

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

March 1, 2013
Chattanooga, Tennessee

The Winter Meeting of The University of Tennessee Board of Trustees was held at 1:30 p.m. EST, Friday, March 1, 2013, in the Tennessee Room of the University Center on the campus of The University of Tennessee at Chattanooga.

I. CALL TO ORDER AND INVOCATION

Trustee Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order. Reverend Keith Moore with the Wesley Center offered the invocation.

II. ROLL CALL

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

Don C. Stansberry, Jr., Vice Chair
Charles C. Anderson
Anne Holt Blackburn
George E. Cates
Joseph A. DiPietro
Spruell Driver, Jr.
J. Brian Ferguson
Teresa K. Fowler
John N. Foy
D. Crawford Gallimore
Vicky B. Gregg
Douglas A. Horne
Raja J. Jubran
James L. Murphy, III
Karl A. Schledwitz
Shalin N. Shah
Victoria S. Steinberg
Betty Ann Tanner
Charles E. Wharton
Tommy G. Whittaker
Janet M. Wilbert

The Secretary announced the presence of a quorum. Governor Haslam, Commissioners Huffman and Johnson, Dr. Rhoda, and Ms. Hagler were unable to attend the meeting. Members of the administrative staff, faculty, students, and media representatives were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. INTRODUCTIONS

Having introduced all special guests during the luncheon immediately preceding the meeting, Vice Chair Stansberry proceeded to express appreciation to John and Trish Foy and Vicky and Fred Gregg for hosting a delightful evening at the Tennessee Aquarium.

IV. MINUTES OF LAST MEETING

Trustee Foy moved approval of the minutes of the November 9, 2012 meeting of the Board of Trustees as presented in the meeting materials. Trustee Murphy seconded, and the motion carried unanimously.

V. PRESIDENT'S REPORT

President DiPietro updated the Trustees on implementation of the Strategic Plan, various achievements, and the Governor's budget proposals (Exhibit 1). He began by reporting that the Strategic Plan Dashboard had been updated through FY12 and is available for review at <http://president.tennessee.edu/strategicplan/dashboard/index.html>.

Concerning the goal of Enhancing Educational Excellence, an inventory of distance education reveals 46 online academic programs and 600 courses available online system-wide. The Enhancing Educational Excellence implementation team is coordinating an effort to cooperate with the Tennessee Board of Regents in reviewing online education collaboration and avoiding program duplication. The team will be reviewing a possible relationship with Coursera, the educational technology company started by two computer science professors at Stanford University. The Governor's budget includes a proposal for \$5,000,000 for a relationship with Western Governors University, an accredited online university that targets older students desiring to complete a degree. Given its target audience, WGU should not negatively impact UT.

The Complete College Tennessee Act (CCTA) funding formula is fully funded in the Governor's budget for the first time, and UT Knoxville will gain nearly \$10 million through the CCTA process this year. The Chattanooga and Martin campuses will see reductions of \$1.6 million and \$2.3 million respectively. UTC, however, is now better positioned to

succeed with the CCTA funding in the future if its higher enrollments translate to more graduates.

With respect to the goal of Expanding Research Capacities, the System Research Committee has been formed, made up of Chief Research Officers from each campus and institute, to help facilitate better collaboration and drive research forward. High level, prestigious membership is also being developed for an Industry Advisory Council. This group will bring best practices and awareness of industry needs. The team will increase effectiveness in the research arena and will tackle a new business plan for UTRF. The Governor's budget includes \$5 million in funding for the National Science Foundation supercomputer re-compete. As a condition of this investment, University researchers will receive time on the supercomputer. The Governor's budget also includes a \$3 million match for five years of St. Jude funding to develop pediatric physician scientist teams to work on challenging childhood diseases.

Dr. DiPietro congratulated two winners of the 2012 Wheeley Award given by UTRF, recognizing commercialization of research. Dr. Gabor Tigyi's work at UTHSC with a group of colleagues developed a drug to combat lethal injuries and exposure to radiation from situations such as a nuclear explosion or terrorists' dirty bombs. Rx100 is under development by RxBio, founded by Tigyi and other UTHSC colleagues. RxBio received a \$15 million contract from the U.S. Department of Health and Human Services' Biomedical Advanced Research and Development Authority. The second Wheeley Award recipient was Dr. Tami Wyatt in the UT Knoxville College of Nursing, who partnered with a colleague in Engineering to develop an electronic health record that could be used in simulated educational settings. The company they created, iCare, and the technology, have been acquired by an outside company. The technology is now being tested in 200 nursing programs around the world.

Under the goal of Fostering Outreach and Engagement, the dashboard parameters have been defined by the implementation team, and the team is determining how best to collect data. An outreach and engagement model for each campus and institute is being developed. Although salary funds were included in the Governor's budget for the non-formula units, no improvement money was included. Nevertheless, important outreach and engagement activities continue. The West Tennessee 4-H Center Vision Committee was formed with help from Farm Bureau to bring 4-H camp back to the region. Meetings, listening sessions, and site visits were conducted, and 19 potential sites were identified. The committee hopes to recommend a site for approval in May. UTHSC sponsors National Give Kids a Smile Day, where 112 students from Memphis Academy of Health Sciences received free dental care. The services, which included more than 670 procedures, would have cost nearly \$16,000. IPS offers a Certified Municipal Finance Officer program, conducted by the Municipal Technical Advisory Service (MTAS) with state Comptroller's

office. More than 200 municipal finance employees from across the state recently graduated in Nashville, meeting the state law which requires most cities to have a CFO who is certified.

The Ensuring Effectiveness and Efficiency implementation team has been working to align operating and capital budgeting with Strategic Plan needs and changing budget and planning to a three- to five-year future window. The team continues to identify recommendations to improve the capital outlay budget process and is currently reviewing all fiscal policies. The team is seeking to achieve consistency in reporting by defining variables and to build an inventory and calendar of external reporting to meet deadlines. The Governor's budget includes \$24 million (assuming the tobacco settlement money is received) for the UT Knoxville steam plant conversion from coal to gas. Utility savings are unknown at this time, but the project is expected to decrease emissions by 43%, equivalent to taking 3,300 homes off the grid. And finally, the Treasurer's Office has been working to implement processes that are easier for employees such as automated travel reimbursement and flexible spending account debit cards.

The implementation team for Advocating for UT has looked at system-wide marketing and communications, and a system-wide committee was formed. Finalists for the Vice President of Communications and Marketing have been identified for interviews. An Advocacy Council has been established and legislative activity remains strong. UT has a voice in the Governor's higher education initiative, the working group chaired by UT Knoxville alumnus Randy Boyd. The Governor's budget includes some salary money, and the Chancellors are in discussions about market and merit increases. The University is committed to closing the market analysis gaps in salary. Alumni are also advocating on behalf of the university. For example, Debbie Ingram, past president of UTAA and UTC physical therapy professor, helped with guns on campus in years past and continues to advise us. Jim Duke, past president of UTAA and current chair of Alumni Legislative Council, also serves as an advisor to our advocating implementation team. With their advice, Carey Smith, former Student Trustee and Assistant Director for Advocacy, is using social media to reach the advocacy group immediately. These contacts in the local political districts assist UT with sharing the message.

Dr. DiPietro closed by featuring Bradley Bell, SGA President at UTC, who grew up in Knoxville and chose to attend UTC because of a strong impression made by a student tour guide. Bradley and other students give meaning to what the University does every day to educate students, discover life-changing technology, and connect with Tennesseans.

IX. ACTION ITEM FROM THE HEALTH AFFAIRS COMMITTEE

A. UT Methodist Physicians, LLC (UTMP) – Fourth Amendment to 2009 Addendum A to the Amended and Restated Master Affiliation Agreement with Methodist Healthcare-Methodist Hospitals

The Vice Chair announced that due to weather concerns, the Trustees and staff from Memphis have requested that the Health Affairs item be moved to this point on the agenda. Without objection, the agenda was reordered to address the Health Affairs item first. Chair Anderson recognized Chancellor Schwab to present the item.

Chancellor Schwab explained that in February 2012, the Board of Trustees approved designation of UT Methodist Physicians, LLC (UTMP) as a faculty practice plan for the limited purpose of employing new adult multi-specialty care physicians in the short term (UTMP-Phase I), pending development of a larger plan under which certain physicians would be transitioned from UT Medical Group to UTMP (UTMP-Phase II). The developing UTMP-Phase II proposal was reviewed with the Health Affairs Committee at its June and October 2012 and January 2013 meetings. The Fourth Amendment concerning UTMP-Phase II was prepared by the Office of the General Counsel in consultation with outside counsel and is currently being reviewed by Methodist. The proposed implementation date for UTMP-Phase II is July 1, 2013.

Chancellor Schwab stated that the Health Affairs Committee approved the Fourth Amendment and recommends it to the Board for approval. He explained that this University-affiliated practice plan would be similar to the affiliation created with Le Bonheur Children's Hospital, which was a contributing factor in Le Bonheur's climb to the number 23 hospital in the United States. The goal is to emulate the same success with the University's adult hospital affiliate, Methodist.

Trustee Anderson moved that the Chancellor of the UT Health Science Center and the Chief Financial Officer of the University be authorized to execute the Fourth Amendment to 2009 Addendum A to the Amended and Restated Master Affiliation Agreement with Methodist Healthcare-Methodist Hospitals (Exhibit 2) after approval by the Chair of the Health Affairs Committee upon the recommendation of the General Counsel, the Chief Financial Officer, and the President. Trustee Gallimore seconded, and the motion carried unanimously.

VI. ACTION ITEMS FROM THE EXECUTIVE AND COMPENSATION COMMITTEE

A. Election and Compensation of UTC Chancellor

President DiPietro recommended the election of Dr. Steven R. Angle as the next Chancellor of The University of Tennessee at Chattanooga, effective July 1, 2013, with the following compensation:

Base Salary:	\$24,250 per month
Expense Allowance:	\$583.33 per month
Housing Allowance:	\$1666.67 per month
Moving Allowance:	\$20,000

Dr. Angle holds a Ph.D. in Organic Chemistry from the University of California, Irvine, an M.S. in Organic Chemistry from the University of California, Los Angeles, and a B.A. in Chemistry from the University of California, Irvine. Since August 2012, he has been serving as Senior Vice President at Wright State University in Ohio. From March 2007 to August 2012, he served as Provost (chief academic and operating officer) at Wright State.

Trustee Murphy moved that the President's recommendation for the election and compensation of Dr. Steven R. Angle as the next Chancellor of The University of Tennessee at Chattanooga, effective July 1, 2013 (Exhibit 3), be approved. Trustee Anderson seconded the motion, and it carried unanimously. Dr. DiPietro thanked the search committee for their service. Dr. Angle addressed the Board briefly and thanked them for the honor.

B. Performance and Retention Plan for Executive Officers

At its October 2, 2012 meeting, the Executive and Compensation Committee approved an earlier version of the Performance and Retention Plan for executive officers of the University. Several technical and clarifying revisions were made to the Plan document after that meeting, and the new version was reviewed by the Committee at its meeting on the previous day, February 28. The Secretary explained that after extensive discussion, the Committee voted to recommend the plan to the Board for approval with further revisions, including a requirement that a Participant be in active payroll status on the date payment of the retention amount is made. The Secretary directed the Board's attention to the revised plan in the final meeting materials.

Trustee Gallimore moved that the Performance and Retention Plan for executive officers of the University be approved, as revised on the recommendation of the Executive and Compensation Committee and as presented in the final meeting materials (Exhibit 4). The motion was seconded by Trustee Gregg and carried unanimously.

C. Performance Goals for Executive Officers

Under the Performance and Retention Plan for executive officers of the University, the Executive and Compensation Committee must recommend to the Board the performance goals the Participants will seek to achieve by June 30 of the final year of the retention period.

At its meeting on the previous day, the Committee reviewed the proposed performance goals, which had been revised in response to an earlier review by the Committee to include athletics performance and financial goals in the Subjective Goals category for the Chancellors of UTC, UTK, and UTM and to include improvement in employee satisfaction in the Subjective Goals category for all Participants. After further review of the performance goals at its meeting on the previous day, Committee members voted to recommend the proposed goals to the Board for approval.

Trustee Whittaker moved that the performance goals for Participants in the Performance and Retention Plan for executive officers (Exhibit 5) be approved. Trustee Jubran seconded the motion, and it carried unanimously.

D. Retention Amounts for Executive Officers

Under the Performance and Retention Plan for executive officers of the University, the Executive and Compensation Committee must recommend to the Board a retention amount for each Participant not exceeding "the sum of fifteen percent (15%) of the base salary of the Participant as of July 1 of the first year of the retention period, multiplied by the number of years in the retention period." According to the Plan, the initial retention period for all original Participants will be three years, from July 1, 2012 through June 30, 2015. The proposed retention amount for President DiPietro (approved by the Vice Chair) and the proposed retention amounts for the other Participants (approved by the President) were presented to the Committee for review at its meeting on the previous day. The Committee voted to recommend the proposed retention amounts to the Board for approval. The Vice Chair reiterated that the retention amounts are maximum amounts, and that whether a payment will be made and the amount of the payment will be determined by the Board after an evaluation of each Participant's performance with respect to the performance goals.

Trustee Anderson moved that the proposed retention amounts for Participants in the Performance and Retention Plan for executive officers (Exhibit 6) be approved. Trustee Driver seconded, and the motion carried unanimously

VII. ACTION ITEMS FROM THE TRUSTEESHIP COMMITTEE

A. Bylaw Amendments on the Consent Agenda

At its December 18, 2012 meeting, the Trusteeship Committee reviewed proposed Bylaw amendments designed to allow greater use of the consent agenda to maximize time for discussion and action on strategic priorities. The proposed amendments allow routine and non-controversial items to be voted on or received for information by unanimous consent in both the committee and the full Board. Further, the amendments allow any item discussed and unanimously approved in committee to be designated for the consent agenda in the full Board meeting. Any Trustee may still request that an item be removed from the consent agenda in both the committee and the full Board if he or she disagrees with the item or believes it requires discussion. Requests for clarification or questions about a consent item must be presented to the Secretary before the meeting and, standing alone, will not serve as a reason for removal of an item from the consent agenda. The Trusteeship Committee approved the proposed Bylaw amendments for recommendation to the Board.

Trustee Murphy moved approval of the proposed Bylaw Amendments Concerning the Consent Agenda (Exhibit 7), by a roll call vote. Trustee Blackburn seconded, the Secretary called the roll, and the motion carried unanimously.

B. Bylaw Amendment to Revise the Composition of the Health Affairs Committee

At its January 28, 2013 meeting, the Trusteeship Committee reviewed proposed Bylaw amendment allowing the Vice Chair, from time to time, to recommend appointment to the Health Affairs Committee of an at-large voting member with professional or business expertise particularly beneficial to the Committee. The Trusteeship Committee approved the proposed Bylaw amendment for recommendation to the Board.

Trustee Murphy moved adoption of the Bylaw Amendment to Revise the Composition of the Health Affairs Committee (Exhibit 8). Trustee Ferguson seconded, the Secretary called the roll, Trustee Gregg abstained, and the motion carried.

VIII. ACTION ITEM FROM THE FINANCE AND ADMINISTRATION COMMITTEE

A. UTC Differential Tuition Proposal for Business, Engineering, and Nursing

Committee Chair Anderson stated a differential tuition proposal for all courses in Business, Engineering, and Nursing at UTC had been fully discussed in the Committee's meeting on

the previous day and recommended for approval by the Board. He moved that The University of Tennessee at Chattanooga be authorized to implement a differential tuition model for Business, Engineering, and Nursing as described in the meeting materials (Exhibit 9), beginning with the 2013-14 academic year; and that the proposed FY 2014 operating budget for UTC be developed and presented to the Board of Trustees incorporating a \$50.00 per student credit hour differential tuition for courses in Business, Engineering, and Nursing; and that the differential tuition will increase in future years at the same rate as any future increases in tuition (in-state maintenance fees) at UTC.

Trustee Fowler asked the Board to consider capping the differential tuition rather than allowing it to increase automatically with regular tuition. Vice Chair Stansberry responded that tuition is increased only because state funding is reduced or costs increase, and that fees and tuition must keep up with costs. He seconded the motion, and the motion carried with Trustee Fowler abstaining.

X. REPORT OF THE AUDIT COMMITTEE

The Audit Committee held a meeting on December 18, 2012, and Committee Chair Gallimore highlighted a few of the issues addressed at that meeting and ongoing work by the Internal Audit Department:

External Information Technology Audit:

Based on a recommendation from the Audit Committee Chair, an RFP was prepared for an external information technology audit for review by the Committee. The Audit Committee authorized the administration to issue an RFP for an external engagement to assess the information technology security posture of the University of Tennessee. The purpose of the work is to have an independent review of the information security program and to identify gaps that may put the University at risk. The deliverables include a written summary of findings and concerns, including a written action plan that prioritizes the corrective actions the University should use to improve its information security program.

Proposals were received in January and February and a committee is reviewing the proposals and selecting finalists. The committee will recommend a vendor at the May Audit Committee meeting for approval. Because of the large scope of this project, which includes security management practices and controls at UT system administration and each of the campuses and institutes, the work will take several months. The selected firm is expected to conduct work in the summer and fall and to provide a final report and executive presentation to the Audit Committee at the December meeting.

University's Financial Risk Assessment:

Each fall, the Chief Financial officer and the Chief Business Officers update the University's

financial risk assessment to reflect changes in the University's operating environment. The updated risk assessment was presented to the Audit Committee for review at the December meeting.

Institutional Compliance Update:

The Institutional Compliance Office provided an update on the 2012 compliance work plan. For UT Knoxville, Dr. Taylor Eighmy (new Vice Chancellor for Research and Engagement) was appointed as the Campus Compliance Committee chairman in October 2012 and is working with other Vice Chancellors to address compliance risks.

At UTHSC, the compliance risk assessment was completed and Ms. Francine Rogers, Biological Safety Officer, was appointed as the Campus Compliance Committee chairperson. The review of the risk assessment results is currently underway.

2013 Annual Audit Plan:

The Audit Committee approved the 2013 annual audit plan. Along with other audit activities, there are four areas of focus on the audit plan. The areas of focus include fraud prevention and detection, effectiveness and efficiency, controls, and expenditure audits at the departmental level.

2013 Institutional Compliance Plan:

The Audit Committee also approved the institutional compliance work plan for 2013. The 2013 areas of focus include facilitating campus compliance committees at UT Knoxville and UT Health Science Center, conducting a risk assessment at the Institute of Agriculture, monitoring compliance using data analytics and inspections of high-risk compliance areas, and promoting an ethical culture.

XI. CONSENT ITEMS

The Vice Chair noted that all items on the consent agenda were fully discussed and recommended by the relevant committees. He asked for any Trustee requests to remove items from the consent agenda. Trustee Murphy stated he would abstain from the consent agenda vote to avoid any appearance of a conflict of interest because the honorary degree being awarded under Item F. is his uncle, John Seigenthaler. There being no requests to remove items, Vice Chair Stansberry called for a motion to approve the following items on the consent agenda:

- A. FY 2013 Revised Operating Budget (Exhibit 10)
- B. Real Property Transactions
 - 1. KUB Substation Easements (Exhibit 11)

2. Cumberland Avenue Easements (Exhibit 12)
- C. Rating Scale for Annual Performance Reviews of Tenured Faculty and Minor Clarifying Revisions to the Tenure Policy (Exhibit 13)
- D. Revision of UT Knoxville Faculty Handbook Concerning the Rating Scale for Annual Performance Reviews (Exhibit 14)
- E. Grant of Tenure to a UT Knoxville Faculty Member under Expedited Procedures (Exhibit 15)
- F. Honorary Doctor of Laws Degree, UTK (Exhibit 16)
- G. Honorary Doctor of Humane and Musical Letters Degree, UTK (Exhibit 17)
- H. Honorary Bachelor's Degree in Community Service, UTC (Exhibit 18)
- I. Revised Undergraduate Admission Requirements for UT Martin (Exhibit 19)
- J. Modifying the Name of the John Tickle Engineering Building (UTK) (Exhibit 20)
- K. Modifying the Name of the Frank H. McClung Museum (UTK) (Exhibit 21)
- L. Renaming the Panhellenic Building as Thorpe Hall (UTK) DEFERRED (Exhibit 22)
- M. Renaming the Former Student Health Center as Temple Hall (UTK) (Exhibit 23)
- N. Naming a New Residence Hall as the Fred D. Brown Jr. Residence Hall (UTK) (Exhibit 24)
- O. Naming the Football Practice Facility as the Anderson Training Center (UTK) (Exhibit 25)
- P. Revised Resolution on Organization and Mission of the UT Knoxville Athletics Board (Exhibit 26)
- Q. Revision of the Health Affairs Committee Charter (Exhibit 27)
- R. Revision of the Statement of Governance Principles (Exhibit 28)
- S. Revised Dates for 2013 Summer Workshop (Exhibit 29)

Trustee Driver moved approval of the consent agenda, Trustee Foy seconded, and the motion carried.

XII. OTHER BUSINESS

Vice Chair Stansberry stated that no other business had been brought to his attention.

XIII. ANNOUNCEMENTS

The Vice Chair stated that the terms for Janet Wilbert and Teresa Fowler will be completed May 31, 2013. He thanked them for their service and invited them to attend the Annual Meeting in June at which the Board will formally recognize their service by adoption of a resolution in their honor. The Vice Chair also thanked Interim Chancellor Bogue and his team for hosting the meeting and called the Board's attention to remaining meetings in 2013. He noted the workshop had been moved to September 5-6, 2013.

The Secretary expressed appreciation to Dr. Bogue for his assistance and for complete access to his staff. She recognized Rachael LeBlanc and Mike Gregory for coordinating the meeting logistics, Jeff Loveday and Justin Johnson for handling sound and webcasting, Aaron Grisham for facilities, and the technology support team of Barbara Webb, Marcus Myers, Jess Williams, Jordan Spencer and Christopher Howard. She thanked the Chancellor's Associates, Aaron Shumaker, Laura Cagle, Emily Forrest, and Terry Denniston for their assistance.

XIV. ADJOURNMENT

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

Respectfully Submitted,


Catherine S. Mizell, Secretary