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University of South Carolina
BOARD OF TRUSTEES

Executive Committee

August 5, 2011

The Executive Committee of the University of South Carolina Board of Trustees met on Friday, August 5, 2011, at 10:50 a.m. in the 1600 Hampton Street Board Room.

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

Other Trustees present were: Mr. Chuck Allen; Mr. J. Egerton Burroughs; Mr. W. Lee Bussell, Sr.; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. William C. Hubbard; Mr. William W. Jones, Jr.; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith, III; Mr. Thad Westbrook; Mr. Mack I. Whittle, Jr.; and Mr. Charles H. Williams.

Others present were: President Harris Pastides; Secretary Thomas L. Stepp; Vice President for Academic Affairs and Provost Michael D. Amiridis; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President for Communications Luanne Lawrence; Vice President of Development and Alumni Relations Michelle D. Dodenhoff; Vice President for Information Technology and Chief Information Officer William F. Hogue; Chief Financial Officer Edward L. Walton; Associate Vice President for Finance and Budget Director, Division of Finance and Planning, Leslie Brunelli; Vice President for Human Resources Chris Byrd; Vice Provost and Executive Dean for Extended Campus Chris P. Plyler; General Counsel Walter (Terry) H. Parham; University Treasurer Susan D. Hanna; Chancellor of USC Aiken Thomas L. Hallman; Chancellor of USC Upstate Tom Moore; Dean of USC Salkehatchie Ann Carmichael; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Dean of the College of Social Work Anna Scheyett; Director of Athletics Eric C. Hyman; Executive Vice Chancellor for Academic Affairs, USC Beaufort, Harvey Varnet; Associate Athletics Director Marcy Girton; Director of the Department of Internal Audit Phil Iapalluci; Trustee Emerita Darla D. Moore; Interim Executive Director of the Carolina Alumni Association Amy Stone; Director of Governmental and Community Relations and Legislative Liaison Shirley D. Mills; Chief Financial Officer, Department of Athletics, Jeff Tallant; Executive Associate Athletics Director Kevin O'Connell; Associate Athletics Director Charles Waddell; Deputy Athletics Director Marcy Girton; Special Assistant to the President J. Cantey Heath, Jr.; Chair of the Faculty Senate Patrick D. Nolan; Student Government Association President, Joe Wright; Director of Media Relations, Office of Communications, Margaret Lamb; Board staff members Terri Saxon, Vera Stone and Karen Tweedy; and members of the press.

Chairman Loadholt called the meeting to order and invited those present to introduce themselves. Ms. Lamb introduced members of the press who were present.

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; and a quorum was present to conduct business.

Chairman Loadholt stated that there were contractual matters and the need for receipt of legal advice which were appropriate for discussion in Executive Session. Mr. Adams moved to enter Executive Session. Mr. Warr seconded the motion. The vote was taken, and the motion carried.

Chairman Loadholt invited the following persons to remain: President Pastides, Secretary Stepp, Dr. Amiridis, Mr. Walton, Dr. Pruitt, Mr. Byrd, Ms. Lawrence, Ms. Dodenhoff, Mr. Parham, Ms. Brunelli, Dr. Hogue, Dr. Plyler, University Chancellors, Mrs. Hanna, Mr. Heath, Ms. Mills, Mrs. Lamb, Mr. Waddell, and Ms. Girton.

Return to Open Session

I. Contracts Valued in Excess of \$250,000: Chairman Loadholt called on Mr. Parham to present the contracts.

A. Student Marketing Programs 2011-2012: The University Office of Undergraduate Admissions sought Committee approval of a contract with Royall and Company under which Royall would provide what was known as a Student Search Lead Generation and Student Search Rapid Response Fulfillment Program.

Mr. Parham explained that each year, the University began the process of identifying high school students that it would want to recruit. Royall provided this service for the University in the form of a proprietary, turnkey student identification and recruitment program that was unique in higher education. Under the contract, USC would provide Royall with a list of profiles and characteristics of high school students that it was interested in recruiting. Those characteristics included such things as GPA, test scores, year of graduation, and geographic location. Royall then would identify up to 185,000 high school students who matched those characteristics.

Once the prospective students had been identified, Royall would undertake a comprehensive communication campaign that would result in multiple e-mail blasts and regular US Postal mailings to these students designed to introduce these prospective students to USC and encourage their interest to learn more about USC. The content and form of all of these communications were pre-approved by USC and were sent to the students as if they were being sent directly by USC. The focus of these multiple communications was to have the student opt-in - that is, to send a response card or communication to USC requesting further information.

As to those students who responded, Royall would continue to generate communications to the students and also mail brochures approved by USC, currently entitled the College Students Checklist, that provided more detailed information about USC.

Royall had performed this service for USC for the past 2 years. During that time period, the response rate for USC's annual Student Search Campaign - which Undergraduate Admissions used to do itself - had increased from 3-5 percent to 15 percent. This increase mirrored the increase in the size and quality of the entering freshman classes that USC had experienced for the past few years.

Under the contract USC would pay Royall \$295,270, including all publishing and mailing costs. Royall would begin work upon approval of the contract. The contract was for a 1 year term.

Chairman Loadholt called for a motion to approve the contract. Mr. Adams so moved and Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

B. USC Upstate Ingram Property Lease: USC Upstate requested approval to enter into a real estate lease agreement with the USC Upstate Foundation. The Foundation was purchasing property located at 151 Smith Circle adjacent to the USC Upstate campus.

USC Upstate would in turn lease the property - which consists of 1.13 acres and a metal warehouse consisting of approximately 4,950 square feet - for use as a storage facility for mowers and tractors and other maintenance equipment used by the campus Facilities Management Department.

The proposed lease agreement was the standard Governmental Real Estate Lease required by the State of South Carolina. Under the lease, USC Upstate would lease the property for a period of 10 years beginning September 1, 2011 and ending August 31, 2020 at an annual rental of \$48,587.72. The rent would be paid in equal monthly installments of \$4,049.81. The annual rent represented the annual debt service the Foundation would pay to borrow the money to purchase the property.

As was standard in the Governmental Real Estate Lease, USC Upstate would be responsible for maintaining the property in good condition and repair, and for maintaining fire insurance with extended coverage for the Building in an amount not less than the actual replacement cost.

Chairman Loadholt called for a motion to approve the lease. Mr. Lister so moved and Mr. Warr seconded the motion. The vote was taken and the motion carried.

C. Athletics Contracts: Chairman Loadholt called on Mr. Parham to present the Athletics Contracts.

1. Edwin C. Holbrook - Assistant Baseball Coach: On August 6, 2010, the Board approved the hiring of Chad Holbrook as an assistant baseball coach for a 3 year term ending June 30, 2013 at an annual salary of \$160,000. The Athletics Department, with the approval of the President, now sought approval of two amendments to Coach Holbrook's contract.

First, the term of the contract would be extended for 2 years, so that the contract would now expire June 30, 2015. Second, Coach Holbrook's base salary would be increased by 10 percent to the sum of \$176,000 per year.

Chairman Loadholt called for a motion to approve the lease. Mr. Lister so moved and Mr. Warr seconded the motion. The vote was taken and the motion carried.

2. Scott Swanson - Head Volleyball Coach: The Athletics Department sought approval of an employment agreement for head women's volleyball coach Scott Swanson. Under the agreement, Coach Swanson will be employed for a 5-year period ending February 29, 2016 at an annual base salary of \$100,000.

Coach Swanson would be eligible to earn incentive compensation based on the standard provisions developed by the Athletics Department for Olympic Sport Head Coaches. Under the contract, Coach Swanson would also be provided a vehicle.

The contract was standard in form and provided the usual rights for the University to terminate for cause. The University could also terminate without cause at any time, in which case the University would be obligated to pay Coach Swanson a sum equal to half of his base salary for one year only.

Coach Swanson could terminate the contract at any time, in which case he would be obligated to pay the University the same amount - that was, half of his base salary for one year.

Chairman Loadholt called for a motion to approve the lease. Mr. Lister so moved and Mr. Warr seconded the motion. The vote was taken and the motion carried.

3. Amendment to Athletics Director Eric Hyman's Employment Agreement:

Chairman Loadholt called for a motion that "the contract of Athletics Director Eric Hyman be amended to increase his annual compensation by \$75,000 per year payable from Athletics Departments Funds, effective immediately."

Mr. Adams so moved and Mr. Lister seconded the motion. The vote was taken and the motion carried.

D. Under Armour Sponsorship: On April 13, 2007, the Board of Trustees approved a contract between the Athletics Department and Under Armour under which Under Armour became the official provider of equipment and apparel for the football program. That contract was for a 6 year term ending March 31, 2013. Separately, the baseball program had a pre-existing agreement with Under Armour to provide apparel for baseball.

The Athletics Department now sought approval of a new agreement with Under Armour which would replace the existing agreements and under which Under Armour would be the official outfitter of all sports at USC.

With the new agreement, Under Armour would provide equipment, accessories and apparel to be worn by the University's athletics teams, coaches, and staff. This was a "head-to-toe" agreement - that is, Under Armour would outfit the teams with equipment and apparel that they manufactured from "head-to-toe" - with limited exception such as certain baseball equipment that was covered under an existing agreement Coach Tanner had with Rawlings.

The initial term of the contract will be 6 years beginning July 1, 2010 and ending June 30, 2016. The term would automatically extend for an additional period of 4 years unless either party provided 120 days written notice prior to the expiration of the initial term.

During each year of the contract, Under Armour would pay the Athletics Department an Annual Rights Fee: beginning in contract year July 1, 2010 - June 30, 2011, at \$900,000 and escalating to \$1,200,000 in contract year July 1, 2015 - June 30, 2016. Payment would be made in equal quarterly installments on July 1, October 1, January 1, and April 1.

The contract also provided that the annual rights fees would be increased by \$25,000 in any year in which the University was in the Top 15 in the sale of university apparel as determined by Collegiate Licensing Company - the University's licensing agent.

In addition to the rights fee paid by Under Armour, during each year of the contract, the Athletics Department would have a Product Allowance right to order, at no

cost, Under Armour equipment, accessories and apparel valued at \$950,000 the first contract year, and up to \$1,100,000 the last year.

Additionally, the contract provided another direct financial benefit to the Athletics Department. During each year of the contract, Under Armour would pay the Athletics Department bonus compensation based on team successes.

Finally, with respect to financial benefits to the athletics department, during each year of the contract, Under Armour would provide marketing support to advertise and promote the accomplishments of our athletics teams and Under Armour's relationship with the athletics teams. They would pay \$125,000 per year for the first three years and \$150,000 for the remaining three years.

The University's obligations to Under Armour are the same as under the existing contract. The athletics teams, coaches and staff would wear and use Under Armour products exclusively at all practices, games, camps, clinics, media interviews, press conferences, coaches shows and public appearances when speaking for or acting as a representative of the team. Under Armour would continue to be designated as the "Official Outfitter," "Preferred Outfitter," or Selected Outfitter" of South Carolina Athletics." Each head coach would be available two days per year to make personal appearances on behalf of Under Armour or to participate in the production of marketing, advertisement or promotional materials for Under Armour, subject to availability. Under Armour would pay all costs and expenses associated with such appearances. The Athletics Department would also provide Under Armour with the various tickets and parking passes, as outlined in the contract. The termination clause would not change from the previous contract.

Chairman Loadholt called for a motion to approve the contract. Mr. Lister so moved and Mr. von Lehe seconded the motion. The vote was taken and the motion carried.

II. Interim Appointment of Hugh Mobley to Committees:

Chairman Loadholt called for a motion to appoint Mr. Mobley to the Audit and Compliance Committee and the Student Trustee Liaison Committee.

Mr. Adams so moved and Mr. Warr seconded the motion. The vote was taken and the motion carried. Chairman Loadholt had already appointed Mr. Mobley to the Ad Hoc Committee on Legislative Relations.

III. Board of Visitors Appointment:

Secretary Stepp reported that Mr. Mobley had respectfully requested Mr. Tony Gilreath as his designee on the Board of Visitors. Chairman Loadholt called for a motion to approve the appointment.

Mr. Adams so moved and Mr. Lister seconded the motion. The vote was taken and the motion carried.

IV. Adjournment:

Since there were no other matters to come before the Committee, Chairman Loadholt declared the meeting adjourned at 1:00 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary