

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE OF THE
BOARD OF TRUSTEES OF
THE UNIVERSITY OF TENNESSEE

January 21, 2011
Nashville, Tennessee

A meeting of the Executive and Compensation Committee of the Board of Trustees of The University of Tennessee was held at 11:00 A.M. CST, Friday, January 21, 2011 at the offices of Bradley, Arant, Boult, Cummings, 1600 Division Street, Suite 700, Nashville.

I. CALL TO ORDER

James L. Murphy, III, Chair, called the meeting to order.

II. ROLL CALL

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

Joseph DiPietro
Spruell Driver, Jr.
James E. Hall
Andrea J. Loughry
James L. Murphy, III
Don C. Stansberry, Jr.
Robert S. Talbott

The Secretary announced the presence of a quorum of the Committee. Mr. Cates was unable to attend the meeting due to illness. Other Trustees, members of the administrative staff, and members of the media were also present.

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair called for any corrections or additions to the minutes of the September 10, 2010 meeting of the Executive and Compensation Committee. There being none, Trustee Talbott moved approval of the minutes. Trustee Driver seconded the motion, and the motion carried unanimously.

IV. VICE CHAIR'S REPORT ON PRESIDENTIAL EMPLOYMENT AGREEMENT AND THE PROCESS FOR ESTABLISHING PRESIDENTIAL PERFORMANCE GOALS

Chair Murphy stated that the Board approved a Letter of Offer and Intent at the October Board meeting that set forth the basic terms of the employment agreement with Dr. DiPietro. Those terms were incorporated into a contract executed on December 21, 2010 that will remain in effect until June 2015. The Chair reviewed the compensation terms of the employment agreement, including base salary (\$420,000), housing allowance (\$20,000), and expense allowance (\$12,000). He reviewed the other financial terms, noting that Dr. DiPietro will be permitted to continue as a tenured Professor of Veterinary Medicine with an initial salary of 75% of his final base salary as President if (1) the Board allows the agreement to expire without renewing it; (2) the Board terminates Dr. DiPietro's employment for failure to cure deficiencies in performance after reasonable notice and opportunity to cure; or (3) Dr. DiPietro voluntarily resigns as President.

The Chair stated that there is discretion for the Vice Chair to add a performance or retention component to the agreement. He stated that at the May 5, 2011 meeting of this Committee, Dr. DiPietro will propose a set of performance goals he will seek to achieve by December 31, 2014, including qualitative and/or quantitative metrics. The Executive and Compensation Committee will approve or modify the proposed goals, and the Committee's action will go forward to the Board of Trustees for final action at the June 23, 2011 Annual Meeting.

The Chair then explained that after December 31, 2014, the Vice Chair will conduct a comprehensive review of Dr. DiPietro's performance in accordance with the Policy on Presidential Performance Reviews, specifically including an assessment with respect to the December 31, 2014 performance goals. For achievement, or substantial progress toward achievement, of those goals, the Vice Chair may recommend to this Committee that Dr. DiPietro receive a performance bonus. The Executive and Compensation Committee will approve or modify the Vice Chair's recommendation, and the Committee's action will go forward to the Board of Trustees for final action at the Annual Meeting in June 2015.

Dr. DiPietro discussed some of his preliminary considerations regarding his performance goals. Trustee Hall complimented Dr. DiPietro for involving the full Board in the process of setting his performance goals. He then expressed his hope that Dr. DiPietro would take into consideration the priorities identified by the Board during the presidential search for a system president.

V. PRESIDENT'S REMARKS

Commenting on his first three weeks on the job, Dr. DiPietro said he has been making media rounds, setting up routine meetings with staff, and meeting with legislators. He attended the opening of the General Assembly, met with all of the newly elected legislators, and has been following up on the foundation legislation.

Dr. DiPietro explained that he will meet quarterly with the Chancellors in face-to-face meetings and monthly via video conference. Updating the Committee on ongoing senior staff searches, he introduced Dr. Keith Carver, who has filled the position of Executive Assistant to the President. Dr. Carver has been with the University for 15 years, serving in various positions on three campuses, most recently as Interim Vice Chancellor for Development and Alumni Affairs at the UT Health Science Center. Dr. DiPietro stated that matters relating to Strategic Planning and the Scorecard will reside with Dr. Carver's office, rather than Academic Affairs and Student Success, to keep the strategic planning process within the President's Office.

Dr. DiPietro then discussed a process for gathering the Board's feedback in the Strategic Plan drafting process. He intends to share periodic drafts of a plan to keep the Board connected to the process, rather than meeting with this Committee or a group of Trustees to work on the plan.

Chair Murphy commented that the process needs to be efficient, the plan must be concise, and there needs to be some sense of urgency. He stated that the administration needs to be sure to get input from various constituents.

Dr. DiPietro discussed a preliminary timeframe for the strategic planning process and stated that he expects to provide an update at the June meeting, conduct a review and focused discussion at the August workshop, and provide a final draft at the Fall Meeting. He noted that this is a somewhat aggressive timeframe for a strategic plan with many variables.

Trustee Hall suggested that Dr. DiPietro recall Dr. Andy Holt's conviction that the state is our campus and our purpose is to serve the State of Tennessee. He suggested that the administration consider looking at the demographics of Tennessee and its projected growth for the next five years and how the System can serve communities by providing, education, economic growth, and health services. He suggested looking at how the University has served the state in the past, projecting state growth, and proposing how the University will serve the state for the future.

VI. APPROVAL OF ADDITIONAL SIGNATURES ON UNIVERSITY OF TENNESSEE DIPLOMAS

A. Determination of Necessity for Action before the Next Board Meeting

The Chair stated that the Committee must determine the need to take action before the next Board meeting for the next item of business (Exhibit 1). He stated that pursuant to Article III, Section 4(a)(2) of the Bylaws, the Committee must determine that the following facts and circumstances make it necessary for the Committee to act for the Board to approve the addition of signatures to University of Tennessee diplomas and necessary revisions in the text of the diplomas to reference the additional signatures:

After thorough research and consideration, the Chancellors and President have determined that addition of certain signatures on the diploma is consistent with the practice at many universities, including the peer institutions for each University of Tennessee campus; and

To obtain revised diplomas in time for the May 2011 commencement ceremonies, the campus registrars need to place orders before the next scheduled meeting of the Board of Trustees on February 25, 2011.

The Chair called for a motion. Trustee Stansberry moved approval of the determination of necessity for action on this item before the next Board meeting. Trustee Loughry seconded the motion, and the motion carried unanimously.

B. Approval of Additional Signatures

Dr. DiPietro stated that with the unanimous recommendation of the Chancellors, he is requesting approval to add three signatures to University of Tennessee diplomas and to make necessary revisions to the text of the diploma to reference the additional signatories (Exhibit 2). He explained that the addition of signatures of the Chancellor and Dean recognizes the campus or institute as the provider of the graduate's academic training. Addition of the signature of the Board of Trustees Chair recognizes the role of the Board in overseeing the integrity of the diploma and the academic preparation it represents. The request is supported by practices at other universities as summarized in the meeting materials.

Trustee Driver moved approval to modify University of Tennessee diplomas, as presented in the meeting materials, to incorporate signatures of the Chair of the Board of Trustees, Chancellor, and Dean. Trustee Talbott seconded the motion, and the motion carried unanimously.

VII. APPROVAL OF REVISED COMPENSATION FOR DR. TOM RAKES IN THE EVENT OF HIS RETURN TO FULL-TIME FACULTY STATUS

The Chair called on Dr. DiPietro to discuss the proposal for revised compensation for Dr. Tom Rakes in the event of his return to full-time faculty status (Exhibit 3). Dr. DiPietro reported that Dr. Tom Rakes' appointment as Chancellor of UT Martin in 2007 provided that upon his decision to return to a full-time faculty position, his annual salary would be \$120,000, adjusted for inflation from July 1, 2007 to the date of his return to the faculty. Dr. DiPietro proposed that the terms of Chancellor Rakes' appointment be amended to provide that if he remains in the office of Chancellor through December 31, 2013 but thereafter voluntarily elects to leave office to assume a full-time, nine-month faculty position at UT Martin, his annual salary will be an amount equal to seventy-five (75%) of his final annual salary as Chancellor. Chancellor Rakes' current annual salary is \$210,378. He also receives a housing allowance of \$10,000 and a non-accountable expense allowance of \$5,000, but those allowances would not be included in the calculation of his post-Chancellor faculty salary. Dr. DiPietro stated that this provision is consistent with terms currently being used in appointments for campus level senior administrators. Ms. Mizell stated that the Bylaws provide that if a senior administrative official steps down from his or her position and continues employment with the University, the terms of continued employment must be approved by the Board or the Executive and Compensation Committee, except when an official is returning to a tenured faculty position and compensation does not exceed the average salary of a full professor in that department.

Trustee Stansberry asked if any Chancellor has more favorable terms than those being discussed for Dr. Rakes. Ms. Mizell responded that Chancellor Cheek has the same provision, 75% of his final annual salary as Chancellor, which was approved by the Board at the time of his initial employment. The appointment letters of Chancellor Brown and Chancellor Schwab do not address the matter, which means any post-Chancellor appointment would require approval by the Board or this Committee for any compensation exceeding the average salary of a full professor in the department.

Dr. DiPietro discussed the burden on the campus to provide the faculty slot and salary for an administrator returning to a faculty position. He stated that for this reason it may not be in the best interest of the campuses to have "one size fits all" provisions in employment agreements for senior administrators. He added, however, that in this particular case, he is certain that the UT Martin campus is in agreement with these terms.

The Chair called for a motion. Trustee Stansberry moved approval to amend the

terms of Dr. Tom Rakes' appointment as presented in the meeting materials. Trustee Loughry seconded the motion, and the motion carried unanimously.

Trustee Driver noted that the exclusion of the housing and expense allowance from the calculation was included in the memo, but it was not specifically stated in the letter to Dr. Rakes. Ms. Mizell was directed to insert specific language in the letter to clarify that the allowances will not be included in calculation of compensation for the post-Chancellor appointment.

VIII. PLANNING FOR WINTER MEETING OF THE BOARD

The Committee reviewed the proposed schedule for the Winter Meeting of the Board at UT Chattanooga and proposed agenda items for the various meetings (Exhibit 4).

IX. RESOLUTION REVISING AUTHORIZATION FOR CHECK SIGNATURES

A. Determination of Necessity for Action before the Next Board Meeting

The Chair stated that the Committee must determine the necessity to take action before the next Board meeting for the next item of business (Exhibit 5). Chair Murphy stated that pursuant to Article III, Section 4(a)(2) of the Bylaws, the Committee must determine that the following facts and circumstances make it necessary for the Committee to act for the Board to approve a Resolution revising authorized signatures on University checks:

On October 22, 2010, the Board of Trustees elected Dr. Joseph A. DiPietro as the next President of the University effective January 1, 2011 or other mutually agreeable date, subject to execution of a mutually acceptable employment agreement.

A mutually acceptable employment agreement was executed on December 21, 2010, providing for an effective date of January 1, 2011, and as of that date Dr. DiPietro assumed the office of President.

The current Resolution authorizing signatures on University checks bears the names Jan F. Simek and Charles M. Peccolo, Jr.

A new Resolution bearing the name Joseph A. DiPietro instead of Jan F. Simek needs to be adopted and provided to all depositories as soon as possible.

The Chair called for a motion. Trustee Talbott moved approval of determination of necessity for action before the next Board meeting for approval a Resolution revising authorization for check signatures. Trustee Driver seconded the motion, and the motion carried unanimously.

B. Approval of Resolution Revising Authorization for Check Signatures

The Chair called for a motion. Trustee Loughry moved approval of the Resolution revising authorization for check signatures as presented at this meeting (Exhibit 6). Trustee Hall seconded the motion, and the motion carried unanimously.

X. OTHER BUSINESS

For the benefit of Trustees that were not present at the Trusteeship Committee meeting held earlier in the day, Ms. Mizell reviewed the schedule to rollout the use of an online board portal, Diligent Boardbooks. Ms. Mizell stated that the online board portal would allow the Board to conduct paperless meetings and provide a platform for the staff to create, administer, and deliver board materials and correspondence more efficiently.

The Chair called for any other business to come before the Committee. There was none.

XI. ADJOURNMENT

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

Respectfully Submitted,

Catherine S. Mizell
General Counsel and Secretary