University of South Carolina
BOARD OF TRUSTEES

Executive Committee

February 28, 2013

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, February 28, 2013, at 1:00 p.m. in Room 122 of the Business and Science Education Building at USC Aiken.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Dr. C. Edward Floyd; Mr. William C. Hubbard; Mr. Toney J. Lister; Mr. Miles Loadholt; and Mr. John C. von Lehe, Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. Robert "Eddie" Brown; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith, III; Mr. Thad H. Westbrook; Mr. Charles H. Williams; Dr. Mitchell M. Zais; and joining by telephone was Mr. Mack I. Whittle, Jr.

Also present were faculty representative Dr. Sandra J. Kelly and student representative Kenny Tracy.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Vice President for Academic Affairs and Provost Michael D. Amiridis; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Edward L. Walton; Vice President for Development and Alumni Relations Michelle Dodenhoff; Vice President for Human Resources Chris Byrd; Vice President for Communications Luanne Lawrence; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Athletics Director Ray Tanner; USC Aiken Chancellor Sandra J. Jordan; USC Beaufort Chancellor Jane Upshaw; USC Upstate Chancellor Tom Moore; Palmetto College Chancellor Susan Elkins; College of Arts and Sciences Dean Mary Anne Fitzpatrick; School of Law Dean Robert Wilcox; Associate Vice President for Business and Finance Leslie Brunelli; Senior Vice Provost and Director of Strategic Planning Christine W. Curtis; Associate Vice President for Business Affairs, Finance and Planning Division, Helen T. Zeigler; Director of Capital Budgets and Financing, Division of Finance and Planning, Charlie Fitzsimons; Director of Facilities Planning and Programming and University Architect Derek S. Gruner; Senior Project Manager, Facilities Design and Construction, Thomas Opal; Executive Associate Athletics Director Kevin O'Connell; Associate Athletics Director and Senior Women's Administrator Judy Van Horn; Assistant

Athletics Director, Ticket Operations, Lance Grantham; Chief Financial Officer, Athletics Department, Jeff Tallant; Interim Executive Vice Chancellor for Academic Affairs, USC Aiken, Jeff Priest; Vice Chancellor for Student Affairs, USC Aiken, Deb Kladivko; Vice Chancellor for University Advancement, USC Aiken, Deidre Martin; Vice Chancellor for Business and Finance, USC Aiken, Joe Sobieralski; Vice Chancellor for Information Technology, USC Aiken, Ernest Pringle; Assistant Chancellor for Facilities, USC Aiken, Michael F. Jara; USC Aiken Athletic Director Randy Warrick; Special Assistant to the President J. Cantey Heath Jr.; Director of News and Internal Communications Wes Hickman; and Board staff members Debra Allen and Leah Kososki. Also present were Margaret and Gary Pope of the Pope Zeigler Law Firm; Andy Shain of *The State;* Scott Hood of Gamecock Central; John Whittle of *The Big Spur*; and Thad Moore of *The Daily Gamecock*.

Chairman Warr called the meeting to order and stated that notice of the meeting had been posted and the press notified as required by the Freedom of Information Act; the agenda and supporting materials had been circulated; and a quorum was present to conduct business.

Chairman Warr stated that there was a need to receive legal advice and to discuss proposed contractual matters appropriate for Executive Session. Chairman Warr called for a motion to enter Executive Session. Mr. Lister so moved, and Dr. Floyd seconded the motion. The vote was taken and the motion carried.

Chairman Warr invited the following persons to remain: President Pastides, Secretary Stone and Mr. Parham.

Return to Open Session

Before beginning the open session agenda items, Chairman Warr took a moment to welcome and introduce Dr. Susan Elkins, the first chancellor of the new Palmetto College.

I. Contracts

A. Athletics Employment Contracts

Chairman Warr called on Mr. Parham. With approval of the President and on behalf of Athletics Director Ray Tanner, Mr. Parham presented new contracts for the nine assistant football coaches. Summarizing all but the contract for Lorenzo Ward, Mr. Parham said:

- Each contract is for a two-year term ending January 31, 2015.
- Each contract has the same incentive compensation provision which allows the coach to earn $30,000 if the football team participates in a BCS bowl game, or $20,000 if the team participates in the Capital One, Cotton, Chic-Fil-A or Outback bowl game, or $15,000 if the team participates in any other bowl game.
- Each contract provides that the coach will be provided use of one vehicle.
- Each contract has the same buyout provisions, which provide that:
    - If the coach is terminated for cause, all obligations to pay the coach ends.
    - If the coach is terminated without cause, the University will pay the coach his base salary and guaranteed media compensation, if any, for the remaining term of the contract; provided, however, if the coach gets another job, the amount the University is obligated to pay is reduced dollar-for-dollar by the amount the coach earns in his new position.
- If the coach terminates the contract, he is not obligated to pay the University liquidated damages, except in the case of Deke Adams. Since Coach Adams is a new hire, his contract provides that if he leaves before the end of the first year, he will owe the University $20,000.

Mr. Parham summarized each coach's compensation. Deke Adams will earn $225,000 in year one and $250,000 in year two; Kirk Botkin will earn $225,000 in year one and $250,000 in year two; Grady Brown will earn $180,000 in year one and $200,000 in year two; Shawn Elliott will earn $325,000 in year one and $350,000 in year two; G.A. Mangus will earn $175,000 in year one and $175,000 in year two;

Joseph Robinson will earn $325,000 in year one and $350,000 in year two; Everette Sands will earn $215,000 in year one and $230,000 in year two; Steve Spurrier, Jr. will earn $325,000 in year one and $350,000 in year two.

Mr. Parham reviewed Lorenzo Ward's contract, which is for a three-year term, expiring January 31, 2016. Coach Ward will earn $650,000 for each of the three years of that term, split between a base salary and a media compensation. In addition to the incentive compensation provisions regarding bowl games, his contract also includes the following additional incentive compensation provisions:

- $10,000 if the football team finishes the season in the top six teams in the SEC in total defense; or $20,000 if the team finishes in the top three teams in the SEC in total defense
- $25,000 if the football team wins the SEC Eastern Division
- $50,000 if the football team wins the SEC Championship.

Chairman Warr called for a motion to approve all of the Athletics Employment Contracts as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

B. IMG College Seating LLC

Chairman Warr called on Mr. Parham who indicated the next contract also was related to Athletics. A couple of years ago Athletics entered into a contract with International Sports Properties under which ISP offered to rent the stadium seats that people rent when they go to football games at Williams-Brice Stadium. ISP was brought out by IMG and the Board is asked to approve a new contract between Athletics and IMG for the continued rental of these seats at Williams-Brice Stadium. Under the contract, as it was with ISP, IMG is responsible for installing and maintaining the seats, maintaining liability insurance with USC as a named insured, and indemnifying the University from any injuries that occur as a result of the seats. Athletics provides IMG with space in the stadium to store the seats and allows IMG to market the seats through advertisements as part of the season ticket renewals. The cost of the seats are: $6 per game or $38 per season if rented before the season ticket renewal deadline has passed; $45 per season if an individual rents the seat after the season ticket deadline but before the first game; and $55 if the seat is rented after the season's first home game. Athletics will receive 50 percent of the gross sales revenue generated from the rentals. Last year, gross revenue was approximately $285,000.

Chairman Warr called for a motion to approve the agreement with IMG College Seating as described in the agenda materials and presented by Mr. Parham. Mr. von Lehe so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

C. The Prosper Foundation

Chairman Warr called on Mr. Parham who explained that the Department of Retailing in the College of Hospitality, Retail and Sport Management, was seeking Board approval to accept a gift from the Prosper Foundation. The Prosper Foundation is a not-for-profit organization based in Worthington, Ohio, that supports entrepreneurship by assembling databases of information related to consumer behaviors, marketing, and the effect of media behaviors on consumers.

To support education and research, the Foundation accepts applications and awards grants in the form of free access to its databases and information to leading academic institutions. Schools such as Northwestern, Notre Dame, Ohio State, and the University of Michigan have been awarded grants. USC has been awarded a 12-month grant valued at $285,000. The grant will expire October 31, 2013, and may be renewed.

Under the grant, the Department of Retailing faculty and students will have access to certain information for non-commercial academic purposes such as classroom teaching, conducting research and writing journal articles.

Chairman Warr called for a motion to approve the Prosper Foundation gift as described in the agenda materials and presented by Mr. Parham. Dr. Floyd so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

D. Wiley Subscription Services

Chairman Warr called on Mr. Parham who proceeded to provide background about Wiley Subscription Services. Eight years ago, the University's Library joined the Carolina Consortium, which is a voluntary association of approximately 137 academic libraries in North Carolina and South Carolina. Included in the consortium are Davidson, Duke, UNC, Wake Forest, NC State, Clemson, MUSC, Furman, Wofford, and all campuses of the USC System. It was created as a means for libraries to use their collective bulk purchasing power to obtain favorable pricing on a variety of electronic resources that are of interest to the academic community. The Consortium contracted with Wiley Subscription Services, a vendor that provides access to electronic publications, to obtain access.

The member institutions of the Consortium purchase access to these publications at discounted prices and pay Wiley via a subscription agent; USC uses EBSCO. Until now, Wiley has not required the individual members of the Consortium to sign a contract. The University simply notified Wiley, via EBSCO, of the desired journals and paid Wiley, via EBSCO, the purchase price. Wiley is now requiring each Consortium member to sign a contract, which requires Board approval.

Under the agreement, USC will purchase access to hundreds of journals in various academic disciplines for calendar year 2013. The cost of these journals for 2013 is $659,345.20. For this amount, the University obtains perpetual access to a standard cohort of journals, and one-year access to an additional cohort of journals. Also, Mr. Parham advised, the library anticipates that Wiley will present a new three-year agreement for these journals later this year.

Chairman Warr called for a motion to approve the agreement with Wiley Subscription Services as described in the agenda materials and presented by Mr. Parham. Mr. Hubbard so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

E. Symantec Software Agreement

Chairman Warr called on Mr. Parham to present details related to the Symantec agreement. Mr. Parham stated that on behalf of Vice President for Information Technology Bill Hogue, the University sought approval to purchase a software suite from Symantec Corporation. Symantec is an industry leader and has developed software specifically designed to help academic institutions protect information while managing and securing their Information Technology infrastructure. Symantec was selected via a competitive solicitation pursuant to the S.C. Consolidated Procurement Code.

The software bundle will provide the following services to faculty and staff on all USC campuses: (1) Anti-Virus Protection: It will provide anti-virus, anti-spyware and personal firewall protections for USC desktops, laptops, servers and email. This protection may also be installed on faculty and staff home PC's at no additional charge; (2) Data Loss Prevention: It will provide a data loss prevention function that will discover, monitor and protect confidential data (e.g. SSN, credit card numbers, driver's license numbers) wherever it is used and stored across the University's network and at endpoints (i.e. desktop, laptops and mobile devices); and (3) Mobile Device Management: It will secure devices and data on mobile devices (i.e., iPhones, iPads, Androids).

The term of the contract extends five years. USC will pay $447,579 in year one and $119,100 in years two through five for a total of $923,979.

Chairman Warr called for a motion to approve the Symantec agreement as described in the agenda materials and presented by Mr. Parham. Mr. Lister so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

II. Mid-Year Reviews – Campuses and Columbia Auxiliaries

Chairman Warr called on Mr. Walton who noted that the University has an in-depth review process, components of which involve weekly work that is followed by monthly reviews with the individuals responsible for spending the money. Quarterly reviews involve non-tuition funds. In October and February, the main core of budget activities is analyzed with the users. In February, budget changes are frozen as preparations begin for the coming fiscal year. On December 31 there is an analysis of where the University is economically and how the accounting stands for the year.

Mr. Walton indicated that the detailed report was on the Board Portal. He described the sections of the report, including current appropriations where he noted it was important to distinguish that while the pay package and employer fringe at $5.9 million and funding for Palmetto College at $2.885 million represented an increase in recurring State appropriations; however, the pay package actually cost over $14 million to implement with the State only providing $5.9 million toward that total. He also noted that last year, the University received deferred maintenance from the State and that the report reflects the list of the items funded.

Mr. Walton explained that on February 15, the Board of Economic Advisors (BEA), the entity that makes the estimates that the State uses to appropriate, had $117 million added to the current year to be appropriated or to be carried forward and another $46 million added to the initial estimates for FY2014 that the General Assembly may decide to appropriate. Mr. Walton cautioned that the House Ways and Means' budget did not contain an extensive amount of money for higher education as health care in general will take a priority; K-12 will take a higher priority than higher education; the unfunded pension liability is worrisome for everyone; and Corrections and Transportation have historically all come as priorities ahead of higher education. That trend, he believed, is not expected to change, which means that State appropriations will not be the primary source of funding for higher education. The traditional college age student population is not increasing; in fact, it will slightly decrease over the next few years, while there is increased competition across the state and nation for enrollment. Enrollment decisions, therefore, must support the University's net tuition by generating enough money to fund the operations, which requires constant review of priorities and allocations to support those priorities.

Mr. Walton concluded his remarks noting that this detailed report is the second one that the Board has received. The auxiliary enterprises – parking, athletics, health care and housing – are doing fine after decades of being self-supporting. It is the academic part of the University, he advised, that needs help with learning how to generate its own revenue. Reserves are being watched closely so that it is only being used as a bridge to find sustainable revenue. Strategies that the President has wisely implemented to help the University reach the new normal for higher education are working, he stated, citing Palmetto College and the On Your Time graduation initiative. Market access and business development opportunities along with cost containment are the tools that higher education must use to advance, which supports the three-legged stool of financing that is tuition/price, enrollment, and cost containment. He then noted the report's listing of $16.5 million in new costs that the University faces and summarized the budget planning calendar that will conclude with the Board's approval of a budget on June 17.

In response to questions, Mr. Walton pointed out that State appropriations represent less than 10 percent of total funding. Chairman Warr stated that this report was received as information.

III. Fee Approval Request – Online Graduate Engineering Education

Chairman Warr called on Ms. Brunelli who presented a request to reduce the non-resident tuition rate for the online graduate programs that have been developed in conjunction with the Academic Partnerships contract approved in December 2012. The program will begin later this spring and summer in engineering and education as part of the online graduate program. The USC non-resident graduate tuition rate is currently $1, 008 per credit hour and $470 per credit hour for a resident student. The fee structure currently makes no difference in online or in person instruction whereas many institutions have similar rates for those two. Academic Partnerships has provided a comparison to the Office of the Provost of resident and non-resident rates to other public institutions.

Ms. Brunelli said that in order to provide competitively priced online graduate program options, the University sought Board approval to reduce the non-resident tuition rate from $1,008 per credit hour to $625 per credit hour. That rate would remain 33 percent above the resident rate.

Chairman Warr called for a motion to approve the off-cycle fee request to reduce the non-resident tuition rate from $1,008 per credit hour to $625 per credit hour as described in the agenda materials and presented by Ms. Brunelli. Dr. Floyd so moved. Mr. Hubbard seconded the motion. The vote was taken and the motion carried.

IV. State Institution Bond Resolution for Law School

Chairman Warr called on Ms. Brunelli to present two debt resolutions. Ms. Brunelli presented a chart detailing the University's debt by type and by campus, information that was unchanged since its presentation at the Board's February retreat. She noted that no debt had been issued this fiscal year, but that the Board previously had approved two resolutions that would be brought forward in the spring for Housing issuance for the Women's Quad and to purchase the residence hall at USC Upstate. The two resolutions now before the Board for approval were projects approved earlier in the day at the Buildings and Grounds Committee meeting. The University's bond attorneys, Margaret and Gary Pope, were present to answer any questions.

For the Law School, approval was sought for a maximum of $49,575,000 in state institution bonds. The project was $48.1 million with an expected 3 percent issuance cost of $1.475 million, which would be the high threshold. This number will be reduced as additional funds are received, including additional fundraising or new market tax credits. State institution bonds are 20-year bonds serviced by the debt service fee collected from the University's student tuition and the bonds are backed by the full faith and credit of the State of South Carolina. These bonds carry the state's credit rating, not the University's. In response to a board question, Ms. Brunelli advised that a 5 percent rate is estimated, but currently rates are in the 4 percent range and have been historically low for the past two years.

Chairman Warr called for a motion to approve the state institution bond resolution as described in the agenda materials and presented by Ms. Brunelli. Mr. Hubbard so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

V. Athletic Facility Revenue Bond Resolution for Football Indoor Practice Facility

Ms. Brunelli reported that the second resolution before the Board was an Athletic Facility Revenue Bond request for financing the football indoor practice facility, also approved earlier in the day by the Buildings and Grounds Committee. Wayne Corley from the McNair Firm was bond counsel on this transaction. The bond request is for $14 million, which is expected to provide $12.1 million for the project and cover the issuance cost and a debt service reserve if needed; a debt reserve may not be required.

She reminded the Board that Athletics debt has a legislative cap of $200 million. Current Athletics debt is $124,450,000. This item along with additional items in the five-year plan would increase the debt to $164 million, with principal payments being made to decrease the total. In response to how much debt was paid off annually, Ms. Brunelli reported that approximately $2.5 million in principal currently was paid annually on a $124 million debt. In response to a question about the Athletics Department reserve, Mr. Tallant responded that it totaled approximately $12 million.

The debt is serviced by the operating revenue of the Athletics Department and does include a dedicated bond service fee on football and basketball tickets. These bonds are anticipated for 30 years and have a credit rating that is for the Athletic issuances, currently at AA1, which is one notch below the University's revenue bond credit rating. She again noted that a 5 percent rate is estimated. She noted the bonds most likely would be issued in January or February of next year.

Dr. Floyd expressed his concern about the growing level of the Athletics Department debt. He felt that some of the debt should be retired using proceeds from conference revenue and that it should be designated at this time. Mr. Walton explained that the plan was to reserve funds, which could then be used to pay off debt or to avoid borrowing money for the next project if that was the more prudent financial move. With this specific issuance, he said that $800,000 debt service was required and that based on current cash flows the plan was to put aside an additional $1 million to pay down or avoid future debt.

Chairman Warr called for a motion to approve the Athletics Facility Bond Resolution as described in the agenda materials and presented by Ms. Brunelli. Mr. Hubbard so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

VI. Proposed Bylaws Update

Chairman Warr asked for a motion to move the Bylaws update forward to the full Board. Mr. Hubbard made the motion to forward Draft 6-B to the full Board and that he would like to make certain amendments. Mr. von Lehe seconded the motion. Mr. Hubbard then moved the following amendments. [Exhibit A: Bylaws Draft 6-B]

Mr. Hubbard's first amendment was a motion to delete the proposed amendments to Article VII. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

Mr. Hubbard's next motion was to delete the proposed amendments to Article VIII, with the exception of the proposed amendments to Section III of Article VIII. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

Mr. Hubbard moved deletion of the word "unanimous" in Section III of Article VIII and to insert in lieu thereof the words "two thirds." Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

Mr. Hubbard moved the following amendments: in Article III. A., to delete the word "recognize" and insert the word "honor" and to delete paragraphs D, E, F, H, I, J and L. Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

Chairman Warr called for the vote on the motion to move forward to the full Board the Bylaws update as amended. The vote was taken and the motion carried.

VIII. Adjournment

Since there were no other matters to come before the Executive Committee, Chairman Warr declared the meeting adjourned at 3:50 p.m.

Respectfully submitted,

Amy E. Stone

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Secretary