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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

July 29, 2009

The Executive Committee of the University of South Carolina Board of Trustees met on Wednesday, July 29, 2009, at 9:35 a.m. in Osborne Building Room 206B.

Members present were: Mr. Miles Loadholt, Chairman; Mr. Herbert C. Adams; Mr. James Bradley; Dr. C. Edward Floyd; and Mr. Michael J. Mungo. Mr. William C. Hubbard was also present.

Others present were: Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost [Interim] and Vice President for Planning William T. Moore; General Counsel Walter (Terry) H. Parham; Special Assistant to the President J. Cantey Heath; Assistant to the President and Athletics Director John D. Gregory; Director of Ticketing Sales, Department of Athletics, Lance Grantham; Chief Financial Officer, Department of Athletics, Jeff Tallant; Director of Media Relations, Division of Advancement, Margaret Lamb; Lee Goodman; and Board staff member Karen Tweedy.

Chairman Loadholt 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 to members of the Committee; and a quorum was present to conduct business. Ms. Lamb indicated that no members of the media were in attendance. Chairman Loadholt directed the attention of the committee to the first agenda item and called on Mr. Parham.

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

A. Delta Charter Flight Contract: On behalf of the Athletics Department, Mr. Parham sought Executive Committee approval of a standard charter flight agreement with Delta Airlines to transport the football team to four away games in the fall. Those games were NC State, University of Alabama, University of Tennessee and University of Arkansas. The total value of the contract was \$254,082. By comparison, the total amount of the previous contract for the same number of flights was \$400,000; part of the difference was the fact that gas prices had decreased.

In addition, the team would travel via bus to the NC State game on Wednesday before the Thursday night kickoff and would subsequently fly back to Columbia in order to attend Friday classes.

Mr. Parham noted that this contract was a continuation of the charter flight agreements, which the Committee had approved for the past several years.

Mr. Mungo moved approval of the Delta Charter Flight contract as presented. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

B. Ticketmaster: Chairman Loadholt recognized Mr. Parham who sought Executive Committee approval on behalf of the Athletics Department to enter into a contract with Ticketmaster to provide a computerized ticketing system for the Athletics Department. He noted that the Committee had approved a contract in 2005 between the Athletics Department and Paciolan to develop a computerized ticketing system. Because Ticketmaster had purchased Paciolan, this contract was, in essence, the next "iteration."

Mr. Parham advised that Ticketmaster was the world's leading live entertainment ticketing company in the country. Located in 7,100 retail outlets, Ticketmaster had sold 141 million tickets at a value of approximately \$8.9 billion last year.

In response to Mr. Bradley's inquiry about the percentage of the higher education market Ticketmaster controlled, Mr. Parham indicated that the Athletics Department estimated the company managed a 75-80 percent share.

This system offered two primary improvements for the Athletics Department: (1) an upgrade of the Paciolan ticketing software which will enhance reporting and reconciliation capabilities; and, (2) a plethora of retail outlets available for the purchase of tickets (i.e., every Publix Grocery Store in South Carolina housed a Ticketmaster outlet).

The term of the contract extended until November 9, 2013 which paralleled the Paciolan contract; additional three year extensions were also possible.

The cost of the contract was virtually the same as the Paciolan contract. Under this new contract, the Athletics Department will pay \$101,000 per year for a software license to use and to maintain the system. That amount will be paid in years 1 and 2; in years 3, 4 and 5, the total will decrease to \$97,667. In comparison, Paciolan's fee was \$101,000 annually throughout the term of the contract.

Other fees included processing fees on tickets sold; in most instances, these fees were the same as or less than Paciolan's. For example, under the Ticketmaster contract a processing fee of \$3.00 per ticket order placed on the Internet or telephone will be assessed; under the Paciolan contract, that fee was generally \$5.00.

The Athletics Department projected that the total cost for these fees will be the same as the Paciolan contract. Last year's fees totaled approximately \$110,000; that amount was anticipated for the coming year.

Mr. Adams moved approval of the Ticketmaster contract as presented. Mr. Mungo seconded the motion. The vote was taken and the motion carried.

C. Paymentech, Inc.: Chairman Loadholt recognized Mr. Parham who explained that this contract interfaced with the Ticketmaster agreement because a

computerized ticketing system required the use of a credit card processing company to handle online transactions.

Two options were available to use with Ticketmaster in terms of credit card processing companies. Athletics could continue to use the current company which had been provided through the state contract (First Data). However, First Data, and all other credit card processing companies other than Paymentech, Inc., did not interface with Ticketmaster directly. In order to facilitate that process, an intervening software system must be purchased which would, in effect, communicate between Ticketmaster and the particular credit card processing company.

The downside, Mr. Parham noted, was twofold: (1) the intervening software package generally cost approximately \$1,000 per user. It was estimated that 20-40 people would require access to the software at a minimum of \$20,000; and more importantly, (2) none of the other credit card processing companies were able to process multiple credit card transactions at the same time. Therefore, if several people were trying to purchase tickets on line concurrently, they would be queued and would have to wait. Athletics did not want to inconvenience customers in that manner.

The second option of choosing Paymentech, Inc. seemed to be a more viable option for the Athletics Department. Mr. Parham stressed that it was the only credit card processing company which would synchronize with Ticketmaster; therefore intervening software to handle the transactions was not necessary. And, more importantly, Paymentech had the ability to handle a multitude of transactions at the same time.

Currently, First Data charged a fee of 1.76 percent per credit card transaction; Paymentech will charge 2.18 percent. It was estimated that the additional cost will total \$60,000 per year. Mr. Parham pointed out that that amount could be decreased by at least \$20,000 because additional interfacing software was not required. By way of comparison, Athletics typically spent approximately \$295,000 per year for credit card processing fees; therefore, that figure could increase by \$60,000.

The five year contract will expire in 2014.

Dr. Floyd expressed concern about the fact that Paymentech was the only company able to handle multiple online credit card requests.

Mr. Parham responded that there was nothing within the company itself (i.e., First Data, Total Solutions, etc.) which prohibited processing multiple users at the same time. Rather, it was the fact that only Paymentech was able to "talk" directly with Ticketmaster. The intervening software created the problem of only being able to deal with one user at a time.

Mr. Grantham further explained that if the University increased online ticket sales, most likely there would be a reduction in the individual surcharge amount.

In response to Dr. Floyd's inquiry about Paymentech's character in the market, Mr. Grantham indicated that the company was owned by Chase Manhattan Bank.

Mr. Adams moved approval of the Paymentech, Inc. contract as presented. Mr. Mungo seconded the motion. The vote was taken and the motion carried. Dr. Floyd abstained from voting.

Since there were no other matters to come before the Executive Committee, Chairman Loadholt declared the meeting adjourned at 10:00 a.m.

Respectfully submitted,

Thomas L. Stepp
Secretary