

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

June 19, 2008
Knoxville, Tennessee

The Executive and Compensation Committee of the Board of Trustees of The University of Tennessee met at 12:00 p.m., EDT, Thursday, June 19, 2008 in Room 113, Plant Biotech Building, on the campus of the Institute of Agriculture in Knoxville, Tennessee.

I. CALL TO ORDER

Andrea J. Loughry, Chair, called the meeting to order.

II. ROLL CALL

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

Mr. William Y. Carroll
Mr. Spruell Driver, Jr.
Dr. Rhynette N. Hurd
Ms. Andrea J. Loughry
Mr. James L. Murphy, III
Dr. John D. Petersen
Mr. Don C. Stansberry, Jr.
Mr. James L. Wolford

Also in attendance were Trustees Charles Anderson, Anne Holt Blackburn, Barbara Castleman, George Cates, Jim Hall, Doug Horne, Jerry Jackson, Brittany McGruder, John Schommer, Karl Schledwitz, Bob Talbott, Charles Wharton, and Commissioner Givens, members of the President's Staff, members of the University's faculty and staff, and members of the media.

III. APPROVAL OF MINUTES OF LAST MEETING

The Chair called for any corrections or additions to the minutes of the June 6, 2008 meeting of the Executive and Compensation Committee. None being noted, Mr. Carroll moved approval of the minutes. Mr. Driver seconded, and the motion carried unanimously.

IV. CHAIR'S OPENING REMARKS

The Chair noted that Board and committee meetings are open to the public, but the meetings are not public hearings, and committee chairs will recognize to speak only committee members, other Trustees, members of the President's Staff, and those

presenting an agenda item. She stated that the meetings will discuss and take action only on items listed in the published agenda. The Chair reminded each committee chair to ask, during their respective committee meetings, if any member of the committee wishes to remove any item from the Consent Agenda. She also asked Trustees to identify themselves before speaking at the Board meeting to accommodate member of the public present at the meeting and viewing through the webcast. For the purpose of the minutes, she asked each chair to announce the name of the Trustee making and seconding each motion.

The Chair discussed her recent visit to the Miller Center for Public Affairs on the campus of the University of Virginia for a conference entitled *Examining the National Purposes of American Higher Education: A Leadership Approach to Policy Reform*. She reviewed some highlights from the conference including cost effectiveness studies, characteristics of effective boards, demands to educate the population more productively and efficiently, and multi-campus structures.

The Chair next discussed plans for a Board workshop in the fall to examine Board governance and leadership as distinguished from administration, noting that this is a balance the Board constantly needs to implement. She stated that the workshop is tentatively scheduled for October 22, the day before the Fall Meeting in Knoxville. A nationally recognized consultant will serve as the facilitator for the workshop.

V. APPROVAL OF VICE CHAIR'S ANNUAL PERFORMANCE REVIEW OF THE PRESIDENT, RECOMMENDED GOALS FOR 2008-09, AND RECOMMENDATION CONCERNING EMPLOYEMENT AGREEMENT

Addressing the next item of business, the President's annual performance review for 2007-08, (Exhibit 1), the Chair directed the committee's attention to the Board's Policy on Presidential Performance Reviews in the meeting materials. As outlined in the Board policy, Trusteeship Chair Don Stansberry and Audit Chair Jim Murphy, participated in the review process. She discussed the President's self-assessment, submitted on June 5, 2008 and included in the meeting materials. She reported that she and the two committee chairs, solicited views from various stakeholder groups, including other standing committee chairs, University leadership, students, faculty, staff, and development and alumni leadership. She presented the Committee with an aggregate summary of remarks related to the viewpoints expressed.

The Chair reported that Dr. Petersen received high marks for his external relationships and as the face of UT statewide. She stated that Dr. Petersen's passion and energy levels in development and alumni affairs are a constant source of accolades. His engagement with the Governor and state policy makers is widely recognized. His intellect, along with his ability to quickly review a subject, ask the right questions and deliver the concepts in terms his audience can absorb, are strong

suits. The Chair then reviewed the areas in which the Board and senior administrators will work in a team effort with the President to improve: (1) Dr. Petersen's ability to set priorities for his time and energy so that he stays focused and is responsive in a timely manner; and (2) his ability to establish and sustain a team approach for the leadership of the system and each of its campuses and institutes. As requested, the President provided a written response to this assessment, which sets a strategy and milestones for achieving improvements. She noted that progress reports would be made back to the Board.

In the area of fiscal responsibility, the Chair stated that she asked Dr. Rogers, Senior Vice President and Chief Financial Officer, to report on the status of various accounts under the President's control. She stated that the report is included in the meeting materials and that all accounts are currently within budget and expected to remain within budget to the end of this year, June 30, 2008. She stated that in summary, she finds Dr. Petersen's self-evaluation to be accurate and his true commitment to improvement to be accepted and appreciated. She stated that due to reduced state funding and the decision to cancel planned salary increases, the President has agreed to no increase in compensation. The Chair noted that, as outlined in the Board policy, there will be a comprehensive assessment during the upcoming fifth year of Dr. Petersen's employment, and that there will be a review of the employment contract during that period. She called the committee's attention to the goals for the University and the President for 2008-09 outlined in the materials, and she recommended approval of the proposed goals.

Mr. Murphy stated that as an observer of the review process as described in the Board policy, if he had any issues with the Vice Chair's report, he would submit a written report to the Board describing his differences in perspective. He stated that in his opinion and based on his participation in the review process, the Vice Chair's report is an accurate assessment of her review of Dr. Petersen's performance for 2007-08. He stated he does not have any issues with the Vice Chair's assessment and will not be submitting a separate written evaluation. Mr. Stansberry stated that he concurred with Mr. Murphy. He stated that he observed the Vice Chair's review of Dr. Petersen and does not have any issues with her assessment and will not be submitting a separate report.

Mr. Murphy moved approval of the performance review of Dr. Petersen for 2007-08 and the recommend goals for the University and the President for 2008-09. Mr. Stansberry seconded the motion, and it carried unanimously.

VI. ELECTION AND COMPENSATION OF UNIVERSITY OFFICERS

The Chair referred the committee to the materials included in the meeting notebook

and additional materials distributed at the meeting (Exhibit 2). Due to reduced state funding, she reported that compensation levels for each elected officer and other staff members would remain the same as last year. She noted that the committee is still tasked with the annual election of University Officers and review of their compensation. The Chair called on Dr. Petersen.

Dr. Petersen stated that in the last couple of years efforts have been made to bring compensation within the specific established benchmarks for each officer. He stated that those adjustments are mostly completed. He added that he was grateful those adjustments were done prior to this year's reduced budget. He stated that it is very difficult not to be able to reward all of the dedicated hardworking employees across the University this year. He stated that he truly appreciates the hard work and dedication of the University's elected officers and other senior administrators on his staff.

Mr. Murphy moved approval of the Resolution concerning election and compensation of University officers. Mr. Wolford seconded the motion, and it carried unanimously.

VII. APPROVAL OF DEPARTMENT OF ENERGY SECURITY RESOLUTION

The Chair stated that the next item of business was the approval of Department of Energy Security Resolution (Exhibit 3). She stated that this is required for assigning the Managerial Group for U.S. Department of Energy contracts. She stated that members of the Managerial Group will receive security clearance and have access to classified information. The Chair noted that the Board initially approved a Managerial Group in 2001 and has done so on an annual basis since then. Vice President and General Counsel Catherine Mizell stated that the Department of Energy Security Resolution is a standard resolution required by the DOE to be approved annually. She stated that only the officers listed in paragraph one of the Resolution would have access to classified information. A discussion ensued regarding the Vice President for Research being listed as having access under paragraph one and Dr. David Millhorn being as not having access. Ms. Mizell stated that the Vice President for Research was listed in the Managerial Group in anticipation of the office being filled. She stated that Dr. Millhorn, in his capacity as Executive Vice President and Vice President of Research and Economic Development, does not have security clearance and therefore does not have access. She added that this Resolution limits access to classified information in specific situations in which the Managerial Group is called on to take some action.

Mr. Carroll moved approval of the Department of Energy Security Resolution. Dr. Hurd seconded the motion, and it carried unanimously.

VIII. OTHER BUSINESS

No other business came before the committee.

V. ADJOURNMENT

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

Respectfully submitted,

Catherine S. Mizell
Vice President, General Counsel and Secretary