MINUTES OF THE EXECUTIVE COMMITTEE MEETING BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

June 18, 2003 Memphis, Tennessee

The Executive Committee of the Board of Trustees of The University of Tennessee met at 4:00 p.m. Central Daylight Time, Wednesday, June 18, 2003 in Grand Salon A, Peabody Hotel, Memphis.

I.

CALL TO ORDER

Mrs. Johnnie D. Amonette, Chair, called the meeting to order.

II. ROLL CALL

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

Mrs. Johnnie D. Amonette, Chair Mr. J. Steven Ennis Mr. James A. Haslam, II Mr. R. Clayton McWhorter Dr. John W. Shumaker Mr. John C. Thornton

The Secretary announced the presence of a quorum.

III. REPORT ON IMPROVEMENTS TO PRESIDENT'S RESIDENCE

Mr. Clayton McWhorter said that when the search for President of The University of Tennessee was narrowed to John Shumaker, one of the commitments made was necessary improvements and upgrading of the President's residence.

Dr. Shumaker said the President's residence is an excellent facility and an outstanding place for entertaining. Dr. Shumaker said the public functions held at the residence are critical to the success of winning friends and raising money for the University and making the University more community friendly.

Vice President Phil Scheurer said that for a number of years the residence at 940 Cherokee Boulevard has served as the home of the President of The University of Tennessee. An evaluation was made of the property in 2001. Work completed on the residence in 2001 included the updating of the kitchen, renovating the bathrooms, repairing a leaking roof, refinishing floors and installing an elevator to make the house handicap accessible. Funds for the renovations came from unrestricted gift monies. A second phase of renovations included the addition of a sunroom and closet in the master bedroom suite. Additional furniture was purchased. Improvements were made to the landscaping bringing it up to the standards of the surrounding properties. Mr. Scheurer said the expenditures for the second phase totaled \$440,000. He said there will be additional minor expenditures for the final phase of the renovations, which will take place during the next fiscal year.

IV. NEW BUSINESS

1. Organizational Structure/Appointment of Chancellor for Knoxville Campus. President Shumaker said "The University of Tennessee" consists of the main campus at Knoxville, the Health Science Center at Memphis, the Space Institute at Tullahoma and important statewide Institutes of Agriculture and Public Service. President Shumaker said that "The University of Tennessee system" consists of the aforementioned University of Tennessee and two other important educational institutions – The University of Tennessee at Martin and The University of Tennessee at Chattanooga. Dr. Shumaker said UT Martin and UT Chattanooga have different identities and different missions that are complimentary. They are high quality institutions with good leadership in place but different in their offerings to students and in the services they provide to their communities and to the State.

Dr. Shumaker said the organizational structure of The University of Tennessee system consists of the Board of Trustees, the President and CEO, the Executive Vice President and COO, the system administration, UT Martin and UT Chattanooga (Exhibit 1). He described an organizational structure for The University of Tennessee system including several newly titled vice presidents (Exhibit 2). Dr. Shumaker said the position of Vice President for Educational Development which is shown on the proposed organizational chart would place an individual in the organization who is an agent for change and who does not allow new ideas, projects or opportunities to get lost in the bureaucratic and administrative melee of a large university.

Dr. Shumaker then described the organizational structure of The University of Tennessee. The combination of research programs at the UT Health Science Center and those at UT Knoxville provide a powerful presence that would rank UT somewhere in the top forty among public research universities. Dr. Shumaker said in order for The University of Tennessee and its campuses in Knoxville, Memphis and Tullahoma to be considered one research university, it must be structured as one university, behave as one university and have all of the organizational structure that a university located in one place would have. He said The University of Tennessee has been created following the structure of a traditional university (Exhibit 3).

Dr. Shumaker said the chancellor's position at The University's primary flagship campus in Knoxville is critical to the structure. UT needs the chancellor in place to provide full time leadership and quality assurance for the faculty and students on UT's largest campus and to coordinate overall academic affairs for The University of Tennessee. Dr. Shumaker said that the Board authorized him at its March meeting to create the position of chancellor for the Knoxville campus. He recommended the appointment of Dr. Loren Crabtree as Chancellor of UT Knoxville effective July 1, 2003.

Mr. James A. Haslam, II moved approval of Dr. Shumaker's recommendation to appoint Dr. Loren Crabtree as Chancellor of UT Knoxville. Mr. R. Clayton McWhorter seconded, and the motion carried unanimously.

2. Appointment of Ad Hoc Committee on Athletics. Mr. R. Clayton McWhorter, Vice Chair of the Board, said the UT Bylaws allow him as Vice Chairman to appoint ad hoc committees of the Board. He said if approved, in the next thirty to forty-five days he will appoint an ad hoc committee to study the structure, composition, and role of the various Athletics Board and recommend any changes to the Board through the Executive Committee.

Mr. J. Steven Ennis moved approval of the appointment of an Ad Hoc Committee on Athletics. Mr. James A. Haslam, II, seconded, and the motion carried unanimously.

3. Appointment of Trustee to the Board of Directors of The University of Tennessee Research Foundation. Dr. Shumaker said the Bylaws for the Board of Directors of the UT Research Foundation allow for the appointment of one UT Trustee to serve as a UTRF Board member. He recommended that Mr. John Pontius serve as a member and chair of the UTRF Board.

Mr. James A. Haslam, II, moved approval. Mr. R. Clayton McWhorter seconded, and the motion carried unanimously.

4. Resolution Designating Managerial Team for Security Purposes. Vice President Catherine Mizell said the Department of Energy requires the Board to appoint a Managerial Group and delegate to that group the responsibility for the negotiation, execution, and administration of U.S. government contracts. A Managerial Group was appointed by resolution adopted by the Board on December 11, 2001. Changes in personnel make it necessary to approve a revised resolution (Exhibit 4). Ms. Mizell recommended its adoption.

Mr. James A. Haslam, II, moved approval. Mr. R. Clayton McWhorter seconded, and the motion carried unanimously.

5. **President's Performance Evaluation.** Chair Amonette said the Board approved

performance goals for the President at the October 2002 meeting. The goals were approved as a part of the President's contract which stated that he would be eligible for an annual performance incentive award of up to twenty-seven percent of his base salary upon determination by the Board that the goals mutually agreed upon by the Board and Dr. Shumaker were accomplished. Mrs. Amonette pointed out that Dr. Shumaker is the first president in Tennessee to request a performance evaluation. She said he has worked in the past year to create accountability measures in the form a scorecard (Exhibit 5) for the entire system as well as each campus and senior administrator. Mrs. Amonette said prior to the meeting each of the Executive Committee members received the fifty-five specific objectives for the President's first year which were divided into twelve goals (Exhibit 6). A summary of accomplishments for the University System for 2002-2003 (Exhibit 7) was compiled to illustrate the action behind progress towards the goals and objectives. Mrs. Amonette asked President Shumaker for his comments.

Dr. Shumaker gave a brief overview of the year's accomplishments (Exhibit 8). He said the report is meant to provide a sense of optimism and accomplishment after a little less than twelve months as President. Dr. Shumaker thanked the Board for mentioning the issue of performance bonuses, which are a very important management tool. However, noting the budget situation in Tennessee and the fact that the University has absorbed a nine percent reduction, made difficult decisions about program reductions and cancellations, and is still in the process of trying to allay the effect of some personnel reductions, Dr. Shumaker requested that there be no discussion or decision on any sort of compensation issues regarding the President of the University. He asked that such discussion be deferred until the State budget makes it possible to recommend that everyone's performance be rewarded accordingly.

Mrs. Amonette noted that when you consider the charge for the first year should be to establish a vision, an agenda and a presence, that charge has been well met.

Mr. James A. Haslam, II made a motion to commend the President for a job well done. Mr. R. Clayton McWhorter seconded, and the motion carried unanimously.

6. Delegation of Authority to Approve President's Performance Goals for 2003-04.

Mr. R. Clayton McWhorter moved approval of the Resolution (Exhibit 9) to delegate the authority to approve the President's Performance Goals for 2003-04 to the Executive Committee of the Board. Mr. John C. Thornton seconded, and the motion carried unanimously.

7. Other Business. Chair Amonette said Mr. McWhorter asked to bring forth an item not previously included on the agenda. In order to do so, a two-thirds vote of the Executive Committee is required. Mr. James A. Haslam, II, made the motion to

consider the item. Mr. John C. Thornton seconded, and the motion carried unanimously.

Mr. McWhorter said the news media raised a question about a conflict between his position on the UT Foundation Board and ownership in Place Collegiate Properties, a company that currently owns the Martin Place Apartments adjacent to the UT Martin campus. He said when the conflict question came up, he disclosed his ownership in Place Collegiate Properties and abstained from voting on issues involving the company. Mr. McWhorter said his interest in the company is through Clayton Associates' venture capital relationship with Place Properties, and his personal interest amounts to \$5,868. He said no one in his organization is a member of Place Properties' board, and no one has day to day control over their operations. Mr. McWhorter said Place Collegiate Properties presently owns Martin Place Apartments which UT Martin would like to purchase. The way Tennessee law is written pertaining to the UT Board of Trustees, UT Martin will not be able to acquire the apartment complex as long as he serves on the Board. He said he has tried to extract himself from the investment in Place, but the investment is too complicated for him to be able to do so. Mr. McWhorter said he would never want to embarrass The University of Tennessee. He excused himself from the meeting so that the Executive Committee could consider Mr. McWhorter's relationship with Place Properties.

Mr. Jim Haslam said it would be a real loss to the UT Board of Trustees if Clayton McWhorter had to resign. By the same token, if the purchase of the property owned by Place Properties in Martin is a good deal, it would a tremendous loss to Martin if they were unable to go forward with the purchase. Mr. Haslam said no one on the Board questions Clayton McWhorter's integrity. Mr. Haslam offered the following motion.

I move that the Executive Committee recommend that the Board after receiving disclosure of the facts concerning Mr. McWhorter's nominal interest as a passive investor in Place Collegiate Properties, resolve that it has no objection to the University entering into an arrangement with Place Collegiate Properties to meet student housing needs at UT Martin and further that the Board urge Mr. McWhorter to continue as a member of this Board and that the Board commend Mr. McWhorter for his generous contribution of time and money to the University.

Mr. John Thornton seconded the motion.

Mr. Haslam said the UT administration will go to the Building Commission and get a ruling from the Attorney General which would hopefully bring a positive resolution to the matter.

Ms. Mizell said the Board's action and positive support of Mr. McWhorter are important before the issue goes to the State Building Commission or the Attorney General.

Mr. Pontius asked for an explanation of the law that regulates this particular question.

Ms. Mizell said there is a very old statute that specifically governs conflict of interest for trustees. It was specifically passed for Trustees of The University of Tennessee. There is a separate, general statute that applies to all other state officials. The general statute recognizes that an individual can have an inconsequential interest and, with full disclosure, the transaction can proceed. The trustee statute, however, says that no trustee can have any financial interest in a transaction affecting the interest of the University.

Following the discussion, the motion was unanimously approved

V. ADJOURNMENT

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

Respectfully submitted,

Catherine S. Mizell Vice President, General Counsel and Secretary