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University of South Carolina
BOARD OF TRUSTEES

Executive Committee, Called Meeting

September 16, 2016

The Executive Committee of the University of South Carolina Board of Trustees met in a called meeting at 11:35 a.m. on Friday, September 16, 2016, in the C. Edward Floyd Boardroom at the Alumni Center.

Members present were: Mr. John C. von Lehe Jr., Chairman; Dr. C. Edward Floyd; Mr. William W. Jones Jr.; Mr. Toney J. Lister; Mr. Hubert F. Mobley; and Mr. Eugene P. Warr Jr.

Other Trustees present were: Mr. Chuck Allen; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell III; Mr. William C. Hubbard; Mr. Miles Loadholt; Ms. Leah B. Moody; Mr. Tommy D. Preston Jr.; Dr. C. Dorn Smith; Ms. Molly M. Spearman; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

Also present were faculty representative August E. "Augie" Grant and student representative Michael Parks.

Others present were: President Harris Pastides; Secretary Amy E. Stone; General Counsel Walter "Terry" H. Parham; Provost Joan T. A. Gabel; Chief Operating Officer Edward L. Walton; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Development Jancy Houck; Vice President for Information Technology and Chief Information Officer William F. Hogue; Vice President for Research Prakash Nagarkatti; Vice President for Facilities and Transportation Derrick Huggins; Chief Communications Officer Wes Hickman; University Foundations Executive Director Russell H. Meekins; Athletics Director Ray Tanner; USC Aiken Chancellor Sandra Jordan; USC Beaufort Chancellor Al Panu; Palmetto College Chancellor Susan Elkins; Vice President for System Planning and USC Upstate Interim Chancellor Mary Anne Fitzpatrick; Associate Vice President for Finance Kelly Epting; Associate Vice President for Finance Jennifer Muir; Associate Vice President for Human Resources Programs and Services Caroline Agardy; Associate Vice President for Administration and Finance and Medical Business Affairs Jeffrey L. Perkins III; Executive Director of Audit & Advisory Services Pam Doran; Chief Financial Officer, Athletics Department, Jeff Tallant; Executive Director for

the Office of Economic Engagement William D. “Bill” Kirkland; Director of Capital Budgets and Financing, Division of Administration and Finance, Charlie Fitzsimons; Director of Strategic Planning Cameron Howell; Chief of Staff, President’s Office, J. Cantey Heath Jr.; Executive Director of My Carolina Alumni Association Jack W. Claypoole; Associate Director of Public Relations Jeff Stensland; USC Aiken Executive Vice Chancellor for Academic Affairs Jeff Priest; USC Aiken Executive Vice Chancellor for Administration and Finance Joe Sobieralski; USC’s SEC/NCAA Representative Val Littlefield; Gamecock Club Chair Kent Eddy; Faculty Senate Chair-Elect Marco Valtorta; Wayne Corley and Michael J. Seezen, McNair Law Firm; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen, Terri Saxon and Ina Wilson.

I. Call to Order

Chairman von Lehe 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.

Mr. Hickman introduced members of the media in attendance: Avery Wilks with *The State*; Scott Hood and Chris Clark with GamecockCentral.com; John Whittle and John Del Bianco with TheBigSpur.com; Rodney Welch with the *Free Times*; Hale McGranahan with SECCountry.com; Willie Smith with *The Greenville News*; and Jack Kuenzie with WIS-TV.

Motion for Executive Session

Chairman von Lehe next called for a motion to enter Executive Session for the receipt of legal advice and to discuss a proposed contractual matter regarding a multimedia rights contract for the USC Athletics Department. Mr. Mobley so moved and Mr. Jones seconded the motion. The vote was taken and the motion carried.

Chairman von Lehe invited the following persons to remain: President Pastides, Secretary Stone, Mr. Parham, Mr. Walton, Ms. Gabel, Dr. Pruitt, Mr. Tanner, Ms. Brunelli, Mr. Hickman, Mr. Heath, and Ms. Doran.

RETURN TO OPEN SESSION

II. Contracts

Chairman von Lehe called on Mr. Parham to present three contracts.

A. Gamecock Sports Properties, LLC Agreement

Mr. Parham said that approval was sought for a new multimedia rights corporate sponsorship agreement between the Athletics Department and Gamecock Sports Properties, LLC. Gamecock Sports Properties has the existing 10-year agreement that will expire June 30, 2017. The new contract is a 10-year deal that will begin July 1, 2017. Under the new agreement, Gamecock Sports Properties is guaranteeing the University \$110 million over the term of the contract, which will be received in various forms: A \$4 million upfront payment, \$98.7 million in guaranteed rights fees, \$3.15 million in signage contributions, \$3.3 million in minimum athletic ticket purchases, and an obligation to purchase a suite at Williams-Brice Stadium over the 10-year term for a total cost of \$850,000.

In exchange for the \$110 million guarantee, the University will award Gamecock Sports Properties the same rights that they have currently, which is to serve as the exclusive multimedia rights holder and corporate sponsorship vendor for the University. Gamecock Sports Properties will continue to have radio broadcast rights, TV rights to coaches' shows, print rights to various game programs, as well as other rights detailed in the Board's meeting materials.

The University has the right to terminate the agreement at any time on written notice to Gamecock Sports Properties.

Chairman von Lehe called for a motion to recommend full Board approval of the agreement with Gamecock Sports Properties, LLC. Mr. Jones so moved. Mr. Lister seconded the motion. The vote was taken and the motion carried.

B. USC Upstate Athletic Director Employment Agreement

Mr. Parham said that Board approval was sought for an extension and amendment to the employment agreement of USC Upstate Athletics Director Lee Fowler. Mr. Fowler's current three-year contract, as approved by the Board in 2013, will expire September 30, 2016.

Under the proposed extension, Mr. Fowler would be employed for a one-year period beginning October 1, 2016, and ending September 30, 2017. The term could be extended for up to two additional one-year periods upon the mutual written consent of the parties. During the extension, Mr. Fowler will be paid a salary of \$126,378. That is his current salary. He will continue to receive the same car allowance of \$650 per month that he currently receives under his existing contract.

An unusual provision of the contract amendment is that the contract will now provide that either Mr. Fowler or USC Upstate can terminate the contract at any time upon 30 days written notice and without financial liability.

Chairman von Lehe called for a motion to approve the employment agreement with Lee Fowler.

Mr. Warr so moved. Mr. Jones seconded the motion. The vote was taken and the motion carried.

C. PFM Financial Advisors, LLC Agreement

Mr. Parham said that approval was sought for a Financial Advisory Services Agreement with PFM Financial Advisors, LLC. He reminded Trustees that the University has a contract with Barclays under which Barclays serves as the underwriter when the University issues bonds. Technically, as underwriter, Barclays is not the University's partner and does not have a fiduciary relationship with the University. Barclays' responsibility is technically to look out for Barclays' interests, not those of the University.

For that reason, the Securities and Exchange Commission's Municipal Advisor Rule was enacted and provides that issuers of bonds should have a financial advisor who will have a fiduciary responsibility to the issuer and look out for the issuer's financial interests. Since the University issues bonds, the State Treasurer has advised the University that it needs to have such a financial advisor going forward, which is the reason for the proposed contract with PFM Financial Advisors. The contract is the result of a competitive solicitation facilitated by the State Treasurer's Office. The State Treasurer's Office also served on the evaluation team. PFM was selected based on cost, qualifications and experience.

The term of the contract is three years, ending on June 30, 2019. The contract can be extended for up to two additional years upon the mutual written consent of the parties. The University has the right to terminate the contract at any time on 30 days written notice.

Under the contract, PFM will provide the University, on request, advice on financial matters such as debt service analysis and financing structures. The University is not obligated to use PFM but, just as USC does with Indefinite Delivery Contracts, PFM will be available to respond to the University's requests for advice. For these services, PFM will be paid directly by the University at an hourly rate ranging from \$225 to \$350, depending on the classification level of the person performing the work.

Additionally, if the University issues bonds, PFM will be paid a set fee for its services based on the size of the bond issuance. For example, for bond issuances of up to \$50 million, PFM will receive \$0.75 per \$1,000. This equates to a fee of \$37,500 for a \$50 million bond issuance. These bond fees are paid from bond proceeds as a transaction cost.

Chairman von Lehe called for a motion to approve the agreement with PFM Financial Advisors, LLC. Mr. Mobley so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

III. Athletic Facilities Revenue Bonds Resolution

Chairman von Lehe called on Ms. Brunelli who said that funding needed to be associated with the Football Operations Facility, which was approved earlier in the day by the Buildings and Grounds Committee, before it could go forward for state approval. She recognized representatives from the McNair Firm who prepared the Athletics issuance.

She reviewed the University's bonded indebtedness as of June 30, 2016, which totaled \$571.8 million. With refunding following the close of the fiscal year, both principal and present value saving was reduced on both Athletics Facilities Debt and Higher Education Bond Revenue debt. Because of the principal reduction, the University's debt has dropped as of August 31, 2016, to \$562 million. Ms. Brunelli also noted that Sumter's State Institution Bond Debt has been retired. The amount of Columbia's State Institution Bond Debt was decreased as the final payments for the Palms Graduate Science Center were reduced. She also reviewed debt service payments for FY2017 and upcoming finance needs, which include the old Law School renovation, the parking master plan, the housing master plan, and the Athletics master plan that is the Football Operations Facility. She also detailed the historical indebtedness by campus.

In regard to the Football Operations Facility, she said it was a \$50 million project budget with \$47 million coming from Athletic Facilities Bonds and \$3 million from gifts-in-hand. It was hoped that the gifts would increase over time, but the \$3 million was available today. The amount of the resolution is \$49 million to fund the \$47 million project, which allows the University up to \$2 million in issuance cost; however, issuance cost should only be half that amount, she said.

Chairman von Lehe called for a motion to recommend full Board approval of the Athletic Facilities Revenue Bonds Resolution. Mr. Jones so moved. Mr. Lister seconded the motion. Prior to the vote, Trustee Whittle asked about the coverage ratio for the debt, which Ms. Brunelli said was well above the 1.1 that was required. The vote was taken and the motion carried.

IV. Adjournment

There being no other matters to come before the committee, Chairman von Lehe declared the meeting adjourned at 12:53 p.m.

Respectfully submitted,

Amy E. Stone
Secretary