

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

May 8, 2006
Knoxville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 12:30 p.m., Eastern Daylight Time, Monday, May 8, 2006 in the Executive Dining Room of the University Center, Knoxville, Tennessee.

I. CALL TO ORDER

Don C. Stansberry, Jr., Chair of the committee, called the meeting to order.

II. ROLL CALL

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

Mr. Waymon L. Hickman
Mrs. Andrea J. Loughry
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. Don C. Stansberry, Jr.
Mr. William Stokely
Mr. John C. Thornton
Mrs. Susan Williams

Also present at the Meeting were Gary Rogers, Hank Dye, Karen Collins, Lisa Hertz and members of the press.

The Secretary announced the presence of a quorum at the meeting.

III. APPROVAL OF REGULAR MEETING DATES IN 2007

The Chair asked the committee to consider the proposed meeting dates presented in the materials. Ms. Mizell noted that the dates were selected after reviewing potential conflicting events such as athletic tournaments, meetings of the UTNAA Board of Governors, UT Martin campus events and certain other board meetings. After further discussion, the committee concluded that the proposed meeting dates should be recommended for Board approval.

Mrs. Loughry moved the approval of the proposed meeting dates (Exhibit 1). Mr. Thornton seconded, and the motion carried unanimously.

IV. President's Update on the Strategic Plan and Other Matters

The Chair recognized President Petersen for his report to the committee.

President Petersen discussed the progress of the Strategic Plan and legislative funding efforts. He discussed the funding needed to get UT to the median and above its peers in terms of funding per student. As an aside, President Petersen noted that part of the Jim and Natalie Haslam gift would be available to hire a consulting firm to review efficiencies in higher education, using the Knoxville campus as a pilot.

President Petersen discussed the budget review recently conducted with each Chancellor. He said they discussed how the institution's priorities fit with the Strategic Plan and also discussed how each institution would strategically place various levels of tuition increases, given a flat budget with a 2% mandated salary increase.

Dr. Petersen discussed his recent appearance before the Senate Education Committee. At that meeting, he discussed what he anticipated as a tuition increase for next year. He said there could be a tuition increase of approximately 8 percent to 10 percent if the current budget remains the same to cover the mandated 2% salary increases, inflation, utility and fuel costs. This would allow the University to continue to offer the same educational programs next year. The increase would provide no additional operating funds.

Dr. Petersen discussed non-recurring funding needs for UT for building renovations and infrastructure. He stated that the Governor proposed giving higher education approximately \$28 million and that the University's full share could be approximately \$11 to \$12 million. He stated that the administration has submitted non-recurring and recurring items to the Governor's office this week for appropriation of any potential additional money over the proposed \$28 million.

Turning to some of the University's strategic initiatives, President Petersen stated that the association with Oak Ridge National Laboratories (ORNL) continues to help set the University apart from its peers. He noted the recent hiring of Jeremy Smith who is proposed to be the first Governor's Chair, pending approval at the next Board meeting. He discussed Dr. Smith's work at the University of Heidelberg, where he serves as professor of computational molecular biophysics and his expertise in bio-computational physics and neutron science, which encompasses three areas of the four joint institutes established by UT in partnership with ORNL. He relayed Dr. Smith's remarks about UT's neutron scattering and computational molecular biophysics programs, noting

that they have opportunities to be top programs in the world.

Dr. Petersen next discussed outreach efforts by UT, including UTHSC's statewide "diabetes malls" and efforts to assist with TennCare and UT's endeavor to boost the number of college graduates in Tennessee. He noted that Tennessee was the 42nd lowest in terms of college-educated adults. He discussed plans to re-enroll "stopped out" students to improve Tennessee's college educated workforce.

In conclusion, Dr. Petersen stated that the final Strategic Plan document would be distributed to the Board in advance of the June meeting and presented for approval at the meeting.

A discussion ensued among the committee and Dr. Petersen following his presentation regarding the percentage tuition increase attributable to the mandatory salary increase, efficiency within the administration, and the optimal size of the University.

V. PLANNING FOR ANNUAL MEETING OF THE BOARD OF TRUSTEES

The committee reviewed the tentative schedule and agenda items included in the meeting materials (Exhibit 2). The Chair requested that the budget and tuition discussion agenda items move from the Finance and Administration Committee agenda to the Board agenda. Mr. Stokley, Chair of the Finance and Administration Committee, and the other committee members concurred with the request. They discussed the budget variance report and the budget presentation to the Board, and determined that Mr. Stokely would work with CFO Gary Rogers to refine the report and presentation.

The committee discussed the Chancellors' Reports and determined that they should remain on the Board agenda, they should be limited to five minutes in length and they should cover a predetermined topic. Prior to the Board meeting, each Chancellor should submit a list of two or three topics to the Vice Chair and the Vice Chair will select the topic to be presented at the Board meeting. The Committee determined that the report on the Institute for Public Service and the report on Agriculture and Extension activities should remain on the agenda for the Outreach Committee.

Mr. Stokely requested that the Report of Capital Projects be removed from the agenda for the Finance and Administration Committee. Mrs. Loughry, Chair of the Academic Affairs and Student Life Committee, requested that the

committee meeting start at 8:00 a.m. rather than 8:30 a.m.

The Chair called for discussion on holding another budget workshop for the Board. The committee determined to look into scheduling a workshop approximately every eighteen months.

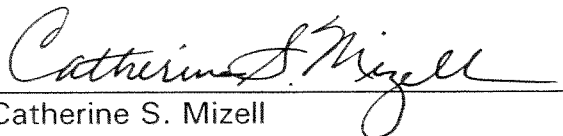
A committee member requested that a fairly simple pie chart presentation be included with the presentation for tuition increases at the June meeting, breaking out the components of the increase.

VI. OTHER BUSINESS

There was no other business to come before the committee.

VII. ADJOURNMENT

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



Catherine S. Mizell
Vice President, General Counsel and Secretary