

**MINUTES**  
**FINANCE/AUDIT COMMITTEE**  
**UNIVERSITY OF SOUTHERN INDIANA**  
**BOARD OF TRUSTEES**

**May 4, 2007**

The Finance/Audit Committee of the University of Southern Indiana Board of Trustees met on Friday, May 4, 2007, in Carter Hall in the University Center. In attendance were Trustees Bruce H. Baker, Mark A. Day, John M. Dunn, and Jeffrey L. Knight. Also in attendance were Vice President for Business Affairs and Treasurer Mark Rozewski; Vice President for Governmental Relations Cynthia S. Brinker; and Vice President for Advancement Annie M. Krug.

In the absence of Chair Frank McDonald, Mr. Dunn served as chair and called the meeting to order at 1:00 p.m.

**1. REVIEW OF RESOLUTION FOR THE FINANCING OF THE DESIGN OF THE COLLEGE OF BUSINESS/GENERAL CLASSROOM BUILDING, COMPLETION OF THE LOWER LEVEL OF THE EDUCATION CENTER, AND CONSTRUCTION OF A PHYSICAL PLANT/SUPPORT SERVICES FACILITY**

Mr. Dunn called on Vice President Rozewski to review the Resolution for the Financing of the Design of the College of Business/General Classroom Building, Completion of the Lower Level of the Education Center, and Construction of Physical Plant/Support Services Facility. Mr. Rozewski reviewed with the Committee that at its meeting on January 11, 2007, the Board of Trustees selected Old National Bank to provide interim financing of \$6.6 million for the three projects. He reported that the borrowing is considered fee replacement debt, for which the state of Indiana will provide the University debt service funds within its budget. The term is five years at a variable rate set every six months over the term, according to the formula in the loan agreement. The variable rate is currently 4.025 percent. He noted that the interim financing was authorized by the Indiana General Assembly in 2005 and subsequently by the Commission for Higher Education and the State Budget Committee. The specific business terms of this borrowing have been approved by the Indiana Finance Authority and the State Budget Director, who will approve the closing. The recommended resolution is necessary to close the borrowing.

Mr. Rozewski reported that the Board of Trustees will be asked to approve the resolution in Attachment A at its meeting on May 4, 2007.

**2. APPROVAL OF RECOMMENDATION TO THE BOARD OF TRUSTEES TO AUTHORIZE LEASE OF SURPLUS EDUCATIONAL BROADBAND SERVICE CAPACITY**

Mr. Dunn called on Vice President Rozewski to review the recommendation to the Board of Trustees to authorize lease of surplus education broadband service capacity. Mr. Rozewski provided the Committee with background information regarding the proposed lease. He reported that USI has eight Education Broadband Service (EBS) Stations. The University is an FCC licensee of Educational Broadband Service (EBS) Stations WXL881 - Channels A1 and A2; WLX880 - Channels A3 and A4; and WLX878 - Channels C1 through C4, serving the area in and around Evansville. The University's licenses for these stations have been renewed by the FCC through May 2013. These stations have been surplus to the University for many years, and are currently leased until May 17, 2007.

These stations, originally called instructional television stations, were licensed to many institutions of higher education and public television stations for possible educational use. Current technology has caused programs that may have been supported by this spectrum to move to the internet. Recent changes in FCC policy about how the spectrum can be used have made it much more usable by commercial bandwidth users, and most current licensees are leasing bandwidth to the commercial users.

The University has engaged in an extensive process to determine how best to secure the maximum feasible benefit to the University of this asset, and recommends that, upon the expiration of the current lease on May 17, 2007, the stations be leased to Sprint/Nextel. Sprint /Nextel has agreed to the following terms for a 30-year agreement with a 15-year initial term and subsequent renewal options:

\$750,000 upon execution of the agreement  
\$ 18,000 per month (\$216,000 per year), escalated three percent a year  
\$ 4,500 per month Sprint/Nextel account credit

Mr. Rozewski reported that educational broadband spectrum is priced in units called "channel households", determined by multiplying the number of channels by the number of households in the service area. The University reviewed 172 current channel leases nationwide, and found this lease option to be comparable. He reported that Nextel will pay \$2.06 per channel household. The net present value is approximately \$3.5 million for the first 15 years and \$5.5 million over the 30-year term of the agreement.

Sprint/Nextel will use the bandwidth of the stations to offer a wide-area wireless network in Evansville commencing in 2009. Mr. Rozewski noted that the lease is subject to approval by the FCC.

On a motion by Mr. Knight, seconded by Mr. Baker, a recommendation to the Board of Trustees to authorize the University to enter into the above-described lease with Sprint/Nextel was approved.

### **3. OTHER BUSINESS**

Mr. Day inquired about the status of the Voluntary Employee Benefit Association (VEBA) Trust. Mr. Rozewski reported that the investment manager for the VEBA Trust will report to the committee in July 2007.

There being no further business, the meeting adjourned at 1:15 p.m.

**RESOLUTIONS OF THE  
UNIVERSITY OF SOUTHERN INDIANA BOARD OF TRUSTEES**

**WHEREAS**, the Board of Trustees (the "Board") of the University of Southern Indiana (the "University") has heretofore determined that a necessity exists to conduct preliminary planning and design for certain facilities and further to acquire, construct and equip certain facilities in Evansville, Indiana, all as described more fully in Exhibit A attached hereto (the "Projects"); and

**WHEREAS**, the Indiana General Assembly has authorized the University to proceed with the Projects through borrowings of up to \$6,600,000, plus any amounts required to fund any reserve fund, to pay costs of issuance or other incidental expenses, or to provide for underwriters' discount or original issue discount; and

**WHEREAS**, the Vice President for Business Affairs and Treasurer of the University (the "Treasurer") has negotiated with and received proposals from financial institutions for the financing of the Projects, such financing to be accomplished from proceeds of a promissory note to be issued by the University; and

**WHEREAS**, this Board has previously selected Old National Bank as purchaser of said promissory note; and

**WHEREAS**, the Board now desires to authorize the financing of the costs of designing, acquiring, constructing, and equipping the various components of the Projects;

**NOW, THEREFORE, BE IT RESOLVED** by the Board as follows:

1. The Board hereby ratifies the negotiations of the Treasurer, and hereby approves the terms and conditions for financing the Projects as set forth in the various documents set forth in paragraph 2 below.

2. The Board hereby authorizes the Treasurer (or Assistant Treasurer) to execute and deliver a Loan Agreement, Certificate of the Treasurer, Non-Arbitrage Certificate, Tax Certificate of the University, Information Return for Tax-Exempt Governmental Obligations (Forms 8038-G), and Fully Registered Promissory Note, in substantially the forms presented to and approved by the Board (Exhibit B), with those changes that the Treasurer (or Assistant Treasurer) shall approve, such approval to be conclusively evidenced by the execution and delivery thereof.

3. The Treasurer (or Assistant Treasurer) are, and each of them acting individually is, hereby authorized and directed to perform any and all further acts, to execute any and all further documents or certificates, and to publish any notices required to complete the execution and delivery of the Loan Agreement and the Fully Registered Promissory Note and the other matters referred to herein.

4. The Board hereby declares, confirms, and ratifies its official intent to advance the University's funds as needed (in an amount not to exceed \$6.6 million) for the Projects identified in Exhibit A and to reimburse such advances from proceeds of the borrowing, authorized hereby.

5. The Board hereby designates the indebtedness evidenced by the Loan Agreement and the Fully Registered Promissory Note as a qualified tax-exempt obligation under Section 265(b)(3) of the Internal Revenue Code of 1986, as amended.

## **EXHIBIT A**

### **THE PROJECT AND THE NOTE**

The Project consists of three component parts. Part I is architectural and engineering funding of \$2,046,509 for a new facility which would house the College of Business and general classrooms. Part II would complete the construction of the Education Center by finishing the lower level of the building at a cost of \$1,968,125. Part III would relocate the maintenance department and storeroom facilities out of the central physical plant building into a new facility to be constructed on the east edge of campus at a cost of \$2,585,366. The total cost of all three components parts of the Project is \$6,600,000.

## **EXHIBIT B**

The forms and documents noted in paragraph 2 of the Resolution are on file in the office of the Vice President for Business Affairs and Treasurer.