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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

October 18, 2007

The Executive Committee of the University of South Carolina Board of Trustees met on Thursday, October 18, 2007, at 1:30 p.m. in the 1600 Hampton Street Board Room.

Members present were: Mr. Herbert C. Adams, Chairman; Mr. James Bradley; Dr. C. Edward Floyd; Mr. Miles Loadholt; and Mr. Mack I. Whittle, Jr. Mr. Michael J. Mungo was absent. Other Trustees present were: Mr. William L. Bethea, Jr.; Mr. Mark W. Buyck, Jr.; Mr. John W. Fields; Mr. Samuel R. Foster II; Mr. William W. Jones, Jr.; Mr. Toney J. Lister; Mr. M. Wayne Staton; Mr. John C. von Lehe, Jr.; Mr. Eugene P. Warr, Jr.; and Mr. Othniel H. Wienges, Jr.

Others present were: President Andrew A. Sorensen; Secretary Thomas L. Stepp; Executive Vice President for Academic Affairs and Provost Mark P. Becker; Vice President for Research and Health Sciences Harris Pastides; Vice President for Student Affairs and Vice Provost for Academic Support Dennis A. Pruitt; Vice President and Chief Financial Officer Richard W. Kelly; Vice President for Advancement Brad Choate; Vice President for Human Resources Jane M. Jameson; General Counsel Walter (Terry) H. Parham; Assistant Vice Provost for Academic Affairs William T. Moore; Vice Provost and Executive Dean for Regional Campuses and Continuing Education Chris P. Plyler; Dean of USC Lancaster John Catalano; Dean of USC Salkehatchie Ann Carmichael; Dean of USC Sumter C. Leslie Carpenter; Dean of USC Union Hugh Rowland; Executive Dean of the South Carolina College of Pharmacy, Joseph T. DiPiro; Dean of the College of Arts and Sciences Mary Anne Fitzpatrick; Dean of the College of Nursing Peggy O. Hewlett; USC Campus Dean of the South Carolina College of Pharmacy Randall C. Rowen; Assistant Dean for Financial Services and Athletic Director, USC Salkehatchie, Larry S. West; Assistant Treasurer Susan D. Hanna; Controller Patrick Lardner; Director of Athletics Eric C. Hyman; Director of the Department of Internal Audit Alton McCoy; Trustee Emerita Helen C. Harvey; Former Lt. Governor W. Brantley Harvey, Jr.; Special Assistant to the President and Athletics Johnny D. Gregory; Director of Governmental and Community Relations Shirley Mills; Director of the Office of University Communications, Division of University Advancement, Russ McKinney, Jr.; Board staff members Terri Saxon, Vera Stone, and Karen Tweedy; and members of the media.

Chairman Adams called the meeting to order and asked Mr. McKinney to introduce members of the media who were in attendance. Chairman Adams 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 Adams stated that there was a contractual matter which was appropriate for discussion in Executive Session. Mr. Bradley moved to enter Executive Session. Mr. Whittle seconded the motion. The vote was taken, and the motion carried.

Chairman Adams recognized Trustee Emerita Helen Harvey and former Lieutenant Governor W. Brantley Harvey, Jr.; he invited them to remain in Executive Session.

The following persons were invited to remain: Dr. Sorensen, Mr. Stepp, Dr. Becker, Dr. Pastides, Mr. Kelly, Dr. Hogue, Mr. Choate, Dr. Pruitt, Ms. Jameson, Dr. Plyler, Mr. Parham, Mr. Gregory, Ms. Mills, Mr. McCoy, Mr. McKinney, Mrs. Saxon, Ms. Stone, and Ms. Tweedy.

Return to Open Session

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

A. The Wedge Property: Chairman Adams called on Mr. Kelly who reported that he had been working over a year on the process for a new lease on the Wedge Property; he had received six proposals from interested parties. After reviewing each proposal, the administration met with five of the proposers to explore their backgrounds, proposed use of the property and financial terms. From that process, the administration concluded negotiations with a proposer who would be forming an LLC for purposes of entering the lease. These two individuals, Daniel E. Youngblood and Larry Brotherton, were successful businessmen and community leaders from Easley, South Carolina. The LLC that had been filed with the Secretary of State for this undertaking was called Cuneus, LLC.

Mr. Kelly stated that they had proposed to us \$125,000 per year for the next 10 years to be used in two different ways. The first would be \$65,000 per year which would be available annually for the maintenance and operation of the plantation itself and would be called the "Maintenance Fund." The balance of \$60,000 per year would be used for caring for the structures themselves, such as capital improvement needs.

Mr. Kelly stated that Mr. Brotherton and Mr. Youngblood had agreed to advance the first five years of the \$60,000 for facilities maintenance upfront. This \$300,000 would address the current structural and capital needs of that property. After five years, the funds would continue in annual amounts of \$60,000 or the University could revisit the issue and, if there were other major needs, they could be addressed at that time.

In addition, the proposers had asked that the University work with the Development Foundation and that these funds be deposited into the Foundation so they could receive potential recognition for a gift/credit. Mr. Kelly stated that this would not affect the University but would give the company an opportunity to get a tax credit for their contributions.

Mr. Kelly informed members that Mr. Youngblood and Mr. Brotherton wanted to use the property as a location for family retreats and as a historically significant property. Also, they would like to make available for educational purposes. He stated that these two individuals were known in their respective areas for acquiring historical properties, restoring them and giving them back to the community. He stated that there may be some hunting and fishing connected with family uses, but that would not be the main focus of their use of the property.

Mr. Kelly stated that no work would be done to the property without the approval of the University and that this proposal met a goal of having the property well maintained during the term of the lease.

Mr. Kelly stated that Liability Insurance would rest with Cuneus, LLC, and that they would be required to carry a liability policy for \$3 million per occurrence and \$5 million aggregate. The University would be responsible for maintaining fire and casualty insurance through the State Insurance Reserve Fund because this would continue to be state property throughout the Lease Agreement.

In addition, Mr. Kelly stated that the proposed Lessee had agreed that the University's research department could use the property as long as it did not conflict with Lessees' schedules or that of other historical groups.

Mr. Kelly stated that if the Board approved this lease today, this agreement was still subject to the approvals of the Joint Bond Review Committee (JBRC) and the Budget and Control Board.

Mr. Kelly stated the parties to the contract had asked for a "Right of First Refusal" should the University decide to sell the property. The state Budget and Control Board had also asked the University to add to this contract a provision that stated that the right of first refusal was also subject to all the appropriate state approvals at that given time. Therefore, this contract would be amended to add that provision as well.

Mr. Whittle inquired about where the liability would rest if there was a chemical contamination on the property. Mr. Kelly responded that the contract stated that the University would be named as an additional insured parts so that if there was a suit, Cuneus, LLC, was obligated to defend the University and their insurance would pay first. In addition, the amount of money that was covered by the insurance policy was not the extent of their limits and the University could go back against Cuneus, LLC. Mr. Kelly stated, "the University does not want to imply that we are suspicious of their character or their integrity; it's a fragile deal and we don't want it to go wrong."

Mr. Kelly explained that Section 6.1 in the contract stated that the Lessee agreed to be responsible for any and all damages to the property arising out of or resulting from Lessee's use of the property. Moreover, a timber management plan had been set up. Dr. Floyd made an inquiry regarding how much the University had already invested in this property and whether it would be a good idea to keep it. He further stated that down the line the University would have a lot of research going on and that possibly the University could have a hard time acquiring this type of property. Dr. Floyd suggested that the University convey to the Budget and

Control Board that the University was holding on to this property for the purpose of using it in the future.

Mr. Kelly stated that he had spoken to Dr. Pastides and there were some opportunities that may present themselves with the idea of holding the property for potential research use.

From an investment standpoint, this property was acquired by the University Foundation in 1981 for \$1,250,000 and in 1990 the University acquired it from the Foundation for approximately \$1,214,000. The property was appraised a year ago for \$7.6 million which showed a tremendous increase in value.

Secretary Stepp stated that the motion was to approve this contract as distributed with the specific amendment that a right of first refusal to purchase the property, should the University decide to sell it, belonged to the Lessee, and with the understanding that Mr. Kelly and Mr. Parham would talk with the proposed Lessee about the insurance arrangement which was not technically tied to changes in the Lease.

Chairman Adams called for a motion for approval of the contract as distributed in the materials for this meeting and with the amendments as stated by Secretary Stepp. Mr. Whittle so moved. Mr. Bradley seconded the motion. The vote was taken and the motion carried.

B. G. Ross Roy & Lucie C. Roy Manuscript Collection: Chairman Adams called on Mr. Parham who stated that University Libraries sought Board approval of a Sale and Gift Agreement with Dr. G. Ross Roy and Mrs. Lucie Roy to acquire their collection of Robert Burns' manuscripts, memorabilia, letters and related materials. The list of materials to be acquired was set forth in the two appendices attached to the agreement included in the agenda package.

Mr. Parham stated that Robert Burns was an eminent Scottish poet and lyricist who lived from 1759 to 1796. His famous works included poems such as "My Love is Like a Red, Red Rose." Mr. Parham stated that USC possessed the greatest collection of Robert Burns' materials outside his native Scotland. The manuscripts that were being acquired through this agreement would add to an already impressive collection maintained by our Libraries and the value of the collection had been appraised at approximately \$270,000.

Under the terms of the agreement, Dr. and Mrs. Roy would sell a portion of the collection to the University Libraries for \$135,000. The University would pay this amount in five annual installments beginning in February 2008; the Library would use internal library endowment funds to pay the purchase price. Dr. and Mrs. Roy would also gift to the University the remaining portion of the collection which was valued at approximately \$135,000.

Mr. Parham stated that the collection would be delivered to the University by Dr. and Mrs. Roy no later than January 31, 2008. The collection would not be displayed or made available to outside researchers until 2009, which would coincide with the 250th anniversary of Robert Burns' birth in Scotland.

Mr. Parham stated that Elizabeth Sudduth from the Library's Rare Books and Special Collections Department was available to answer any questions about this matter.

Ms. Moore made an inquiry as to who conducted the appraisals. Mr. Parham stated that the appraisal was attached to the agreement which was mailed with the materials for the meeting. In addition, Ms. Sudduth stated that Cooper Hay Rare Books were the appraisers. They were the most qualified appraisers for Scottish literature and arts and had over 30 years experience.

Chairman Adams called for a motion for approval of the contract as distributed in the materials for this meeting. Mr. Loadholt so moved. Dr. Floyd seconded the motion. The vote was taken and the motion carried.

C. Dorn Veterans Administration Hospital: Chairman Adams called on Mr. Parham who reported that the School of Medicine sought Board approval of a new agreement with the Dorn Veterans Administration (VA) Hospital for animal care services. Specifically, the USC School of Medicine, Department of Animal Resources would provide standard feeding, bedding, animal care and husbandry services for Dorn VA animals. These research animals would be housed at the Dorn VA Hospital.

Mr. Parham stated that the University had provided this same type of service to the VA for a number of years pursuant to contracts with the VA.

Mr. Parham stated that the term of the agreement was for a period of one year ending June 30, 2008, and was renewable for up to four additional one-year periods at the option of the VA and upon 30 days written notice to the USC School of Medicine.

Pursuant to the contract, the VA would pay the School of Medicine the following amounts:

Year 1 (9/1/07 - 6/30/08):	\$85,046.24
Year 2 (7/1/08 - 6/30/09):	\$88,185.90
Year 3 (7/1/09 - 6/30/10):	\$91,971.10
Year 4 (7/1/10 - 6/30/11):	\$95,880.80
Year 5 (7/1/11 - 6/30/12):	<u>\$99,968.40</u>
Total:	\$ 461,052.44

Mr. Parham stated that by way of comparison, the School of Medicine provided this service for the past five years (2002-2007) for a total cost of approximately \$360,000.

Chairman Adams called for a motion for approval of the contract as distributed in the materials for this meeting. Dr. Floyd so moved. Mr. Bradley seconded the motion. The vote was taken and the motion carried.

II. Board of Visitors Appointment: Chairman Adams called on Secretary Stepp who reported that under the revisions of the Board of Trustees Bylaws which were recently adopted, the Trustees appointed by the Governor could nominate an individual to serve on the Board of Visitors. Mr. Buyck had nominated Mrs. Harriett Heath Wimberly to serve on the committee.

Chairman Adams called for a motion for approval of this nominee to serve on the Board of Visitors. Mr. Bradley so moved. Mr. Loadholt seconded the motion. The vote was taken and the motion carried.

III. Report on Selection of Lead Underwriter and Financial Advisor:

Chairman Adams called on Mr. Kelly who reported that the administration had been working on financial planning for the University which culminated in a presentation to the Board by Lehman Brothers. A financial plan had been drafted and approved by the Board. In addition, the administration had worked with the State Treasurer's Office and, through them, had issued a Request for Proposal (RFP) for the services of a financial advisor and a lead underwriter. The RFP was issued on August 10th and the University had received 15 proposals.

Mr. Kelly stated that the selection committee consisted of University staff and staff from the State Treasurer's Office. Mr. Kelly stated that the Intent to Award had been issued to Lehman Brothers and the protest period would expire tonight at 5:00 p.m. Assuming that there were no protests or concerns, the contract would take effect tomorrow and Lehman Brothers would be the University's financial advisors and lead underwriters. The agreement was in place for the duration of up to five years and the contract could be renewed annually or canceled at any time based on the University's desire to work with them.

Chairman Adams stated that this report was received for information.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned at 2:00 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary