

MINUTES OF THE GOVERNANCE COMMITTEE
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

June 21, 2006
Knoxville, Tennessee

The Governance Committee of the Board of Trustees of The University of Tennessee met at 8:00 a.m., Eastern Daylight Time, Wednesday, June 21, 2006 in Room 113 of the Plant Biotech Building, Knoxville, Tennessee.

I. CALL TO ORDER

Mr. James L. Murphy, III, Chair, called the meeting to order.

II. ROLL CALL

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

Mr. Spruell Driver
Dr. Rhynette Hurd
Mr. James L. Murphy, III
Mr. Don C. Stansberry, Jr.

Due to a scheduling conflict, Mrs. Johnnie Amonette was unable to attend the meeting. Dr. Petersen was in attendance at a meeting of the Academic Affairs and Student Life Committee of the Board being held concurrently.

The Secretary announced the presence of a quorum.

III. APPROVAL OF MINUTES OF PRIOR MEETING

Chair Murphy called for corrections or additions to the minutes from the October 27, 2005 meeting of the Committee. There being none, Mr. Stansberry moved approval of the minutes. Mr. Driver seconded, and the motion carried unanimously.

IV. APPROVAL OF THE VICE CHAIR'S RECOMMENDATION OF COMMITTEE AND CHAIR APPOINTMENTS

Chair Murphy referred the Committee to the Vice Chair's recommendation of Board committee and committee chair appointments (Exhibit 1). Mr. Stansberry reviewed his recommendations, noting that the current two-year terms for committee and committee chair appointments expire after this meeting, making new appointments necessary. However, because the Governor has several Trustee appointments or re-appointments pending, the final composition of the Board is unknown at this time. Mr. Stansberry recommended that the Vice Chair be authorized to make an interim set of appointments for any vacant committee or chair positions, subject to ratification by the Board at its next meeting.

Mr. Stansberry moved that the committee and committee chair appointments be approved and that the Vice Chair be authorized to make any necessary interim appointments, subject to ratification by the Board at its next meeting. Ms. Hurd seconded the motion, and the motion carried unanimously.

V. APPROVAL OF STATEMENT OF GOVERNANCE PRINCIPLES

Chair Murphy referred the Committee to the Statement of Governance Principles (Exhibit 2). He explained that the governance statement would serve to clarify the role and responsibilities of the Board and to outline general expectations for the Board's performance. He noted that establishing a governance statement for the Board was one of the recommendations of the Governance Task Force. He stated that the Secretary had compiled the governance statement primarily from key governance principles found in previously adopted Board documents. He asked Ms. Mizell to review the Statement of Governance Principles with the Committee.

Ms. Mizell stated that the Governance Committee has discussed this item several times since the Governance Task Force recommended it. She reviewed the proposed statement, noting the basis for each section. She stated that the section on Authority and Responsibility for the Board was based on the bylaws, the section on Qualifications and Core Competencies Required for Effective Trusteeship was based on the Board adopted document by the same name, and the Guiding Principles were derived primarily from the Code of Ethics and other principles not previously codified.

Ms. Hurd requested a revision to reflect that the Board approve a mission statement of the University and the mission statement for each campus and institute of the University. Ms. Mizell stated that there had not previously been a mission statement for the University and the mission statement included in the proposed Statement of Governance Principles was taken from the new Strategic Plan.

There being no further questions or comments, the Chair called for a motion to approve the Statement of Governance Principles and recommend it to the Board. Ms. Hurd moved approval of the Statement of Governance Principles, as amended by adding a reference to Board approval of a mission statement for the University. Mr. Driver seconded the motion, and the motion carried unanimously.

VI. APPROVAL OF BYLAW AMENDMENTS

Chair Murphy directed the Committee to the proposed Bylaw amendments (Exhibit 3). He reported that the purpose of the proposed amendments is to change the title of Vice President for Research to Vice President for Research

and Economic Development and to clarify the terms and conditions for continued employment of any member of the President's senior staff who retires or otherwise leaves office. Mr. Murphy stated that the second proposed amendment clarifies that senior staff members with tenure will receive compensation no greater than the average compensation for a full-time professor in that department. Ms. Mizell added that the amendment also makes clear that prior approval by the Board or the Executive and Compensation Committee is required for a senior member of the President's staff to continue any further employment with the University after he or she has retired or otherwise left office.

Mr. Driver asked whether a senior member who leaves office under investigation and who has tenure will be able to hold a full time faculty position with the University. The Chair responded that if there were grounds to terminate tenure, administrators would follow the University's procedures to remove a tenured faculty member. He stated that the Board would be required to approve continued employment for Vice Presidents, Chancellors or equivalents who did not have tenure or for those with tenure whose salary would be greater than the average salary for the department. He stated that if for example, the President wanted to move a senior staff member, who had left office, into a different, non-faculty role with the University, the President could not do so without prior approval from the Board or the Executive and Compensation Committee.

There being no further questions, the Chair called for a motion to approve the proposed Bylaw amendments. Mr. Stansberry moved approval of the Bylaw amendments; Mr. Driver seconded the motion, and it was unanimously approved.

VII. REVIEW OF OPERATIONS UNDER REVISED UT-UT FOUNDATION MEMORANDUM OF UNDERSTANDING

Chair Murphy noted that the timely dissemination of the annotated version of the revised Memorandum of Understanding (MOU) was very informative and helpful (Exhibit 4). The Chair asked Mr. Nemcik, Vice President for Development and Alumni Affairs, to provide an overview of changes in operation under the revised MOU. Mr. Nemcik noted his appointment to replace Emerson Fly as President of the Foundation and the appointment of Dr. Gary Rogers, Chief Financial Officer of the University, as a member of the Board of Directors of the UT Foundation. He stated that these appointments ensure a proper alignment of the UT Foundation and the University. He the discussed certain Sarbanes-Oxley governance issues the Foundation would be addressing. He reported on the appointment of an audit committee and the receipt of gifts specifically designated for the UT Foundation. He noted that most gifts to the Foundation would be for a specific purpose, and therefore there would most likely not be an accumulation of discretionary funds. In

response to a question from the Committee, Mr. Nemcik noted that since the records of the UT Foundation are held by the University, the UT Foundation does not have the ability to guarantee donor confidentiality. He stated that the UT Foundation would continue to hold open meetings. In conclusion, Mr. Nemcik stated that it was his intention that the oversight of the UT Foundation would surpass minimal compliance with the revised MOU, and governance of the UT Foundation would be comparable with the best-run foundations in the country.

VIII. FORMS FOR EVALUATION OF BOARD, INDIVIDUAL TRUSTEES AND MEETINGS

The Chair stated that an evaluation process for the Board, the Trustees, and Board and committee meetings was a recommendation of the Governance Task Force. Ms. Mizell discussed each of the forms (Exhibit 5). She noted that the meeting evaluation form was drafted to be anonymous. Several members of the Committee noted their preference for the forms not to be anonymous. The consensus of the Committee was that: a self-identified meeting evaluation would be useful for the Vice Chair and the Secretary; the meeting evaluation form should be revised so that comments on committee meetings and the full Board meeting could be collected on a single form; and the self-assessment forms for the Board and each Trustee should be completed on an annual basis (prior to the June Board meeting) and returned to the Chair of the Governance Committee.

The Chair called for a motion on the evaluation forms. Mr. Stansberry moved approval of the evaluation forms with the revisions noted by the Committee. Ms. Hurd seconded the motion, and it was unanimously approved.

IX. OTHER BUSINESS

Ms. Mizell asked the Committee for their thoughts on distributing meeting materials electronically prior to the meeting. She stated that the meeting notebook would be available at the meeting but would not be mailed prior to the meeting. A discussion ensued among the Committee members. The consensus of the Committee was that meeting notebooks should continue to be mailed prior to the meeting.

X. ADJOURNMENT

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

Catherine S. Mizell
Vice President, General Counsel and Secretary

