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University of South Carolina

BOARD OF TRUSTEES

Executive Committee

August 25, 2005

The Executive Committee of the University of South Carolina Board of Trustees met on Wednesday, August 25, 2005, at 4:35 p.m. by telephone conference call in Osborne Building Room 206D.

Members present were: Mr. Herbert C. Adams, Chairman; Dr. C. Edward Floyd; and Mr. Miles Loadholt. Members absent were: Mr. James Bradley, Mr. Michael J. Mungo; and Mr. Mack I. Whittle, Jr.

Others present were: Secretary Thomas L. Stepp; Vice President and Chief Financial Officer Richard W. Kelly; and General Counsel Walter (Terry) H. Parham.

Chairman Adams called the meeting to order and invited Board members and others in attendance to introduce themselves. Secretary Stepp indicated that no members of the media 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 had been circulated to members of the Committee; and a quorum was present to conduct business.

Chairman Adams directed the attention of the Committee to the main agenda item and called on Mr. Kelly.

I. Subcommittee Report on Application of Savings of Series 2005 Refunding

Bonds: Mr. Kelly stated that during the June 23, 2005, Board of Trustees meeting, the University had recommended that four bond series be refunded: a 1995 series parking bond; and the 1996, 1997, and 2000 series housing bonds (the 1997 series were USC Upstate housing bonds). It was estimated that the value of the savings of refunding the bonds would total approximately \$290,000 present value savings annually or \$4,005,948 collectively.

Mr. Mungo had asked whether the University should return this money to the operating budgets or consider the possibility of buying out the terms of those particular bond series.

During the June 23rd meeting, the Board of Trustees had approved a subcommittee composed of Mr. Bradley, Mr. Mungo, and Mr. Whittle to review the University's recommendations regarding various bond refunding options. Mr. Kelly indicated that he and a representative from A.G. Edwards had reviewed the information with these three individuals via telephone as well as forwarding

materials to them recommending the refinancing of the bonds rather than buying off the maturity dates.

By taking the cash, the University would save approximately \$5 million in value. It had been recommended to the subcommittee that the University return the 1995 series parking revenue bond money of \$25,000 per year to the Parking operating budget; the 1997 series USC Upstate money of \$20,000 per year to that campus's housing budget; and place the two savings from the Columbia housing bonds (\$167,851 for the 1996 series and \$76,652 for the 2000 series) in an escrow account to be used toward the upcoming construction of the new Honors College housing in 2008. By escrowing this money, the University would be in a position to reduce its borrowing needs by \$4.5 million.

Therefore, the University was seeking Executive Committee approval on behalf of the Board of Trustees to adopt the following motion:

The administration of the University should address the Board's prior discussion about the application of savings from the refunding of certain parking and housing bond issues by using the savings from the proposed 2005 Refunding Series A Bonds as follows:

the savings from the prior 1995 parking bonds and the 1997 USC Upstate housing bonds will be returned respectively to the parking and USC Upstate housing operating funds, and

the savings from the 1996 and 2000 Columbia housing bonds (new debt service of \$66,503,356) will be put in an escrow account to reduce the cost of future housing bond needs.

Mr. Loadholt moved approval of the motion as presented. Dr. Floyd seconded the motion.

Dr. Floyd asked whether parking revenue totally financed the University's parking bond payments. In response, Mr. Kelly indicated that during a previous discussion two years ago regarding the possibility of constructing a new parking facility, Board members had directed the University to maintain a self sustaining parking operation. Any excess money generated above operating costs was funneled into street or parking area renovation projects; basically, the unit functioned on a "break even basis" with no additional funding provided by the University.

Secretary Stepp called the roll to affirm the vote which was unanimous, and the motion passed.

Since there were no other matters to come before the Committee, Chairman Adams declared the meeting adjourned at 4:45 p.m.

Respectfully submitted,

Thomas L. Stepp
Secretary