

MINUTES OF THE JOINT MEETING OF THE EXECUTIVE AND COMPENSATION
COMMITTEE AND THE GOVERNANCE COMMITTEE OF THE
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

June 20, 2007
Knoxville, Tennessee

A joint meeting of the Executive and Compensation Committee and the Governance Committee of the Board of Trustees of The University of Tennessee met at 10:30 a.m., EDT, Wednesday, June 20, 2007 in rooms 156-157 of the Plant Biotechnology Building on the Agricultural Campus, Knoxville, Tennessee.

I. CALL TO ORDER

Andrea J. Loughry, Chair of the Executive and Compensation Committee, called the meeting to order.

II. ROLL CALL

Ms. Catherine Mizell, Secretary, called the roll of the Executive and Compensation Committee, and the following members were present:

Dr. Rhynette N. Hurd
Ms. Andrea J. Loughry, Chair
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. Don C. Stansberry, Jr.
Mr. William B. Stokely, III
Ms. Susan Williams
Mr. James L. Wolford

Ms. Mizell called the roll of the Governance Committee, and the following members were present:

Ms. Johnnie Amonette
Mr. Spruell Driver
Ms. Andrea Loughry
Dr. Petersen
Mr. Stansberry, Chair

The Secretary noted that a quorum for each Committee was present.

III. APPROVAL OF MINUTES OF LAST MEETING

Ms. Loughry called for any corrections or additions to the minutes of the May 14, 2007 meeting of the Executive and Compensation Committee as presented at the meeting. Dr. Hurd moved approval of the minutes. Mr. Stansberry

seconded, and the motion carried unanimously.

Ms. Loughry called for any corrections or additions to the minutes of the February 8, 2007 meeting of the Governance Committee as presented at the meeting. Ms. Amonette moved approval of the minutes. Mr. Driver seconded, and the motion carried unanimously.

IV. REPORT OF THE GOVERNANCE CHAIR ON BOARD AND TRUSTEE SELF-ASSESSMENT

Mr. Stansberry, Chair of the Governance Committee, reported to the Committee on the individual Trustee and Board Self-Assessments. A summary of each of the assessments was distributed prior to the meeting (Exhibit 1). Mr. Stansberry noted that the assessments were very positive overall, and the average numerical score given by the respondents was fairly high. He discussed the specific areas in the Board Self-Assessment where the average ranking was less than a four, with five being the highest ranking. With respect to the individual Trustee Self-Assessments, an area of concern related to staying well informed on higher education issues. A discussion ensued regarding use of the website for the Association of Governing Boards (AGB) and AGB materials, including *Trusteeship* magazine, to provide access to current issues in higher education.

Ms. Loughry stated that she had asked Ms. Mizell to plan a Board Advance sometime in the fall to provide a time for the Board to have a budget workshop and to discuss in detail the responses of the Board Self-Assessment.

V. APPROVAL OF BYLAW AMENDMENTS CHANGING A STANDING COMMITTEE NAME AND RESPONSIBILITIES

Mr. Stansberry called the Governance Committee's attention to proposed Bylaw amendments in the meeting materials (Exhibit 2). He stated that the first proposed amendment changes the name of the Academic Affairs and Student Life Committee to the Academic Affairs and Student Success Committee. He stated that the second proposed amendment revises the description of the powers and responsibilities of the Academic Affairs and Student Success Committee to reflect the Committee's expanded role related to student access and success. He added that other housekeeping revisions are also proposed and noted in the meeting materials. Ms. Amonette moved approval of the proposed Bylaw amendments. Mr. Driver seconded the motion and it was unanimously approved.

VI. APPROVAL OF REVISED CHARTER OF A STANDING COMMITTEE

Mr. Stansberry then directed the Governance Committee's attention to proposed

revisions to the charter for the Academic Affairs and Student Life Committee (Exhibit 3). He stated that the proposed changes reflect the new name of the committee and the committee's expanded role pertaining to student access and success. Dr. Hurd asked that the "Composition of the Committee" section of the charter also be amended to reference the non-voting student and faculty representatives. Mr. Driver moved approval of the revised charter as presented at the meeting with the amendments proposed by Dr. Hurd. Ms. Amonette seconded, the motion and it was unanimously approved.

VII. AUTHORIZATION FOR VICE CHAIR TO MAKE INTERIM COMMITTEE AND COMMITTEE CHAIR APPOINTMENTS

Mr. Stansberry stated that the Governance Committee is being asked to authorize the Vice Chair to make interim committee and committee chair appointment prior to the next regular Board meeting, subject to the ratification by the Board at its next meeting (Exhibit 4). He stated that current committee and committee chair appointments are for a two-year term expiring June 2008. However, Mr. Stansberry noted that the Governor has several Trustee appointments or reappointments to make this year and the final composition of the Board for 2007-08 is unknown at this time. A Trustee asked how the appointments were determined. Ms. Loughry responded that pursuant to the proposed authorization, she would make the interim appointments after consulting with current committee chairs and committee staff liaisons. Mr. Stansberry stated that many factors are considered, such as expertise, geography and time commitments. After further discussion, Ms. Amonette moved approval of the motion. Mr. Driver seconded the motion, and it was unanimously approved.

VIII. APPROVAL OF VICE CHAIR'S ANNUAL PERFORMANCE REVIEW OF THE PRESIDENT AND RECOMMENDED GOALS FOR 2007-2008

Ms. Loughry stated that she conducted the review of President Petersen's performance for 2006-07. She stated that she was assisted by Don Stansberry, Chair of the Governance Committee, and Jim Murphy, Chair of the Audit Committee, pursuant to the recent revisions to the Board's policy on Presidential Performance Reviews. Ms. Loughry referred the Committee to her report distributed at the meeting (Exhibit 5). She stated that the process included review of survey responses from staff, faculty and students, seeking the views of other Trustees, and meeting individually with the President's Staff. Ms. Loughry stated that her memorandum summarized the views of the various groups, and she noted some of the concerns expressed by the stakeholders. She stated that she and Dr. Petersen discussed his performance on June 5, and Mr. Stansberry and Mr. Murphy were also present at the meeting. With respect to fiscal responsibility, Ms. Loughry stated

that she asked Dr. Gary Rogers, Chief Financial Officer, to prepare a report on the status of various accounts under the President's control (Exhibit 6). She noted that the accounts are within budget. Ms. Loughry then referred the Committee to Dr. Petersen's self-assessment, which included his proposed goals and proposed goals for the University for the coming year (Exhibit 7). She noted that his employment contract was approved last year for two years and will not be reviewed again until 2008.

Mr. Murphy stated that as part of the new process, he and Mr. Stansberry had the opportunity to participate as observers in the annual review of the president. He stated that he and Mr. Stansberry reviewed the responses to the surveys, participated in the interviews with senior staff and participated in the discussion with Dr. Petersen. He noted that he reviewed the report by Ms. Loughry and found it to be an accurate record of the review he observed Ms. Loughry conduct. He stated that he did not find it necessary to provide a report in addition to Ms. Loughry's report. Mr. Stansberry stated that he also reviewed Ms. Loughry's report and found it to accurately reflect the review conducted. He also did not find it necessary to provide an additional report. Ms. Loughry called for a motion to approve the Annual Performance Review of the President and the recommended Goals for 2007-08. Mr. Murphy moved approval of the motion. Dr. Hurd seconded the motion, and it was unanimously approved.

IX. ELECTION AND COMPENSATION OF UNIVERSITY OFFICERS

Ms. Loughry stated that the Bylaws require that elected officers of the University be re-elected annually. She stated that the Executive and Compensation Committee is being asked to review and recommend to the Board the compensation of the elected officials at the time of their re-election. She referred the Committee to the President's recommendation concerning the compensation of the Chancellors and elected Vice Presidents (Exhibit 8). Dr. Petersen stated that he has also included in the materials the proposed salaries for non-elected Vice President's of the University. He stated that the proposed salaries reflect only the 3% across-the-board increase mandated by the legislature. He stated that additional compensation from the 2% salary pool would be allocated upon completion of the plan and Board approval. Mr. Murphy asked what the process would be to allocate the 2% merit increases throughout the University. Dr. Petersen stated that specific plans would be submitted by each campus or unit for allocation of that pool. Dr. Petersen noted that the salaries for Ms. Mizell and Mr. Paganelli reflect the second phase salary increases approved for them last year. Ms. Loughry referred the Board to the proposed Resolution included in the meeting materials. Mr. Murphy moved approval of the Resolution and recommended compensation as presented at the meeting. Mr. Stansberry seconded the motion, and it was unanimously approved.

X. APPROVAL OF DEPARTMENT OF ENERGY SECURITY RESOLUTION

Ms. Loughry explained the Department of Energy requires the Board to appoint a Managerial Group for administration of US Government contracts and only members of the Managerial Group will have access to the necessary classified information (Exhibit 9). She noted that this is a routine item that the Executive and Compensation Committee has approved in the past, and approval at this time is necessary to update the members of the Managerial Group to reflect personnel changes. Mr. Murphy asked that the Resolution be revised to include the names of the non-voting student and faculty trustees recently appointed. Ms. Loughry called for a motion. Dr. Hurd moved approval of the Resolution as amended; the motion was duly seconded and unanimously approved.

XI. SETTING REGULAR MEETING DATES IN 2008

Ms. Loughry referred the Executive and Compensation Committee to the proposed Board meeting dates for the three regular meetings of the Board for 2008 included in the meeting materials (Exhibit 10). There being no questions or concerns about the proposed dates, Ms. Loughry called for a motion to approve the meeting dates. Mr. Stansberry moved approval of the proposed Board meeting dates for 2008. Dr. Hurd seconded the motion, and it was unanimously approved.

XII. DISCUSSION OF ENGAGING FORMER TRUSTEES WITH THE UNIVERSITY

Ms. Loughry stated that she has had discussions with Hank Dye, Henry Nemcik and Catherine Mizell to establish a formal process to include former Trustees in an annual Trustee event. Ms. Loughry discussed the rationale for including the event in the schedule of the Fall Board meeting. She stated that for this year, former Trustees would be invited to participate in the meetings and events of the Fall meeting. She also noted that Development will invite former Trustees to the Development Council Weekend. Several Trustees commented that it was a very good idea to keep former Trustees involved in the University as they are a valuable resource of the University. Mrs. Loughry noted that one former Trustee suggested that Chancellor's for each campus notify former Trustees of volunteer opportunities available on their campuses.

XIII. OTHER BUSINESS

There being no further business to come before the Committees, the meeting was adjourned.

Catherine S. Mizell
Vice President, General Counsel and Secretary