville campus, presented an overview of the academic program review process at UTK. The process began in 1974 with a systematic review of graduate programs and was expanded in 1979 to include all academic programs. It is the primary means of assessing the quality of teaching, research, and service at the

university. The program is structured so that every department is fully evaluated every 10 years, with a mid-cycle review three years after the full review. He stated that the results are shared with internal and external reviewers and shared with the Tennessee Higher Education Commission.

He reported that Mr. Bill Moles, director of compliance, presented an overview of the new institutional compliance program and proposed governing structure and responsibilities for this office. He stated that Mr. Moles explained that pockets of compliance professionals exist throughout the university and he will coordinate efforts with them and inform senior management of risks they identify. Mr. Hall stated that Mr. Moles will provide compliance updates to the Audit Committee meetings.

Mr. Hall stated that at the last meeting, the committee authorized the University to request proposals for a consulting firm to examine the relationship between UTHSC and the UT Medical Group (UTMG). A proposal was developed and sent to 10 consulting firms. Three bids were received, and ECG Consulting in Boston was selected. He stated that ECG Consulting is currently conducting that review, and a report will be provided in early 2009.

Mr. Hall stated that the State Auditors provided a review of their current audit and stated that previous findings have been resolved. He reported that the university's chief business officers updated their financial risk assessment, and the new risks identified related to reduced funding and inability of the university, its students, or vendors to obtain credit.

Mr. Hall noted stated that the Internal Audit Department has eliminated a vacant position due to the current budget environment and that a peer review is underway to determine the staff size for the Internal Audit Department. Mr. Hall stated that there was a travel exception noted for the president's staff and the exception was approved. He announced that the next meeting of the Committee would be on Tuesday, December 2, 2009 in Memphis at the Health Science Center.

XII. CONSENT ITEMS

The Chair reminded the Trustees that each Trustee is invited to all Board committee meetings. She noted that each item on the consent agenda was reviewed fully by the appropriate committee. All items were recommended by the committees for approval as consent items.

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

- A. Plan for the Comprehensive Presidential Performance Review (Exhibit 12)
- B. Revised Resolution for UT Knoxville Athletics Board (Exhibit 13)
- C. Ratification of Vice Chair's Appointments to Standing Committees and Athletics Boards (Exhibit 14)
- D. Use of Min H. Kao Electrical and Computer Engineering Building Quasi-Endowment for Construction Costs (Exhibit 15)
- E. Annual Flight Operations Report (Exhibit 16)
- F. FY 2000-10 Operating Budget Appropriations Request (Exhibit 17)
- G. FY 2009-10 Capital Outlay and Capital Maintenance Projects (Exhibit 18)
- H. FY 2009-10 Revenue/Institutionally Funded Projects (Exhibit 19)
- I. Real Property Transactions (Exhibit 20)
 - A. Grant of Easement to Knoxville Utilities Board (UT Knoxville)
 - B. Sale of Real Property (UT Martin)
 - C. Acquisition of Real Property (UTC)
- J. Establishment of an Identity Theft Prevention Program (Exhibit 21)
- K. Statement of Commitment to the UTHSC College of Medicine Graduate Medical Education Program (Exhibit 22)
- L. Plan for Transition of the Audiology and Speech Pathology Degree Programs (Exhibit 23)
- M. Proposal for a Program of Study Leading to the Degree of Master of Science in Athletic Training at UTC (Exhibit 24)
- N. Proposal for a Program of Study Leading to the Degree of Bachelor of Science in Agriculture, Major: Natural Resources and Environmental Economics at UT Knoxville (Exhibit 25)
- O. Recommendation of Tenure for Dr. James P. Thompson (Exhibit 26)

- P. Awarding the Honorary Degree of Doctor of Science to Lester Van Middlesworth, Ph.D., M.D. (Exhibit 27)
- Q. Annual Report to the General Assembly (Exhibit 28)
- R. Naming of the Department of Electrical Engineering and Computer Science and the Electrical Engineering and Computer Science Building at UT Knoxville (Exhibit 29)
- S. Naming of the Tennis Center at UT Martin (Exhibit 30)

Mr. Cates moved approval of the consent agenda. The motion was seconded by Mr. Hall. The Vice Chair called for any further discussion. There being none, the motion carried unanimously.

XIII. ANNOUNCEMENTS

The Chair stated that in addition to the Audit Committee meeting on December 2 in Memphis, the next scheduled meeting of the Executive and Compensation Committee would be on January 14 in Knoxville, and the Winter meeting of the Board would be held in Memphis on the Health Science Center campus on February 26-27, 2009.

On behalf of the Board, the Chair thanked Chancellor Jan Simek and his staff for all of their efforts in preparation for the meeting. She thanked Dean Jan Williams and Associate Dean Tom Ladd and their staff from the College of Business Administration for all of their efforts in hosting the Board in the new James A. Haslam II Business Building. She thanked all of the technical staff and administrative staff for their support during the meetings.

XIV. ADJOURNMENT

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

Respectfully Submitted,

Catherine S. Mizell
Vice President, General Counsel and Secretary