

MINUTES OF THE FALL MEETING

BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

Knoxville, Tennessee

October 23, 1998

The fall meeting of the Board of Trustees of The University of Tennessee was held at 9:00 a.m., Friday, October 23, 1998 in the Board Room, Andy Holt Tower, The University of Tennessee, Knoxville campus. Vice Chairman William B. Sansom presided.

Mr. J. Steven Ennis gave the invocation.

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

Mrs. Johnnie Amonette
Mrs. Barbara Castleman
Mr. Charles E. Coffey
Mr. Roger W. Dickson
Mr. J. Steven Ennis
Mr. Amon Carter Evans
Ms. Emily Graham
Mr. James A. Haslam, II
Mr. Jerry L. Jackson
Mr. E. Carl Johnson
Dr. Joseph E. Johnson
Mr. Thomas E. Kerney
Mr. Frank J. Kinser
Mr. R. Clayton McWhorter
Mr. Arnold Perl
Dr. Richard Rhoda
Mr. William B. Sansom
Dr. Leonard Share
Commissioner Dan Wheeler
Ms. Susan Williams

The Secretary announced a quorum was present.

Also present were National Chairman of the 21st Century Campaign William B. Stokely, III; Hunter Wright, President of the National Alumni Association; John Thornton, Chairman of the Development Council; President of the UT Knoxville Faculty

Senate Mark Miller; President of the UT Knoxville Student Government Association Boyd Richards; Emeritus Trustees Pam Moon, Nancy Overton, King W. Rogers and Marcus Stewart; Emeritus Vice President W. W. Armistead; Vice Presidents Jack Britt; Homer S. Fisher, Emerson H. Fly, Dwayne McCay, Sammie Lynn Puett and Jack E. Williams; Senior Associate Vice Presidents Charles Moss, David Roberts, and John Sheridan; Associate Vice President Katherine High; Assistant Vice Presidents Sylvia Davis and Gary McKillips; General Counsel and Secretary Beauchamp E. Brogan; Treasurer Charles M. Peccolo, Jr.; Chancellors Philip W. Conn, William R. Rice, William T. Snyder, and Bill Stacy; Executive Vice Chancellor Carley E. Bilbrey, III; Vice Chancellors John Peters and Phillip Scheurer; Executive Assistant to the President Billy Stair; Deputy General Counsel Catherine Mizell; Associate General Counsels Odell Horton, Jr. and Ronald Leadbetter; Executive Director Alvin Payne; Assistant General Counsel Lisa Atkins; Director James W. Bennett; Assistant Secretary Linda Logan, and members of the news media.

Introduction and Welcome of New Trustees. Dr. Johnson introduced Ms. Emily Graham, student Trustee from the Memphis campus, and presented her with a Trustee lapel pin. He said Emily is a third year medical student from Tullahoma and a Wake Forest graduate. Dr. Johnson also introduced Dr. Leonard Share, the faculty Trustee and a professor of physiology from the Memphis campus, and presented a lapel pin to him.

Introductions. Dr. Johnson introduced Emeriti Trustees Pam Moon, King W. Rogers, Nancy Overton and Marcus Stewart. He also introduced Emeritus Vice President W. W. Armistead. Dr. Johnson introduced Chairman of the Development Council John Thornton who yielded his time on the agenda to the National Chairman of the 21st Century Campaign.

Dr. Johnson introduced William B. Stokely, III, National Chairman of the 21st Century Campaign and invited his comments.

Comments by William B. Stokely, III, National Chairman of the 21st Century Campaign. Mr. Stokely thanked the Board for the opportunity to make the report on the 21st Century Campaign. On behalf of all the men and women from all the various campuses, development officers, all alumni and all participants in the Campaign, Mr. Stokely said over the last five and one-half years gifts and pledges totaling \$432.8 million were made as a part of The University of Tennessee's 21st Century Campaign. He said this is the largest and most successful fundraising effort in the University's history and as a result the University will enjoy \$145 million in new scholarships, \$52 million in new faculty support, \$65 million in support of research programs and \$170

million in support of other academic areas. Mr. Stokely said after a great deal of study the Board of Trustees originally authorized a \$250 million campaign which was not arrived at easily. The University's prior 1975 campaign had a goal of \$56 million, and approximately \$75 million was raised. Mr. Stokely said the real credit for such success goes to the volunteer leadership of the institution and the spade work done by a very dedicated group of development officers and staff. 113,000 alumni and other friends made gifts to the Campaign, and almost 50,000 of those gifts were from people who had never before given to The University of Tennessee. Mr. Stokely said more than 70 percent of UT faculty and staff participated in the Campaign. The success did not happen by accident. He said in the past asking for money from friends was not done, but he said thinking has changed with the realization that in order to add the extra level of excellence to the University reaching out for private gifts is a necessity. Mr. Stokely said if the University were measured he would estimate it would be in the top five of public institutions in terms of fundraising. Each campus and institute had tremendous volunteer leadership. An outstanding campaign cabinet also provided invaluable assistance. Mr. Stokely complimented the development staff for an outstanding job. He said the Campaign is not the end of fundraising at The University of Tennessee but represents a plateau where a pause can be taken to reflect on the success and prepare for the next effort. Mr. Stokely said it has been a pleasure to chair the Campaign.

Dr. Johnson introduced Mr. Hunter Wright, President of The University of Tennessee National Alumni Association and invited his comments.

Comments by Mr. Hunter Wright, National Alumni Association President. UT alumni last year gave over \$15 million which is a record. Over 50,000 alumni contributed. Alumni contributed almost \$100 million in gifts to the 21st Century Campaign which represents almost 23 percent of the total given. He said the Alumni Association was glad to accept its share of responsibility in the Campaign and is also glad to accept the responsibility of being a partner with the Board of Trustees at The University of Tennessee and look forward to achieving greater goals on behalf of The University of Tennessee.

Dr. Johnson introduced Dr. Mark Miller, President of The University of Tennessee, Knoxville Faculty Senate and invited his comments.

Comments by Dr. Mark Miller, The University of Tennessee, Knoxville Faculty Senate President. Dr. Miller welcomed Board members to the Knoxville campus of the University on behalf of the Knoxville faculty. He said he reported to the Academic Committee that progress is being made in implementing the Board's new policy on tenure. Dr. Miller said the faculty anticipates coming to the Board in the spring with

an implementation plan the Board will like. The faculty appreciate the strong reaffirmation of tenure and is glad the policy includes a merit policy to reward faculty excellence as well as procedures for finding and rectifying situations in which faculty members are not doing their jobs. The faculty stand ready to be full participants in implementing and administering the policy. Dr. Miller said success in achieving the policy, however, depends on more than faculty participation. Success will require the resolve to remediate or remove incompetent faculty if any are found. More importantly, it requires the resources to reward excellent faculty. Dr. Miller said he and other members of the Advisory Committee of the Presidential Search met the preceding day. He said the Committee is an excellent one representing a range of people and interests, and the meeting went very well. The search promises to be inclusive with the Advisory Committee advising the Search Committee on job description, nominations, solicitation of applications and evaluation of potential candidates. The process will help to locate and hire a president who can be supported by everyone. Agreement was reached that the search would be nation-wide, perhaps even world wide, to find the very best possible president for The University of Tennessee. It was agreed that the new president must have an exemplary record and be able to articulate a vision for the University that will resonate with the Governor, the legislature and the people of Tennessee. Dr. Miller said over the last two years the University has been squeezed by small budget increases, flat budgets and even budget cuts. The money needed for classroom improvements, library materials and faculty and staff benefits has been hard to get. He said such budgetary problems have made it difficult to provide the quality of education Tennessee wants and needs. The University of Tennessee needs better financial support. Dr. Miller said despite budget constraints, the University has made progress on a number of fronts. UT has proven it is a good place for Tennesseans to invest. He said he hopes the Board, the faculty and the new president will work together to get that message out.

Dr. Johnson introduced the UT Knoxville SGA President Boyd Richards and invited his comments.

Comments by Boyd Richards, President of The University of Tennessee, Knoxville Student Government Association. Mr. Richards said morale on the campus is high and it is an exciting time to be a student at UTK. Plans for the new recreation facility are in hand, and when completed, the facility on the Knoxville campus will be a great recruitment tool. A computer leasing program has been started on campus. A computer can be leased for \$140 per semester. Mr. Richards said the program is a tremendous help to students because they do not have to come in as freshmen and purchase a \$4,000 piece of equipment that quickly becomes obsolete. All computers available have been leased and the program will be expanded to meet the needs in the

future. He said the new black cultural center will be a great contributor to student life, much like the international house has been. Campus beautification has made great strides in the past year, from the signs on the "Hill" and at the beginning of Cumberland Avenue to plans for the pedestrian mall. Mr. Richards said there remains room for improvement, but The University of Tennessee is on the right track in trying to see that the needs of the students are met.

Report of the President. Dr. Johnson made the following report to the Board:

This President's report will be brief. I guess I should say since you've listened to Hunter Wright, Bill Stokely, Mark Miller and Boyd Richards, you've heard the President's report in many ways. Before I get into this, several of us talked yesterday in the Finance Committee and there was a lot of excitement. Most of you have heard about the great announcement that was made about two weeks ago by the Governor to fund a project to link the agriculture campus and this campus. It is a project we've dreamed of. It's been on our capital outlay list for 35 years. Bill Sansom sort of stimulated that a good deal and Commissioner Saltsman got excited about it. It was tied into another project for widening and improving Alcoa Highway. The Governor came over and made the announcement. That is a point of excitement. A Governor did not have to do that. It's all State money. There is no University of Tennessee money in that. It links the ag campus and the main campus in a totally unique kind of way, puts five thousand dorm students within a mile of all sorts of recreational opportunities, allows some opportunities linking the campuses academically. I would like to recommend a motion to authorize the General Counsel and Secretary of the Board to prepare the right sort of Resolution expressing gratitude to the Governor and Commission Saltsman for this significant project.

The motion was made by Mr. James A. Haslam, II, seconded by Mr. Roger W. Dickson and carried unanimously.

Governors don't have to do things like that. It is nice to see that happen and I think it is a real asset to us.

Just a few comments and I'm not going to use over seven or eight minutes. I'll try to do some of this one line. Let me thank you as I always should because you deserve it for being who you are and what you are. You don't become the kind of University we are without a dynamic, insightful, challenging Board of Trustees. Wherever you are

and whatever role you're in, I am grateful for that. A lot of excitement about the University. The bridge, the \$432 million, the fact that every campus, every institute, every part of The University of Tennessee met its goal in that campaign and dollars float in from Bristol, to Memphis and from Miami to Los Angeles, from Maine to Austin, Texas. Came from all over the world, again showing that trust in what we are. Those are big things. Biggest capital outlay appropriation we've ever had and we're going to redo Hesler Hall and we're going to redo Alumni Memorial Gym. We're going to have a \$25 million plant technology building for Jack Britt to come into. A lot of excitement. Just let me mention a few little things that happen every day that sometimes when we send you these little "bragmarks" about the University, just flip through those and you'll see things that sort of happen day by day by day to make us proud of The University of Tennessee. One hundred percent pass rate by all the graduates of the College of Pharmacy on their licensing exam. One hundred percent pass rate by the graduates of the College of Veterinary Medicine. Our MBA students here in Knoxville the other day in a competition, won first place competing with North Carolina, Tulane, Rice. Pretty prestigious schools, but our College, our MBA students and Bill Snyder's College of Business did that. Of 900 chapters of the American Chemical Society, the one at UT Martin is only one of twenty-four that received an outstanding rating. Twenty-four out of 900 and that's the UT Martin student chemical society. UT Chattanooga got an award of \$1.9 million from the US Department of Education in recognition of the tremendous reputation of the people in education on that campus and yesterday and will be recommended to you today as a Chair of Excellence in the College of Education at Chattanooga. Another real high mark, and Arnold Perl deserves a lot of credit for this, the Governor and others, but the State of Tennessee joined with The University of Tennessee and Automotive News to host two national automotive conferences, one automotive engineering and the other the Automotive News conference in Tennessee. It's never happened before. Arnold, as you know, is filled with suggestions. This one came to me the first time I ever met him at By the Tracks Bistro, and he said have you ever thought about trying to do that. We got Carl to working with us and others and it happened and that has created all sorts of attention in the automobile industry for The University of Tennessee.

Let me sort of shift to three events that will occur during the next year or so that I think are of significance to the University. The first will be

what comes out of the Governor's Council on Excellence in Higher Education. We in this room and throughout this State are indebted to the Governor for creating that Council. Bill Sansom is a member, Jim Haslam's a member, I'm an ex-officio member. The Governor challenged that group to make a recommendation to him as to what it would take to put Tennessee public higher education in the top tier in the nation. The Governor knows we're not the last tier in this State, but he also know we're not necessarily in the top tier. This campus of The University of Tennessee, within the past few months, has been ranked the forty-fourth best university of its kind in America. Bill Snyder and I would like to be number one or number two as would Stacy, Conn and Britt and all the rest of us. But forty-fourth is not bad. That's not 3000th, that's forty-fourth. The Governor has asked how can we be better. That group is looking at funding, it's looking at access, it's looking at admissions standards, it's looking at how we're structured. There is a lot of excitement there. It's a challenge when a Governor says let's move you to the top. Where do we stand now, with whom do we compare. Who do we want to be like, Alabama-Birmingham which is one of the best in the South? Illinois? UVA? UCLA? Who do we want to be like? What does it take to get there? Then you start to look at what does it take to get there. Most of us think the University of Virginia in Charlottesville is a truly superb public university and it is, but its state funding is less than UT Knoxville's by a considerable amount. Of course, it has a billion dollar endowment. We have about a \$500 million endowment. Its fees are close to \$5,000 a year and ours are \$2,700. When you start looking, you can see the complexity of what the Council has to deal with. I am very optimistic with what's there because we'll be challenged. I think in appointing that Council our Governor recognized the fact that for seven years we haven't had much money for higher education, largely because of the demands for K-12, corrections, health care, and taking care of severely disabled young folks. That makes us number four or five priority. In this State when you are fourth or fifth priority, little is left. That's nobody's fault. We have a grand opportunity. That is one of the exciting things that will take place sometime within the next six months or so. There will be some recommendations. I simply want to offer one little caveat about that and not reflecting too much of a bias. I trust that group will not get too hung up on "moving the furniture" and how you structure things because we can get into the biggest battle over that issue and ignore the important issue of what does it take qualitatively to make us better. The University of Tennessee is a family and it is not organized perfectly. The other day

we had a meeting of the Council and somebody suggested Joe Johnson ought to move to Nashville. I love Clayton McWhorter and Nashville, but I'm not going. It is not wise decision. It's easy to talk about structure and it's easy to talk about where do you put the University of Memphis, where do you put Martin and where do you put this, but when you get through with all that if you're not careful you haven't dealt with access. You haven't dealt with quality, you haven't dealt with academic priorities, you haven't dealt with the real issue of substance. I don't think the structure has a whole lot to do with the achievement of the University of Illinois or the University of Texas or Virginia or Florida or Georgia and each of those, by the way, is in a different governing structure. I think we need to look at people, I think we need to look at the ability to make decisions and how we do it. I am excited about those opportunities. The only caution is I hope folks don't get too tied up in "moving the furniture" and ignore the real issue of quality, substance and support. It is vitally important that occur.

The second thing that is going to happen, and you'll hear more about that, is the reorganization of The University of Tennessee Medical Center, Knoxville. I guess I've been bothered personally more about that than anything else because about thirty-five years of me is out at that place. Two weeks ago they took very good care of me and they always do. I sincerely believe, and Clayton McWhorter said it well, what we're doing there I feel keenly is for the betterment of that place in the future. I think we're on the right track. We've pretty well made the decision it's going to have the name University of Tennessee Medical Center on the side of it, but be governed in a different way, managed in a different way and we'll go through that process. We need to deal with that.

We are indebted, you are indebted, to Bill Sansom for putting together a stellar committee to look for the next President of The University of Tennessee. All Board members will make that decision. It is an excellent group. Getting Margaret Perry to Chair the Advisory Committee is stellar. You've got a remarkable group of faculty, students, alumni and community leaders and volunteers in that group. Your University is moving along as if it's still in operation, and that's the way it ought to be. Members of my staff, the chancellors and vice chancellors are trying to do business like we would normally do business and let Bill and his Committee do whatever they are doing. We will continue to operate that way, a lot of enthusiasm. As I said last June, don't let me retire on

the job. I don't plan to and I don't think you will let me, but that is one of the worst tragedies that can occur is for somebody to sit back and say in six months or eight months I won't be here therefore let's don't do things. I am pleased with the fact you all are expecting us to do what we ought to do.

Finally, you've read about this in newspapers and we'll be talking with you in the next several weeks. A grand challenge is out here in Oak Ridge and it's the Oak Ridge National Lab which is going to be rebid. We have a lot of connections to that lab thanks to some people like Howard Baker and recently Governor Sundquist. Our relationships with that lab are closer than they've ever been in its forty year or so history. How our relationship will be in the future we don't know yet what that ought to be. We don't know what we ought to do. We'll spend a lot of time with you. We'll spend a lot of time with the Governor and his advisors in looking at what we do. There's a lot of interest in where does The University of Tennessee flow through that process. We know we flow through that process by having about a \$30 to \$40 million a year research relationship with the Oak Ridge National Lab. We share 20 or 30 distinguished professors, jointly appointed. We share some Centers of Excellence, the biggest one in fact, the Science Alliance. We'll be talking with you about that as to where we ought to go, checking with you, advising with you and eventually I'll be presenting some recommendations to you as to what we ought to do. It's exciting times at The University of Tennessee. It's a great place.

Mr. Sansom thanked Dr. Johnson for his comments about not retiring. He said Dr. Johnson is working hard and as witnessed by his report the University continues to go about its business as usual.

Approval of Minutes. Mr. Sansom called for the reading of the minutes and Mr. James A. Haslam, II made the following motion:

I move that the reading of the minutes of the following Board meetings be omitted and that these minutes be approved in accordance with the transcript of said minutes mailed to the members of the Board by the Secretary, as required by the Bylaws, and as they appear in the Minute Book:

The June 18, 1998 Annual Board meeting held in Knoxville, the July 31, 1998 special Board meeting held in Knoxville, and the August 28, 1998 special Board meeting held in Knoxville.

The motion was seconded by Mr. R. Clayton McWhorter and carried unanimously.

Response to the President's Report by Mr. Arnold Perl. Mr. Perl made the following comments in response to the President's report:

I appreciate the President's focus on what it is going to take to elevate us in the national rankings of great universities. I would think as a Board of Trustees one of our principle responsibilities to this State and this region is to elevate this University to be as great as we can possibly be and I appreciate the President's focus on that kind of substance and quality as opposed to the periphery. It's difficult to deal with multiple priorities. Achievement is accomplished much more readily when there are just several, maybe one or two. The institutions that the President identified, like UCLA on the west coast or Virginia on the east coast or Texas to our south, or Illinois or Michigan up north, these are some of the great public universities. Indeed, there was a book published twelve years ago called "The Public Ivies" saying these schools were the equivalent of the Ivy Leagues and I think that should be our goal. This capital campaign chaired by Mr. Stokely and Mr. Thornton shows that when the citizens of this State are asked to participate, they willingly give their time and resources. I would hope that we're all inspired by the President's calling here for us as a part of this twenty-first century to not only raise half a billion dollars, but to raise the national ranking of this University to where when five years from now perhaps when the next capital campaign is concluded, we're not forty-fourth in the national rankings, but we are in the top twenty. If our sports teams can achieve that led by coaches like Summitt, that's the kind of attitude and commitment and focus we need to get in the national rankings, and I think this Board has the resolve to do it and I hope that's our number one priority for at least the next five years.

Mr. Sansom thanked Mr. Perl and said it is his feeling that the Council on Higher Education the Governor has appointed has that as a goal. He said Dr. Johnson said it well when he said the agenda is to move the University up and recognize each of its campuses and institutes for its strengths.

Update on the Presidential Search. Mr. Sansom said Dr. Mark Miller mentioned that the Advisory Committee had an excellent meeting the preceding day. All participants freely offered helpful input. The Advisory Committee will get back together and get to the Search Committee the characteristics -- bullet points -- of what the new president should look like. Mr. Sansom said that will be the next step in the process. The Search Committee will not meet until that is done. Within the next week or so the contract will be signed with the consultant and the process will continue to move along. Mr. Sansom thanked those in the room who participated in the Advisory Committee meeting the preceding day.

Mr. Sansom briefly adjourned the meeting for a board photograph. The meeting was reconvened.

Report of the Finance Committee. Mr. William B. Sansom said the Finance Committee met the preceding afternoon to consider in detail items of a financial nature. He asked Vice President Emerson H. Fly and Treasurer Charles M. Peccolo to present the following items.

Review and Approval of 1998 Investment Report.

That the Board approve, ratify, and confirm The University of Tennessee Annual Report to the Finance Committee of the Board of Trustees on Investments on Endowment and Similar Funds and Life Income Funds, Fiscal Year Ended June 30, 1998, as set forth in Exhibit 1.

The motion was made by Mr. James A. Haslam, II, seconded by Mr. Roger W. Dickson, and unanimously carried.

Approval of the June 1998 Financial Report. Mr. Peccolo said the audited financial statements (Exhibit 2) for the twelve months ending June 30, 1998 reflects five major accounting changes. All changes are discussed in footnote 13 on page 30. Mr. Peccolo invited Board members to review the changes. He said the two biggest are recording the compensated absences, accrued vacation leave, as well as recording all investments at fair value. The format of the balance sheet was changed to a columnar format to accommodate adding a component unit for the first time, The University of Tennessee Health Systems, Inc. Mr. Peccolo said a good deal of time was spent on the Financial Report in the Finance Committee meeting the preceding, but said he would be willing to ask any questions.

University of Tennessee Endowment Fund Income Data Report. Mr. Peccolo said some time ago in a Board meeting a question was asked about how the money distributed from endowments was spent by campus and purpose. Each year an informational report is done for the Board which shows the distribution (Exhibit 3).

Approval of UT Medical Center, Knoxville Equipment and Capital Improvements.

That the Board of Trustees authorize the University to seek through the Tennessee State School Bond Authority, \$35 million in commercial paper financing for capital improvements and equipment acquisition at the UT Medical Center, Knoxville, as set forth in Exhibit 4.

The motion was made by Mr. James A. Haslam, II, seconded by Mr. Roger W. Dickson, and unanimously carried.

Authorization for The University of Tennessee to Convey Property to the Tennessee Department of Transportation Associated with the Alcoa Highway Project in Knox County.

That the University of Tennessee be authorized to execute a Transfer of Jurisdiction with the Department of Transportation for approximately 11 acres of property needed to complete proposed improvements to Alcoa Highway, as set forth in Exhibit 5.

The motion was made by Mr. James A. Haslam, II, seconded by Mr. J. Steven Ennis, and unanimously carried.

Approval of FY 1999-2000 Capital Outlay and Capital Maintenance Budget from State Capital Outlay Funds.

That the Board of Trustees approve the proposed FY 1999-2000 and subsequent funding requests for capital outlay and capital maintenance project and the proposed priority rankings for submission to the Tennessee Higher Education Commission, the Governor, and the General Assembly, and authorize the administration to enter into contracts for design and construction within available funds, as set forth in Exhibit 6.

The motion was made by Mr. James A. Haslam, II, seconded by Mr. Amon Carter Evans, and unanimously carried.

Approval of FY 1999-2000 Capital Outlay Budget Funded from Revenue and Institutional Sources.

That the Board of Trustees approve the proposed revenue funded projects for fiscal year 1999-2000 for submission to the Tennessee Higher Education Commission, the Governor and the General Assembly and authorize the University administration to enter into contracts for design and construction within available funds, as set forth in Exhibit 7.

The motion was made by Mr. Frank Kinser, seconded by Mr. James A. Haslam, II, and unanimously carried.

Dr. Johnson introduced Vice President for Agriculture, Jack Britt, and asked him to make comments.

Comments by Vice President Jack Britt. Dr. Britt said his schedule has been busy. He said he has been out meeting people and seeing what is happening across the State. Dr. Britt said his position as Vice President of Agriculture represents four divisions -- the Agricultural Experiment Station, the Agricultural Extension Service, the College of Veterinary Medicine and the College of Agricultural Sciences and Natural Resources, which are important divisions for not only the campus but for the whole state. He said agriculture is probably the only division of the University that services every citizen of the State, every community of the State, and every county of the State. Dr. Britt said there are many opportunities for agriculture, natural resources and forestry to grow in the State which is one of the things that has been discussed in various meetings during the week. He said UT is interested in partnering with other organizations, such as the Department of Agriculture, the Tennessee Farm Bureau, industries, agencies and organizations that can help provide value added to Tennessee commodities and products. He said he has three long-range goals in his position -- (1) to enhance partnerships at graduate levels and all other levels, (2) to enhance the excellence of the program, and (3) to enhance the economic viability of rural communities, rural areas and rural industries in an environmentally sound way.

Report of the Academic Committee. Mr. Roger W. Dickson, Chairman, said the committee met the preceding day to consider academic items in detail. He asked Vice President Homer Fisher to present the following:

Approval of Proposal to Revise Master of Science in Nursing (MSN) Admission and Progression Requirements (UT Memphis).

That the Board of Trustees approve the proposal to revise the Master of Science in Nursing (MSN) admission and progression requirements (UT Memphis), as set forth in Exhibit 8.

The motion was made by Mr. Roger W. Dickson, seconded by Mr. Frank J. Kinser, and unanimously carried.

Approval of Proposal to Establish the O.D. McKee Chair of Excellence in Dyslexic Research and Exceptional Instruction (UT at Chattanooga).

That the Board of Trustees approve the proposal to establish the O. D. McKee Chair of Excellence in Dyslexic Research and Exceptional Instruction (UT at Chattanooga), as set forth in Exhibit 9, and authorize its submission to the Tennessee Higher Education Commission for comment and to the Legislative Oversight Committee on Education for Action.

The motion was made by Mr. Frank J. Kinser, seconded by Mr. James A. Haslam, II, and carried unanimously.

Report from Subcommittee on Honorary Degrees. Mr. Fisher asked Mrs. Johnnie Amonette, Chair of the Subcommittee on Honorary Degrees to report to the Board.

Mrs. Amonette said the charge of the subcommittee was to review the entire framework, policy and procedure of the University relating to honorary degrees including the frequency and criteria. With the charge in mind, the subcommittee met on September 22 by conference call. President Johnson reviewed the history and the existing policy. No more than five honorary degrees have been given in the history of The University of Tennessee, and the last was in 1987 to Dr. Michael DeBakey. Mrs. Amonette said Homer Fisher and Katie High reviewed the results of a preliminary survey done with various institutions across the nation. After much discussion Mr. Fisher and Dr. High were asked to develop a more detailed telephone survey instrument to be used with peer institutions across the country. The existing policy will be examined to see if more flexibility is needed or if new procedures relative to conferring honorary degrees are needed. Mrs. Amonette thanked Dr. Johnson for appointing an outstanding committee and staff.

Report on Reorganization and Department Name Changes within the College of Human Ecology from Textiles, Retailing & Consumer Sciences to Consumer and Industry Services Management to Reflect Programs in Hotel and Restaurant Administration (from Nutrition), and Recreation and Tourism (from Health, Recreation, Leisure, and Safety Sciences) and from Health, Leisure, Recreation & Safety Sciences to Health & Safety Sciences (UT Knoxville).

That the report on reorganization and departmental name changes within the College of Human Ecology, The University of Tennessee, Knoxville be filed as Exhibit 10.

Report on Name Change of College of Architecture and Planning to College of Architecture and Design (UT Knoxville).

That the report on name change of the College of Architecture and Planning to the College of Architecture and Design, UT Knoxville be filed as Exhibit 11.

Update on Implementation of the Tenure Policy. The tenure policy was discussed thoroughly in the Academic Committee the previous day by Kendall Blanchard and Mark Miller who gave perspectives from their respective institutions. Dr. Miller talked about it as a faculty leader who has taken a very significant role in working with John Peters on the Knoxville campus to put in place the new tenure policy on the Knoxville campus. Dr. Blanchard reported on activities taking place at UT Martin involving faculty leadership and the academic and administrative leadership there. Both feel significant progress is being made. Dr. Miller said if the tenure policy is implemented in the proper way to accomplish the intent of the Board of Trustees, the result will be a better University. The Board will be kept informed of progress and will be given a full report at the June Board of Trustees meeting.

Report of the Student Affairs Committee. Mrs. Susan R. Williams, Chairman, said the committee met the preceding day. She said the Student Affairs Committee asked for input from students, in addition to those in SGA leadership roles, about campus life at UT, Knoxville. She said Mr. Fisher and Dr. High put together a panel of students who talked with the Committee. They were asked for their impressions of the strong points of the campus along with the campus' weaknesses. Mrs. Williams said overall the exchange was very positive. She said the discussion was open and encouraging. Mrs. Williams asked Vice President Fisher to present the report on the Student Counselors to the President's meeting.

Report on Student Counselors to the President's Meeting.

The report on the Student Counselors to the President's meeting was filed as Exhibit 12.

Report of the Health Affairs Committee. Mr. Clayton McWhorter said the Committee met the previous day and considered the following health affairs items.

Filing of Minutes of the June 3, 1998 Liaison Committee Meeting, the University of Tennessee Medical Center at Knoxville.

That the minutes of the June 3, 1998 Liaison Committee meeting, The University of Tennessee Medical Center at Knoxville be filed as Exhibit 13 to the minutes.

Report on Status of UT Medical Center at Knoxville. Chancellor Rice said Mr. Mickey Bilbrey made a presentation at the Health Affairs Committee meeting which was extensive in showing what is being done in the move toward privatization of the Medical Center at Knoxville. Mr. Rice said there is an enormous activity in the United States that largely goes unnoticed by the general public. That activity is called graduate medical education. Mr. Rice said that Emily Graham, for example, is in her nineteenth year of formal education not counting any kindergarten or pre-first grade activities. She will graduate next year and will have completed twenty years of formal education. Her classmates will have an average of over \$70 thousand in debt each. She will have another three to seven years of formal education, depending on what specialities she chooses. That means when she finishes her education she will have been in the educational system from twenty-three to twenty-seven years, of which eleven to fifteen years will have been spent in the higher educational system. Residents are paid; they are employees typically either of the University or a hospital. Mr. Rice said in the case of The University of Tennessee, the average direct cost of the resident (salary, benefits, Claims Commission coverage, etc) is about \$43,000 per resident per year. In addition to that UT spends another fifty percent or in some cases one hundred percent depending on the situation, in administering and supervising that educational program. The cost is paid primarily by the hospitals. In Tennessee the only programs that receive State appropriations directly for graduate medical education are family medicine programs. Since 1965, the hospitals have received the money for resident costs primarily from the Federal Government and from patient revenues derived from private patients. The Federal Government is cutting back on what it is paying for graduate medical education. Across the country teaching hospitals are becoming less competitive and HMO's and PPO's are not particularly concerned about

any obligation they might have to pay for graduate medical education. In the United States much of the indigent care is provided by teaching hospitals through the services of medical residents. Mr. Rice said the University has the challenge of maintaining the academic medical center for Knoxville, Tennessee. That academic medical center not only trains doctors for the region, but it also brings cutting edge technology and medical care to the area that would otherwise not have it available. An area cannot have a level one trauma center by definition without a teaching program, and in practice it is difficult too because physicians who are earning a living in private practice tend not to want to be on call every other night for the rest of their lives. The kidney transplant center at UT has similar problems. Typically, new things cutting edge, high-tech programs can be done in a teaching hospital that has an expense on it that other hospitals do not have and which by their nature are intended to care for large numbers of indigent patients. The teaching hospital must be preserved by making the hospital as competitive as it can possibly be. Mr. Rice said there are many teaching hospitals in the country today that are losing money. Mr. Rice asked Mr. Mickey Bilbrey to go through some of the particulars about the change as well as the time frame involved.

Mr. Bilbrey said at the June Board meeting the University administration and those at the Knoxville Medical Center were encouraged to begin looking at developing a plan to restructure or privatize the University hospital. Since that time work has been done on the plan. It is still a proposal at this point. There are four components to the plan to date. The first component is to develop a not-for-profit, tax exempt corporation, and a proposal is ready to be presented that will entail creating a new corporation that will be governed by a seventeen member Board of Directors. One of the challenges in creating this type of entity is to do so in such a manner so that it will receive a tax exempt status. Part of the way it is done is to have meaningful participation for the community. Of the seventeen member Board of Directors, six will be from the region the hospital serves, five members will be from the clinical community, five health care professionals four of whom must be physicians will serve, five representatives will serve from The University of Tennessee including the President, the Chancellor of UT Memphis, the Dean of the Graduate School of Medicine and two other appointees and the CEO of the 501(c)(3) corporation. A plan has to be completed to tie long-term the relationship between the hospital, the Graduate School of Medicine and the University because the hospital will remain very much a part of education and research in the future. Three agreements are being prepared. A lease and transfer agreement which is partly a result of recommendations from many of the consultants the University has worked over the past year and one-half. Those consultants suggested the University lease the facility's real property to the corporation so the lease and transfer agreement not only relates to the leasing of the facility but the actual ability of the new corporation to govern and operate the hospital as any corporation would run any business. The University would retain the

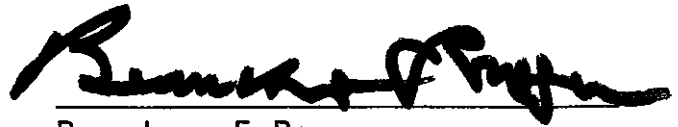
ownership of the real property through the lease arrangement. Another part of the plan is an employee services agreement. One of the challenges faced in restructuring the hospital is the protection of the benefits of the current employees of the Medical Center -- approximately 3,200 individuals. The University has the authority to lease the employees to the corporation and as such protect their benefits in the future. The employee services agreement is the instrument between the corporation and the University whereby the University could lease the current employees, keep them on board running the hospital and protect their benefits and in particular their retirement plan. The final part of the plan is to continue the ongoing mission of education and research. The affiliation agreement will outline the relationship between the corporation and the University and its Graduate School of Medicine, not only in terms of financial support that will go forward for graduate medical education, but the sharing of the facilities and equipment and the coordination of the process. All the parts of the plan are still works in progress. They are structured as proposals and many of the Trustees have been a part of working with the administration at the hospital in putting those together. The administration has also worked very closely with the Tennessee State School Bond Authority over the last several months in trying to be prepared both from the State's point of view and from the hospital's point of view of restructuring the debt. Mr. Bilbrey said in the coming weeks several things will happen. A couple of weeks ago Mr. Fly, Mr. Rice and others met with the constitutional officers and the Commissioner of Finance and Administration and briefed them on the status of the plan. The draft agreements will be submitted in the coming weeks as they become more finalized to the Attorney General for approval. The agreements will have to go to the State Building Commission for review and approval and to the Board of Trustees for approval.

Report on Status of Bowld Hospital, Memphis. Mr. Rice said the University has been talking for six to eight months with the Baptist Hospital in Memphis about merging the Bowld Hospital with the Baptist Memorial Medical Center and Hospital. The end product of those talks was a mutual agreement that all patients involved would be best served by not pursuing the merger at this time..

Report of Graduates. The Secretary reported graduates at the commencements held in Chattanooga on August 17, 1998 (Exhibit 14); Knoxville on August 14, 1998 (Exhibit 15); and Martin on August 2, 1998 (Exhibit 16).

Future Meeting Dates and Sites. The winter Board of Trustees meeting will be held in Tullahoma on Friday, February 26, 1999 and the annual meeting will be held June 17, 1999 in Knoxville.

There being no further business to come before the Board, the meeting was adjourned at 12:00 noon.

A handwritten signature in black ink, appearing to read "Beauchamp E. Brogan", written over a horizontal line.

Beauchamp E. Brogan
Secretary