

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

November 3, 2006

The Annual Meeting of the Board of Trustees of The University of Tennessee was held at 12:30 p.m., Friday, November 3, 2006 in the Hollingsworth Auditorium on the campus of the Institute of Agriculture in Knoxville, Tennessee.

**I. CALL TO ORDER AND INVOCATION**

Ms. Andrea J. Loughry, Vice Chair of the Board, called the meeting to order. Father Eric Andrews of John XXIII University Parish offered the invocation.

**II. ROLL CALL**

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

Ms. Anne Holt Blackburn  
Mr. William Y. Carroll  
Mr. Spruell Driver, Jr.  
Commissioner Ken Givens  
Mr. James Hall  
Mr. James Haslam, II  
Dr. Rhynette N. Hurd  
Mr. Jerry L. Jackson  
Ms. Deseriee Kennedy  
Ms. Andrea J. Loughry  
Mr. James L. Murphy, III  
Dr. John D. Petersen  
Dr. Lawrence M. Pfeffer  
Dr. Richard G. Rhoda  
Commissioner Lana Seivers  
Mr. Karl A. Schledwitz  
Mr. Don C. Stansberry, Jr.  
Mr. William B. Stokely, III  
Mr. Joseph M. Sturdivant  
Mr. Charles Wharton  
Ms. Susan R. Williams  
Mr. James L. "Bucky" Wolford  
Ms. Anna York

The Secretary announced the presence of a quorum. Due to scheduling conflicts Governor Bredesen, Ms. Amonette, and Ms. Castleman were absent from the meeting.

### **III. INTRODUCTIONS**

The Vice Chair began by thanking Natalie and Jim Haslam on behalf of the Board for hosting an outstanding reception and dinner the evening before.

The Vice Chair recognized Jack Williams, former Vice President for Development and Alumni Affairs, Steve Ennis, Trustee Emeritus, and Waymon Hickman, Trustee Emeritus, each in attendance at the meeting.

The Vice Chair next recognized the five newly appointed Trustees: Mr. James Hall, a UT graduate and managing partner of Hall & Associates in Chattanooga and former chairman of the NTSB, filling the third congressional district seat; Ms. Anne Holt Blackburn, a UT graduate and news anchor for WKRN-TV in Nashville, filling the 7<sup>th</sup> congressional district seat; Ms. Deseriee Kennedy, associate professor in the UT College of Law and immediate past president of the UT Knoxville Faculty Senate, filling the non-voting faculty seat; Mr. Charles Wharton, a UT graduate, President and CEO of Poplar Creek Farms and a former chair of the UT Development Council, filling the Anderson, Bedford, Coffee, Franklin, Moore, and Warren County seat; and Ms. Anna York, a junior at UT Knoxville majoring in global studies and a member of the UT Knoxville student government association, filling the non-voting student seat. The Vice Chair presented each new Trustee with a UT Trustee lapel pin.

### **IV. APPROVAL OF MINUTES OF PRIOR MEETINGS OF THE BOARD AND OF THE EXECUTIVE AND COMPENSATION COMMITTEE**

Mr. Don Stansberry moved approval of the minutes of the Board and Executive and Compensation Committee meetings since June 2006. Mr. Haslam seconded the motion, and it was carried unanimously.

### **V. President's Introduction of Jim Roberto**

The Vice Chair recognized President Petersen to make introductory remarks prior to his report. President Petersen introduced Jim Roberto, Deputy Director for Science and Technology at ORNL, in attendance at the meeting. Dr. Petersen discussed the impact of UT-Battelle/ORNL on the State of Tennessee, in terms of the thousands of jobs and approximately \$600 million income to the state, as discussed earlier in Dr. Millhorn's report to the Advancement and Public Affairs Committee. He discussed continued future contributions to the state from UT-Battelle/ORNL's exceptional leadership. President Petersen encouraged the Trustees to take the opportunity after the meeting to ask Dr. Roberto any questions they may have regarding Dr. Millhorn's presentation.

## **VI. PRESENTATION OF HONORARY RESOLUTIONS**

The Vice Chair recognized Trustee Bill Stokely, who presented a Resolution recognizing Mr. Jack Williams for his lengthy service to the University of Tennessee (Exhibit 1). Mr. Stokely moved approval of the Resolution, Mr. Murphy, seconded, and the motion carried unanimously.

Addressing the Board, Mr. Williams expressed his deep appreciation, stating that it was truly a blessing and honor to have worked for the University for thirty-six years. He further stated that it was a privilege to work with UT's outstanding faculty and staff, to interact with hundreds of thousands of UT alumni, and to count among his friends many remarkable supporters and friends of the University.

The Vice Chair then noted that the trusteeship terms of Mr. John Thornton, Mr. Waymon Hickman, and Mr. Steve Ennis ended on May 31, 2006. She stated that the Board wished to recognize their outstanding contributions to the University of Tennessee. The Vice Chair then recognized Trustee Susan Williams to present a Resolution honoring Mr. John Thornton (Exhibit 2). Ms. Williams stated that although Mr. Thornton was not in attendance, she would like to take a few moments to recognize his many distinguished contributions to The University of Tennessee. She stated that he has been and would continue to be a truly valuable friend to the University. Ms. Williams moved approval of the Resolution, Mr. Wolford seconded, and the motion carried unanimously.

The Vice Chair next recognized Trustee Don Stansberry to present Resolution honoring Mr. Waymon Hickman (Exhibit 3). Mr. Stansberry discussed Mr. Hickman's considerable contribution to the University and to the Board of Trustees through his successful establishment of the Audit Committee and for his service as Chair of the Committee. Mr. Stansberry stated that, as chair of the Audit Committee, Mr. Hickman demonstrated a dedicated and sincere commitment to fiscal integrity. Mr. Stanberry moved approval of the Resolution, Ms. Hurd seconded, and it carried unanimously.

Addressing the Board, Mr. Hickman stated that the University of Tennessee has always meant so much to him and noted that he was looking forward to attending the 50<sup>th</sup> reunion celebration for his graduating class this year. He praised Dr. Petersen's leadership of the University and stated that he has greatly enjoyed the opportunity to work with Dr. Petersen and each of the Trustees. He congratulated the new Trustees, and wished each of them success in their service to the University.

The Vice Chair recognized Ms. Catherine Mizell to preset a resolution honoring Mr. J. Steven Ennis (Exhibit 4). Ms. Mizell recited the resolution honoring Mr. Ennis for his eighteen years of service to the University of Tennessee Board of Trustees. She

recounted his many distinguished contributions to the Board serving on various Committees, as Chair of various Committees, and serving honorably and ably as Vice Chair of the Board from July 1, 1995 through June 30, 1997. Ms. Mizell also thanked Sandy Ennis for her contributions, encouragement, and support during Mr. Ennis' long devoted and outstanding service to the Board. Mr. Haslam moved approval of the Resolution, Ms. Williams seconded, and it carried unanimously.

The Board offered a standing ovation. Mr. Ennis thanked the Board for the gracious tribute. He stated that it has truly been an enormous pleasure to be part of The University of Tennessee as a Trustee for the past eighteen years. He stated that he and his family planned to continue their loyal support of this great institution.

## **VII. PRESIDENT'S REPORT**

The Vice Chair recognized President Petersen for his report. President Petersen first expressed his personal appreciation to Mr. Ennis, Mr. Hickman, and Mr. Thornton for their service to the University and the Board.

President Petersen began by discussing the Strategic Plan. He reported on student access and student success, focusing on the University's efforts to reclaim "stop-out" students. He discussed the demographics of "stop-out" students in Tennessee and the economic impact for those students and for the state of their achieving a college degree. He discussed the involvement of system staff, Institute for Public Service staff, and Extension staff in this effort.

President Petersen then discussed outreach and globalization efforts of the University. He discussed the economic impact report for UT-Battelle as well as UT's recent surpassing of \$300 million in research funds. He stated that this amount represents the largest amount of research dollars ever awarded UT. He also discussed the economic impact of the University's Institute for Public Service creating over 12,000 jobs and \$528 million for the state's economy.

President Petersen discussed progress made by the University to facilitate communication. He stated that in prior years internal communication efforts were not consistent. He discussed the recently introduced branding campaign giving rise to the use of "FUTURE" and the re-introduction of the UT logo. He reported that the branding initiative has helped to unite all of the staff, campuses and agents of the University. He described UT as having a very unique organizational structure including unique enterprises and different regional campuses. He stated that the branding campaign helps to connect UT's "distinct but linked" framework.

President Petersen stated that he was tremendously pleased to announce for the first time at this meeting that an anonymous donor has pledged a \$50 million donation to

the University of Tennessee representing the largest individual gift ever to the University. President Petersen stated that the gift will benefit three enterprises within UT--half of the gift will support academic programs in the college of veterinary medicine and the college of engineering on the Knoxville campus, and half will support the athletics program at Knoxville, including renovation of Neyland stadium. He stated that he hoped these large individual gifts, such as this gift and the \$32.5 million gift from Jim and Natalie Haslam, would inspire others to support the University and assist its efforts to benefit the economic development and future of UT students and the State of Tennessee.

## **VIII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE**

The Vice Chair noted that the work of the Board is primarily done in committees. She stated that each Committee of the Board met prior to this meeting, and the Chair of each Committee would now be recognized to discuss action items from the Committee meetings. The Vice Chair recognized Mr. Bill Stokely, Chair of the Finance and Administration Committee, to present his report to the Board.

### **A. Approval and Filing of Annual Flight Operations Report**

Mr. Stokely discussed the Annual Flight Operations Report (Exhibit 5). He referred the Board to the report and commented that the Committee received a very thorough report regarding the usage of the UT Plane and charter operations. Mr. Stokely moved approval of the filing of the Annual Flight Operations Report. Mr. Haslam seconded the motion, and it carried unanimously.

### **B. Approval of FY 2008 Operating Budget Appropriations Request**

Mr. Stokely discussed the FY 2008 Operating Budget Appropriations Request. He referred the Board to the report included in the meeting materials (Exhibit 6). He discussed the list of funding requests for non-formula improvements. He then described the high priority request for faculty and staff salaries. He stated that the request will be submitted to THEC. Mr. Stokely moved approval of the FY 2008 Operating Budget Appropriations Request. Mr. Stansberry seconded the motion, and it carried unanimously.

Trustees James Murphy, Larry Pfeffer, Spruell Driver, and Jerry Jackson praised the administration for promoting the request for compensation increases for faculty and staff as a top priority for the University at this point in the year.

## **IX. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE**

The Vice Chair temporarily relinquished the chair of the meeting to Trustee Don

Stansberry, Chair of the Governance Committee. Mr. Stansberry recognized Ms. Loughry, Chair of the Executive and Compensation Committee, who reported on the meeting of the Executive and Compensation Committee.

#### **A. Approval of FY 2007 Compensation Adjustments**

Ms. Loughry discussed a proposal to approve a compensation adjustment for President Petersen. She discussed his exemplary service to the University and the compensation data provided to the Committee to determine an appropriate compensation level. She discussed the Committee's approval and recommendation of a 5% salary increase for President Petersen effective July 1, 2006, an additional retention bonus of \$50,000 for the President's sixth year of service to the University, an additional \$5,000 for the President's non-accountable expense allowance, and approval for the Vice Chair to execute any necessary contracts and make any necessary contract changes to effect the proposed compensation adjustments. Mr. Haslam moved approval of the compensation recommendation for President Petersen as presented at the meeting. Mr. Stokely seconded the motion, and it carried unanimously.

Ms. Loughry next circulated a report with proposed compensation adjustments for members of the President's Staff (Exhibit 7). She called on President Petersen to discuss the report. President Petersen stated that the administration recognized some anomalies in the pay structure of the President Staff that occurred after several members were recently hired at market value. He stated that the administration reviewed compensation of each member of the President's Staff and found that four members' compensation fell below the minimum market value. He explained the studies that were used to develop market value ranges for each position. He stated that one of the identified officials was approximately 5% below the minimum of the market value salary range, and proposed a compensation adjustment in January 2007 to meet the minimum salary level. The remaining three individuals were substantially below the minimum. President Petersen proposed a plan of increases in increments of up to %10 beginning in January and continuing over a period of time to bring their compensation levels to the minimum assuming performance remains satisfactory. He stated that the administration found that other staff members were either within the market value ranges or could be brought to the minimum level of the range by allocations from the 1% salary increase pool for the staff. Ms. Loughry stated that the Executive and Compensation Committee approved and recommended the proposal as presented by the President. Ms. Hurd moved approval of the compensation adjustments for the President's Staff as presented at the meeting. Ms. Williams seconded the motion, and it carried unanimously.

President Petersen next discussed proposed mid-year compensation plans for faculty

and staff as presented to the Executive and Compensation Committee (Exhibit 8). He stated that total increases add up to approximately 1% (½% recurring and ½% non-recurring) distributed over the various campuses and institutes. He stated that most of the non-recurring salary increases were part of an incentive plan for UTHSC. He stated that each enterprise established its own plan to address salary increases, including the funding mechanism. He stated that each Vice President or Chancellor was given the ability to review his or her budget to re-allocate funds for the salary increases. President Petersen referred the Board to the report included in the meeting materials. Ms. Williams moved approval of the FY 2007 Mid-year Compensation Plans for faculty and Staff. Mr. Murphy seconded the motion, and it carried unanimously.

## **B. Approval of Revised Strategic Plan Benchmarks**

Ms. Loughry stated that the next item of business, the approval of revised Strategic Plan Benchmarks, was not discussed at the Committee level. She stated that yesterday the Committee removed this item from its agenda and moved it to the full Board agenda. Ms. Loughry called on Dr. Britt to discuss the proposed revisions (Exhibit 9).

Dr. Britt stated that the initial set of Strategic Plan Benchmarks was approved at the June 2006 meeting of the Board. He stated that since then, the President's Staff has been developing clearly defined procedures for calculating benchmarks. He noted that the Strategic Plan is a "living document" and will continually be reviewed and revised. During this process and in consultation with experts within UT Institutional Research and THEC, the staff has determined that some modifications in benchmarks are needed to improve clarity and to keep the focus on system-wide efforts. Dr. Britt stated that among the initial set of 25 benchmarks, the President's Staff recommends that definitions be modified for 3 benchmarks and that 3 original benchmarks be replaced with 3 new benchmarks. Dr. Britt briefly described the proposed modifications and changes. Beginning with Student Access and Student Success, he explained that the benchmark measuring "scholarship support per entering student" has been changed to "student financial need met by campus". He noted that the new benchmark focuses on financial need of students and is already part of Common Data Set report. He noted that the new benchmark would allow comparison to other universities and to past numbers for UT, which are readily available in the Common Data Set report. Next, Dr. Britt discussed the two benchmark changes for research and the two benchmark changes for economic development. He explained the rationale for the proposed changes and how the changes would expand the scope of the benchmarks. Lastly, he discussed a proposed benchmark change for Outreach and Globalization. He stated that the benchmark measuring "faculty engaged in externally funded outreach projects" has been changed to "externally funded faculty and staff". He noted that the new benchmark expands the scope to include staff in UT Extension and the Institute for Public Service who are expected to acquire external funding. Mr. Carroll moved

approval of the revised Strategic Plan benchmarks. Mr. Wolford seconded the motion, and it carried unanimously.

A Trustee asked Dr. Britt to consider including benchmarks to measure post-graduation employment and graduate school admittance rates. Another Trustee suggested potentially reviewing the "Growth in Research Space" benchmark under Research and Economic Development to include a measurement of percent funded. Dr. Britt explained the administration's recommendation to measure externally funded faculty rather than funded research space because of other external factors affecting use of new space.

Mr. Stansberry relinquished chair of the meeting to the Vice Chair, Ms. Loughry. The Vice Chair called on Mr. Stansberry to report to the Board on the meeting of the Governance Committee.

## **X. ACTION ITEMS FROM THE GOVERNANCE COMMITTEE**

### **A. Approval of Bylaw Amendments**

Mr. Stansberry discussed the proposed Bylaw amendments included in the meeting materials (Exhibit 10). He stated that some of the changes are editorial and some are proposed to reflect changes in the law. Mr. Stansberry discussed each of the substantive amendments. After further discussion, Mr. Stansberry moved approval of the proposed Bylaw Amendments. Mr. Murphy seconded the motion. Ms. Mizell stated that the bylaw amendments require a record vote. She asked all of the voting members of the Board to indicate their approval by raising their right hand. She then asked for any opposed to raise their hand. The motion carried unanimously.

### **B. Approval of Revised Audit Committee Charter**

Mr. Stansberry then discussed proposed changes to the Audit Committee Charter (Exhibit 11). He stated that the Audit Committee proposed changes to the membership section of the charter to comply with recent amendments to the Bylaws. For example, under the amended Bylaws, the chair of the committee is no longer required to have extensive accounting, auditing or financial management expertise, but at least one committee member must have that expertise. In addition, one member of the committee may be a person who is not a Trustee as long as he or she has extensive accounting, auditing or financial management expertise. Ms. Mizell stated that the changes made to the charter are consistent with changes that were previously made to the Bylaws regarding the membership of the committee. Ms. Mizell stated that the other changes to the charter were recommended by the State Comptroller's office. Mr. Stansberry moved approval of the Revised Audit Committee Charter. Mr. Haslam



seconded the motion, and it carried unanimously.

### **C. Ratification of Committee Appointments**

Mr. Stansberry stated that at the Annual Meeting in June, the Board authorized the Vice Chair to make interim committee appointments and committee chair appointments, if necessary (Exhibit 12). With the appointment of new Trustees just prior to this meeting, the Vice Chair made interim appointments as reflected in the memorandum provided at the meeting. He noted that Mr. Wolford assumes Chair of the Outreach Committee, Mr. Murphy assumes Chair of the Audit Committee, and he, Mr. Stansberry, assume Chair of the Governance Committee. In addition, each of the five new Trustees has been assigned to serve on various committees.

The Vice Chair stated that since the new Trustee appointments were just recently announced, this item was not included in the meeting agenda. Mr. Stansberry moved approval to add this item to the meeting agenda. Mr. Haslam seconded, the motion carried unanimously. Mr. Stansberry moved ratification of the interim committee appointments as presented at the meeting. Ms. Williams seconded the motion, and it carried unanimously.

## **XI. REPORT OF THE AUDIT COMMITTEE**

The Vice Chair recognized Mr. Murphy, Chair of the Audit Committee. Mr. Murphy stated that as a result of the Vice Chair's interim committee appointments, Mr. Waymon Hickman, the immediate past chair of the Audit Committee, was appointed and agreed to serve as the external member of the committee. Mr. Murphy called on Mr. Hickman to provide the Audit Committee report to the Board. Mr. Hickman referred the Board to the minutes for the Audit Committee meeting held on October 20, 2006 (Exhibit 13). He discussed the Audit Committee's review of the annual audit plan, review of student fees, and an update on the use of fraud posters and the State Audit. He discussed the investment audit and the use of new software to identify high-impact areas and the probability of risk. He stated the committee also reviewed the status of the President and Chancellors travel, discretionary expenditures, and housing expenditures.

## **XII. REPORT OF THE KNOXVILLE ATHLETICS BOARD**

The Vice Chair recognized Mr. Haslam, who referred the Board to the report on Knoxville Athletics included in the meeting notebook (Exhibit 14). He noted that financially the Athletics Department is in excellent shape for 2007. He discussed capital projects including the financing for renovating Neyland Stadium. He stated that financing has been completed for the Pratt Basketball facility, which is scheduled to be completed in October 2007. The Regal Soccer Stadium and the Sherry Lee Softball Stadium are also under construction and are scheduled for completion in 2007, along

with luxury boxes in Thompson-Boling Arena.

The Vice Chair recognized Mike Hamilton and Joan Cronan, both in attendance at the meeting. She thanked them for taking the time to meet with the Board and its Committees over the past two days.

### **XIII. CONSENT ITEMS**

The Vice Chair 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.

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

- A. Approval of Naming of Claxton Addition at UT Knoxville (Exhibit 15)**
- B. Approval of Annual Report to the General Assembly (Exhibit 16)**
- C. Approval of Revised Investment Policy (Exhibit 17)**
- D. Approval of FY 2007-2008 Capital Outlay & Maintenance Budget (Exhibit 18)**
- E. Approval of FY 2007-2008 Revenue/Institutionally Funded Projects (Exhibit 19)**
- F. Approval of Sale of Goodwyn Street Property (Exhibit 20)**
- G. Approval of Grant of Utility Easement (Exhibit 21)**
- H. Approval of Sale of Robertson County Property (Exhibit 22)**
- I. Approval of Student Fee for UTC Wellness Center (Exhibit 23)**
- J. Approval of UT Martin Recreation Center (Exhibit 24)**
- K. Approval of Revised Undergraduate Admissions Criteria for UT Martin (Exhibit 25)**
- L. Approval of UT Martin Off-Campus Centers (Exhibit 26)**

**M. Approval of Revised Mission Statement for UTHSC (Exhibit 27)**

**N. Approval of Policy Concerning Admission Preference for Tennessee Residents (Exhibit 28)**

Mr. Jackson moved approval of the consent agenda. The motion was duly seconded by Dr. Pfeffer and carried unanimously.

**XIV. OTHER BUSINESS**

The Vice Chair noted that the next meeting of the Board will be March 6-7, 2007 in Martin. She noted the Executive and Compensation Committee will meet in Knoxville prior to the next Board meeting at a date to be determined.

**XV. ADJOURNMENT**

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

Respectfully Submitted,

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Catherine S. Mizell  
Vice President, General Counsel and Secretary