University of South Carolina
BOARD OF TRUSTEES

Executive Committee

February 20, 2009

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, February 20, 2009, at 11:00 a.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Mr. James Bradley; Dr. C. Edward Floyd; Mr. Samuel R. Foster II; and Mr. Michael J. Mungo. Other Trustees present were: Mr. Chuck Allen; Mr. Arthur S. Bahnmuller; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Mrs. Amy E. Stone; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; and Mr. Othniel H. Wienges, Jr.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost [Interim] William T. Moore; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Student Affairs and Vice Provost for Academic Support Dennis Pruitt; Vice President for Human Resources Jane M. Jameson; Vice President for Information Technology and Chief Information Officer William F. Hogue; General Counsel Walter (Terry) H. Parham; Interim Vice President for University Advancement Michelle D. Dodenhoff; Interim Vice President for Research Rose Booze; Associate Vice President for Business and Facilities Helen Zeigler; Associate Vice President of Finance and Budget Director Leslie Brunelli; Chancellor of USC Beaufort Jane T. Upshaw; Chancellor of USC Upstate John C. Stockwell; Vice Chancellor for Business and Finance, USC Aiken, Ginger S. Hudock; Dean of Moore School of Business Hildy J. Teegen; Associate Vice Provost for Academic Resources Edward L. Walton; Treasurer Susan D. Hanna; Assistant to Vice President, Trademark and Licensing, Ken Corbett; Chair of the Faculty Senate Robert G. Best; Director of Athletics Eric C. Hyman; Director of Facilities, Division of Business and Finance, Tom Quasney; Director of the Department of Internal Audit Alton McCoy; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director for Facilities, Kevin O'Connell; Associate Athletics Director for Facilities, Jeff Davis; Associate Athletics Director of Development, Bryan Risner; Student Government Association President Andrew Gaeckle; Director of Periodicals, University Publications, Chris Horn; Director of Public Information, USC Lancaster, Shana Funderburk; Associate Director of Governmental Affairs and Legislative Liaison Casey Martin; Project Manager, Division of Campus Planning and Construction, Ann Derrick; University Bond Counsel Alan Lipsitz, Nexsen Pruet, LLC; Special Assistant to the President and Athletics Director John D. Gregory; Interim Director of University Communications, Division of University

Advancement, Margaret Lamb; University Technology Services Production Manager Justin Johnson; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Loadholt called the meeting to order and asked Ms. Lamb to introduce members of the media who were in attendance. Chairman Loadholt 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 to members of the Committee; and a quorum was present to conduct business.

Chairman Loadholt stated that there were contractual matters which were appropriate for discussion in Executive Session. Dr. Floyd moved to enter Executive Session. Mr. Foster seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Moore, Mr. Kelly, Dr. Pruitt, Ms. Jameson, Dr. Hogue, Dr. Plyler, Ms. Dodenhoff, Dr. Booze, Mr. Parham, Mr. Hyman, Mr. Gregory, Mrs. Martin, Ms. Lamb, Mrs. Saxon, Ms. Stone, and Ms. Tweedy.

Return to Open Session

I. Contracts Valued in Excess of $250,000:

- Indefinite Delivery Contracts:

Chairman Loadholt called on Mr. Parham who reported that the following eight indefinite delivery contracts were for a two-year period.

1. Murton Roofing of South Carolina, Inc.
2. J. A. Piper Roofing Company, Inc.
3. Roofco, Inc.
4. Preferred Construction Co., Inc.
5. MSI Construction Co., Inc.
6. C. E. Bourne & Company, Inc.
7. R & R Associates Environmental Co., Inc.
8. Asbestos and Demolition, Inc.

Mr. Parham stated that indefinite delivery contracts were used to address small construction projects on campus. The eight contracts would cover roofing, painting and asbestos abatement services.

According to state regulations, the University could not pay more than $750,000 over the life of the agreements to any one of the companies, nor could one company receive more than $150,000 for any one project during that two-year period. The companies would be "on-call" and the University was under no obligation to use them.

Chairman Loadholt called for a motion for approval of the eight indefinite delivery contracts as described in the meeting materials. Mr. Mungo so moved. Mr. Foster seconded the motion. The vote was taken, and the motion carried.

II. Athletics Coaches Contracts:

A. Coach Eric Wolford – Employment Agreement: Chairman Loadholt call on Mr. Parham who reported on the proposed employment agreement for football coach Eric Wolford who came to the University from the University of Illinois.

The term of the contract was three years commencing January 8, 2009, and ending January 7, 2012.

Coach Wolford would receive total annual compensation of $250,000 as follows:

- annual base salary of $200,000
- annual media rights payments of $50,000 (payable quarterly)

Coach Wolford would be reimbursed for reasonable and customary moving expenses; and would be provided the use of one vehicle, at the discretion of USC.

The University could terminate Coach Wolford's contract for cause. If so, USC would have no obligation to compensate Coach Wolford after the effective date of termination.

The University could terminate Coach Wolford's contract without cause upon ten (10) days notice. If so, USC would pay Coach Wolford his base salary plus his guaranteed media rights compensation for the remaining term of the contract. However, if he found other employment, USC's obligation to pay liquidated damages would be reduced by an amount equal to the compensation Coach Wolford received from such new employment.

Finally, Coach Wolford could terminate the contract upon 10 days notice. If so, Coach Wolford would pay USC $30,000 per year for the remaining term of the contract.

B. Coach Lorenzo Ward – Employment Agreement: Mr. Parham gave a summary of the essential terms of the proposed employment agreement for Assistant Football Coach Lorenzo Ward who was originally from the University of Arkansas. The term of the agreement was three years beginning January 12, 2009, and ending January 11, 2012.

Coach Ward would receive a total annual compensation of $275,000 as follows:

- annual base salary of $200,000
- annual media rights payments of $75,000 (payable quarterly)

Coach Ward would be reimbursed for reasonable and customary moving expenses; would be provided the use of one vehicle, at the discretion of USC; and would be provided temporary housing for up to one year, or until he found permanent housing in Columbia, whichever occurred first.

USC could terminate Coach Ward's contract for cause. If so, USC would have no obligation to compensate Coach Ward after the effective date of termination.

USC could terminate Coach Ward's contract without cause upon ten (10) days notice. If so, USC would pay Coach Ward his base salary plus his guaranteed media rights compensation for the remaining term of the contract. However, if Coach Ward found other employment, USC's obligation to pay liquidated damages would be reduced by an amount equal to the compensation Coach Ward received from such new employment.

Coach Ward could terminate the contract upon ten (10) days notice. If so, Coach Ward would pay USC $30,000 per year for the remaining term of the contract.

Mr. Foster moved to approve both contracts as described in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

III. Trademark and Licensing Agreement: Mr. Parham stated that the University was seeking board approval to enter into a new agreement with Collegiate Licensing Company (CLC) for the marketing, licensing and enforcement of the University's trademarks. CLC was selected after a competitive solicitation pursuant to the South Carolina Procurement Code.

CLC was the oldest and largest collegiate licensing agency in the United States. It was founded in 1981, and was located in Atlanta, Georgia. Currently, CLC represented nearly 200 colleges, universities, bowl games, athletic conferences, the Heisman Trophy, and the NCAA. College clients included Auburn, Florida State, Georgia Tech, Alabama, Tennessee, Virginia, Maryland, Duke, UNC, Arkansas, Clemson, Florida and Georgia.

Mr. Parham stated that CLC had been the University's licensing agent for nearly a decade. The University's current 7-year agreement with CLC would expire June 30, 2009.

The term of the new agreement was seven years beginning July 1, 2009, and ending June 30, 2016. The University had the option to extend the term for an additional three years, specifically, through June 30, 2019, as long as such an option was authorized by the South Carolina Procurement Code.

Under the terms of the agreement, USC would receive 85 percent of the first $1.5 million in licensing revenues generated, and 90 percent of all revenues in excess of $1.5 million.

By way of comparison, under the terms of the current agreement, CLC paid the University a flat 85 percent of any licensing revenues generated, and USC received its royalty payments quarterly.

The agreement provided that if the University exercised its right to extend the term of the contract for three additional years, the revenue splits would change and increase to the following: USC would receive 85 percent of the first $1.5 million in licensing revenues; 90 percent of the next $2.5 million; and 92.5 percent of revenues in excess of $4.0 million. These percentages would be retroactive to the inception of this agreement.

Further, the agreement provided that CLC would allocate $15,000 for a marketing program designed to enhance the sale of USC trademarked products, and would contribute 15 percent of the cost of any marketing plan mutually agreed upon by the parties, up to a maximum of $20,000.

Finally, the agreement had a “most favored nation” clause which provided that: (1) if CLC entered into an agreement with a college or university that it currently represented that had licensing revenues in the same range as those of USC ($2 million – $3 million category); and (2) that agreement provided for a higher percentage payment to that college or university than CLC was paying USC, then CLC must notify USC and offer USC the higher percentage payment schedule.

Mr. Parham reported that in FY 2006-2007, USC grossed licensing revenues of approximately $1.5 million. In FY 2007-2008, USC grossed licensing revenues of $1,715,029; the University’s share was 85 percent or $1,457,775.

The University used trademark and licensing revenues to support the general scholarship fund. In FY 2007-08, $1,085,000 was transferred to the scholarship fund.

Mr. Parham stated that the contract was the sole result of the hard work and conscientious efforts of Helen Zeigler, Rick Kelly and Ken Corbett. He stated that these three individuals were available to answer any questions.

Ms. Stone referenced Page 2, Section 4(c) of the agreement which read as follows: “Recognizing the time constraints of production schedules, University shall have two weeks from receipt of a sample, for approval in which to reject said sample, and in the absence of rejection, or upon…”

Ms. Stone asked who would have the authority to approve or reject on behalf of the University. Mr. Parham responded that Ken Corbett had that authority; and if there were any issues, Rick Kelly and Helen Zeigler were available to assist him.

Mr. Hubbard asked the number of logos the University had that were currently copyright protected. Mr. Parham responded that CLC produced one sheet that showed all of the University's protected logos that they were authorized to license on products and the types of products. He said he would provide him with a copy of the sheet.

Mr. Mungo moved to approve the contract as described in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

IV. Quasi-Endowment Fund - Athletics: Chairman Loadholt called on Mr. Kelly who reported that the University was seeking approval to establish a quasi-endowment fund to receive $800,000 from the Department of Athletics. The interest earnings on this quasi endowment would be applied to an expendable account under the Office of Research to be used to support the Research Center of Economic Excellence in Solid Oxide Fuel Cells.

Dr. Floyd moved to approve the establishment of a quasi endowment fund as described in the meeting materials. Mr. Adams seconded the motion. The vote was taken, and the motion carried.

V. State Institution Bond Resolution - USC Aiken and USC Upstate: Chairman Loadholt called on Mr. Kelly who requested Board approval for a State Institution Bond Resolution authorizing up to $8,550,000 for the construction and renovation of projects on the USC Aiken and USC Upstate campuses. He stated that the Student Activities Center Project at USC Aiken and the Health Education Complex Project at USC Upstate had been previously approved by the Board and the State, and funding sources had been identified.

The total cost of the projects was approximately $37.2 million. The current request was to authorize the issuance of state institution bonds as a partial payment of $8.55 million toward the total cost of the project.

Chairman Loadholt called for a motion to approve a State Institution Bond Resolution authorizing up to $8,550,000 for the construction and renovation of projects on the USC Aiken and USC Upstate campus as described in the meeting materials. Mr. Adams so moved. Mr. Foster seconded the motion. The vote was taken, and the motion carried.

VI. Moore School of Business – Master of International Business (MIB) Fee:

Chairman Loadholt called on Dr. Ted Moore who reported that the Moore School of Business was requesting approval of an off-cycle fee for the new Master of International Business (MIB) program. This program had been previously approved by the Board and was recently approved by the Commission on Higher Education and was scheduled to begin this fall. He stated that in order to recruit students for the program, tuition rates must be established.

The MIB was a unique interdisciplinary program that combined the development of international business expertise with an advanced understanding of international studies. The program was designed to build on the international business, functional and language/culture skills developed in an undergraduate business program and facilitate further effective application of these skills through a richer appreciation of the cultural, socio-political and institutional settings within which global enterprises operated.

The MIB program was a one-year graduate program requiring 30 credit hours. Also, the program would consist of 20 students (10 residents and 10 nonresidents). The projected gross revenue was $550,000 which was well in excess of the marginal costs.

Dr. Moore stated that the fee requested for this program was consistent with other graduate programs in the Moore School of Business and with fees for similar programs at peer institutions. The tuition would be split in half for the fall and spring terms.

Finally, the requested fees for the Moore School of Business – Master of International Business were as follows:

Resident Program Fee	$25,000
Non-Resident Program Fee	$30,000

Mr. Gaeckle inquired about the recruiting efforts for the new program. Dean Teegen responded that promotional materials for this program had been launched during the past six weeks. Based on early applications, the goal of 20 students would be met this fall.

Mr. Hubbard made an inquiry regarding branding issues as it related to the new MIB program and the current International MBA program.

Dean Teegen responded that there had been some concerns and discussions regarding this issue. Ultimately, the decision was made to name the program "Master of International Business" in recognition of the fact that many of our peer institutions were currently offering a Master of International Business program. Therefore, USC was responding to awareness in the marketplace that went well beyond this institution and in an effort to be consistent with our peer institutions.

Further, the decision to change the name of the former MIBS program stemmed from student interest in the program because employers in the marketplace often did not recognize that the MIBS program, in terms of the core content, was comparable to the more widely recognized MBA degree. Students were encountering difficulties in the marketplace concerning the former MIBS degree, but the newly named international MBA degree was perceived as commensurate with MBAs from other institutions.

Dr. Moore stated that the brand equity of the old MIBS degree had been well protected. MIBS lived on as the International MBA or IMBA degree and was ranked Number One in the nation among all public schools.

A member inquired as to whether the program was limited to 20 students. Dean Teegen responded that 20 students was a reasonable number to anticipate for the first year of the program but they anticipated over time to enroll approximately 50 students.

Dean Teegen stated that this would not be an MBA but would be consistent with some of the other specialized Masters programs, for example, Human Resources Accountancy which was an extension of the undergraduate experience. She stated that this was a movement throughout graduate Business Education in the United States today and many of our peer institutions were offering new extended one year programs.

Mr. Buyck inquired whether there was a French or German track in the new program. Dean Teegen responded, no.

Mr. Hubbard asked what tests were required to enter the MIB program. Dean Teegen responded, the GMAT or GRE were acceptable admissions criteria.

Mr. Bradley made a motion to approve the MIB fee as described in the meeting materials. Dr. Floyd seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt recognized Mr. Bradley who stated that Dean Catalano was not present today but he wanted to commend him for his leadership. Over the past five years under his leadership, the enrollment at USC Lancaster had doubled, and the applications for admissions for fall 2009 were up 82 percent over last year.

Mr. Mungo asked if USC Lancaster was self-supporting. Mr. Bradley responded, “Yes, but it doesn’t get what it deserves.”

President Pastides concurred and noted that looking at formula funding, the amount of state funding USC Lancaster received relative to their total budget was among the lowest proportions outside of the Columbia campus.

Chairman Loadholt thanked Mr. Bradley for sharing this information with the Board; and he commended Dean Catalano and his staff as well.

Chairman Loadholt called for any other matters to come before the Committee. Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 11:50 a.m.

Respectfully submitted,

Thomas L. Stepp
Secretary