



12-12-2003

University of Tennessee Board of Trustees Exhibit Records, 2003 December 12, Exhibits 1 - 7

University of Tennessee

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and Secretary of the University
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TO: Members of the Board of Trustees

FROM: Catherine S. Mizell
Vice President, General Counsel and Secretary

DATE: December 8, 2003

SUBJECT: Special Meeting of the Board
1:30 p.m. EDT, December 12, 2003
Board Room, Andy Holt Tower, Knoxville

Upon call of the Vice Chair, a special meeting of the Board of Trustees will be held at 1:30 p.m. EDT on Friday, December 12, 2003 in Knoxville. The enclosed notebook includes the agenda and supporting materials for the meeting.

The notebook also includes a final schedule of events. The final schedule reflects the following important change:

The Presidential Search Committee meeting on Friday will begin at 10:30 a.m. instead of 12:00 noon. At 10:30, the committee will consider the guarantee of Korn/Ferry to consult on another search within two years of the placement of the last president. The committee will break for lunch at 11:30 and reconvene at 12:00 noon to consider other agenda items.

In addition, it now appears that the Presidential Search Committee may be in a position to make a recommendation to the Board on a base salary range and performance incentive for the next President. The committee will consider this matter at its meeting on Friday morning and will bring a report and any recommendation to the full Board in the afternoon meeting.

Reserved parking will be available in the University Center Garage and in Circle Park. The Marriott Hotel has hotel reservations for you in accordance with your requests. Please let me know if you need any other assistance.

CSM:ll

Enclosure

c: Members of the President's Staff

SCHEDULE OF EVENTS

MEETINGS OF THE PRESIDENTIAL SEARCH COMMITTEE AND SEARCH ADVISORY
COUNCIL
AND
SPECIAL MEETING OF THE BOARD OF TRUSTEES
December 11-12
Knoxville

Thursday, December 11

Reserved parking available in Circle Park

- 1:00 p.m. Presidential Search Committee, Board Room, Andy Holt Tower
- 3:00 p.m. Criteria, Advertising, and Recruitment Subcommittee
Fourth Floor Conference Room, Andy Holt Tower

Friday, December 12

Reserved parking available in University Center Garage

- 10:30 a.m. Presidential Search Committee, Hermitage Room, University Center

NOTE: The Presidential Search Committee will adjourn at approximately 11:30 a.m. for lunch and then reconvene at 12:00 noon in the Executive Dining Room.

- 11:00 a.m. Search Advisory Council, Executive Dining Room, University Center
- 12:00 noon Presidential Search Committee, Executive Dining Room, University Center

Reserved parking available in Circle Park

- 1:15 p.m. Executive Committee, Board Room, Andy Holt Tower
- 1:30 p.m. Board of Trustees Meeting, Board Room, Andy Holt Tower

SPECIAL MEETING
BOARD OF TRUSTEES
THE UNIVERSITY OF TENNESSEE

1:30 p.m. E.D.T.
Friday, December 12, 2003

Board Room, Andy Holt Tower
Knoxville, Tennessee

ORDER OF BUSINESS

- I. Call to Order
- II. Roll Call
- III. New Business
 - A. Report and Recommendations of the Audit Committee..... **Tab 1**
 - B. Appointment of the Board Process and Governance Committee **Tab 2**
 - C. Adoption of a Code of Ethics for Trustees **Tab 3**
 - D. Naming of the Hearing and Speech Center Building, Knoxville **Tab 4**
 - E. Retirement Incentive Plan for Agricultural Extension Service Employees with Federal Appointments **Tab 5**
 - F. Name Change for the Agricultural Extension Service (information only)..... **Tab 6**
 - G. Report and Recommendations of the Presidential Search Committee
(See materials behind Tab for Presidential Search Committee)
- IV. Other Business
- V. Adjournment

TENNESSEETODAY *CURRENT NEWS FROM UT*

Good Morning
June 30, 2004
Updated Daily

FOR IMMEDIATE USE
December 10, 2003

UT Trustees Schedule Dec. 12 Meeting[Top Stories](#)

KNOXVILLE – The University of Tennessee Board of Trustees will meet here Dec. 12 and will receive a report on the search for a new UT president.

[Current News](#)
[Releases](#)

The meeting is set for 1:30 p.m. Friday on the eighth floor of Andy Holt Tower.

[Archives](#)[@tennessee](#)

In addition to hearing a report and recommendations from the presidential search committee, the board will consider a code of ethics for trustees, hear a report of Audit Committee meetings and receive recommendations of appointments to the Board Process and Governance Committee.

[Great Things are
Happening](#)[The Office of
Public Relations](#)

The Search Advisory Council, which in addition to trustees includes faculty, students and alumni members, has set a meeting for 11 a.m. in the center's Executive Dining Room.

[The Daily Beacon](#)[Major Tennessee
Daily Newspapers](#)

The council will review recommendations on presidential characteristics and qualifications from the Criteria, Advertising and Recruitment Subcommittee, which will meet at 3 p.m. Thursday in the fourth floor conference room of Andy Holt Tower.

[The Knoxville
News-Sentinel](#)

The board search committee has scheduled three meetings:

[Tennessean](#)

- 1 p.m. Thursday, Dec. 11, Andy Holt Tower board room, to do the final evaluation of bids submitted by firms seeking to assist with the presidential search.

[Chattanooga
Times
Free Press](#)

- 10:30 a.m. Friday, Dec. 12, Hermitage Room of the University Center, to consider Korn/Ferry's guarantee to consult at no additional fee on a new search for president. Korn/Ferry was the consultant for the last search.

[The Commercial
Appeal](#)

- Noon Friday, Dec. 12, Executive Dining Room, University Center, to consider the advisory council's statement of characteristics and qualifications of the president, discuss compensation, and discuss points raised at a series of statewide public forums.

The board's Executive Committee is scheduled to meet at 1:15 p.m. Friday in the board room to approve appointments to the board's Process and Governance Committee.

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Contact:

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**UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 5, 2003, MEETING MINUTES**

Audit Committee Members Present: Waymon Hickman, Don Stansberry, John Pontius.
Guests From UT: Eli Fly, Butch Peccolo, Mark Paganelli, John Fox, Kasandra Atwood.
Guests from State Audit: Art Hayes, Charles Bridges, Glen McKay, Deborah Loveless.

Waymon Hickman, chairman, called the meeting to order. Since this is the first meeting of the Audit Committee, there were no minutes to read. The members introduced themselves and gave a brief background of their audit experience. Mr. Hickman said this was an organizational meeting and guests had been invited to explain their various roles and responsibilities related to the University.

Arthur Hayes, director of State Audit, commended UT for forming an Audit Committee. He spoke of the role of the Audit Committee, emphasizing his department would be available anytime for advice and information. Each committee member will have the opportunity to review financial statements, observe internal controls, and assess risks. Their responsibility is to help safeguard the assets of UT. The committee should take a proactive role in identifying problems and then decide how to move forward. Mr. Hayes suggested developing a charter (which the committee has drafted). He said his staff would be available to comment on the charter. The committee can rely on UT's Internal Audit office as their eyes and ears and he suggested using bad news effectively. Mr. Hayes explained about the Comptroller's HotLine for reporting abuse. This may be a model for UT to develop. Regarding the UT Foundation, it needs to be as transparent as possible and should be used only when UT assets cannot be involved. The primary responsibility for UT assets rests with the Board of Trustees. Mr. Hayes believes the UT Audit Committee is a good idea and offered his services to the committee for consulting.

Emerson H. Fly addressed the committee. His role is the acting chief financial officer of UT and is responsible for fiscal operations. He believes the Audit Committee will strengthen credibility of UT because it has more impact than a larger committee. UT is a complex entity and a lot of time is spent deciding what areas to audit. The role of the Audit Committee is to help the chief internal auditor. The committee should be very interested in the auditees' responses to findings and recommendations. Mr. Hickman said the committee will begin reviewing audit reports at the next meeting. Mr. Hickman also emphasized the need to review the auditees' responses.

Butch Peccolo, UT vice president and treasurer, discussed the pros and cons of procurement cards and how the University audits them. The committee was concerned about misuse of the cards, raising the spending limit, and educating users. These issues are being addressed by UT officials.

Mark Paganelli, executive director of UT Internal Audit, spoke about a risk assessment plan and developing an audit plan for the coming year. He will have a plan ready for the committee at its next meeting. He explained about UT's internal audit operation and the qualifications of its staff. Mr. Stansberry asked if staffing was adequate, and Mr. Fly replied that the number of UT internal auditors was "in the middle" compared to other land-grant universities. John Pontius said that risk assessment was complex for UT; therefore, the committee needs to understand the business processes of UT and hopes this will part of a future agenda. Mr. Stansberry agreed.

Mr. Hickman asked the committee to review and send any comments concerning the audit charter to him or Mr. Paganelli. The audit charter will be on the agenda for the next meeting.

The Board of Trustees will periodically review performance of the chief internal auditor, Mr. Paganelli. Mr. Fly will provide the UT standard evaluation form. Mr. Paganelli will complete the self-evaluation section of the form. to be finished by the next meeting. Mr. Paganelli expressed a need for clarification for informing the committee of

investigative-type problems or special requests from management. Mr. Hickman said there is no need for a meeting, but to communicate with him. Mr. Pontius added that this process should not interrupt Mr. Paganelli's prompt response to the problem.

Mr. Paganelli said that UT's audit year started September 1 and ended August 31; however, any time would be appropriate, and perhaps this would be a good time to change to the calendar year. Mr. Stansberry made a motion to establish UT's audit year from January 1 to December 31. Mr. Pontius seconded the motion and the committee approved.

Mr. Pontius expressed an interest in State law in regard to internal audit. Mr. Paganelli agreed to provide this to Mr. Pontius.

The committee will meet quarterly, usually coinciding with the Board of Trustees' meetings.

Respectfully Submitted,

Mark A. Paganelli, Executive Director
Internal Audit
University of Tennessee

**THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES
AUDIT COMMITTEE
NOVEMBER 21, 2003, MEETING MINUTES**

Audit Committee Members Present: Waymon Hickman, Don Stansberry, John Pontius
From UT: Mark Paganelli, John Fox
Guests from State Audit: Robert Hunter, regional manager for East Tennessee

Waymon Hickman, chairman, called the meeting to order and welcomed members of the press. Minutes from last meeting were read. There were no additions or corrections. Mr. Stansberry made a motion to approve the minutes as read; Mr. Hickman seconded the motion; and it was passed.

Mr. Paganelli introduced Mr. Robert Hunter, the State Audit regional manager for schools in East Tennessee. Mr. Hunter will meet with the Audit Committee when the State audits UT.

Audit Committee Charter. Mr. Paganelli discussed how he developed the draft of the audit committee charter. He gathered information from Sarbanes-Oxley, the new federal legislation that now requires public corporations to have audit committees and audit charters. He also looked at other universities that have audit charters and modeled UT's after those. The audit charter is required by the Sarbanes-Oxley Act. Its purpose is to ensure controls within the University, integrity of financial statements, compliance with regulatory requirements, oversight of UT's internal audit and external auditors, and oversight of the internal control structure of management. After discussion, a few modifications were made to the audit charter. Mr. Stansberry made a motion to approve and refer the charter as amended to the Board of Trustees. Mr. Pontius seconded, and the motion was passed.

Audit Plan. Mr. Paganelli explained how the audit schedule for the year is established. Areas are ranked based on criteria such as public relations risk, financial risk, changes in management, frequency or volume of transactions, and how well controls are in place. Then the auditors look at how many hours are available to devote to these audits. There is an audit planned for every campus or unit's chancellor or vice president's office. Mr. Hickman commented it was an ambitious schedule. Mr. Paganelli said that if there is a change in the schedule, he will communicate that to Mr. Hickman. Mr. Stansberry made a motion to approve the internal audit schedule for the coming year. Mr. Pontius seconded the motion, and the motion was passed.

Mr. Hickman expressed concern about the University's procurement card, especially the need for educating users, and the \$2,000 limit. Mr. Hunter said other Board of Regents schools had a lower limit. Mr. Paganelli said that there will be a change in policy to include disciplinary action if someone misuses the card. The Treasurer's Office is sending out a letter next week to all users explaining the disciplinary action. Split transactions are fewer this month than before, so people are getting the word. Mr. Stansberry said a process needs to be in place to ensure the responses to audits are communicated to the committee. The Audit Committee will expect that to be done. Mr. Paganelli said the auditors have now included management's response in the audit report. This will delay issuing the audit, but findings and responses will be reported at the same time. Mr. Pontius said if there is something sensitive, Mr. Paganelli should report that to the committee right away. Mr. Paganelli mentioned that there is a problem in Memphis. Mr. Stansberry wanted to know when he reads in a report the phrase "disciplinary action was recommended," how does he know what action, if any, was taken. Mr. Paganelli said he will develop a matrix of audit reports issued, recommendations, and if the auditors followed up on those recommendations and will provide it to the committee at each meeting.

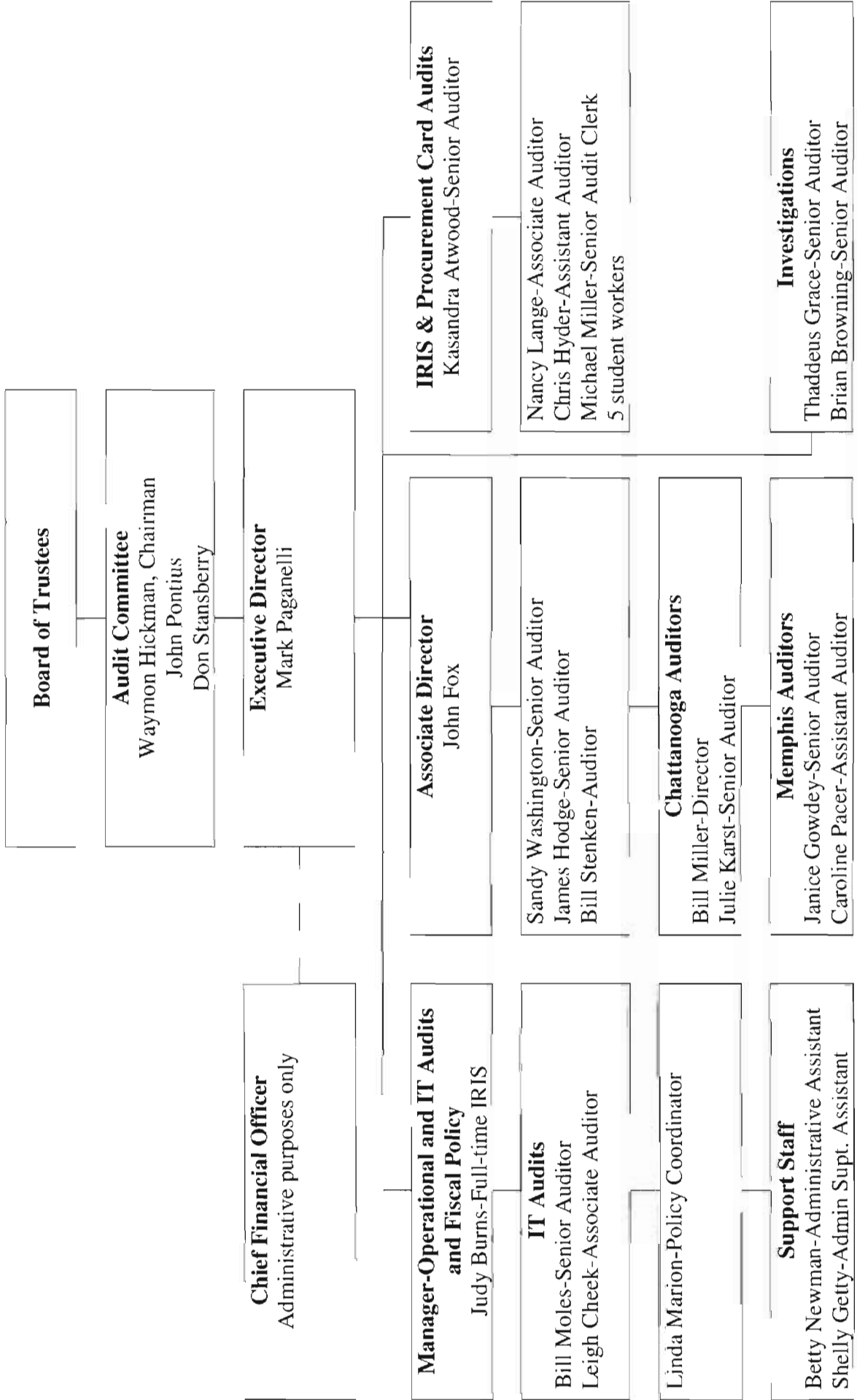
Training. At the last meeting, Mr. Pontius requested training to better understand the financial statements, risks, and internal controls that are in place. The Audit Committee, either alone or with the Finance Committee, would like training. Over a period of time, they should understand the organizational structure, financial statements, or internal controls system, and then they can understand and provide better input to the audit plan. Mr. Stansberry said it would be good to add thirty minutes to one hour to every meeting and let Mr. Paganelli choose a subject. He also requested an organizational chart. Mr. Paganelli will get that, and perhaps Dr. Joe Johnson can meet at the next meeting to explain the structure of UT. Mr. Hickman asked if the Audit Committee was responsible for the Foundation. Mr. Hunter explained that they have a separate board. Mr. Pontius would like a list of all the entities of the University, even though they are not under the Audit Committee's purview, which are reporting to the Board.

There was no further discussion and the meeting was adjourned. The next meeting will be when the full Board meets in March.

Respectfully Submitted,

Mark A. Paganelli, Executive Director
Internal Audit
The University of Tennessee

**The University of Tennessee
 Audit and Consulting Services**





TO: The University of Tennessee Board of Trustees

FROM: Mr. Waymon Hickman, Chairman, Audit Committee

DATE: December 12, 2003

SUBJECT: APPROVAL OF AUDIT COMMITTEE CHARTER

Attached for your approval is the audit charter for the newly formed audit committee of the Board of Trustees. This charter incorporates best business practices, applicable sections of Sarbanes-Oxley Act (recent federal legislation addressing corporate governance), and language from similar charters at other universities. The charter specifies the authority of the audit committee and its responsibilities regarding the University's financial statements, internal controls, audit activities, and reporting and communications.

In accordance with the bylaw amendments passed at the October 10, 2003, meeting of the Board of Trustees, the audit committee is presenting the attached charter for approval.

attachment

**THE UNIVERSITY OF TENNESSEE
BOARD OF TRUSTEES
AUDIT COMMITTEE CHARTER**

PURPOSE

The audit committee of the Board of Trustees will assist the Board in fulfilling its oversight responsibilities for the following activities.

- The integrity of the University's annual financial statements.
- The University's compliance with legal and regulatory requirements.
- Oversight and direction of the internal auditing function, any external auditors whom the committee may employ, and engagements with the State auditors.
- Oversight of the University's internal control structure and management practices.
- Knowledge of audit activities, informing the full Board and making recommendations when necessary, and other duties as directed by the Board.
- Monitoring compliance with University policies and procedures.

AUTHORITY

The audit committee has authority to conduct or authorize investigations into any matter within its scope of responsibility. The committee is empowered to:

- Seek any information it requires from employees – all of whom are directed to cooperate with the committee's requests – or external parties.
- Meet with University officials, external and internal auditors, general counsel, or others as necessary.
- Delegate authority to subcommittees, provided that such decisions are presented to the full committee at its next scheduled meeting.
- Oversee the internal auditing function of the University, which will report directly to the audit committee.

MEMBERSHIP

The committee and its chair shall be appointed by the Board of Trustees and shall consist of at least three members who are generally knowledgeable in financial, management, and auditing matters, and one of whom shall have accounting and financial management expertise. Each member shall be free of any relationship that would interfere with his or her exercise of independent judgment.

EDUCATION

The University's senior management and internal audit department are responsible for providing the committee with educational resources related to accounting

principles, internal controls, applicable policies, and other information that may be requested by the committee to maintain appropriate financial and compliance literacy.

MEETINGS

The committee shall meet at least three times a year or more frequently, as circumstances require. The chairman or any two committee members may call a meeting. The committee will invite members of management, auditors, or others to attend and provide pertinent information. Members may also meet individually with management and internal and external auditors. Meeting agendas will be provided to members in advance, along with appropriate briefing materials. Minutes will be prepared.

RESPONSIBILITIES

Financial Statements

- Review with the State auditors the scope and results of their examination of the University's annual financial statements and any other matters related to the conduct of the audit, which should be communicated to the committee.
- Review with management and general counsel any legal matters (including pending litigation) that may have a material impact on the University's financial statements and any material reports or inquiries from regulatory or governmental agencies.
- Resolve any differences between management and the State auditors regarding financial reporting.

Internal Control

- Consider the effectiveness of the University's internal control system, including information technology security and control.
- Understand the scope of internal and external auditors' review of internal controls over financial reporting.

Internal Audit

- Ensure that the internal audit department has direct and unrestricted access to the chairman and other committee members.
- Review the audit director's administrative reporting relationship to assure not only that independence is fostered, but adequate resources in terms of staff and budget are provided to enable the department to effectively perform its responsibilities.
- Review and approve the appointment, reassignment, or dismissal of the audit director.

- Review and approve the charter for Internal Audit.
- Review the annual audit plan and results of the year's work with the director of Internal Audit. Changes to the plan, including management requests for unplanned assignments, should also be reviewed.
- Receive and review reports and other work prepared by Internal Audit.

External Auditors

- Participate in an entrance conference with the external auditor.
- Present the external auditors' conclusions to the full Board.
- Meet regularly with the external auditors to discuss any matters that the committee or auditors deem appropriate.

Communications and Reporting

- Provide an open avenue of communications among the State auditor, Internal Audit, senior management, and the Board.
- Report regularly to the Board about committee activities and issues that arise with such recommendations, as the committee deems appropriate.
- Review and assess the adequacy of the committee's charter annually, requesting Board approval for proposed changes.



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and Secretary of the University
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M E M O R A N D U M

TO: Members of the Board of Trustees

FROM: R. Clayton McWhorter
Vice Chair

DATE: December 8, 2003

SUBJECT: Appointment of the Board Process and Governance
Committee

At the Fall Meeting in October, the Board approved the recommendation of the Governance Task Force to establish a new standing committee to be known as the Board Process and Governance Committee. An excerpt from the Task Force Report describing the role of this new committee is attached.

Under the Bylaws, standing committee appointments are made by the Board, upon the recommendation of the Vice Chair with the advice and consent of the Executive Committee. I will present the following recommendation to the Executive Committee at 1:15 p.m. before the special meeting on December 12:

Board Process and Governance Committee

Johnnie D. Amonette, Chair	(reassigned from Finance Committee)
Rhynette N. Hurd	(reassigned from Academic Committee)
James L. Murphy, III	(reassigned from Academic Committee)
D. Lynn Johnson	(reassigned from Finance Committee)

Ex Officio: Vice Chair of the Board

Also attached is a list showing the Academic and Finance committees, as they will be constituted after reassignments to form the Board Process and Governance Committee.

One of the first tasks the Board Process and Governance Committee will undertake is a comprehensive review of the Board's committee structure. I will encourage the committee to set a goal of completing that review by the Annual Meeting in June when committee appointments are made for the next two years. At that time, in accordance with the Governance Task Force recommendation adopted by the Board, the Executive Committee will be reconstituted as the Executive and Compensation Committee and will be composed of the chairs of the other standing committees.

RECOMMENDED BOARD ACTION: Approval of the proposed appointments to the Board Process and Governance Committee.

Attachments

**APPOINTMENT OF
BOARD PROCESS AND GOVERNANCE COMMITTEE
AND
RESULTING CHANGES IN EXISTING COMMITTEES**

BOARD PROCESS AND GOVERNANCE COMMITTEE

Johnnie D. Amonette, Chair (reassigned from Finance Committee)
Rhynette N. Hurd (reassigned from Academic Committee)
James L. Murphy, III (reassigned from Academic Committee)
D. Lynn Johnson (reassigned from Finance Committee)

Ex Officio: Vice Chair of the Board

ACADEMIC PROGRAMS AND PLANNING COMMITTEE

Andrea J. Loughry, Chair
Barbara C. Castleman
John C. Thornton
James L. Wolford

<i>Ex Officio:</i>	Vice Chair of the Board	Executive Director of T.H.E.C
	President of the University	Student Trustee
	Commissioner of Agriculture	Faculty Trustee
	Commissioner of Education	

FINANCE AND ADMINISTRATION COMMITTEE

J. Steven Ennis, Chair
James A. Haslam, II
Jerry L. Jackson
William B. Stokely, III
Susan R. Williams

Ex Officio: Vice Chair of the Board
President of the University

**EXCERPT FROM THE GOVERNANCE TASK FORCE REPORT ON THE
ROLE OF THE BOARD PROCESS AND GOVERNANCE COMMITTEE**

Recommendation 4: The Board should establish a Board Process and Governance Committee as a standing committee of the Board. The principal purposes of the Board Process and Governance Committee should be to stay informed about governance issues, propose implementation of governance best practices, and organize the working processes of the Board. The committee's responsibilities should include the following:

- Develop and recommend to the Board a Statement of Governance setting out the Board's role and fundamental principles of governance
- Periodically review the Bylaws and recommend needed amendments
- Recommend an effective committee structure for the Board and ensure charters are developed for each committee and approved by the Board
- Develop and implement an annual self-evaluation process for the Board and for individual Trustees
- Develop and implement a process for evaluating the effectiveness of Board and committee meetings
- Ensure an effective orientation and continuing education process for Trustees
- Monitor, oversee, and review compliance with the Code of Ethics for Trustees

- Develop a set of personal qualifications and core competencies for membership on the Board for approval by the Board and for recommendation to each sitting Governor

Recommendation 5: In addition to its ongoing responsibilities, the Board Process and Governance Committee should continue the work of the Governance Task Force in the following areas:

- Develop and recommend to the Board policies or other means to ensure effective oversight of expenditures by the President, major contractual commitments, and improvements to University-owned housing and senior administrative offices
- Develop and recommend to the Board a policy requiring Board approval of policy exceptions for the President or the President's office
- Determine if other University policies should be elevated to the level of Board policy
- Determine an effective means of codifying existing and new Board policies to promote access and compliance
- Review the current organizational structure of the University to determine if it ensures effective management and accountability



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M E M O R A N D U M

TO: Members of the Board of Trustees

FROM: Catherine S. Mizell
Vice President, General Counsel and Secretary

DATE: December 8, 2003

SUBJECT: Code of Ethics for Trustees

In May 2003 the General Assembly passed a law requiring the Board of Trustees, the Tennessee Board of Regents, and the Tennessee Higher Education Commission to adopt a code of ethics. The code must be in effect by January 1, 2004.

Reviewing codes of ethics from several other institutions, I found that most focus primarily on financial conflicts of interest. The Board of Trustees has had a formal conflict of interest policy in place since 1992, dealing primarily with financial interests. Therefore, the attached Code of Ethics for Trustees addresses such governance matters as the time commitment and due diligence required of Trustees and potential conflicts of interest that do not necessarily involve a financial interest.

RECOMMENDED BOARD ACTION: Adoption of the attached Code of Ethics.

Attachment

DRAFT

THE UNIVERSITY OF TENNESSEE BOARD OF TRUSTEES

CODE OF ETHICS FOR TRUSTEES

ARTICLE I GOVERNANCE RESPONSIBILITIES

Section 1. Public Trust. The General Assembly of the State of Tennessee constituted the Board of Trustees as a corporate entity responsible for the governance of The University of Tennessee. Trustees hold a position of public trust and are expected to carry out their governance responsibilities in an honest, ethical, and diligent manner.

Section 2. Welfare of the Entire University. Trustees bring diverse backgrounds and expertise valuable to the governance of a comprehensive, statewide university system. In carrying out their duties, however, Trustees must keep the welfare of the entire University paramount over any parochial interest.

Section 3. Duty of Care. Trustees must discharge their duties, including duties as a member of a committee, in good faith, with the care an ordinarily prudent person in a like position would exercise under similar circumstances, and in a manner the Trustee reasonably believes to be in the best interest of the University.

Section 4. Time Commitment. In undertaking the duties of the position, a Trustee shall make the commitment of time necessary to carry out the Trustee's governance responsibilities. Failure of a Trustee to attend three regular meetings of the Board or a committee in succession shall be cause for the Board to consider the Trustee's removal.

Section 5. Due Diligence. Trustees shall undertake with due diligence a critical analysis of the risks and benefits of any matter coming before the Board for action. Trustees shall promote a culture of constructive debate about major initiatives and transactions and shall require management to provide information necessary to carry out the Trustees' duty of care to act in the best interest of the University.

Section 6. Legal Authority. Except as otherwise provided by law or bylaw, Trustees shall have no legal authority to act outside of Board meetings.

Trustees shall avoid acting as a spokesperson for the entire Board unless specifically authorized to do so.

ARTICLE II CONFLICT OF INTEREST

Section 1. Conflict of Interest Policy. Trustees shall abide by the Conflict of Interest Policy for Trustees, as amended from time to time. Upon appointment and annually thereafter, Trustees shall file a financial disclosure form as required by the Conflict of Interest Policy for Trustees. The Audit Committee of the Board shall monitor compliance with the Conflict of Interest Policy for Trustees.

Section 2. Personal Benefit or Gain. Trustees shall not use the authority, title, prestige, or other attribute of the office for personal benefit or gain for themselves or for any relative. Trustees are specifically prohibited by law from procuring, or being a party in any way to procuring, the appointment of a relative to a position of trust or profit connected with the University (Tennessee Code Annotated section 49-9-207).

Section 3. Favored Treatment. Trustees shall not use the authority, title, prestige, or other attribute of the office to obtain consideration, treatment, information, or favor for any person beyond that which is generally available. This section applies, but is not limited to, letters of recommendation or other efforts to influence administrative decisions with respect to an individual's admission, employment, discipline, and similar matters.

Section 4. Gifts, Favors, and Gratuities. (1) Trustees shall not knowingly accept any gift, favor, or gratuity from any person or entity under contract with the University or seeking a contract with the University.

(2) Trustees shall not knowingly accept any gift, favor, or gratuity from any person or entity, including another Trustee, that might affect or have the appearance of affecting a Trustee's judgment in the impartial performance of the duties of the office. However, this subsection shall not be construed to apply to a Trustee's benefit from another Trustee's gift of money, property, or services to the University in connection with Board of Trustees events. Nor shall this subsection be construed to prohibit the following: acceptance of benefits from the University generally available to all Trustees in their capacity as officials of the University (for example, receptions and meals in connection with Board events, complimentary tickets to athletics events, etc.); acceptance of benefits from the University in connection with donations to the University; acceptance of a ceremonial award, plaque, or similar memento; or acceptance of personal hospitality in connection with a normal social function.

ARTICLE III
COMPLIANCE

Section 1. Reporting of Violations. Anyone who believes that he or she has information indicating that an appointed Trustee has violated the Code of Ethics shall make a written disclosure of the facts and circumstances to the Chair of the Board Process and Governance Committee. If the alleged violation involves the Chair or any member of the Board Process and Governance Committee, the disclosure shall be made to the Vice Chair of the Board. The Chair of the Board Process and Governance Committee shall refer alleged violations of the Conflict of Interest Policy for Trustees to the Audit Committee unless the allegation is against a member of the Audit Committee.

Section 2. Review of Allegations. The Chair of the Audit Committee (or the Vice Chair of the Board) shall review the alleged violation with the Vice President and General Counsel to determine whether removal proceedings should be initiated against the Trustee for a material violation of the Code of Ethics.

Section 3. Hearing. An appointed Trustee accused of a material violation of the Code of Ethics shall be afforded a due process contested case hearing in accordance with the Tennessee Uniform Administrative Procedures Act, Tennessee Code Annotated, Title 4, Chapter 5.

Section 4. Removal. If a contested case hearing results in a finding that an appointed Trustee materially violated the Code of Ethics, the Board may remove the Trustee from the Board by a two-thirds vote of the Board. Upon removal, the position shall be considered vacant, and the vacancy shall be filled as provided by law.


Section 5. Certification. Upon appointment and annually thereafter, Trustees shall be provided with the Code of Ethics and shall certify in writing that they have read the Code of Ethics and will comply with its provisions.



Office of the President
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MEMORANDUM

TO: Members of the Board of Trustees

FROM: Joseph E. Johnson 

DATE: December 12, 2003

SUBJECT: Naming of the Dr. Bernie Silverstein and Dr. Hal Luper
Hearing and Speech Center Building

The Knoxville Campus of The University of Tennessee proposes that the building which houses The University of Tennessee Hearing and Speech Center be named the Dr. Bernie Silverstein and Dr. Hal Luper Hearing and Speech Center Building. This honor would recognize two of the individuals who were responsible for the early work to establish the program that continues to serve the people of East Tennessee.

This proposal complies with the current UT Board of Trustees policy for naming facilities. In accord with that policy, the Department of Audiology and Speech Pathology, the College of Arts and Sciences, and Chancellor Loren Crabtree have all endorsed this proposal.

A detailed proposal is attached.

RECOMMENDED BOARD ACTION: Approval of the naming of the Dr. Bernie Silverstein and Dr. Hal Luper Hearing and Speech Center Building.

PROPOSED NAMING OF THE UNIVERSITY OF TENNESSEE HEARING AND SPEECH CENTER BUILDING

The University of Tennessee, Knoxville proposes that The University of Tennessee Hearing and Speech Center building be named the Dr. Bernie Silverstein and Dr. Hal Luper Hearing and Speech Center Building.

Dr. Bernard Silverstein was hired in 1953 as the founding Director of the East Tennessee Hearing and Speech Center. As the first professional speech pathologist in the East Tennessee area, Dr. Silverstein was instrumental in building the foundation for a nationally recognized department of Audiology and Speech Pathology that was formed in 1962. In addition to being the founding Director, he taught classes in Speech Pathology and treated thousands of patients during his career. He became a full professor in 1967 until his retirement in May 1996 as Professor Emeritus in the Department of Audiology and Speech Pathology. He was Professor Emeritus until his death on February 1, 2003. Dr. Silverstein's entire professional career was spent at the Hearing and Speech Center that celebrates its 50th year of operation in 2003.

Dr. Silverstein also served the University in capacities as professor, advisor, member of many committees, and active member of the Faculty Senate, serving as President 1986-87. He served the East Tennessee community from 1956 - 1964 as "Dr. Bernie" performing a total of 950 live educational programs for children. The Program, called "Stop! Look! And Listen!" was provided entirely as a public service through the University Department of Broadcasting and WBIR TV. Nominated for a Peabody Award in 1957, the program was watched daily by an estimated 20,000 children in homes and schools across East Tennessee.

Dr. Harold Luper was the Head of the Department of Audiology and Speech Pathology for 23 years, from 1963 to 1986. He became the second Director of the Speech and Hearing Center in 1966 when the Center was merged with the University. Dr. Luper was an internationally recognized scholar, a fellow of the American Speech-Language-Hearing Association and a leader in the profession. Under his guidance the Center and the Department grew to become one of the biggest and best recognized in the U.S.

Dr. Hal Luper came to the University of Tennessee when the Department was a year old and had only one faculty position. Under Dr. Luper's leadership the program expanded so that today the Department has 59 faculty and staff positions and is a nationally recognized academic program. During his tenure as Head of the Department, the first doctoral degrees were awarded and new clinical programs such as the Verbotonal program, the UT Hospital Clinic, the Neuropathology program and the Pediatric Language Clinic were added to the clinical education program at the University. Dr. Luper continued his service to the University as a full-Professor until his death in 1996.

The University of Tennessee, Knoxville believes the naming of the "Dr. Bernie Silverstein and Dr. Hal Luper Hearing and Speech Center Building" meets the requirements as stipulated in the "Policy on the Naming of Facilities and Other Assets of the University of Tennessee" as adopted by the Board of Trustees on February 22, 2001.


Submitted by Joseph E. Johnson
December 12, 2003



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MEMORANDUM

To: Members of the Board of Trustees

From: Emerson H. Fly 
Executive Vice President and Chief Financial Officer

Date: December 8, 2003

Subject: Proposed Retirement Incentive Plan for Agricultural Extension Service
Employees with Federal Appointments

State budget reductions continue to have a negative impact on the Agricultural Extension Service. Extension is a non-formula unit of The University of Tennessee's Institute of Agriculture. Currently, Extension has 54 agent and faculty/specialist vacancies. Travel and operating expenses for the unit have been reduced, and discussions are underway to consolidate from four to three districts.

To address the current budget reductions, an early retirement incentive program is proposed for employees with federal appointments. The proposed incentive payment is the equivalent of six months' salary. Following the implementation of the incentive plan, the unit would reorganize based upon available resources. The plan is attached for your consideration.

The Board approved a similar plan for Extension employees with federal appointments in February 2001. The incentive payment in 2001 was the equivalent of five months' salary.

RECOMMENDED ACTION: Board approval of the Proposed Retirement Incentive Plan for Agricultural Extension Service Employees with federal appointments, subject to all required federal approvals.

Attachment

**PROPOSED RETIREMENT INCENTIVE PLAN
FOR
AGRICULTURAL EXTENSION SERVICE EMPLOYEES
WITH FEDERAL APPOINTMENTS**

December 2003

Proposal

The University of Tennessee Agricultural Extension Service (UTAES) is proposing a retirement incentive program be offered to Extension employees with federal appointments.

Justification

- Substantial increases in state and federal allocations to UTAES are not likely.
- Approximately 90 percent of the UTAES budget is for personnel and salary, which means any opportunity to generate revenues to advance our mission must come from a reallocation of personnel resources.
- Federal appointments have been discontinued as of January 1, 2001, at the request of the USDA. Employees in federal appointments participate in the federal retirement program instead of the state retirement program.
- UTAES is the only University of Tennessee unit that has federal appointments.
- Similar approaches have been utilized in other Extension organizations nationally. The following states in the South have utilized a similar approach: Alabama, Arkansas, Georgia, Oklahoma, South Carolina, Virginia, and North Carolina.

Eligibility Criteria

There are two programs available for which employees may qualify:

Regular Service Retirement is available to employees meeting the following age and service requirements:

Age 55 with 30 years of service
Age 60 with 20 years of service
Age 62 with 5 years of service

Voluntary Early Retirement Authority is allowable if approved by the United States Department of Agriculture Office of Personnel Management. Current employees are eligible to retire with the following age and service requirements:

Age 50 with 20 years of service
Any age with 25 years of service

An employee whose age is below 55 would receive a reduced level of benefits.

Individuals in positions that meet the Voluntary Early Retirement Authority criteria have the option to take advantage of the Retirement Incentive Program and will not be forced to retire if that is not their desire.

Retirement Incentive Plan

- Participation is completely voluntary.
- Information will be provided to eligible employees in March 2004.
- The retirement incentive payment will be the equivalent of six months' salary.
- Employees will have from March 1, 2004, to May 31, 2004, to exercise their option to participate in the program.
 - Employees participating in the program will retire on June 30, 2004.
 - The retirement incentive will be paid in a lump sum in July 2004.

Funding

Vacated positions will remain vacant until sufficient savings are generated to fund the retirement incentive pay and associated staff benefit cost.