

MINUTES OF THE ANNUAL MEETING
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE
October 22, 2010

The Fall Meeting of the Board of Trustees of The University of Tennessee was held at 9:00 a.m. EDT, Friday, October 22, 2010 in the Hollingsworth Auditorium, Ellington Plant Science Building, at The University of Tennessee Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER AND INVOCATION

Mr. James L. Murphy, III, Vice Chair of the Board of Trustees, called the meeting to order. Reverend John Unthank, campus pastor for the Church of God College Connection, offered the invocation.

II. ROLL CALL

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

Charles C. Anderson
Anne Holt Blackburn
J.A.M. Boulet
William Y. Carroll
George E. Cates
Spruell Driver, Jr.
John N. Foy
D. Crawford Gallimore
Monice Moore Hagler
James E. Hall
Douglas A. Horne
Karen C. Johnson
Andrea J. Loughry
James L. Murphy, III
Terry J. Oliver
Richard G. Rhoda
Karl A. Schledwitz
Jan F. Simek
Carey E. Smith
Don C. Stansberry
Robert S. Talbott
Betty Ann Tanner
Sumeet S. Vaikunth

Charles E. Wharton

The Secretary announced the presence of a quorum. Governor Bredesen and Commissioner Opie were unable to attend the meeting due to other commitments. Members of the administration, faculty, staff, and media were present. The meeting was also webcast for the convenience of the University community, the general public, and the media.

III. INTRODUCTIONS

Vice Chair Murphy recognized Emeriti Trustees in attendance, President Emeritus Ed Boling and Mrs. Boling, and President Emeritus Joe Johnson.

Vice Chair Murphy also welcomed new Non-voting Student Trustee Carey Smith, a student at UT Knoxville, and new Non-voting Faculty Trustee Toby Boulet, a faculty member at UT Knoxville, and presented them with Trustee lapel pin. The Vice Chair then welcomed the new Commissioner of Agriculture, Terry Oliver, and presented him with a Trustee lapel pin.

IV. APPROVAL OF MINUTES OF PRIOR MEETINGS

Trustee Gallimore moved approval of the minutes of the June 24, 2010 meeting of the Board of Trustees as presented in the meeting materials. Trustee Stansberry seconded the motion, and the motion carried unanimously.

V. PRESIDENT'S REPORT

The Vice Chair recognized Dr. Jan F. Simek, Interim President, for the President's Report. Before beginning his report, Dr. Simek presented a service award to Catherine Mizell, General Counsel and Secretary of the University, in recognition of her 30 years of service to the University. Dr. Simek said he was honored to recognize her for her continued contributions and her loyalty to the University. In accepting the award, Ms. Mizell said it has been nothing but her honor and privilege to serve the University for thirty years and to continue to do so.

Noting that this would be his last report to the Board, Dr. Simek expressed his appreciation for the great honor of serving the University as Interim President and offered the following introductory remarks:

We are preparing to close an important chapter and go on to another one, and I'm not only talking about the selection of the next president.

We've been challenged in recent months to deal with funding shortfalls,

and we'll continue to be challenged. In the Complete College Act, we have another great challenge but also a great opportunity to make higher education in Tennessee better for everyone we serve.

As implementation of the Complete College Act moves forward, the work will get tougher, the complaining will get louder, and the atmosphere more political.

I urge you to keep the focus on what's best for the University as a whole. UT really is bigger than the sum of its parts.

And even as the Complete College Act will be challenging, linking funding to performance is the right way to proceed.

And as for our funding challenges, we've worked hard the last couple of years to get every one of our campuses and enterprises to understand the situation, and they've accomplished what we've asked of them – and that has been a lot.

Now it's time for the board to move all of the University forward. The next state budget will be coming down, and it will be hard. The board needs to be ready.

You will hear complaining about classes getting larger, and harder to get – regardless of the fact we have been warning about that for a year and a half.

We have to stay the course. To stay focused on the goals – high quality and higher graduation rates, achieving Top 25 status for UT Knoxville – making Martin and Chattanooga the best that they can be – and making the steps to enable the Health Science Center to achieve its critical research goals.

Whoever we select as the next president, he needs to stay focused on all of these very important goals.

We've structured a system so that the campuses can pursue their goals – with the encouragement and oversight of the System.

At the Board retreat in August, we talked again this year about what the System ought to do and will do. Most of that has been resolved and is moving forward.

Now, I'll recap that conversation and the status of the items we discussed.

Dr. Simek then reported on the status of each of the workshop outcomes:

- Trustee understanding of The University of Tennessee System structure and how it developed: accomplished at the workshop.
- Clarification and delineation of system/campus roles: completed.
- Reorganization of the system administration: number of vice presidents reduced from 15 to 7; number of direct reports to the President reduced from 23 to 14; total staff reduced by 46.4% (from 623.06 FTE to 333.5 FTE, with 86 positions eliminated); decrease of system administration budget by 32% (\$33 million to \$22.5 million).
- President as the face and voice of higher education in Tennessee: encompassed within President's job description.
- Change in title of the President: studied but no change recommended.
- Relocation of the system administration offices: deferred at this time due to costs and because the exact location is a decision that should be deferred to the next President.
- Strategic planning: to be driven by the Complete College Tennessee Act.
- Improvement in system budget processes and communication: reorganized and improved; additional changes underway.
- Improvement in capital projects and purchasing processes: Internal Audit and the College of Business have reviewed the processes, and from their reports a small committee of the relevant constituents will develop a plan to be implemented soon.
- Accessing accurate data: the Complete College Tennessee Act will drive much of data acquisition; the Data Warehouse Project is moving forward; and implementation of Banner (student information system) and the Tennessee Electronic Research Administration (TERA) system are well underway.
- Nurturing development efforts: the Board will act on the recommendations of the Foundations Study Committee at this meeting, and implementation of the Foundation proposal will proceed toward a July 1, 2011 effective date.
- Increased opportunity for Chancellors to meet with legislators: accomplished.
- Reporting structure for UT Knoxville Athletics: moved to UT Knoxville on July 1, 2010.
- Reporting structure for IPS: studied and recommendations implemented, retaining the vice president position as a direct report to the President.
- Title of the head of the Institute of Agriculture: Bylaw amendment adopted on June 24, 2010 changing the title to Chancellor.
- Role of the system office of equity and diversity: a task force was appointed, and its report has just been received and is being reviewed by the system administration and the campuses; the general view is that the system office

should have an oversight and accountability role, but that the campuses will be responsible for implementation of plans.

In closing, Dr. Simek thanked the Chancellors for their assistance during the past two years, describing them as extraordinary academic leaders with laser focus on the quality of education on their campuses. He also thanked all members of the President's Staff, calling them great assets to the University. And finally, he again thanked the Board for the opportunity to serve such a great Institution. He reiterated his belief that the University is the best it has ever been, that it can be in the top tier of American public universities, and that we must seek to achieve that status for the people of Tennessee.

VI. ACTION ITEM FROM THE TRUSTEESHIP COMMITTEE

The Vice Chair recognized Trustee Andrea J. Loughry, Chair of the Trusteeship Committee.

A. Bylaw Amendment Concerning Chief Internal Auditor

Trustee Loughry reported that to ensure the independence of the Chief Internal Auditor position (Executive Director of Audit and Consulting Services), Trustee Jim Hall, Chair of the Audit Committee, has requested that the Bylaws be amended to provide that the Chair of the Audit Committee, rather than the Chief Financial Officer, be responsible for identifying a candidate for recommendation to the Audit Committee. Trustee Loughry explained that the proposed Bylaw amendments included in the meeting materials (Exhibit 1) accomplish Trustee Hall's requested revision, authorize the Chair of the Audit Committee to make an interim appointment to the position pending completion of a search, and make two housekeeping revisions.

Trustee Loughry moved adoption of the Bylaw amendments as presented in the meeting materials. Trustee Blackburn seconded the motion. The Vice Chair called for a roll call vote, and the motion carried unanimously.

VII. ACTION ITEM FROM THE FINANCE AND ADMINISTRATION COMMITTEE

The Vice Chair recognized Trustee Robert S. Talbott, Chair of the Finance and Administration Committee.

A. Approval of UTHSC Pediatric Faculty Practice Plan, Memphis

Trustee Talbott stated that Chancellor Schwab gave a comprehensive presentation to the Finance and Administration Committee on the preceding day about the proposal for a pediatric faculty practice plan for the UTHSC Memphis campus. Referring the Board to the memorandum included in the meeting materials (Exhibit 2), Trustee Talbott

explained that UTHSC has been losing about \$3 million a year in the pediatric area, and through the arrangements Chancellor Schwab has presented there is potential not only to stop the loss, but also to make some gains. Noting that UTHSC's losses cannot exceed the \$5 million contributed annually by LeBonheur, Trustee Talbott said he has concluded that this is not only a good business deal for the University, but also an opportunity to merge the pediatric practices with LeBonheur.

Trustee Talbott moved that the creation of UT LeBonheur Pediatric Specialists, Inc. (ULPS) as the pediatric faculty practice plan for the UTHSC Memphis campus be ratified and that the administration be authorized to execute an Addendum to the Master Affiliation Agreement between the University and Methodist Healthcare and an Affiliation Agreement between the University and ULPS after review and approval by the Chief Financial Officer and the General Counsel and after all required or appropriate state government reviews and approvals. Trustee Cates seconded the motion, and the motion carried unanimously.

VIII. ACTION ITEMS FROM THE ADVANCEMENT AND PUBLIC AFFAIRS COMMITTEE

The Vice Chair recognized Trustee George E. Cates, Chair of the Advancement and Public Affairs Committee.

A. Foundations Study Committee Report and Recommendations and Approval of Affiliation and Services Agreement with UT Foundation, Inc.

Trustee Cates stated that the Advancement and Public Affairs Committee unanimously adopted two motions as presented in the meeting materials. He stated that this proposal will create an entirely new business plan for fundraising, which will involve no additional state money, and he projected that within five to ten years, the plan should be generating an additional \$100 million per year for the University. He described the plan as a major breakthrough and commended Trustee Wharton and the Foundations Study Committee for their work. He also recognized Justin Wilson, State Comptroller, whose office provided invaluable assistance in developing the Affiliation and Services Agreement. The Vice Chair welcomed Mr. Wilson and invited him to address the Board. Mr. Wilson said it is his belief that a separate not-for-profit entity is essential for the University to reach its fundraising goals. He noted that although his office has traditionally been quite wary of the foundation concept, an agreement has been developed to address the concerns of his office, including assurances of transparency and accountability. While stating his full support for the plan, he noted that it is ultimately the Board's responsibility to ensure that the University is not tarnished by the foundation and that the foundation is not used to circumvent state law or University policies. He specifically acknowledged that the University worked with his office to include in the agreement every request of his office for accountability and transparency.

Trustee Cates moved approval of the Foundations Study Committee Report and Recommendations as presented in the meeting materials (Exhibit 3). Trustee Stansberry seconded the motion, and the motion carried unanimously.

Trustee Wharton moved approval of the Affiliation and Services Agreement with the UT Foundation, Inc. (Exhibit 4) Trustee Loughry seconded the motion, and it was carried unanimously.

IX. CONSENT ITEMS

The Vice Chair reminded the Trustees that each Trustee is invited to all Board committee meetings. He reported that each item on the consent agenda was reviewed fully by the appropriate committee and recommended for approval by consent, with the following exceptions: Item J. has been withdrawn; and Item K. was revised to approve adding a centennial banner at the top of the existing UTHSC diploma. The Vice Chair then asked for any requests to remove items from the consent agenda. There being none, the following items were submitted for approval by unanimous consent:

- A. Approval of FY 2010 Annual Flight Operations Report (Exhibit 5)
- B. Approval of FY 2011-12 Operating Budget Appropriations Request (Exhibit 6)

- C. Approval of FY 2011-12 Capital Outlay and Capital Maintenance Projects (Exhibit 7)
- D. Approval of FY 2011-12 Revenue/Institutionally Funded Projects (Exhibit 8)
- E. Approval of UT Martin Master Plan (Exhibit 9)
- F. Approval of Real Property Transactions (Exhibit 10)
 - 1. Property Acquisition, 208 S. Dudley Street (UTHSC)
 - 2. Grant of Permanent Easements for Cherokee Farm-Knoxville Utilities Board (UT Knoxville)
 - 3. Collins Gift Property, 114 Old Fulton Road (UT Martin)
 - 4. Property Acquisition in Hornbeak, Tennessee, from Tennessee Wildlife Resources Agency
- G. Approval of Annual Report to the General Assembly (Exhibit 11)
- H. Approval of Revisions to the Policy on Naming Facilities and other Assets (Exhibit 12)
- I. Approval of Program of Study Leading to the Degree of Ph.D. in Energy Science and Engineering (UT Knoxville) (Exhibit 13)
- ~~J. Approval of Additional Signatures on University of Tennessee Diplomas--*withdrawn*~~
- K. Approval of Centennial Diploma for UTHSC, *as revised by the Academic Affairs and Student Success Committee* (Exhibit 14)

The Vice Chair asked for a motion to approve the consent agenda. Trustee Talbott moved approval; the motion was seconded by Trustee Carroll and carried unanimously.

X. RECESS

The Board took a short recess for the annual photograph. The meeting resumed immediately following the photograph.

XI. ELECTION OF THE PRESIDENT

The Vice Chair directed the Board's attention to the Election Procedures (Exhibit 15), which outline the process to be followed for election of next President of the University and which were provided to the Board for review in advance of the meeting. He noted that Item 6.b. of the Election Procedures provides for execution of a letter of intent to the successful candidate and that a draft letter of intent to each of the two nominees had been placed at each Trustee's seat at the Board table (Exhibit 16 e). The Vice Chair explained the differences in the two letters, with Dr. DiPietro's letter addressing his existing tenured faculty appointment and Dr. Nolan's letter addressing relocation expenses.

The Vice Chair asked for a motion to approve the Election Procedures as presented at the meeting. Trustee Talbott moved approval of the election procedures. Trustee Gallimore seconded the motion, and it carried unanimously.

The Vice Chair recognized Trustee Schledwitz who had asked to make a statement before the vote. Trustee Schledwitz stated that although it was obvious to the Trustees, it might not be obvious to those watching the meeting that this would be a very divided vote. He expressed his hope that the message coming out of the meeting would not be that this is a divided Board because whichever candidate is elected will have the support of the entire Board.

The Vice Chair thanked the members of the Search Committee, the Search Advisory Council, and everyone involved in the search process. He then specifically thanked Dr. Katie High for her hard work to make the search run smoothly. He noted that all the interviewed candidates mentioned how impressed they were with the University, and their first impression was through Dr. High. The Trustees offered Dr. High a round of applause to acknowledge their appreciation. The Vice Chair then thanked John Thornburgh and Dennis Barden of the search firm, Witt/Kieffer, for their work, noting that this was a very different kind of search because of the openness of the process.

The Vice Chair then invited discussion of the two nominees. He stated that he would begin the discussion, recognize any other Trustee desiring to comment, and close the discussion by calling on Dr. Simek, who had asked for the opportunity to make brief comments to the Board before the vote. The Vice Chair explained that at the conclusion of all discussion, the Board would vote by a written, signed ballot.

The Vice Chair began by stating that the election of the President is the most important

decision the Board makes. He stated that how the Trustees vote, how they conduct themselves in voting, and how they conduct themselves after the vote is very important. The Vice Chair announced that he would vote for Dr. DiPietro because of his significant achievement throughout his career, demonstrated by moving up the academic ranks and proving himself successful at multiple land grant institutions, including successful operation of the University's Institute of Agriculture. The Vice Chair reported that every employee of Dr. DiPietro's with whom he had spoken was positive, commending Dr. DiPietro for not only what he has done but also how he has done it. He stated that he also gave significant weight to the fact that President Emeritus Joe Johnson nominated Dr. DiPietro and believes Dr. DiPietro can do the job. Interim President Simek also believes Dr. DiPietro is the right person to serve as the next President. The Vice Chair concluded by stating that the Trustees have a tough choice to make between two nominees and that he would support whichever nominee is elected.

Trustee Stansberry stated his concurrence with the remarks of the Vice Chair and his view that Dr. DiPietro is the best choice for the University. He commented that the University has been on a steady pattern of growth over the past several years and needs a leader to keep the University on that course. He stated that he believes Dr. DiPietro is the candidate most capable of continuing that process, but that he would give his full support to whichever of the two candidates is elected.

Trustee Schledwitz stated that he would vote for Dr. Nolan because he believes the Trustees have an opportunity bring back to Tennessee a stellar leader for the University. He noted that Dr. Nolan's terminal degree is from the University, and his wife, who is from Greeneville, Tennessee, also has a degree from the University. He stated that Dr. Nolan has an unparalleled national reputation in higher education, and his peers in West Virginia describe him as a visionary. Trustee Schledwitz also reported that he has been contacted by legislators from both sides of the aisle, all of whom had very positive things to say about Dr. Nolan. He ended his remarks by saying that the Board is fortunate to have two excellent candidates, noting that since they were announced, no one has had anything negative to say about either candidate.

Trustee Driver said this would be the most important vote he would make in the five years he has served on this Board. He stated that the magnitude of this vote caused him to pull his oath of office, and he then recited the oath. Stating that he would be voting for Dr. DiPietro, Trustee Driver noted that the executive team is extremely strong and is in support of Dr. DiPietro and that the existing chemistry of the team will only get better by placing Dr. DiPietro at the helm. Trustee Driver also noted that Dr. DiPietro has demonstrated his abilities in private fundraising by exceeding the campaign goals for the Institute of Agriculture. He added that Dr. DiPietro has a lengthier and more experienced track record in academic administration at public land grant institutions,

has a sound and fundamental grasp of the goals of this University, and that his scientific research experience sets him apart in that endeavor and is compatible with the University's important partnership with ORNL and goals for biofuels development.

Trustee Hall said that it was a pleasure and privilege to serve on the Presidential Search Committee and that serving on the Board of Trustees has been the high point of his career. Referring to Dr. Simek as his first choice for President, he praised Dr. Simek for an excellent job and for recognizing that there is a lot to be done and a lot to be corrected at the University. Referring to Dr. Cheek as his second choice, he praised Dr. Cheek for his outstanding work as Chancellor of the Knoxville campus. Expressing appreciation to all the candidates, he said it reflects well on the University that so many talented individuals were interested in this position. Noting the many challenges facing the University and the next President—including challenges of diversity that have not been addressed and challenges at UTHSC in terms of its infrastructure—Trustee Hall said both candidates are very well qualified, but he would cast his vote for Dr. Nolan.

Trustee Horne concurred with Trustee Hall that both Dr. Simek and Dr. Cheek should be highly commended for the work they have done and continue to do for the University and expressed his great pride in serving on the Board. He stated that in selecting the next President, it is imperative to pay attention to the President's Staff and the Chancellors and their staff, and he has found that most of them support Dr. DiPietro. He further stated that fundraising is very important to consider, and Dr. DiPietro has proven himself in that regard.

Trustee Cates said that a choice must be made between two excellent candidates and that after much deliberation he has concluded that Dr. Nolan is the best choice to lead the University to greater heights. He noted that Dr. DiPietro brings an advantage to the process as an insider, but in his view the bolder choice is Dr. Nolan because his skill set for the entire UT System is such that he would lead UT to greater and greater heights.

Trustee Anderson agreed that there are two excellent and very different candidates. In his view, however, accepting the challenge for UT Knoxville to be a top-25 university, as well as the goals set for the other campuses, requires a candidate like Dr. Nolan to lead the University. He said he sees this as opportunity to keep the outstanding senior staff together and add Dr. Nolan to an already outstanding team.

Trustee Rhoda stated that he was a reference for Dr. Nolan and agrees that both candidates are excellent choices, but having worked with Dr. Nolan, he believes he could take the University to the next level.

Trustee Hagler said that both candidates meet the requirements the Board identified for the next President. She stated that having no predisposition as she attended the

interviews, she saw Brian Nolan rise to the top, and she is confident he could inspire the University to move forward. She stated that if the University aspires to be in the top 25, bold decisions are required.

Trustee Smith stated that although she does not have a vote, she wanted to voice her support for Dr. DiPietro. She stated that he has a strong proven track record with UT leadership and has been an inspiration to the student body.

Trustee Johnson stated that she agrees that both candidates are strong and bring different strengths. Considering that one of the major responsibilities of the presidency is to be the voice of the University--the person to inspire us to move to greater heights--she has concluded that Dr. Nolan would be a stronger voice for the University. She noted that he has demonstrated he is a visionary thinker in the area of education and education policy, which will be necessary to reach the top 25. She also noted that Dr. Nolan could give the University a presence on the national scene. She stated that after careful consideration and discussion with the faculty, she would vote for Dr. Nolan.

Trustee Gallimore reminded the Board that prior to the search, the Board discussed the importance of having a succession process, and that Dr. DiPietro fits the bill of promoting one of our own. He also stated that at the last meeting, the Governor cautioned the Board to make this decision with all due care. He stated that Dr. DiPietro is a known quantity and already has a great constituency, which is one of the many reasons he would vote for Dr. DiPietro.

Vice Chair Murphy called for any further discussion. There being none, he recognized Dr. Simek for remarks.

Dr. Simek said he came to the University many years ago to work at a top-rate University, but being top-25 is not easy and if that is really the collective goal, the University needs a President who knows what that is and understands the moving parts that go into it. Dr. Simek said he would vote for Dr. DiPietro because he has a demonstrated ability in this regard. He further stated that the star in all of this is the University and if the star is sought elsewhere, the goal will not be achieved. He noted that the University has been here since 1794 and has its own power and strength, and that in the grand scheme of things, although this decision is very important, it is one of a whole stream of decisions that make up the University's great history. He closed by saying that there is a way to achieve the University's goals and that Dr. DiPietro is the candidate more likely to achieve those goals.

Vice Chair Murphy called for distribution of the ballots. Signed ballots were cast and collected. Vice Chair Murphy, General Counsel and Secretary Catherine Mizell, and Assistant General Counsel Lela Young tallied and verified the votes.

Vice Chair Murphy announced the Board's election of Dr. Joseph A. DiPietro as the next President of The University of Tennessee by a vote of 11 to 10.

Trustee Schledwitz moved that Dr. Joseph A. DiPietro be elected as the next President of The University of Tennessee by acclamation, subject to a mutually acceptable employment agreement and in accordance with the terms of the letter of intent for Dr. DiPietro included in the meeting materials. Trustee Stansberry seconded the motion.

Vice Chair Murphy called for any discussion. Trustee Wharton stated that this is not a divided Board despite differences of opinion, that the leadership exercised by the Vice Chair and others who spoke on behalf of the candidates was excellent, and that the discussion was positive and admirable. He said he is looking forward to the Board working collectively with the new President in the coming years to achieve top-25 status.

Trustee Loughry said the discussion had reflected some of the aspirations of the Board, or qualities embodied in one of the candidates, and she urged the staff as a team to recognize that these are matters in which the Board is very interested. She further encouraged the staff to take some of those qualities found so admirable in Dr. Nolan and apply them to the University's future.

There being no further discussion, the Vice Chair called for a voice vote on the motion, and the motion carried unanimously.

The Vice Chair announced a media event with Dr. DiPietro following the meeting at 1:30 p.m.

XII. OTHER BUSINESS

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

XIII. ANNOUNCEMENTS

The Vice Chair made the following announcements:

November 4, 2010: Audit Committee, Nashville

December 10, 2010: Audit Committee, Nashville

January 21, 2011: Executive and Compensation Committee, Nashville

February 24-25, 2011: Winter Meeting, Chattanooga

The Vice Chair thanked Ms. Mizell for all her work to make the Board and committee meetings run so smoothly.

XIV. ADJOURNMENT

With no further business to come before the Board, Trustee Stansberry moved adjournment of the meeting. Trustee Carroll seconded the motion, and the motion carried unanimously.

Respectfully Submitted,

Catherine S. Mizell, Secretary