

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

June 20, 2008

The Annual Meeting of the Board of Trustees of The University of Tennessee was held at 2:30 p.m. EDT, Friday, June 20, 2008 in the Hollingsworth Auditorium, Ellington Plant Science Building on the Agricultural Campus in Knoxville.

I. CALL TO ORDER AND INVOCATION

Ms. Andrea J. Loughry, Vice Chair of the Board, called the meeting to order. Pastor Chuck Lestor, Chair of the Campus Ministries Council at UT Knoxville, gave the invocation.

II. ROLL CALL

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

Mr. Charles Anderson
Ms. Anne Holt Blackburn
Mr. William Y. Carroll
Ms. Barbara C. Castleman
Mr. George E. Cates
Mr. Spruell J. Driver, Jr.
Mr. James E. Hall
Mr. Douglas A. Horne
Dr. Rhynette N. Hurd
Mr. Jerry L. Jackson
Ms. Andrea J. Loughry
Ms. Brittany A. McGruder
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. Karl A. Schledwitz
Dr. John J. Schommer
Mr. Don C. Stansberry, Jr.
Mr. Robert S. Talbott
Mr. Charles E. Wharton
Mr. James L. Wolford

The Secretary announced the presence of a quorum. Governor Bredesen, Commissioner Webb, Commissioner Givens and Dr. Rhoda were unable to attend

the meeting. Members of the senior administrative staff of the University, members of the public, and representatives of the media were in attendance.

III. INTRODUCTIONS

The Chair welcomed former Trustees Anna York, Candace White and Bill Stokely, members of the public present at the meeting, and everyone viewing the meeting through the webcast.

IV. APPROVAL OF MINUTES OF PRIOR MEETINGS

Mr. Driver moved approval of the minutes of the March 12, 2008 meeting of the Board of Trustees as presented at the meeting. Mr. Stansberry seconded the motion, and it carried unanimously.

V. ADOPTION OF HONORARY RESOLUTIONS

The Chair recognized Mr. Wharton to present a Resolution honoring Dr. Donald C. Daniel upon his retirement from the University (Exhibit 1). Although Dr. Daniel was unable to attend the meeting, Mr. Wharton said he would take the opportunity to say a few words in Dr. Daniel's honor. He said that one of the benefits of being a Trustee is the opportunity to work with dedicated and committed University of Tennessee individuals like Don Daniel. He stated that Dr. Daniel is a good friend and will remain so, as he will remain a committed friend to the University. Mr. Wharton referred the Board to the Resolution included in the meeting materials and moved its adoption. Mr. Murphy seconded the motion, and it carried unanimously.

The Chair recognized Dr. Schommer to present a Resolution honoring Dr. Candace White (Exhibit 2). Dr. Schommer relayed a story regarding one of his first meetings with Dr. White at the UT Leadership Institute. He stated that Dr. White is a terrific colleague, with sharp insightful questions, and is wonderful to work with. He moved adoption of the Resolution included in the meeting materials. Mr. Horne seconded the motion, and it carried unanimously.

Addressing the Trustees, Dr. White stated that she has truly been honored to be part of the Board, she has learned so much from the Trustees, and truly appreciates the tough questions they ask. She asked the Board to advocate for playing fields for the Knoxville students. She mentioned the work of the Faculty

Council and recognized members in attendance at the meeting. On behalf of the Faculty Council, she thanked Dr. Petersen for his support of the Council.

The Vice Chair recognized Brittany McGruder to present a Resolution honoring Anna York (Exhibit 3). Ms. McGruder recited the Resolution and added that being a student on the Board can be intimidating, but that Anna was very helpful and supportive in taking time to assist her. Ms. McGruder moved adoption of the Resolution. Mr. Schledwitz seconded the motion, and it carried unanimously.

Ms. York thanked the Trustees and stated that she was honored to serve on such a distinguished Board. She stated that the past two years have been a true learning experience, and she is grateful to the Board for continuing to keep students interests at heart. On behalf of students on the Knoxville campus, she asked the Board to commit to establishing more student recreational fields in Knoxville. She stated she was very grateful for this special opportunity to serve a university that is the best in its class and to be a part of its future.

VI. ELECTION OF CHAIR AND VICE CHAIR OF THE BOARD

The Vice Chair stated that under the Bylaws, the Chair and the Vice Chair are elected for two-year terms. She stated that it has been tradition for the Governor of Tennessee to serve ex-officio as Chair of the Board and that it is her honor and privilege to recommend continuation of that tradition by nominating Governor Phil Bredesen as Chair of the Board for another two-year term effective July 1, 2008. The Vice Chair then called for any other nominations. There being none, Mr. Murphy moved that nominations cease and that Governor Bredesen be elected Chair of the Board. Mr. Jackson seconded the motion, and the motion carried unanimously. The Vice Chair stated that on behalf of the Board, she wanted to thank the Governor for his leadership and support of higher education. She stated that the Board looks forward to continuing to work with Governor Bredesen to enhance the University's contribution to the State and its people.

The Vice Chair stated that it has been her honor and privilege to serve as Vice Chair for the past two years. She stated that after careful reflection and consultation with President Petersen and Governor Bredesen, she nominates Mr. James L. Murphy, III, to serve as Vice Chair of the Board for the next two years. She noted that Jim served as chair of a presidential search advisory committee in 2003 and 2004. He skillfully guided the work of the committee, and his leadership was a critical factor in the search process. He has also chaired the Board's Governance Committee and Audit Committee and serves as a member of

the Executive and Compensation Committee. She stated that she is confident Mr. Murphy will serve this Board, the University, and the people of Tennessee exceptionally well as Vice Chair. The Vice Chair then moved the election of Mr. Murphy as Vice Chair for a two-year term beginning July 1, 2008. She called for other nominations, and there being none, the Vice Chair called for a vote. Mr. Stansberry, seconded the nomination, and it was unanimously approved.

Mr. Murphy stated that he is very humbled and honored to be elected Vice Chair and hopes he will be able to follow in the footsteps of Ms. Loughry and Mr. Stansberry and others who have done such a good job as Vice Chair of this Board.

He expressed appreciation to his wife and to his law partners for allowing him the time necessary for this commitment. He also expressed his appreciation to Andrea for the outstanding job she has done in her two years as Vice Chair. He stated that she has really focused the Board on developing a good relationship with the faculty and students, on becoming better Board members, and on the cost containment project that will be critical to the future success of the University. He added that she became a recognized leader among Board chairs nationally through her involvement with the AGB, and the Board was very fortunate to have her as its leader. He stated that the Board will have a lot of responsibility on its plate for the next two years in light of the economy, but he looks forward to continuing to work toward making UT the best it can be.

VII. PRESIDENT'S ANNUAL REPORT

The Vice Chair recognized Dr. Petersen for his annual report. Dr. Petersen thanked Andrea Loughry for the leadership she has provided to the Board and to the administration for the past two-years. He stated that she has worked tirelessly on behalf of the University, and as Jim Murphy pointed out she was also nationally recognized through her writing for the AGB publication, *Trusteeship*. Dr. Petersen also thanked Ed Loughery for his support. The Board offered a standing ovation.

Dr. Petersen stated that he appreciated Dr. White's service on the Board and especially her foregoing time from her sabbatical to do so. Dr. Petersen thanked Anna for her service on the Board and stated that since her Honorary Resolution was prepared, she was awarded the prestigious Torchbearer Award, the highest student honor conferred by the University's Knoxville campus.

Dr. Petersen stated that the focus he would like to make in his remarks goes back to Jim Murphy's comment about the upcoming critical decisions the University will

face over the next two years. He stated that even though the budget was cut this year, UT had an enormously positive relationship with state legislators. He discussed the positive impact to base funding from fund raising, noting that the Capital Campaign is almost half way to its goal, and he is grateful to Henry Nemcik and his staff and everyone who has been helpful and supportive to the Campaign. He also thanked Emeritus President, Joe Johnson for heading the internal Family Campaign. He stated that UT employees have contributed approximately \$49 million to the Campaign, which is substantially more than what is typical at state universities across the country. He briefly discussed UT's strategic partnerships, including benefits to UT and the State through important initiatives stemming from UT's partnerships with St. Jude and ORNL.

Dr. Petersen next discussed the downturn of the economy and the \$55.8 million cut to higher education budgets, with the University's share of the cut being \$21.2 million. He noted that in his speech during lunch, Dr. Patterson, Knoxville Faculty Senate President, mentioned that the University has suffered budget cuts in the past. Dr. Petersen stated that we have learned from the past and now must be strategic so as not to diminish the strength of the entire University. Decisions to pare down and reduce the scope of the University are long-term decisions. He stated that to assure that all concerned have adequate time to study the issue and that we have dealt directly and effectively with all concerns raised during this difficult process, the period to consider programmatic cuts has been extended and specific recommendations will be made at the October meeting for the Knoxville campus. He stated that cuts made on the other campuses were strategic even though they did not involve program eliminations. The cuts were made on a focused basis in areas not as critical to the University.

Dr. Petersen discussed the thinking behind the Knoxville campus proposal for academic program terminations. He discussed the loss of appropriations to UTK, loss of opportunity to give raises, and a 3% fixed cost increase. He stated that the Governor and leadership believed it would be imprudent to transfer budget cuts directly into tuition increases. For perspective, he stated that a tuition increase of 7% would be equivalent to about 90% of the budget cuts. He stated that at a 6% increase, 60% of the cuts are recovered, not including the 3% fixed cost increase. Dr. Petersen stated that UTK first took a large amount of the cuts out of administration. The remainder was then assigned proportionally to each college. He stated that three colleges proposed cutting programs. The proposal to cut the business program and dance program stemmed from their lack of relationship to core classes in their programs. The proposal to eliminate the Audiology and Speech Pathology department in the College of Arts and Sciences would result in

approximately \$1.3 million for the College. The College of Arts and Sciences is the largest college on the campus. The proposed elimination of the department translates to cutting 5% of the College of Engineering, 8% of the College of Education, Health, and Human Sciences, 9% of the College of Business, 15% of the College of Law, 25% of the College of Communications and Information Sciences, 33% of the College of Social Work, or 40% of the College of Nursing. He stated that the College of Arts and Sciences determined to cut a program rather than take an across the board cut of approximately 25 faculty members. He stated that the Audiology and Speech Pathology department is the only program in the College of Arts and Sciences without a general education component. He stated that the program does train students for a necessary vocation and it is not a bad program, but it's the difference between 200 students enrolled in the department or 1000 students across campus in total credit hours. He stated that the state has other Audiology and Speech Pathology program options at other colleges or institutions, and some states with populations similar in size to Tennessee have even fewer programs offered. This decision was a viable choice given the holistic picture of UTK. He stated that the clinic runs at an annual deficit of approximately \$695,000. The number of clinical patients served is 2142 at a cost of approximately \$324 per patient, which is equivalent to the tuition for 144 full-time students.

Dr. Petersen stated that these are very difficult decisions for the System administration and the Chancellors. He stated that it is important for everyone to visualize where the University will be when the economy turns around, and how UT will be best poised to push forward and be the best it can be. He stated that he believed across-the-board cuts would be an enormous long-term mistake for the University. He added that there is not a person on the staff of any of our campuses that does not find budget cutting a gut-wrenching experience, but he could not be any prouder of the dedication and commitment of the campus leaders to make tough, thoughtful decisions they believe are in the best interest of the entire organization going forward to build the best educational programs we can for the people of Tennessee.

Mr. Talbott asked Dr. Petersen to update the Board on the status of the student recreational fields for the Knoxville campus and whether it can be resolved by June 2009. Dr. Petersen stated that there is a team working diligently on the issue. He stated that the team is working on a viable short-term solution and trying to put in place a long-term solution. Mr. Horne also stated that he would like to reiterate Mr. Talbott's request and that a viable solution be in place as soon

as possible. He specifically recommended the flood plain area on Cherokee Farms.

Mr. Schledwitz stated that he applauded Dr. Petersen and the System for the autonomy given to the campuses in making the budget cuts. Dr. Petersen stated that it's the faculty and staff on each campus that know their programs and how to deliver the best quality programs for their students. The System carefully reviewed what the campuses proposed and determined to support their decisions.

Mr. Stansberry commended the campus leaders for their willingness to look at the overall issue of quality versus just doing things the way they may have been done in the past. He stated that we cannot whittle away the quality and competency of the University without really damaging the University.

Dr. Petersen stated that as we go forward, we will probably have to make more tough decisions. Faculty participation in this will be an important component in our ability to move forward. Mr. Jackson asked about aligning the clinic and the department with the UT Health Science Center. Dr. Petersen stated that all scenarios are being reviewed.

Mr. Horne asked Dr. Petersen to seriously look at System and campus non-faculty staff positions for any excess to meet the cuts. He added that, at this point, he is not in favor of cutting the Audiology and Speech Pathology department.

Mr. Hall stated that he would like to compliment Dr. Petersen and Chancellor Simek for their actions and reconsideration. He stated that it is very important when dealing with public funds and public trust to listen to the constituents. Dr. Petersen stated that the faculty and campus leaders will be involved in the final proposal to be presented in October. He stated that typically faculty evaluate programs and determine eliminations based on whether they add value not. Faculty leaders have been in discussion with the Chancellor and his staff about these cuts and will continue to be. Mr. Hall added that as a land grant institution, the University has many roles. He stated that this particular department serves both an educational component and a service function, and the Chancellor, faculty, and campus leaders need to consider both of these functions.

Mr. Murphy stated that during the Finance and Administration Committee meeting, the Committee discussed appointing a committee to look at cost management. One of the things the committee will do is interact with the administration between now and October, so that the Board will have information available at

each step of the way, and there will not be a final proposal without members of the Board having a view on how the decisions were reached along the way. This committee will continue to look at cost containment across the University as we go forward, because these issues will most likely continue to come up. Mr. Murphy stated that the University has been underfunded for many years. Taking a big cut like this year creates a real challenge, and most likely we will have to eliminate something we do want to eliminate. He stated that appropriations for education are going down nationwide, but the public is resistant to paying more taxes or more tuition. As this continues, he stated, we will remain in a very difficult position. He added that cost containment will be critical for the growth of the University, and that the decision in October will be difficult and may not be unanimous.

Mr. Anderson stated that he does not want to see across-the-board cuts leading to mediocrity, but it is important to note that the department proposed to be cut is not mediocre. He stated that he applauds the President for taking time to reconsider this proposal.

Mr. Cates stated that he applauded the President and Chancellor for their work on these difficult decisions. He stated that he is hopeful that the answer lies in many of the discussions going on today such as cost management. He stated that "fat" can build up without your knowing it, and costs need to be examined in every area. He further stated that subsidizing the clinic at over \$300 per patient is not a good situation and needs to be scrutinized. He further stated that perhaps an incremental increase in tuition is also part of the solution.

Mr. Stansberry stated that he did not want to be understood to imply that the department proposed for elimination is mediocre. He simply meant to point out that he does not want the University to become mediocre by doing more than what it has the resources to do.

VIII. FY 2009 OPERATING BUDGET AND FEES

The Vice Chair stated that the FY 2009 Operating Budget and Fees action item has been designated for consideration by the full Board without prior review by the Finance and Administration Committee. The Vice Chair recognized Bill Carroll, Chair of the Finance and Administration Committee, to lead the discussion.

A. FY 2009 Operating Budget

Dr. Petersen presented the FY 2009 Operating Budget (Exhibit 4). He presented a scenario assuming additional cuts next year and reported that it could take until 2013 for UT to return to last year's (2007) levels. He discussed current fund revenues and proposed changes for 2009. He stated that tuition and fees would increase 6.5%, with the .5% increase attributable to some higher fees for professional schools. He also discussed additional state appropriations and 2009 capital maintenance projects. He then reviewed budget reductions by campus/unit, totaling a reduction of \$21.2 million in state appropriations. He noted that cuts were made to the administration at both the Knoxville campus and System levels. He reviewed a chart illustrating the large cuts to administration at the Knoxville campus so that the cuts allocated to the colleges were significantly reduced. He stated that the allocation of cuts to System administration was approximately \$1 million, but the System actually took a \$2.1 million cut. He reviewed a pie chart illustrating the percentage of budget reductions taken by functional area and compared it to their apportioned budgets to demonstrate that reductions were not taken across the board in every category. He stated that 21% of reductions were taken by institutional support, which is almost twice the percentage allocated to the area. Areas such as student services and public service had lighter reductions than their proportioned allocation of the budget cuts.

B. Approval of FY 2009 Student Fees and Tuition

Dr. Petersen referred the Board to the materials and the power point slides referencing in-state and out-of-state tuition recommendations for each campus (Exhibit 5). Dr. Petersen stated that the recommended tuition increases are 6% for the formula funded campuses and UT Space Institute. The recommendation is a 5.5% increase for the College of Veterinary Medicine. He then reviewed the increases for the Health Science Center, Special Programs, and campus specific fees and fines. Mr. Jackson stated that tuition for the College of Dentistry is going up by 14% for in-state and out-of-state students and asked whether this would cover the college's equipment needs. Dr. Wall confirmed that some of the increase would address the college's immediate equipment needs.

C. FY 2009 Compensation Guidelines

Dr. Petersen referred the Board to the Compensation Guidelines included in the meeting materials (Exhibit 6). He stated that the administration's recommendation does not include a salary increase due to the budget cuts. He noted that there is a

reserve for contingency, which would be funded by money that is not spent and may become available through the year. To clarify, Dr. Rogers stated that we do not expect any savings at this point, but if money becomes available, it would be used for those items listed under the reserve. Dr. Petersen concluded the presentation and opened the floor for questions.

Mr. Carroll asked Dr. Rogers if there were commitments against the "rainy day fund." Dr. Rogers responded that there are items designated for those funds. For example, as costs are accumulated for the new student information system, they will be drawn against that fund. Ms. Loughry asked if there is a list of the commitments that may come out of the "rainy day fund." Dr. Rogers responded that approximately \$30 million could be required from that fund over a period of years.

Mr. Horne commended the President for holding the tuition increase to 6%, the same as last year, for the people of Tennessee. Dr. Petersen stated that the decision was made in conjunction with campus leadership, who understood the ramifications but also understood what we are looking to do over the long term with the help of the legislature and the Governor.

Dr. Petersen stated that the approval of the FY 2009 Operating Budget today would not include the proposed academic program cuts at the Knoxville campus. He said that program cuts would need to be phased out over a period of time to accommodate students, and the decision to make those cuts has been postponed until October for the reasons stated earlier. He added that the decisions would be made in time to alert incoming students for the following fall semester for any programs that may be phased out.

The Vice Chair referred the Board to the proposed Resolution included in the meeting materials. Mr. Carroll moved approval of the Resolution approving the FY 2009 Operating Budget, FY 2009 Student Fees and Tuition, and FY 2009 Compensation Guidelines. Mr. Murphy seconded the motion. The Vice Chair called for any further discussion. There being none, the motion carried unanimously.

IX. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE

A. Approval of FY 2009 Operating and Capital Plans for President and

Chancellor Residences

Mr. Carroll moved approval of the FY 2009 Operating and Capital Plans for the President and Chancellor's Residences as recommended by the Finance and Administration Committee meeting (Exhibit 7). Mr. Talbott seconded the motion. The Vice Chair called for any additional discussion. Mr. Murphy stated that for clarification, the budget for the President's residence includes the donation made by President Petersen. Mr. Horne asked if the Memphis residence can be rented while it is vacant. Dr. Wall responded that the realtor is working aggressively to sell it as soon as possible at a reasonable price. The Vice Chair called for a vote, and the motion carried unanimously.

A. Promulgation of UTC Library Fines under Tennessee Uniform Administrative Procedures Act

Mr. Carroll moved approval of the Promulgation of UTC Library Fines under the Tennessee Uniform Administrative Procedures Act as recommended by the Finance and Administration Committee (Exhibit 8). Mr. Wharton seconded the motion. The Vice Chair called for a roll call vote, and the motion carried unanimously.

B. Promulgation of Campus Regulations Concerning Disability Parking Violations under Tennessee Uniform Administrative Procedures Act

Mr. Carroll moved approval of the Promulgation of Campus Regulations Concerning Disability Parking Violations under the Tennessee Uniform Administrative Procedures Act as recommended by the Finance and Administration Committee (Exhibit 9). Mr. Stansberry seconded the motion. The Vice Chair called for a roll call vote, and the motion carried unanimously.

X. ACTION ITEMS FROM THE TRUSTEESHIP COMMITTEE

Mr. Stansberry stated that the Trusteeship Committee met on May 8, 2008 in Nashville. He stated that the Committee has two action items from that meeting for Board consideration.

A. Approval of Meeting Protocol

Mr. Stansberry referred the Board to the memorandum regarding meeting protocol included in the meeting materials (Exhibit 10). He stated that the protocol for Board and committee meetings will assist the Vice Chair and committee chairs in

conducting an orderly and efficient meeting. Mr. Stansberry moved adoption of the meeting protocol. Mr. Jackson seconded, and the motion carried unanimously.

B. Continuation of Committee and Committee Chair Appointments and Authorization for Vice Chair to Make Interim Appointments

Mr. Stansberry stated that several Trustee terms expired at the end of May, but the Trustees will continue to serve until the Governor names their successors or reappoints them. He stated that the Trusteeship Committee recommends that the current committee and committee chair appointments continue past June 30, 2008 and that the Vice Chair be authorized to make changes to committee and committee chair appointments if appointments occur before the next Board meeting, subject to confirmation by the Board at its next meeting (Exhibit 11). Mr. Stansberry moved approval of the continuation of committee and committee chair appointments and authorization for the Vice Chair to make interim appointments. Ms. Blackburn seconded the motion, and the motion carried unanimously.

XI. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

Ms. Loughry relinquished the chair of the meeting to Mr. Stansberry. Mr. Stansberry called on Ms. Loughry, Chair of the Executive and Compensation Committee, to report to the Board.

A. Vice Chair's Annual Performance Review of the President and Recommended Goals for 2008-09, and Recommendation Concerning Employment Agreement

Ms. Loughry stated that the performance review for the President was conducted in accordance with the Board's Policy on Presidential Performance Reviews (Exhibit 12). She stated that the Executive and Compensation Committee designated the chair of the Audit Committee, currently Jim Murphy, and the chair of the Trusteeship Committee, currently Don Stansberry, to observe the review process. She stated that reviews were solicited from various constituents, including students, staff and faculty, and interviews were conducted with the President's staff and the standing committee chair. She stated that she met with the President to review his self-evaluation and goals for the coming year. She noted that Dr. Petersen received high marks on his external relationships as the face of UT statewide. She stated that Dr. Petersen's passion and energy levels in development and alumni affairs are a constant source of accolades. His

engagement with our Governor and state policy makers is widely recognized. His intellect and his ability to quickly review a subject, ask the right questions, and deliver the concepts in terms his audience can absorb are strong suits. She then reviewed the areas in which the Board and senior administrators will work in a team effort with the President to improve. She reported that those areas are: (1) Dr. Petersen's ability to set priorities for his time and energy so that he stays focused and is responsive in a timely manner; and (2) his ability to establish and sustain a team approach for the leadership of the System and each of its campuses and institutes. She noted that Dr. Rogers conducted a report on the status of various accounts under the President's control and all accounts are within budget (Exhibit 13). She stated that the Committee approved goals for the President and the University for 2008-09. She then reviewed the goals listed in the meeting materials (Exhibit 14). She stated that there will be progress reports presented at future Board meetings. Ms. Loughry moved approval of the President's Annual Performance Review for 2007-2008 and the recommended goals for 2008-09. Mr. Murphy seconded the motion. Mr. Stansberry asked for any discussion.

Mr. Murphy stated that he and Mr. Stansberry had the opportunity to participate as observers in the annual review of the President. He stated that he and Mr. Stansberry reviewed the responses to the surveys, participated in the interviews with senior staff, and participated in the discussion with Dr. Petersen. He noted that they reviewed the report by Ms. Loughry and found it to be an accurate record of the performance review they observed Ms. Loughry conduct.

Mr. Stansberry called for a vote on the motion, and the motion carried unanimously.

B. Election and Compensation of University Officers

Ms. Loughry stated that Article IV of the Bylaws provides that the elected officers of the University be elected initially and annually by the Board. She stated that this year there will be no salary increases for any elected officer. She stated that the Board materials include a list of each of the elected officers and their salaries, as well as other senior staff members and their salaries (Exhibit 15). Ms. Loughry moved adoption of the Resolution for the Election and Compensation of University Officers. Mr. Jackson seconded, and the motion carried unanimously.

Mr. Stansberry relinquished the chair of the meeting to Ms. Loughry.

XII. APPROVAL OF PRESIDENT'S APPOINTMENTS TO THE BOARD OF DIRECTORS OF UNIVERSITY HEALTH SYSTEM, INC.

Dr. Petersen stated that the charter of the University Health System, Inc. (UHS) provides for a board of directors that includes three members appointed by the President with the approval of the Board of Trustees. He stated that since Dr. Michael Blackwell has resigned from the University, he now recommends that Dr. Joe DiPietro, Vice President of Agriculture, be appointed to replace Dr. Blackwell as a director on the UHS board. In addition, he stated that the terms of Dr. Joe Johnson and Mr. James Haslam, II, are expiring, and he recommends their reappointment (Exhibit 16). Mr. Murphy moved approval of the appointment of Dr. DiPietro and the reappointments of Dr. Johnson and Mr. Haslam to the UHS Board. Mr. Carroll seconded the motion, and the motion was carried unanimously.

XIII. REPORT OF THE AUDIT COMMITTEE

Mr. Murphy stated that the Audit Committee met in Knoxville on April 17, 2008 and the minutes from the meeting are included in the Board notebook (Exhibit 17). He stated that all members of the Committee were present along with Andrea Loughry and Charles Wharton. He stated that the Committee reviewed the State Audit Report and that state auditors Karen Phillips, Chuck Richardson and Brent Rumley were present and discussed three findings. The first finding involved over-awards in excess of \$120,000 in financial aid granted by UTHSC. The federal government has been notified, and UTHSC is awaiting instruction for corrective action. The second finding was that the University failed to record a receivable and approve write offs from UTMG, the University's physician's practice organization. UTHSC will hire a consultant to examine the relationship between UTHSC and UTMG. The third finding was inadequate controls for the Banner system at UT Martin. Mr. Murphy stated that management has responded and performed a risk assessment.

Mr. Murphy then reported that the Committee reviewed the financial statements for Athletics, the UT Research Foundation Audit Report, and certain bylaw changes regarding the chief internal auditor position. He stated that the Committee received copies of the recently completed UT Business Management Guide designed to assist department heads and business managers to manage their assets and operations in accordance with University policies. The Committee

also received copies of the Internal Audit Report and reviewed reports on housing and travel exceptions, in which no questionable items were identified.

XIV. REPORT OF THE KNOXVILLE ATHLETICS BOARD

Mr. Jackson stated that the Knoxville Athletics Report is included in the meeting materials. He stated that Bill Myers has circulated a memo reporting the contributions from the Athletic Department to the University in response to a question raised during yesterday's committee meetings (Exhibit 18). Mr. Jackson reviewed the memorandum and stated that approximately \$16 million is contributed to the University in various ways. He stated that UT is only one of a few universities across the country that is not only self-sufficient, but contributes to the university. He stated that he is very proud of the consistent efforts and hard work of the Athletics Department.

XV. CONSENT ITEMS

The Vice 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 Vice Chair then asked for any requests to remove items from the consent agenda. Mr. Wolford requested that item M., "Approval of a Memorandum of Agreement between The University of Tennessee and The University of Tennessee Research Foundation, Inc.," be removed from the consent agenda in accordance with the discussions at the Research, Outreach and Economic Development Committee meeting earlier in the day. Mr. Wolford moved that the item be removed from this agenda and be considered at a future Board meeting. Mr. Murphy seconded the motion, and the motion carried unanimously.

There being no other requests for removal, the following items were submitted for approval by unanimous consent:

- A. Approval of Department of Energy Security Resolution (Exhibit 19)
- B. Setting Regular Meeting Dates in 2009 (Exhibit 20)
- C. Approval of Naming of Tennis Stadium (UT Knoxville) (Exhibit 21)

- D. Approval of Naming of Student-Athlete Success Center (UTC) (Exhibit 22)
- E. Approval of Naming of New Village Apartments (UTC) (Exhibit 23)
- F. Ratification of Quasi-Endowments (Exhibit 24)
- G. Approval of Use of Quasi-Endowment for Transition Expenses on Volunteer Hall (Exhibit 25).
- H. Approval of FY 2009 Distribution of UC Foundation Funds (Exhibit 26)
- I. Approval of Real Property Transactions (Exhibit 27)
 - 1. Two land Acquisitions, Andy Holt Avenue (UT Knoxville)
 - 2. DOT Property Transfer, Sorority Houses (UT Knoxville)
- J. Approval of Annual Report of Sale of Gift Property (Exhibit 28)

- K. Approval of President Emeritus Agreements (Exhibit 29)
- L. Approval of Reduced Tuition Rate at UT Martin for Department of Corrections Students (Exhibit 30)
- M. Item withdrawn.
- N. Approval of Revised Mission Statement for UT Martin (Exhibit 31)
- O. Approval of Changing Designation of Ph.D. Programs from Concentration to Major at UT Knoxville (Exhibit 32)
- P. Creation of the National Institute for Computational Sciences as a Non-Instructional Unit of UT Knoxville (Exhibit 33)
- Q. Approval of Tenure Recommendations (Exhibit 34)
- R. Approval of Comprehensive Listing of Academic Programs (Exhibit 35)
- S. Authorization to Confer Degrees (Exhibit 36)

T. Approval of Proposed Revision of UTC Athletics Board Constitution (Exhibit 37)

Mr. Jackson moved approval of the consent agenda. The motion was seconded by Mr. Stansberry. The Vice Chair asked for further discussion. There being none, the motion carried unanimously.

XVI. ANNOUNCEMENTS

On behalf of the Board, the Vice Chair thanked Charles and Moll Anderson for the wonderful and entertaining dinner and reception the night before.

The Vice Chair announced that there would be a workshop for Trustees on October 22nd prior to the Fall Board meeting. The Fall meeting will be the October 23-24th in Knoxville.

The Vice Chair recognized Catherine Mizell for additional announcements. Ms. Mizell thanked Dr. DiPietro for his hospitality and the use of his staff and facilities on the Agricultural Campus. She also thanked Chancellor Simek for the work of his staff, including police, facilities services and parking to ensure the success of the meeting. She thanked Morgan Gray for his assistance with the PowerPoint presentations for the Board and Committee meetings. She thanked Jeff Loveday and Justin Johnson for their technical assistance with the microphones and webcast. Lastly, she thanked Lisa Hertz and Brian Gard for their work in preparing for the meetings.

XVII. 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