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University of South Carolina
BOARD OF TRUSTEES

August 8, 2014

The University of South Carolina Board of Trustees met at noon Friday, August 8, 2014, in the Board Room at 1600 Hampton Street.

Members present were: Mr. Eugene P. Warr, Jr., Chairman; Mr. John C. von Lehe, Jr., Vice Chairman; Mr. Chuck Allen; Mrs. Paula Harper Bethea; Mr. J. Egerton Burroughs; Mr. Mark W. Buyck, Jr.; Mr. Thomas C. Cofield; Mr. A.C. "Bubba" Fennell; Dr. C. Edward Floyd; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Mr. Miles Loadholt; Mr. Hubert F. Mobley; Ms. Leah B. Moody; Dr. C. Dorn Smith III; Mr. Thad H. Westbrook; Mr. Mack I. Whittle, Jr.; Mr. Charles H. Williams; and Dr. Mitchell M. Zais. Mr. William C. Hubbard was absent.

Also present were faculty representative Dr. James H. Knapp and student representative Lindsay Richardson.

Others present were: President Harris Pastides; Secretary Amy E. Stone; Chief Operating Officer Edward L. Walton; General Counsel Walter "Terry" H. Parham; Chief Financial Officer Leslie Brunelli; Vice President for Student Affairs Dennis A. Pruitt; Vice President for Information Technology William F. Hogue; Vice President for Human Resources Chris Byrd; Vice President for Development and Alumni Relations Jancy Houck; Vice President for Facilities and Transportation Derrick Huggins; Athletics Director Ray Tanner; Chief Communications Officer Wes Hickman; Associate Vice President for Business Affairs, Division of Administration and Finance, Helen T. Zeigler; University Foundations Executive Director Russell H. Meekins; Executive Director, Audit and Advisory Services, Pam Doran; Executive Director, Office of Economic Engagement, William D. "Bill" Kirkland; Director of State Relations Trey Walker; Director of Government and Community Relations and Legislative Liaison Shirley Mills; Executive Assistant to the President for Equal Opportunity Programs Bobby D. Gist; Senior Vice Provost and Dean of Graduate Studies Lacy Ford; Chief of Staff, President's Office, J. Cantey Heath Jr.; Palmetto College Chancellor Susan A. Elkins; USC Upstate Chancellor Thomas Moore; USC Aiken Chancellor Sandra J. Jordan; Associate Vice President for Administration and Finance and Medical Business Affairs Jeff Perkins; College of Arts and Sciences Dean Mary Anne Fitzpatrick; Deputy Athletics Director Charles

Waddell; Executive Associate Athletics Director Kevin O'Connell; Chief Financial Officer, Athletics Department, Jeff Tallant; Senior Associate Athletics Director, Development and Gamecock Club, Jeff Crane; Director of Facilities Design and Construction Jeffrey D. Lamberson; Director of Academic Programs, Provost Office, Kristia H. Finnigan; University Educational Foundation Chairman C. John Wentzell; University Development Foundation Chairman Joseph Reynolds; General Manger of Colonial Life Arena Lexie Boone; wife of Board member Miles Loadholt, Ann Loadholt; First Lady Patricia Moore-Pastides; USC Alumnus Matt Fligg; University Technology Services Production Manager Matt Warthen; and Board staff members Debra Allen and Terri Saxon.

I. Call to Order

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. Mr. Hickman introduced Jamie Self with *The State* as the only member of the news media in attendance.

II. Welcome and Introductions

Chairman Warr welcomed Mrs. Bethea to her first full Board meeting. He also welcomed John Wentzell, chairman of the USC Educational Foundation, and Joe Reynolds, chairman of the USC Development Foundation. Chairman Warr then recognized USC alumnus Matt Fligg, a retired high school football coach whose father had coached football at USC.

III. Invocation

Chairman Warr invited Father Paul Sterne, the chaplain with the University's C.S. Lewis Student Center and St. Theodore's Anglican Chapel, to deliver the invocation.

Chairman Warr stated that there was a personnel matter appropriate for Executive Session. Chairman Warr called for a motion to enter Executive Session. Mr. Whittle so moved and Dr. Smith seconded the motion. The vote was taken and the motion carried.

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

Executive Session

Return to Open Session

IV. Approval of Minutes

The following six sets of minutes were presented for approval:

- A. Called Health Affairs Committee, June 12, 2014
- B. Intercollegiate Athletics Committee, June 13, 2014
- C. Audit and Compliance Committee, June 13, 2014
- D. Academic Affairs and Faculty Liaison Committee, June 13, 2014
- E. Executive Committee, June 20, 2014
- F. Board of Trustees, June 20, 2014

Chairman Warr stated that the six sets of minutes stood approved as submitted with the exception of the June 13 meeting of the Academic Affairs and Faculty Liaison Committee in which Mr. Fennell needed to be included as being present for the meeting.

V. Committee Report: Executive Committee
(The Honorable Eugene P. Warr, Jr. reported)

A. Personnel Matter

On behalf of the Executive Committee, Chairman Warr made a motion to approve the following compensation increases for President Harris Pastides and to request that the USC Foundations fund the increases:

1. Increase President Pastides' annual supplement from the USC Foundations to \$503,800
2. Provide President Pastides a retention bonus paid by the USC Foundations in the sum of:
 - \$100,000 on July 1, 2015, if he is employed as the University's president on that date
 - \$100,000 on July 1, 2016, if he is employed as the University's president on that date.

Chairman Warr stated that the motion was made with the understanding that the president serves at all times at the pleasure of the Board of Trustees. Mr. Allen seconded the motion. The vote was taken and the motion carried.

B. Contracts

Chairman Warr said that during the Executive Committee's meeting earlier in the day four Indefinite Delivery Contracts were approved, as well as three other contracts, all of which exceeded \$250,000. The Indefinite Delivery Contracts were with GMK Associates, Inc.; Mechanical Design, Inc.; RMF Engineering, Inc.; and Swygert & Associates, LTD. The other contracts included an amendment to the University's cable services contract with Campus Televideo, Inc.; a contract on behalf of the Athletics

Department with Fund Raisers, Ltd. for specialty pavers; and a contract with AIG to provide health and accident coverage for students registered in the University's English Program for Internationals.

Chairman Warr said that the Executive Committee also approved five contracts for recommendation to the full Board for action. These were:

1. Springer Agreement

On behalf of the Executive Committee, Chairman Warr moved approval of a License Agreement with Springer Customer Service Center, LLC, under which the Columbia campus will receive internet access to designated online journals for a five-year period at a total cost of \$2,861,112.

Mr. Burroughs seconded the motion. The vote was taken and the motion carried.

2. Greenville Hospital System-USC School of Medicine Greenville

On behalf of the Executive Committee, Chairman Warr moved approval of Addendum A to the Master Memorandum of Understanding for Cooperation of Services Exchange between the USC School of Medicine Greenville and the Greenville Hospital System confirming the budgeted value of professional services and non-personnel expenses to be provided by the Greenville Hospital System for 2014-2015 in the sum not to exceed \$13,459,092.

Mr. Mobley seconded the motion. The vote was taken and the motion carried.

3. McNair Foundation Gift Agreement

On behalf of the Executive Committee, Chairman Warr moved approval of the First Amended and Restated Gift Agreement with The Robert and Janice McNair Foundation to Establish the McNair Scholars Fund at the University of South Carolina. This agreement restates the original 1998 Gift Agreement, as amended in 2007, formally renames the "McNair Finalists" as "Horseshoe Scholars," provides that the corpus of the McNair Foundation Funds set aside for the McNair Scholars Program will be transferred to the USC Foundation within five years of the death of the latter of Mr. and Mrs. McNair or, if later, when the fair market value of the Fund equals \$30 million, and provides that the McNair Foundation may review and revise the agreement every five years.

Mrs. Bethea seconded the motion. The vote was taken and the motion carried.

4. Academic Partnerships, LLC

On behalf of the Executive Committee, Chairman Warr moved approval of a five-year agreement with Academic Partnerships, LLC, under which Academic Partnerships will receive the exclusive right to convert education materials developed by the University to an online format and market the materials internationally on behalf of the University as non-degree credit Specialization (Certificate)

Programs. The University and Academic Partnerships will each receive 50 percent of tuition and fees collected for Specialization Programs in which Academic Partnerships recruits students directly. For Specialization Programs offered through a host institution, the University and Academic Partnerships will split evenly net revenues received after deductions for fees and costs charged by the host institution.

Mr. Westbrook seconded the motion. The vote was taken and the motion carried.

5. Global Spectrum, LP

On behalf of the Executive Committee, Chairman Warr moved approval of an extension of the Management Agreement between the Athletics Department and Global Spectrum for the management of the Colonial Life Arena for a period not to exceed one year, ending June 30, 2015. During the extension period, Global Spectrum will receive a management fee of \$10,000 per month and have the opportunity to earn incentive fees as outlined in the extension agreement.

Mr. Fennell seconded the motion. The vote was taken and the motion carried.

III. Capital Campaign Update

Chairman Warr called on Jancy Houck who provided an update on the success of the Carolina's Promise Capital Campaign, which as of June 30, 2014, had raised \$870,855,302 toward its one billion dollar goal. She reminded Trustees that the billion dollar club of colleges and universities is very small. In reality, she said, there are 38 colleges and universities currently in campaigns with goals of a billion dollars or more; 25 of which have goals of between one and two billion, and 7 of which have goals in excess of \$4 billion.

She told Trustees that it is a good time for the University to be campaigning, as giving was up nationally last year by 4.4 percent to \$335 billion across the country. Gifts to education are accounting for an increasingly larger share of those dollars, giving to higher education was up by 7.4 percent in 2013. Wealth is growing to pre-recession levels, which bodes well since very large gifts are required to achieve success at the billion dollar level, and there are now 40,000 households in the U.S. with wealth in excess of \$50 million.

The impact on philanthropy can be seen through the raising of mega gifts of \$25 million or more. Virtually every week throughout the country, she said, there is a gift of that size or more that is announced. She showed a chart showing the impact of large gifts on the University's campaign on a year-by-year basis, indicating that in 2014, the University reached \$116 million without any eight-figure gifts. She said that in the final year of the campaign when \$130 million is needed to meet the University's goal, she hoped to have one or more eight-figure gifts to propel the campaign past the \$1 billion goal.

Ms. Houck reported that for Fiscal Year 2014 the Development Office processed 176,695 gift transactions from 41,396 donors, noting that the division's 40 gift officers conducted 4,702 personal visits with prospects. She said that of the 441 proposals of \$25,000 or more that were submitted, 163 or 36 percent were funded by donors during the past year. The success rate is within the benchmark range of successful universities, where development officers close between 30 to 40 percent of gifts for which they ask. In the last year of the campaign, she said more donors would be visited and more gifts requested so that in maintaining a 36 percent success rate, the University would do well.

Since the Carolina's Promise Campaign began, Ms. Houck said that there has been consistent success year-to-year compared to most campaigns that average more ups and downs from year-to-year over a multi-year campaign. As of June 30, 2014, she said the University had received gifts from more than 114,000 donors, yet 107 of those donors accounted for 53 percent of the campaign's success.

Ms. Houck indicated that proximity has been an important part of the campaign, indicating that the 82,552 donors are from South Carolina, 41,597 are from out-of-state, and 347 are international. She next discussed the constituency groups that have donated to the campaign, indicating that 80,983 alumni have donated more than \$250 million. Corporate giving is down nationally and the University's success in this arena – donations exceeding \$250 million – reflects a couple of very large gifts-in-kind.

As of June 30, 2014, Ms. Houck said that 47 percent of all funds raised through the campaign have been in the form of cash gifts, with the balance almost equally divided among gifts-in-kind, outstanding pledges, planned gifts, and research. Of the money raised last year: 33 percent was for scholarships, assistantships and fellowships; 43 percent was for research and outreach activities; while the balance was divided among capital projects, unrestricted donations, and faculty support in the form of endowed professorships and chairs.

With just 11 months to go to the end of the campaign, Ms. Houck indicated that the University will need to raise \$10,763,000 per month until June 30, 2015. She encouraged Trustees to introduce potential donors to the Development Office staff and to tell donors about the impact of their donations on student scholarships, faculty research, and the new facilities that will make it possible for the University to accomplish great things in educational programs.

To put Ms. Houck's report in perspective, Dr. Zais noted that the University had raised nearly a half million dollars a day, five days a week, 50 weeks a year for seven years – a remarkable accomplishment, he said offering his congratulations. Mr. Westbrook also congratulated the President for his work in maintaining the reported level of momentum throughout the campaign.

IV. Report of the University Foundations

Chairman Warr called on Russ Meekins who made a brief report in response to a newspaper editorial about how foundations might operate at other universities. To clarify how the USC Foundations operate, Mr. Meekins said that they do not accept state assets or laundry money. Operations are transparent and run with integrity. He recognized Joe Reynolds, chair of the Development Foundation, and John Wentzell, CPA, chair of the Educational Foundation. There are about 25 board members on each foundation watching over operations, including Trustee Mark Buyck on the Development Foundation and Trustee Wes Jones on the Educational Foundation. The purpose of the USC Foundations is to support the University, but that did not mean operating in less than a prudent manner. As far as transparency, the USC Foundations believe that transparency breeds integrity. The USC Foundations' informational tax returns (990s) are posted on the internet, along with their audits and quarterly investment returns. Mr. Meekins said that the only items kept confidential are contracts in negotiation and donor names when permission is not given to release them.

Mr. Meekins also told Trustees that about 17 years ago, the USC Foundations formed the S.C. Higher Education Foundation Group to exchange information about best practices. The group meets about three times a year and recently foundations representing institutions in North Carolina and Georgia have attended the meetings.

Mr. Meekins reported that the USC Foundations have a pooled portfolio with \$392 million in it from the Development Foundation, Educational Foundation, Alumni Association, Business Partnership Foundation and the USC Lancaster Educational Foundation. The money is pooled to save on fees and to achieve a coherent investment strategy. There are six volunteer alumni who form the USC Foundations' Investment Oversight Committee. Chaired by Alan Wright, the committee is helped by Jim Barrow. Mr. Barrow, originally from Bishopville, S.C., runs a large firm in Dallas called Barrow Hanley that manages value equity and fixed income portfolios.

For the third straight year, Mr. Meekins said, USC is number one in the Southeastern Conference in investment returns. For the period ending June 30, 2014, USC Foundations had a return of 19.8 percent. Over the past five years the USC Foundations experienced a 14.4 percent return by following the direction of its equity-biased Investment Committee, while the highest Ivy League school's return was Columbia University with 8.6 percent. He noted that Harvard, which recently fired its chief investment officer, had an average return over the past five years of 1.8 percent. The 10-year return for USC Foundations is 7.3 percent.

Mr. Meekins reported on the Development Foundation's West Campus residence hall project, which he said was progressing on schedule. He noted that the first elevated floor was scheduled to be poured the second week of August, with the 500-bed facility scheduled to open late July 2015. A second 300-bed facility will open by July 2016.

V. Report of the President

Chairman Warr called on President Pastides who thanked Trustees for another outstanding meeting, noting that "in partnership we continue to advance." He continued:

Once again, summer seems to travel at a different rate of speed than the rest of the year; funny how that is, how quickly it has come and gone.

Tomorrow we'll enjoy another cherished commencement at our University as we will graduate 1,450 new, young people that will become our alumni systemwide.

As usual, we will have a rich offering of honorary degree recipients and a phenomenal commencement speaker Mr. Leif Maseng. He is one of a declining number of Americans who ensured our freedom on June 6, 1944, otherwise known as D-Day. We also will be honored to recognize our very own Kyle Carpenter who will be on the platform – a Medal of Honor winner, marine – you've heard about his exploits. I can't imagine it will be anything other than a standing ovation for Corporal Carpenter.

Some of you joined us for the Alumni Center topping off on July 31. What a beautiful morning it was. Thank you Paula Harper Bethea for taking on the leadership of My Carolina. Of course before you there was William Bethea, Bubba Fennell, Amy Stone, Lee Bussell, and Eddie Brown, and now you, Paula. Carolina could not have been served by a better group of alumni leaders during these extraordinary years of growth for our University. I can't wait to help you, Paula, and all former alumni association presidents to cut the ribbon on our new Alumni Center next fall.

Speaking of ribbon cuttings, on July 29 we cut the ribbon for our new clinical training site of the USC School of Medicine in Florence. This marks the important growth and impact of the USC School of Medicine Columbia into the Pee Dee area. Our partners there are the Carolinas Hospital System, McLeod Medical Center and Francis Marion University.

And, we look forward to our Law School groundbreaking, set for Friday, September 26.

All over campus, we've been busy this summer with constructing and renovating. We'll be completing the Darla Moore School of Business, the Women's Quad renovation is ending, the Greene Street pedestrian safety project, and the Petigru entry plaza is essentially done – you'll be seeing that with me this afternoon. All over campus, Athletics and grounds maintenance projects in anticipation of the return, or onslaught, of new students.

Of course there will continue to be work into 2015. We will continue with the ongoing renovation of the Health Sciences Building, which will be the new home for the School of Journalism;

the renovation of Hamilton for the College of Social Work and for Arts & Sciences; and the Indoor Football Practice Facility and many, many other projects.

We had a great summer in terms of educating. Our students continue to progress “On *Their* Time.” This summer semester we had 18,091 seats filled on the Columbia campus, which is a 14 percent increase over 2013 and we will have even more next summer. You know, the General Assembly allowed students to attribute their Lottery Education Scholarship in the summer, but the news came out a little too late for many [to use this year] so next summer there will be a spike in summer attendance.

You will be pleased to know that in terms of intellectual property as can be gauged by patents that are filed and new businesses that start up, USC is currently ranked 68 worldwide in terms of patents that were granted to our constituents in 2013. We were the fourth leading institution in the Southeastern Conference and had a higher ranking than great universities like Harvard and Yale.

Our Technology Incubator drew the attention of Inc. Magazine and was named one of the “top three university-based incubators in the United States to watch.” The incubator currently supports 51 active companies of which 46 percent are minority owned, 80 percent of the companies are USC affiliated. Seven companies will be graduated next week.

There is great research funding news, as well. Vice President [Prakash] Nagarkatti could not be here today, but our funding totals for FY2014 are over \$230,202,847. A 4.5 percent increase over FY2013. Federal grants – their highest ever – at \$150 million. NIH grants at the highest ever at \$ 43 million.

USC Student Government President Lindsay Richardson is being highlighted by MSNBC as one of the great young women in politics, in the Women in Politics: College Edition. She was selected as a leader making a difference not only through key issues on campus, but in bridging the gender gap in politics. Help me congratulate Lindsay Richardson!

Yesterday was a big day in collegiate athletics, in my opinion. The Division I Board passed a set of comprehensive governance reforms that will facilitate us and the other 65 universities in what are being called the five power conferences [to enact changes that] will allow more resources to be used to take even better care of our phenomenal student-athletes. It won’t fix every societal problem around big-time college athletics but it will help us make a giant step in a better direction. I couldn’t be more pleased to be part of the Southeastern Conference today, not only because of our athletic success but because I know personally that every institution in that conference is committed to playing the game the right way; lot of integrity in that conference. And, we’re just a couple of short weeks away from kicking off on August 28 and having us be the first telecast football game on the new network.

Before then, and even more important, just nine days from now, on August 17, we’ll celebrate convocation. We’re going to have the best class of freshmen ever; I say that every year, but it is true. Fifty-four percent of them will be women; there are 19 sets of twins who will enroll in the freshman class; and one set of triplets this year. Forty-five states and the District of Columbia are represented by the freshman class, with 28 countries sending us their best and brightest.

And the day after convocation, August 18, we have the First-Year Reading Experience; a discussion with students about Dave Eggers' book, *The Circle*. Mr. Eggers will be here with us that day. *The Circle* is a futuristic look at privacy, or maybe better stated, the lack of privacy. But reading this morning's paper, I think the future isn't that far away with respect to privacy issues.

I look forward to being with some of you as we present the State of the University on September 4 on the Horseshoe.

Finally, today, August 8 is the day I became president in 2008. And, I am so happy to see Chairman Emeritus Herbert Adams here with us today. Please stand and receive our recognition. Herbert Adams was the Board Chair who offered me the job, Miles Loadholt was the Vice Chair at the time and I remember that day sentimentally today. So as I start my seventh year with you, I thank you Mr. Chairman and the rest of the Board for your confidence in me.

I'm bullish about our future. We've got problems, as we've talked about and we will always talk about, but I look forward to the years ahead, together with you. My goal is that the next few years will be the best ever in the University's history.

VI. Board of Visitors Election

Chairman Warr said that nominations for appointments to the Board of Visitors had been received and posted on the Board Portal for review prior to the meeting. He called for a motion to elect those nominated [Exhibit A]. Dr. Smith so moved. Mr. Jones seconded the motion. The vote was taken and the motion carried.

VII. Election of Permanent Chairman

In response to a call for nominations for the election of a permanent chair of the Board of Trustees for the next two years, Mr. Westbrook nominated Mr. Warr and Mr. von Lehe seconded the motion. Mr. Whittle called for nominations to be closed. Dr. Smith seconded the motion. The vote was taken and the nominations were closed. The vote to elect Mr. Warr to two-year term as permanent chair of the Board of Trustees was taken and passed unanimously.

VIII. Election of Vice Chairman

Chairman Warr called for nominations for Vice Chairman. Dr. Smith nominated Mr. von Lehe and Mr. Lister seconded. The nominations were closed, the vote was taken and the motion carried unanimously.

IX. Election of Executive Committee Members

Chairman Warr called for nominations of three Trustees to join the Board's Chairman, Vice Chairman and Chairman Emeritus as members of the Executive Committee. Mr. Loadholt nominated Mr. Lister and Mr. Jones seconded; Mr. Buyck nominated Dr. Floyd and Mr. Allen seconded; and Mr. Mobley

nominated Mr. Hubbard and Mr. Jones seconded. There were no further nominations and the motions to elect Mr. Lister, Dr. Floyd and Mr. Hubbard were taken and the motions carried unanimously.

X. Other Matters

Chairman Warr called on Secretary Stone for several announcements. She reminded Trustees that as required by Board Bylaws, a copy of the Conflict of Interest Policy was provided to Board members along with a reporting form for those who might need to submit information related to a potential conflict. She asked that each Trustee sign the Conflict of Interest Policy Statement confirming they had received and read the information; and return the signed statement to the Board Office.

Secretary Stone also asked that Trustees complete a form to stipulate annual election of per diem and mileage reimbursement. She indicated that this is a new form being used by the Board Office since some Trustees have opted not to receive reimbursements.

Secretary Stone noted that the 2015 Meeting Schedule had been provided and that the information also had been placed on the Board Portal calendar. She said that the January 22-23, 2015, Board Retreat discussed earlier in the day would be added to the calendar.

Secretary Stone reminded everyone that the van would leave The Inn at 6:50 p.m. to transport Trustees to the commencement dinner. And that the van would depart from The Inn at 7:45 a.m. the next morning to take Trustees to the first of two commencement ceremonies.

She then told Trustees that the bus was waiting for them on Hampton Street to take them for a tour of the new Darla Moore School of Business and the newly renovated Petigru.

XI. Adjournment

When there were no other matters to come before the Board, Chairman Warr declared the meeting adjourned at 1:35 p.m.

Respectfully submitted,

Amy E. Stone
Secretary