

MINUTES OF THE EXECUTIVE AND COMPENSATION COMMITTEE MEETING
BOARD OF TRUSTEES

THE UNIVERSITY OF TENNESSEE

September 9, 2005
Knoxville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 10:00 a.m., Eastern Daylight Time, Friday, September 9 in the Executive Dining Room, University Center, Knoxville, Tennessee.

I. CALL TO ORDER

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

II. ROLL CALL

The 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 B. Stokely, III
Mr. John C. Thornton
Mrs. Susan R. Williams

The Secretary announced the presence of a quorum.

III. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Chair Don Stansberry called for corrections or additions to the minutes of the June 23, 2005 meeting of the Executive and Compensation Committee. Mrs. Susan Williams moved approval of the minutes. Mr. John C. Thornton seconded, and the motion carried unanimously.

IV. UPDATE ON BOND FINANCING OF CAPITAL PROJECTS

Chair Stansberry called on Mr. Bill Stokely for an update on bond financing of capital projects. Mr. Stokely said although he had no official report, an effort should be made to get the two Boards overseeing higher education in Tennessee together to work collectively on a plan for bond financing.

Mr. Stansberry asked if anyone is working on a plan to invite the Regents to a UT home football game.

Mr. Stokely said he would make some contacts to see if an invitation might be

issued for the homecoming football game, UT and the University of Memphis on November 12.

V. UPDATE ON LEGISLATIVE AGENDA

Dr. Petersen said since the close of the legislative session, UT administrators have spent time with the legislative leadership discussing the University's plans for its budget development for the upcoming year. He said the intent is to develop the University budget in concert with the legislature rather than after the adjournment of the session. Two-day meetings have been scheduled at each of the campus sites around the state. Part of those two-day meetings will be devoted to meetings with local legislators and business leaders to talk about budget development for the University to determine the right mix between appropriations and tuition. Parallel to that effort, legislation was passed to set up a tuition review panel. Dr. Petersen said the UT administration wants to work with the legislature to determine what it takes to deliver a quality education in terms of cost and how to work collectively to that end. Proposals to the legislature from UT will again be centered around research agenda, student access, student success, outreach and economic development.

VI. APPROVAL OF AN EASEMENT TO KNOX COUNTY FOR A GREENWAY TRAIL

Dr. Jack Britt said the easement in question (Exhibit 1) will cross the Cherokee Farm property and the Plant Science Farm property. He said it is a continuation of a greenway trail that runs from Knoxville to Blount County and eventually to the Smoky Mountains. Dr. Britt said the proposed easement represents the general agreement reached with Knox County and the City of Knoxville in terms of the greenway route.

Mr. Stokely expressed concern about the easement and the future restrictions it places on the University. He said Board members received information on the easement as a part of the University master plan, and its total impact might not have been fully considered. Mr. Stokely recommended that in the future the impact of any easement should be more carefully reviewed before it is brought to the Board for approval. Board members should then fully weigh the options available before an easement is finalized.

Mr. Stansberry said Mr. Stokely articulated his own concerns very well and asked that easements be studied more fully in the future.

Mrs. Susan William moved approval of the motion. Mr. John C. Thornton seconded, and the motion carried unanimously.

VII. REVIEW AND ADJUSTMENT OF PRESIDENT'S COMPENSATION IN

CONSIDERATION OF THE BOARD-APPROVED PRESIDENTIAL PERFORMANCE REVIEW

Mr. Stansberry said he met with members of the President's senior staff to receive their input into the Presidential Performance Review (Exhibit 2). He said he also solicited input from University students, staff, faculty and alumni leadership. Dr. Petersen completed a self evaluation which Mr. Stansberry said was more modest than the comments received from other sources. Mr. Stansberry said although the Board did not establish specific goals for Dr. Petersen's first year in office, he was expected to devote considerable time to building relationships with the University's constituencies and restoring confidence in the presidency. He was also asked to identify and begin work on priority issues that needed attention in his first year. Mr. Stansberry said Dr. Petersen's performance exceeded expectations for his first year in office and recommended he be given the maximum allowed compensation adjustment of three percent.

Members of the committee echoed Mr. Stansberry's positive thoughts on Dr. Petersen's first year in office.

Mrs. Susan Williams moved approval of the Chair's recommendation. Mr. John C. Thornton seconded, and the motion carried unanimously.

VIII. DETERMINATION OF NECESSITY FOR THE ELECTION OF CHIEF FINANCIAL OFFICER AND VICE PRESIDENT FOR DEVELOPMENT AND ALUMNI AFFAIRS PRIOR TO NEXT REGULAR MEETING OF THE BOARD OF TRUSTEES

Ms. Mizell said when the Bylaws were amended to create and reconstitute the Executive and Compensation Committee, a requirement was added that stated if the Executive and Compensation Committee acts for the Board on anything that is not specifically committed to it either by the Bylaws or by the Board, a Determination of Necessity (Exhibit 3) must be approved indicating the necessity for such action.

Mr. Murphy moved approval of the Determination of Necessity. Mrs. Andrea Loughry seconded, and the motion carried unanimously.

IX. ELECTION OF THE CHIEF FINANCIAL OFFICER AND APPROVAL OF COMPENSATION

Dr. John Petersen said the search committee for the Chief Financial Officer was chaired by former UT President Eli Fly. He said the committee evaluated a number of candidates and interviewed six. The search committee recommended four candidates for final interviews with the President and members of the senior staff. Dr. Petersen said his recommendation is the election of Dr. Gary W. Rogers (Exhibit 4) as Chief Financial Officer effective October 17, 2005, at an annual base salary of

\$230,000 and with a non-accountable expense allowance of \$5,000 per year. A University vehicle will be supplied to Dr. Rogers along with a moving allowance not to exceed \$15,000.

Mrs. Susan Williams moved approval of the election of Dr. Gary W. Rogers as Chief Financial Officer of The University of Tennessee. Mr. James L. Murphy, III, seconded, and the motion carried unanimously.

X. ELECTION OF VICE PRESIDENT FOR DEVELOPMENT AND ALUMNI AFFAIRS AND APPROVAL OF COMPENSATION

Dr. Petersen said the search committee chaired by President Emeritus Joe Johnson represented a wide range of constituencies including staff, UT Volunteers and Trustee Bill Stokely. The committee interviewed seven candidates and recommended four for final interviews with the President and his senior staff. Dr. Petersen recommended Henry F. Nemcik (Exhibit 5) as Vice President for Development and Alumni Affairs effective September 12, 2005, at an annual salary of \$230,000. Mr. Nemick will receive a non-accountable expense account of \$5,000 per year, a university vehicle and a moving allowance not to exceed \$15,000.

Mrs. Susan Williams moved approval of the election of Mr. Henry Nemick as Vice President for Development and Alumni Affairs. Mr. James L. Murphy, III, seconded, and the motion carried unanimously.

XI. DISCUSSION OF FORMAT FOR BOARD MEETINGS

Mr. Stansberry said he has asked the Governance Committee to examine the possibility of allowing the Vice Chair to determine, in consultation with the appropriate committee chair, whether an item should be taken to the full Board for consideration without committee discussion or recommendation. If the Governance Committee deems such a change is appropriate, the Governance Committee would recommend a bylaw amendment to the full Board of Trustees.

XII. PREPARING FOR NEXT BOARD OF TRUSTEES MEETING, OCTOBER 27-28

Ms. Mizell called attention to the tentative fall Board meeting schedule of events and the tentative agenda items for the committees (Exhibit 6). She said the schedule for committee meetings will be very compacted since the Board will spend Friday morning attending the Baker Center Program. The fall Board meeting will begin at 2:30 p.m. on Friday afternoon. Ms. Mizell said she and Mrs. Williams discussed placing some of the preliminary reports – the reports from the President of the National Alumni Association, the Development Council Chair, the Faculty Senate President and the Student Government Association President – on the agenda of the Advancement and Public Affairs Committee which Mrs. Williams chairs.

Mr. Stokely suggested adding an athletics report emphasizing the positive aspects of athletics at UT since the programs have received negative publicity recently from off campus incidents of a negative nature involving athletes.

Ms. Mizell said at the request of the Vice Chair each Board meeting has a feature item on the agenda. The results of the President's strategic planning retreat will be the feature item on the October Board agenda.

XIII. SETTING DATES FOR 2006 COMMITTEE MEETINGS

Ms. Mizell said the Board meeting dates for 2006 have been set, but dates for Executive Committee meetings need to be established. She said the dates she provided are approximately six weeks prior to Board meetings (Exhibit 7). Trustees asked that she follow up with them on the proposed dates to determine their availability.

XIV. OTHER BUSINESS

Mr. Hickman said the Audit Committee will meet on September 16 at UT Chattanooga.

Mrs. Loughry said the UT Knoxville Faculty Senate Retreat will be held on the same day as the Audit Committee meeting. She said she and Mr. Murphy plan to attend and expressed her hope that others might be in attendance as well.

XV. 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