

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

MARCH 16, 2006

The Winter Meeting of the Board of Trustees of The University of Tennessee (the "Board") was held at 1:30 p.m., Thursday, March 16, 2006 in the O.D. Larry Dining Hall, Randolph Student/Alumni Center, UT Health Science Center, Memphis, Tennessee.

I. CALL TO ORDER AND INVOCATION

Mr. Don C. Stansberry, Jr., Vice Chair of the Board, called the meeting to order. Mrs. Johnnie D. Amonette offered the invocation.

II. ROLL CALL

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

Mrs. Johnnie D. Amonette
Mr. William Y. Carroll
Mrs. Barbara Castleman
Mr. Steve Ennis
Mr. Spruell Driver, Jr.
Mr. Waymon L. Hickman
Dr. Rhynette N. Hurd
Mr. Jerry L. Jackson
Mrs. Andrea J. Loughry
Mr. James L. Murphy, III
Dr. John D. Petersen
Dr. Lawrence M. Pfeffer
Ms. Amy N. Prevost
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. John C. Thornton
Mrs. Susan R. Williams
Mr. James L. "Bucky" Wolford

The Secretary announced the presence of a quorum. Due to scheduling conflicts Governor Bredesen, Commissioner Givens, Mr. Haslam and Dr. Rice were absent from the meeting.

III. Introductions

Vice Chair Stansberry began by thanking members of the Board and Chancellor William Owen for their special assistance with the Board's meeting in Memphis. He expressed appreciation to Mr. and Mrs. Schledwitz for hosting a superb reception in their home. He thanked Dr. and Mrs. Amonette and Dr. Rhynette Hurd for their contribution to this visit. He expressed his appreciation to Chancellor Owen, Mrs. Owen and Dr. Owen's staff for their hospitality, insights and presentations on the Memphis campus.

Vice Chair Stansberry stated that this meeting would be the last meeting for Ms. Prevost, the voting student Trustee and Dr. Rice, the voting faculty Trustee. He thanked each for their service on the Board and invited them to attend the June meeting when the Board would formally recognize their service.

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

Dr. Rhynette N. Hurd moved approval of the minutes of the Board and Executive and Compensation Committee meetings held since October 2005.

The motion was duly seconded and carried unanimously.

V. PRESIDENT'S REPORT

Vice Chair Stansberry invited President Petersen to present his customary report to the Board. Dr. Peterson began by discussing his attendance at the American Council of Education Conference last month. He stated that a public relations survey conducted by the Council found that the public viewed higher education as the key to problem solving for our future. Dr. Petersen relayed a statement he took away from the conference that summed up many of the discussions at this Board meeting, "we teach the people who solve the problems and prepare the people who change the world".

Recognizing the nearing of his second year anniversary with the University of Tennessee, Dr. Petersen discussed three significant accomplishments thus far. He reported that positive, rather than negative, media attention has been focused on the University. Second the University has assembled a strong, effective and energetic leadership team with the hiring of several new Vice Presidents and two new Chancellors. Lastly, he discussed the implementation of the strategic initiatives developed by senior staff in September (the "Strategic Plan"). He briefly summarized the Strategic Plan and reviewed the three key areas (1) student access and student success (2) research and economic development and (3) outreach and globalization.

Dr. Petersen introduced the newest addition to the administration, Dr. Joseph DiPietro, Vice President of Agriculture. Dr. Petersen reviewed Dr. DiPietro's background with the University of Florida and the University of Illinois with the Board. He stated that he was excited about Dr. DiPietro's appointment and thanked Mr. Buddy Mitchell for his excellent assistance as the interim Vice President of Agriculture. He noted that the administration was still working on filling a position for the UT Space Institute.

Dr. Petersen discussed the recent progress of newly hired members of his staff. He noted that each Committee has heard from Jack Britt, Executive Vice President regarding the Strategic Plan. He stated that in addition to implementing the Strategic Plan, Dr. Britt has been leading initiatives with the Space Institute to strategically position that institute with external agencies. Additionally, Dr. Britt has been working on efforts to link the University's information technology for all of its institutions across the state.

Dr. Petersen noted that the Board had heard from Chancellor Owen extensively this visit. He stated that Dr. Owen has been an enormous positive for the Health Science center. He then discussed Chancellor Roger Brown and stated that feedback from the Chattanooga community leaders has praised Chancellor Brown and his wife Carolyn Thompson. He stated that he believes Chancellor Brown will push the Chattanooga campus forward to the next level.

Dr. Petersen next discussed Gary Rogers, Chief Financial Officer. He stated that he believes Dr. Rogers has already made himself invaluable in many ways in the time he has been with the University. In addition to his CFO duties, he stated that Dr. Rogers and Dr. Britt

have charted the course for implementing the initiatives of the Strategic Plan.

Dr. Petersen stated that Hank Dye, Vice President of Communications has been instrumental in coordinating the efforts of Anthony Haynes in Nashville and Kurt Schlieter in Washington DC. He noted that Mr. Dye has also been working on implementing new branding initiatives, University-wide website enhancements, and he is also overseeing the Institute of Public Service.

Dr. Petersen commented that Dr. David Milhorn, Vice President of Research, is already working to exceed the record \$285 million funded research received by the University this year. He next discussed Henry Nemcik, Vice President for Development and Alumni Affairs. He stated that since Mr. Nemcik joined UT in September, the University has raised \$157 million thus far this year versus \$80 million this time last year.

Dr. Petersen stated that Bob Levy, Vice President for Academic Affairs, has successfully facilitated several programs from conception thru fruition. Dr. Petersen also stated that existing members of the leadership team Sylvia Davis, Catherine Mizell, Stuart Lofton, Chancellor Crabtree and Chancellor Dunagan have continued to be instrumental in making possible the initiatives of the University. In conclusion, Dr. Petersen stated that he believes the University has an excellent leadership team in place.

Turning to recent highlights for the University, Dr. Petersen discussed the impact of Lottery Scholarships on incoming students. He stated that the Lottery Scholarships have contributed to larger classes, better ACTs averages and higher GPAs for incoming students.

Dr. Petersen reported that each campus received higher rankings in US News and World Report's 2006 college and university rankings resulting in higher visibility for the University among its peers.

Dr. Petersen discussed the growth of the University's joint institutes in science in conjunction with the Oak Ridge National Laboratory, including the newly announced Joint Institute for Materials Science to be built at UT and funded through a \$20 million federal earmark.

Dr. Petersen discussed UT College of Engineering's \$37.5 million electrical and computer engineering building to be named in honor of

Dr. Min H. Kao. He stated that the University is looking for the state-of-the-art facility to help the College of Engineering reach its goal to be ranked among the top 45 engineering schools in the nation.

Dr. Petersen discussed the recent ground breaking ceremony for the University of Tennessee's Howard Baker Center for Public Policy building, which was attended by Vice President Dick Cheney. He stated that the University is very excited about the upcoming joint program with the Churchill Center, "The United States and Great Britain: the Legacy of Churchill's Atlantic Alliance". He added that the conference would be just the start of the joint program that will continue with the Churchill Center.

Going forward, Dr. Petersen stated that the administration is continuing to further coordinate the University system and campuses. He reported that the University was looking to participate in a transportation initiative across the South as well as a partnership with the University of Kentucky for a national lab program. He stated that the Administration will continue to urge the Governor and federal government for funding for the University. He also stated that the administration will report its progress with the Strategic Plan and seek Board approval at the June Board meeting. In closing, Dr. Petersen stated that he continues to be enormously appreciative of the opportunity given to him by the Board almost two years ago.

Vice Chair Stansberry thanked Dr. Petersen for his report and noted the Board's appreciation with Dr. Petersen's progress since joining The University of Tennessee.

VI. Reports from the Chancellors

A. UT Chattanooga

Vice Chair Stansberry introduced Chancellor Roger Brown and asked him to present his report to the Board on The University of Tennessee at Chattanooga. Prior to his presentation, Mr. Brown noted the Lady Mocs successful season and participation in the upcoming women's basketball NCAA tournament.

Chancellor Brown began by discussing recent campus initiatives. He stated that campus was conducting a strategic plan of its own to link UT Chattanooga's mission, planning and budget initiatives and to support the initiatives of the University System's Strategic Plan. He

discussed the strengths of the campus administration and then reviewed open senior administration positions and plans to fill those positions.

Chancellor Brown discussed the new student Wellness Center. He stated that planning for the facility was assisted by the SGA, led by Trustee Amy Prevost. He discussed the cost and features of the new facility and said that he expected the completion to be in early 2008.

Chancellor Brown next commented on enrollment for UT Chattanooga. He reviewed enrollment by demographics and stated that applications to date were up 21%. He reported on the success of a new "early bird" admission program.

Chancellor Brown noted faculty achievements and highlights and discussed UT Chattanooga's increased activities in the international arena.

Turning to athletics, Chancellor Brown discussed achievements by the athletic teams and highlighted the winning season for the ladies basketball team. He noted the addition of a women's golf team this season.

In conclusion, Chancellor Brown commented on UT Chattanooga's capital campaign. He discussed a major grant to create an early education childhood center. Chancellor Brown then concluded his report and thanked the Board for their support.

B. UT Martin

Vice Chair Stansberry introduced Chancellor Nick Dunagan and asked him to present his report to the Board on The University of Tennessee at Martin.

Chancellor Dunagan recalled that the Board met last year on the UT Martin campus. He sought to update the Board on the projects and programs they had observed on their visit. Chancellor Dunagan discussed the results of a student satisfaction survey conducted every three years among all four-year institutions in the State of Tennessee. He stated that UT Martin scored the highest on student satisfaction. Additionally, he noted that UT Martin ranked high for safety in the same survey. In a survey among UT employees, UT Martin ranked the highest for employee satisfaction.

Chancellor Dunagan then discussed certain student achievements. He stated that UT Martin students have many opportunities for involvement on campus through more than 125 campus organizations. He reported that in an investment contest promoted by TVA, which included twenty-three teams from different universities, UT Martin won the contest with the highest rate of return for the period, 21% on a \$500,000 investment. He also reported that the UT Martin student newspaper was recently rated the best student newspaper in the Southeast. He discussed the papers' exceptional reporting accomplishments. Chancellor Dunagan then concluded his presentation and thanked the Board for their support.

C. UT Knoxville

Vice Chair Stansberry introduced Chancellor Loren Crabtree and asked him to present his report to the Board on The University of Tennessee at Knoxville.

Chancellor Crabtree focused his report on the undergraduate experience at UT Knoxville. He began by discussing student access to the Campus. He reviewed average SAT /ACT scores, application numbers and class enrollment. He presented the demographics of the freshman class and noted that recruiting was heavier in underrepresented Tennessee counties.

Chancellor Crabtree discussed UT Knoxville's engagement of incoming students. He commented on programs designed to engage the incoming classes immediately upon their acceptance to UT Knoxville. He stated that reading lists are provided to students prior to the beginning of the school year and they have the opportunity to meet with faculty in groups of 20 or fewer on campus to discuss the reading. He noted that the engineering college continues to evolve as an exceptional program and that incoming freshman are engaged early on in the program and introduced to what it is to be an engineer prior to their upper class semesters.

Chancellor Crabtree turned to UT Knoxville's efforts to retain students. He discussed the programs afforded by the Student Success Center as well as a newly created general education program to ensure that there are adequate spaces in certain of the freshman and sophomore classes. He reported that UT Knoxville

added 48 additional faculty members since 2002, funded by reallocations internally and tuition increases.

Chancellor Crabtree discussed opportunities for undergraduate research programs, including internships at Oak Ridge. He noted that twenty undergraduate students will be teaching English to 3200 freshman in Beijing, at the number one school in China, working along side students from Stanford, Berkley, UCLA, Harvard, Southern California and MIT. He commented that Library usage was up 46%, and print items in circulation were up 79%. He noted while the increases were certainly indicative of student success, some of the increase in usage was attributable to computer labs in the Library.

Chancellor Crabtree then discussed his participation in a book club formed by students to allow students to get to know and interact with their Chancellor. He stated that the club consisted of 13 honor students, selected among 39 applications. Chancellor Crabtree relayed to the Board the exceptional aptitudes of the students he got to know through the club and discussed the after graduation plans of the club's four seniors.

In conclusion, Chancellor Crabtree responded to a prior question from Trustee Spruell Driver regarding AAU status and noted that one of the critical factors of AAU status is a superb undergraduate status. He then concluded his presentation and thanked the Board for their support.

D. UT Health Science Center

Vice Chair Stansberry introduced Chancellor Bill Owen and asked him to present his report to the Board on The University of Tennessee Health Science Center.

Chancellor Owen commented that he was asked to report on an initiative occurring on the Health Science Center for which the campus takes special pride. He reported on UT Health Science Center's approach to managing infectious agents. Chancellor Owen began by reviewing common and not so common infectious agents. He recounted the devastation caused by the pandemic of influenza from the turn of the century, including the extreme decline of population and its ramifications.

Chancellor Owen discussed the differences in biological susceptibility and related dilemmas regarding the distribution of medication.

Chancellor Owen stated that the UT Health Science Center was one of the few areas of the US awarded by the National Institute of Health as part of the bio shield program for a regional bio containment lab. Chancellor stated that the UT Health Science Center leaders that served on the grant did extraordinary work and as evidence of their accomplishments they were asked by all other participants to consult on their grants.

Chancellor Owen discussed the \$25 million building project breaking ground in the next six months. He presented a schematic of what will be built over the course of the next 2 ½ years as part of the biotechnology park. He discussed the regional bio containment lab that will be embedded in the park shielded by other buildings.

Continuing his discussions on infectious agents, Chancellor Owen next discussed UT Health Science Center's work with nanotechnology applications in medicine, including collaborations with Oak Ridge National Laboratory. He discussed the Rapid Biopatheogen Detection Technology Program that will focus on developing accurate diagnostics that will allow healthcare providers to triage patients who have been exposed to harmful pathogens, as well as to prioritize the administration of care to those who are most susceptible. Chancellor Owen concluded by discussing the key scientist involved with the substantial UT Health Science Center team working in this area. He thanked the Board for the opportunity to highlight this initiative.

VII. ACTION ITEMS FROM THE FINANCE AND ADMINISTRATION COMMITTEE

A. Approval of FY 2005-06 Revised Budget

Mr. William B. Stokely, III, committee chair, summarized the adjustments as presented to the committee. As recommended by the committee, Mr. Stokely moved approval of the FY 2005-06 revised budget. (Exhibit 1)

The motion was duly seconded and carried unanimously.

B. Approval of Use of Proceeds from Lease and Transfer of

UT Medical Center to Construct New Pharmacy Site in Knoxville

Mr. Stokely stated that the administration sought approval to use payments received from University Health Systems (UHS) pursuant to the 1999 Lease and Transfer Agreement between the University and UHS to cover the cost of construction of the Knoxville location for the College of Pharmacy. In response to a question from a Trustee regarding the current allocation for the Lease and Transfer payments, Mr. Stokely replied that it was reported to the committee that they were allocated to the general fund. As recommended by the Committee, Mr. Stokely moved approval of the proposed use of proceeds from the Lease and Transfer. (Exhibit 2)

The motion was duly seconded and carried unanimously.

C. Approval of UT Knoxville Master Plan Update and Approval to Acquire Metron Property.

Mr. Stokely stated that the administration requested authorization to acquire the property located at 191 Metron Center Way in Knoxville at fair market value or less, as described during the committee meeting. Mr. Stokely described the buildings on the property and the parking area. He stated that the acquisition of the property would cancel out the planned building of another property as described in the UT Knoxville Master Plan. In addition, he stated that the administration seeks authorization to revise the Master Plan to include the Metron property. Mr. Stokely moved approval of acquisition of the property and the revision of the Master Plan. (Exhibit 3)

The motion was duly seconded and carried unanimously.

VIII. ACTION ITEMS FROM THE ACADEMIC AFFAIRS AND STUDENT LIFE COMMITTEE

A. Approval of Revised Policy on Academic Freedom, Responsibility and Tenure

Mrs. Andrea Loughry, committee chair, stated that the Academic Affairs and Student Life Committee recommended that the Board approve changes to the Board's policy on tenure to allow two narrowly defined exceptions. She stated that the requested changes will allow for tenure to be recommended at times of the year other than the June meeting and to allow UT to offer tenure in exceptional circumstances to faculty members who are not full time employees. She stated that the exceptions would not alter the basics of tenure for the University System. Mrs. Loughry moved approval of the policy revisions. (Exhibit 4)

The motion was duly seconded and carried unanimously.

IX. REPORT OF THE AUDIT COMMITTEE

Mr. Waymon Hickman, committee chair, introduced Lisa Williams, Performance Auditor, Division of State Audit. He noted that she has been attending the Board and committee meetings as part of the Sunset Review. He commented on the Audit Committee's investigation of allegations related to bidding from an anonymous letter received by the Board. He reported that the committee reviewed the bidding and found no credence in the allegations. He then called the Board's attention to the Audit Committee minutes dated November 30, 2005 included in the meeting materials. He discussed the approval of the Internal Audit Department Charter, the discussion of the Audit Plan for 2006 and a peer review with the University of Houston conducted by the committee. Mr. Hickman discussed his attendance at an investment conference with Gary Rogers, Butch Peccolo and others. He commented on a panel discussion regarding the recent American University scandal. He noted that the panel encouraged boards to take a more proactive role. He then recognized Mark Paganelli, Executive Director, Audit and Consulting Services for his and his team's excellent work with the Audit Committee. Mr. Hickman asked if there were questions for the committee, and there being none, he concluded his report.

X. CONSENT ITEMS

Mr. Stansberry said 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.

Mr. Stansberry asked for requests to remove items from the consent agenda. No requests were made. Therefore, the following items were submitted for approval by unanimous consent:

- A. **Approval of Proposed Revision of Policy on Naming of Facilities and Other Assets and Proposed Guidelines for Naming Opportunities and Endowments (Exhibit 5).**
- B. **Approval of Revised Investment Policy Statement (Exhibit 6).**
- C. **Grant of Easement to the City of Milan for Waterline (Exhibit 7).**
- D. **Approval of Sale of Gift Properties (Exhibit 8).**
- E. **Approval of Uniform Rule on Elevator Keyed Lock Box (Exhibit 9).**
- F. **Approval of Proposal for a Program of Study Leading to the Degree of B.S. in Electrical Engineering with a Major in Electrical Engineering (UTC)(Exhibit 10).**
- G. **Approval of Proposal for a Program of Study Leading to the Degree of B.S. in Mechanical Engineering (UTC)(Exhibit 11).**
- H. **Approval of UTC Faculty Handbook Revisions (UTC)(Exhibit 12).**
- I. **Approval of Proposal to Restructure and Rename the "Waste Management Research and Education Institute" as the "Institute for Secure and Sustainable Environment" (UT Knoxville) (Exhibit 13)**

Ms. Johnnie Amonette moved approval of the consent agenda. The motion was duly seconded and carried unanimously.

XI. OTHER BUSINESS

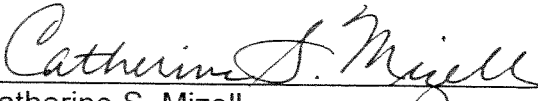
Mr. Stansberry announced that the next meeting of the Board will be held on June 20-21, 2006 in Knoxville. Prior to that, he noted that there will be an Executive and Compensation Committee meeting in Knoxville on May 8. Mr. Stansberry thanked Ms. Mizell for fine work in planning the meeting.

Ms. Mizell personally thanked staff members of the Health Science Center in Memphis, especially Chancellor Owen and Sue Harpole and Ms. Harpole's staff specifically Pam Houston and Andrew Prislovsky. She thanked the Alumni Center employees, the Memphis Campus security staff and the audiovisual and sound management specialists for their assistance with the planning, preparation and facilitation of the meeting. She thanked Jane Pullum for her voluntary assistance with the preparation for this meeting while the position of Assistant Secretary of the University was being filled. Lastly, she introduced Lisa Hertz, the newly hired Assistant Secretary of the University.

XII. 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

