REPORT OF INTERIM ACTIONS

Office of the Secretary and Chief of Staff
November 17, 2011

TO THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

<u>INFORMATION ITEM</u>

Report of Actions Taken Between Meetings

In accordance with authority previously delegated by the Regents, interim action was taken on routine or emergency matters as follows:

A. The Chairman of the Board and the Chair of the Committee on Governance approved the following recommendation:

Appointment of Regent to Standing Committee

That Regent Kieffer be appointed to the Committee on Finance, effective immediately, through June 30, 2012.

B. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings and the President of the University approved the following recommendation:

Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Determination of California Environmental Quality Act Conformance, Phase 1 of the University House Rehabilitation Project, San Diego Campus

Based on previous review and consideration of the previously certified University House Rehabilitation Project Environmental Impact Report (July 2011):

1. Amendment of the 2011-12 Budget for Capital Improvements and the Capital Improvement Program as follows:

From: San Diego: <u>Phase 1 of the University House Rehabilitation</u> – preliminary plans, working drawings, and construction for the site remediation components – $1,500,000 to be funded from gift funds earmarked for the University House Rehabilitation project.

To: San Diego: <u>Phase 1 of the University House Rehabilitation</u> – preliminary plans, working drawings, and construction – $2,897,000 to be funded from gift funds earmarked for the University House Rehabilitation project.

2. Determination that the above proposed action complied with the California Environmental Quality Act based on the July 2011 Environmental Impact Report and affirm and re-approve the Findings and Statement of Overriding Considerations certified and adopted by the Committee on Grounds and Buildings in connection with the approval of Phase 1 of the University House Rehabilitation Project that includes: slope stabilization to address life safety issues associated with land erosion and to protect further deterioration of this University asset, while protecting cultural, archaeological, and historical resources.

3. The President be authorized to execute all documents necessary in connection with the above.

C. The Vice Chair of the Board, the Chair of the Committee on Finance and the President of the University approved the following recommendation:

Approval to Execute Interest Rate Swaps to Fix Variable Rate Interest Payments to Fixed Payments for a Portion of the University's General Revenue Bonds and a Portion of the Commercial Paper Program

Approval of the President's execution of the proposed interest rate swap transaction as follows:

(1) Execute interest rate swaps for $500 million to hedge variable interest rate exposure on such portion of the University's General Revenue Bonds in such amounts and with such counterparties as the CFO shall determine in accordance with the Interest Rate Swap Guidelines approved at the Regents' July 13, 2011 meeting and attached as Attachment 1 (the Guidelines) and $500 million to hedge variable interest rate exposure on the University's Commercial Paper Program related to the University's investment in the State Agency Investment Fund (dated September 1, 2011 California Government Code Section 16330). The swaps will be executed under the interest rate swap agreements secured by a parity lien on the University's general revenues.

(2) The swaps will only be procured in a manner which is consistent with the Guidelines.

(3) The President authorizes the Chief Financial Officer, in consultation with the Vice President and General Counsel, to take all necessary actions related to the execution of the interest rate swaps including approval, execution and delivery of all necessary or appropriate financing documents.

D. The Chair of the Committee on Finance and the President of the University approved the following recommendation:

Grant of Third Party Indemnity to Obtain California Coastal Commission Permit for the University House Rehabilitation Project, San Diego Campus

(1) In connection with the campus' receipt from the California Coastal Commission (Commission) of a Coastal Development Permit for the rehabilitation of University House (Permit), which Permit is conditioned on the Regents assuming liability for, and indemnifying the Coastal Commission with respect to the Commission's approval of the project against liability arising from any damage due to, the hazards from hillside erosion and earth movement, the Regents approve acceptance of such liability and grant of indemnity.

(2) The President, or designee, after consultation with General Counsel, be authorized to approve and execute any documents necessary in connection with the above.

E. The Chair of the Committee on Compensation and the President of the University approved the following recommendations:

(1) ***Appointment of and Compensation for Thomas A. Parham as Vice Chancellor – Student Affairs, Irvine Campus***

Background to Recommendation

The Irvine campus requested approval under interim authority for the appointment of and compensation for Thomas A. Parham as Vice Chancellor – Student Affairs effective immediately upon approval. Funding of this position at $215,000 annually would come exclusively from State funds. It was necessary to appoint Mr. Parham prior to the next Regents' meeting in order to establish permanent leadership in this vital position before the start of the new academic year.

The campus completed extensive recruiting efforts, including a comprehensive national search and interview process, and Mr. Parham emerged as the most qualified candidate.

The Vice Chancellor – Student Affairs plays an integral role in Irvine's executive management team. The Vice Chancellor is responsible for the development and administration of Student Affairs. Additionally, the Vice Chancellor is accountable for the effective operation of education development, enrollment management, student financial support, undergraduate and graduate housing, counseling and health services, student activities, campus recreation, and auxiliary enterprises.

Mr. Parham has been serving as Interim Vice Chancellor – Student Affairs since September 2010. He possesses the exceptional administrative and leadership abilities that the Vice Chancellor – Student Affairs position demands. He has led several strategic initiatives and continues to move the campus forward. Mr. Parham has 27 years of dedicated service at UC Irvine, most recently as Assistant Vice Chancellor for Counseling and Health Services and as an adjunct faculty member. He previously served as Counseling Center Director and Director of the Career and Life Planning Center. Mr. Parham is an active member of UC Irvine and its surrounding communities, contributing his talents in the areas of social advocacy, community uplift, and youth empowerment. He has served as a member of Irvine's Human Relations Committee, chair of UC Irvine's Martin Luther King's symposium for 10 years, charter member and president to the 100 Black Men of America, Orange County Chapter, and past president of the National Association of Black Psychologists.

Mr. Parham holds a bachelor's degree in social ecology from UC Irvine, a master's degree in psychology from Washington University in St. Louis, and has a Ph.D. in psychology from Southern Illinois University at Carbondale.

He has been honored with numerous awards and tributes. He received the UC Irvine "Lauds and Laurels" award for staff achievement in 2003, the American Psychological Association – Division 17 – Society of Counseling Psychology Award for Lifetime Achievement in Mentoring in 2007, the 100 Black Men of America's Wimberly Award in 2008, an honorary Doctorate of Humane Letters from the Phillips Graduate Institute in 2009, and the Janet E. Helms Award for Mentorship and Scholarship in 2010.

The campus proposed annual compensation of $215,000 at SLCG Grade 108 (Minimum $192,300, Midpoint $244,900, Maximum $297,400). According to market data provided by Mercer (US) Inc., which includes data from the College and University Professional Association (CUPA) Administrative Compensation Survey, the proposed base salary is 2.9 percent below the 50th percentile market base salary of $221,494 and 10.3 percent below the 75th percentile market base salary of $239,794. In addition, the proposed base salary is 12.2 percent below the midpoint for SLCG 108 of $244,900 and 2.3 percent above the average base salary of $210,089 for other vice chancellors of student affairs at other UC campuses.

<u>Recommendation</u>

The following items were approved in connection with the appointment of and compensation for Thomas A. Parham as Vice Chancellor – Student Affairs, Irvine campus:

a. Per policy, an appointment salary of $215,000 (SLCG Grade108: Minimum $192,300, Midpoint $244,900, Maximum $297,400).

b. Per policy, five percent monthly contributions to the Senior Management Supplemental Benefits Program.

c. This appointment is at 100 percent time, and the actions associated with the appointment are effective upon approval.

<u>Recommended Compensation</u>
Effective Date: Upon approval
Base Salary: $215,000
Total Cash Compensation: $215,000
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
50th Percentile Market Base Salary: $221,494
Percentage Difference from 50th Percentile Market Base Salary: 2.9 percent below market
75th Percentile Market Base Salary: $239,794
Percentage Difference from 75th Percentile Market Base Salary: 10.3 percent below market
Funding Source: State funds

<u>Prior Incumbent Data</u>
Base Salary: $215,300
Total Cash Compensation: $215,300
Grade Level: SLCG Grade 108
(Minimum $192,300, Midpoint $244,900, Maximum $297,400)
Funding Source: State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior manager life insurance and executive salary continuation for disability).

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted By: **UCI Chancellor Drake**
Reviewed by: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(2) ***Appointment of and Compensation for T. James Symons as Associate Laboratory Director, General Sciences, Lawrence Berkeley National Laboratory***

Background to Recommendation

Action under interim authority was requested to appoint T. James Symons as Associate Laboratory Director, General Sciences, Lawrence Berkeley National Laboratory (LBNL), and to increase his base salary by 10 percent. Funding for this move would come exclusively from the Department of Energy (DOE). Approval of this request was urgently needed because the current incumbent, James Siegrist, will soon become Director of High Energy Physics for the DOE's Office of Science under an Intergovernmental Personnel Act assignment. The proposed compensation for Mr. Symons reflects an increase in base salary from $252,252 to $277,477.

Reporting to the Laboratory Director, the Associate Laboratory Director, General Sciences, is charged with coordinating across organizational lines to spearhead large-scale scientific initiatives at the Laboratory. The incumbent assists in strategic planning and serves as an exemplar of the Laboratory's culture of excellence in science and in safety. He facilitates multidisciplinary collaboration within the Laboratory and across the broader research community, helps raise the public profile of LBNL and the Department of Energy's National Laboratory system and represents the Laboratory before senior program officials in the DOE's Office of Science. The Associate Laboratory Director works collaboratively with other Associate Laboratory Directors, the Deputy Laboratory Director, the Laboratory Director and staff. Associate Laboratory Directors are appointed by the Laboratory Director from among the scientific Division Directors and retain all divisional leadership responsibilities while assuming this additional senior leadership position. Selections are based on the incumbent's experience and reputation at the Laboratory and across the DOE community, on demonstrated excellence in pioneering science and on experience and future promise in managing large-scale initiatives aligned with the strategic vision of LBNL.

Mr. Symons joined the staff of the Lawrence Berkeley National Laboratory in 1977 as a Postdoctoral Fellow. Since then, he has held scientific research and management roles and is currently Scientific Division Director, Nuclear Science Division. His research interests are in experimental nuclear physics, including nuclear structure and relativistic heavy ion collisions. As Division Director, he oversees the 88-inch Cyclotron, a Department of Energy User Facility, and is a member of the STAR (Solenoid Tracker at RHIC) experiment at the Brookhaven National Laboratory's Relativistic Heavy Ion Collider (RHIC), designed to investigate particle production from an environment similar in energy density to the early stages of the universe. He is a fellow of the American Physical Society and has served on numerous national and international panels, including the Department of Energy/National Science Foundation Nuclear Advisory Committee (NSAC), which he chaired from 2000 to 2002. During his term as NSAC chair, he led the development of a new national long-range plan for nuclear science. He is widely respected by the Laboratory, DOE, and the campus and scientific community. His experience makes him very qualified to assume this new position. He will retain all divisional leadership responsibilities for the Nuclear Science Division in addition to this additional senior leadership appointment.

The Lawrence Berkeley National Laboratory proposed that Mr. Symons receive an annual base salary of $277,477 (LBNL Salary Grade N17, Minimum $272,280, Midpoint $349,812, Maximum $427,344). According to market data provided by the Pearl Meyer Partners Executive and Senior Management Total Compensation Survey, the proposed base salary is 16.9 percent below the 50th percentile market salary of $333,700 and 45.2 percent below the 75th percentile market salary of $506,200. In addition, the proposed base salary is 20.7 percent below the midpoint range for Salary Grade N17 and 13.4 percent below the average base salary of $320,384 for his Associate Laboratory Director peers at LBNL.

<u>Recommendation</u>

The following items were approved in connection with the appointment of and total compensation for T. James Symons as Associate Laboratory Director, General Sciences, Lawrence Berkeley National Laboratory:

a. Per policy, an appointment salary of $277,477 at LBNL Salary Grade N17 (Minimum $272,280, Midpoint $349,812, Maximum $427,344) as Associate Laboratory Director, General Sciences, Lawrence Berkeley National Laboratory.

b. Per policy, five percent monthly contributions to the Senior Management Supplemental Benefit Program.

c. This appointment is 100 percent and the actions associated with the appointment are effective upon approval.

<u>Recommended Compensation</u>
Effective Date: Upon approval
Base Salary: $277,477
Total Cash Compensation: $277,477
Grade Level: LBNL Salary Grade N17
(Minimum $272,280, Midpoint $349,812, Maximum $427,344)
50th Percentile Market Base Salary: $333,700
Percentage Difference from 50th Percentile Market Base Salary: 16.9 percent below market
75th Percentile Market Base Salary: $506,200
Percentage Difference from 75th Percentile Market Base Salary: 45.1 percent below market
Funding Source: Non-State funds

Current Data
Title: Scientific Division Director, Nuclear Science Division
Base Salary: $252,252
Total Cash Compensation: $252,252
Grade Level: LBNL Salary Grade N16
(Minimum $178,164, Midpoint $273,978, Maximum $369,792)
Funding Source: Non-State funds
Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits and standard senior management benefits (including senior manager life insurance and executive salary continuation for disability).

The compensation described above shall constitute the University's total commitment until modified by the Regents and shall supersede all previous oral or written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **Laboratory Director Alivisatos**
Reviewed by: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(3) ***Extension of Appointment of and Contract Compensation for Robert A. Williams as Head Men's Basketball Coach, Santa Barbara Campus***

Background to Recommendation

Action under interim authority was requested to approve the contract compensation for Robert A. Williams, Head Men's Basketball Coach at UC Santa Barbara, effective retroactive to September 1, 2010 and extending through August 31, 2016. The retroactive effective date reflects an exception to policy and marks the beginning of negotiations to extend Mr. Williams' appointment in this position. Campus efforts to develop model language for use in all coaching contracts delayed final execution of Mr. Williams' contract. The campus has been paying Mr. Williams in accordance with the terms of the new contract since September 1, 2010. The campus only recently realized that the contract's terms exceed the authority delegated to the Chancellor pursuant to the Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide ("Regents' Delegation of Authority"), which the Regents approved at the September 2008 meeting. Accordingly, Regental approval was sought. Approval was sought under interim authority in order to ensure that the proper authority for Mr. Williams' new compensation terms is secured at the earliest possible time. The source of funding for this position is student fees; no State monies are involved.

Mr. Williams' previous base salary was $195,270. The campus sought approval for an annual base salary of $235,000, which folds in $39,000 for basketball camp and adds $730 to his previous base salary. The campus requested that the $39,000 in cash compensation Mr. Williams previously received for the basketball camp now be included in his base salary, in lieu of any additional base salary increase.

The campus also sought approval for an increase in Mr. Williams' annual incentive potential from $75,000 to $165,000, which represents an increase of 120 percent. Regental approval was required for this increase because it exceeds the 15 percent increase allowed under the September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide. Under the new contract, Mr. Williams will be eligible to receive $15,000 if the UCSB basketball team wins the regular season Big West Conference championship (alternatively, $25,000 in any year in which the team wins that championship and also won it the previous year), $10,000 if the team is selected to participate in the NCAA Men's Basketball Tournament and an additional $7,500 for every game won in that Tournament prior to the Final Four, $25,000 if the team advances to the Final Four and $75,000 if the team wins the NCAA Men's Basketball Championship. Accordingly, 60.6 percent ($100,000) of the incentive package would only be paid if the team reaches the Final Four and subsequently wins the NCAA Men's Basketball Championship.

In calendar year 2010, Mr. Williams received incentive payments of $10,000 for winning the Big West Conference championship title and $10,000 for participating in the first round of the NCAA Men's Basketball Tournament. In calendar year 2011, the team won the Big West Conference tournament and the Conference's automatic bid to the NCAA Tournament. Mr. Williams received $10,000 for making the NCAA field of 64 teams. The men's basketball team has been selected for the NCAA Men's Basketball Tournament four times in the program's history and, to date, has not advanced beyond the first round.

Mr. Williams was hired as Head Coach of the Men's Basketball program in March 1998. As Head Coach, he has compiled an overall record of 199-156. This upcoming season (2011-12) will mark Mr. Williams' 14th season as Head Coach at UC Santa Barbara. In 2010-11, he guided the Gauchos to an 18-14 overall record and their first back-to-back Big West title and NCAA Tournament appearance. Mr. Williams has been named Big West Coach of the Year three times. Under his direction, the UC Santa Barbara Men's Basketball Team has had 10 winning seasons, and the 23 games won in 2007-2008 are a school record. The campus looks forward to continuing success for the program under Mr. Williams' leadership.

Recommendation

The following items were approved in connection with the extension of the appointment of and the contract compensation for Robert A. Williams as Head Men's Basketball Coach, Santa Barbara campus:

a. **Duration**. The term of the employment contract is effective retroactive to September 1, 2010 through August 16, 2016. The retroactive approval is considered an exception to policy.

b. **Appointment**. Mr. Williams' appointment as the Head Coach of Men's Basketball is at 100 percent time.

c. **Annual Base Salary**. Mr. Williams' basketball camp incentive of $39,000 will be eliminated and folded into his base salary increasing it from $195,270 to $235,000 at MSP A (Minimum $147,300, Midpoint $200,500, Maximum $253,600). The annual base salary for each year of the contract is $235,000.

d. **Incentives**. An increase of 120 percent in annual incentive potential from $75,000 to $165,000. This increase requires Regental approval because it exceeds the 15 percent allowed under the September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide.

New Incentive:

i. If the team wins the regular season conference championship:
   (a) $15,000
   (b) Alternatively, $25,000 if the team wins the conference championship and also won it the previous year

ii. $10,000 if the team is selected to participate in the NCAA Tournament and an additional $7,500 for every game won in the Tournament prior to the Final Four. An additional $25,000 if the team participates in the Final Four.

iii. $75,000 if the team wins the National Championship.

Previous Incentive:

i. If the team wins or ties for the regular season conference championship:
   (a) $10,000 if there is only one division.
   (b) $7,500 if the conference is divided into two divisions.

ii. $10,000 if the team is selected to participate in the NCAA Tournament and an additional $5,000 for every game won. $25,000 if the team wins the National Championship.

iii. $5,000 if the team is selected to participate in the NIT post-season tournament and an additional $3,000 for each game won.

e. The contract gives the Director of Athletics the option and discretion, with the approval of the Chancellor, to terminate the contract without cause. If that option is exercised and Mr. Williams subsequently attains another coaching position with an annual salary that is less than the $235,000 annual salary reflected in the contract, the University will be obligated to pay the difference for the number of years remaining on the contract. The contract further provides that the University's commitment in any year will not exceed 65 percent of the $235,000 annual salary stated in the contract, which would be $152,750.

f. The funding source for this position is student fees. The September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide, requires Regental approval when the funding for a coach contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising.

<u>**Recommended Compensation**</u>
Effective Date: September 1, 2010
Base Salary: $235,000
Incentives: $0 - $165,000
Total Cash Compensation: $235,000 - $400,000
Grade Level: MSP Grade A
(Minimum $147,300, Midpoint $200,500, Maximum $253,600)
Median Market Data: N/A
Percentage Difference from Market: N/A
Funding Source: Non-State funds

<u>**Prior Data**</u>
Base Salary: $195,270
Incentives: $0 - $75,000
Camps Fee: $39,000
Total Cash Compensation: $234,270 - $309,270
Grade Level: MSP Grade A
(Minimum $147,300, Midpoint $200,500, Maximum $253,600)
Funding Source: Non-State funds

Additional items of compensation include:

- Per policy, continued eligibility for standard pension and health and welfare benefits.

The compensation set forth above shall constitute the University's total commitment until modified by the Regents and shall supersede all other previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted By: **UCSB Chancellor Yang**
Reviewed By: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

(4) ***Contract Appointment of and Compensation for James A. Les as Head Men's Basketball Coach and Lecturer, Davis Campus***

Background to Recommendation

The Davis campus requested action under interim authority for retroactive approval of the contract appointment of and compensation for James A. Les as Head Men's Basketball Coach and Lecturer, effective July 1, 2011 through June 30, 2016. Funding for this action would come from Student Activities and Services Initiative funding and would not involve State funds. The campus did not initially realize that the terms of the contract exceeded the parameters set forth in the September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide. Accordingly, Regental approval was sought and was urgently needed because Mr. Les has already signed an appointment letter, and his five-year contract appointment with UC Davis began July 1, 2011. Mr. Les was offered a five-year contract position following a national search to replace former head coach Gary Stewart.

Mr. Les comes to UC Davis from Bradley University where his team won 150 games and, in 2006, was part of the NCAA Tournament Sweet Sixteen. Mr. Les has had an established career as a collegiate and professional player and coach, which includes nine seasons as Bradley's head coach and three more as an assistant with the former Sacramento Monarchs of the WNBA. Mr. Les enjoyed a seven-year NBA career that included four seasons with the Sacramento Kings.

This is the first contract the UC Davis campus has negotiated that has exceeded the Chancellor's recruitment parameter authority. This contract is rather complex, in part because UC Davis coaches have split appointments, which consist of a staff appointment as Head Coach and a separate lecturer appointment. The lecturer appointment is governed by a union contract. However, if his lecturer appointment terminates prior to the termination of the coaching contract, the contract nevertheless obligates the University to pay him the full annual salary identified for each year in the contract, including the portion that would otherwise have been paid as compensation for the lecturer appointment.

During the first three years of his tenure at UC Davis, Mr. Les will continue to receive some compensation from Bradley University because Bradley University elected to terminate his employment prior to the end of his contract with the institution.

The terms of the contract include a salary progression of guaranteed total cash compensation. During the first three years of his employment at UC Davis, when he will continue to receive some compensation from Bradley University, Mr. Les will be paid $125,000. This salary is equivalent to the salary that his predecessor in the position had received. In his fourth and fifth years, after Mr. Les has had an opportunity to develop the UC Davis program, Mr. Les's salary will be $250,000 and $275,000, respectively. The September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide, allows the Chancellor to approve compensation for coaches provided that the salary offer is within 30 percent of the previous coach's salary for the same sport and the salary does not increase more than 30 percent per year during the term of the contract. The compensation terms in Mr. Les' contract exceed the authority delegated to the Chancellor because of the salary increase that will take place after this third year at UC Davis and because, over the five years of the contract, he will be paid more than 30% more than his predecessor. Therefore, approval by the Regents is required for Mr. Les' contract compensation.

The negotiated salary for Mr. Les was based on the average salary for Big West Conference basketball coaches, which is $216,467.

Mr. Les was inducted into the Bradley Athletics Hall of Fame in 1998. He also has been inducted into the Illinois Basketball Coaches Association Hall of Fame, the Greater Peoria Sports Hall of Fame and the Chicagoland Sports Hall of Fame. Additionally, Bradley Braves' fans voted Mr. Les one of the 15 greatest players in program history during the celebration of Bradley's first 100 basketball seasons.

<u>Recommendation</u>

The following items were approved retroactively in connection with the terms and conditions reflected in the contract for James A. Les as Head Men's Basketball Coach and Lecturer, Davis campus:

a. **<u>Duration</u>**. The term of the employment contract is effective retroactive to July 1, 2011 and will terminate on June 30, 2016. The retroactive approval is an exception to policy.

b. **<u>Appointments</u>**. Mr. Les will have a dual appointment as the Head Men's Basketball Coach and as an academic lecturer. The lecturer appointment is governed by a union contract and is not subject to Regental approval.

c. **<u>Annual Base Salary</u>**. The annual base salary for each year of the contract is reflected below. The full annual base salary is indicated below because the University is obligated by contract to pay this amount per year even if Mr. Les' lecturer appointment terminates before the contract terminates.

The lecturer appointment salary is fixed at $25,204.80. The coach appointment salary in contract years 1 through year 3 will be steady at $99,795.20. In contract years 4 and 5, the coach appointment salary will increase to $224,795.20 and $249,795.20, respectively.

The annual base salary increase of 100 percent from year 3 to year 4 requires Regental approval because it exceeds the 30 percent increase allowed under the September 2008 Amendment of Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide. Regental approval is also required because, over the five years of the contract, he will be paid more than 30 percent more than his predecessor.

Contract Year	Effective Date	Total Annual Base Salary
1	07/1/11 – 06/30/12	$125,000 ($99,795.20 + $25,204.80)
2	07/1/12 – 06/30/13	$125,000 ($99,795.20 + $25,204.80)
3	07/1/13 – 06/30/14	$125,000 ($99,795.20 + $25,204.80)
4	07/1/14 – 06/30/15	$250,000 ($224,795.20 + $25,204.80)
5	07/1/15 – 06/30/16	$275,000 ($249,795.20 + $25,204.80)

d. **<u>Non-Base Building Compensation</u>**. At the discretion of the Director and approval of the Chancellor, athletically related non-base building compensation may be paid each year for services rendered on a by-agreement basis. The non-base building compensation can range from $0 to $50,000.

e. **<u>Supervision Of Sports Camps</u>**. At the sole discretion and approval of the Director, Mr. Les may supervise a sports camp(s). Additional compensation ranging from $0 to $50,000 for a camp or program will be negotiated separately and paid by stipend.

f. Should the University terminate Mr. Les without cause, the University will continue to pay Mr. Les' full salary for the term of the contract. If this occurs, Mr. Les is obligated to use his best efforts to secure alternative coaching employment, and any amounts he receives from such employment will reduce the University's obligation.

g. Should the University terminate or fail to reappoint Mr. Les as a lecturer, the University will adjust the coach salary to ensure no reduction in total annual compensation for the term of the contract.

h. Per policy, reimbursement of 100 percent of all actual and reasonable moving expenses for the purpose of relocation of the primary residence subject to the current policy guidelines, and up to a maximum of $25,000. In addition, per policy, reimbursement of storage costs, should it be necessary, for up to 90 days after the move from the primary residence.

i. The funding source for this position is from student referendum fees (voted on by the students in spring, 1993). The September 2008 Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide, requires Regental approval when the funding source for a coach contract is anything other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising.

Recommended Compensation
Effective Date: July 1, 2011
Annual Base Salary (Year One): $125,000
[$99,795.20 (Coach) + 25,204.80 (Lecturer)]
Range of Non-Base Building Compensation: $0 - $50,000
Range of Sport Camp Income: $0 - $50,000
Total Compensation (Year One)*: $125,000 - $225,000
Grade Level: N/A
Funding Source: Non-State funds

***In year two and year three, the annual base salary and total compensation will remain the same. In year four, the annual base salary will increase to $250,000, resulting in a corresponding increase to $250,000 - $350,000 for total compensation. In year five, the annual base salary will increase to $275,000, resulting in a corresponding increase to $275,000 - $375,000 for total compensation.**

Prior Incumbent Data
Title: Head Men's Basketball Coach
Annual Base Salary: $125,451
Other Non-Base Building Compensation (including Sports Camps): $0
Total Compensation: $125,451
Grade Level: N/A
Funding Source: Non-State funds

Additional items of compensation include:

- Per policy, standard pension and health and welfare benefits except that coaches are not eligible for vacation or sick leave accrual.

The compensation set forth above shall constitute the University's total commitment until modified by the Regents and shall supersede all other previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

Submitted by: **UC Davis Chancellor Katehi**
Reviewed by: **President Yudof**
Committee on Compensation Chair Ruiz
Office of the President, Human Resources

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
INTEREST RATE SWAP GUIDELINES
(July, 2011)

Under the University's Standing Order 100.4(nn) the President has the authority to enter into interest rate swap transactions. The President has delegated sole authority to enter into these transactions, in a manner consistent with the guidelines enumerated below, to the Executive Vice President – Chief Financial Officer (CFO) under DA 2252.

A. GUIDELINES

I. PURPOSE

These guidelines will direct the use of interest rate swaps in conjunction with the Regents' debt portfolio. Interest rate swaps can be utilized by the Regents as part of its overall asset/liability risk management strategy for its revenue bond programs. The Regents may enter into interest rate swap transaction(s) if the transaction is expected to result in at least one of the following:

- to reduce exposure to changes in interest rates on either a current or future debt issue(through the use of anticipatory hedging instruments)
- to manage asset/liability interest rate risk
- to lower the overall expected net cost of capital of a borrowing as compared to products available in the bond market
- to manage variable interest rate exposure consistent with prudent debt practices
- to achieve more flexibility in meeting overall financial objectives than can be achieved in the bond market
- manage the Regent's credit exposure to financial institutions and other entities through the use of offsetting swaps and other credit management products

These guidelines apply only to interest rate swaps and do not apply to commodity, currency or credit default swaps or other types of hedging or derivative products, which are not authorized by the Regents.

The Regents will not enter into swaps for speculative purposes.

II. NON-SPECULATION

While the Regents may use swaps to increase or decrease the amount of floating-rate exposure on its balance sheet, the Regents will not enter into swaps under any of the following circumstance as determined in each case by the President or as delegated to the CFO:

- The swap exposes the Regents to extraordinary leverage or risk;
- The swap serves a purely speculative purpose, such as entering into a swap for the sole purpose of trading gains;
- The Regents is unable to reasonably anticipate that it will have sufficient liquidity or financing capacity to terminate the swap at market levels if it should need to;
- There is insufficient pricing data available to allow the Regents and its advisors to adequately value the swap.

III. AUTHORITY

Prior to entering into a specific swap transaction, the transaction must receive: 1) approval of the Chair Board of Regents (or the Vice Chair if the Chair is not available) and the Chair of the Committee on Finance (or the Vice Chair if the Chair is unavailable) and 2) and an opinion from counsel to the effect that (a) that the agreement relating to the swap transaction is a legal, valid and binding obligation of the Regents and the counterparty and (b) that entering into the transaction complies with applicable state and Federal laws.

IV. SENIOR MANAGEMENT OVERSIGHT

The President shall direct the CFO to review this policy periodically to take into account business and market changes. The CFO shall be responsible for insuring the implementation of this policy and proposing amendments to the policy to take into consideration, any or all of the following, as applicable:

- An analysis of the reasonableness of the proposed activities in relation to the Regents' overall financial condition and capital levels;
- An analysis of the risks that may arise from the implementation of a swap portfolio;
- An analysis of the performance of existing and pro forma swap transactions over time as market conditions may change;
- Impact of counterparty exposure as counterparty credit ratings change over time;
- Potential effects that the swap portfolio may have on the credit ratings of any Regents' obligations assigned by the rating agencies;
- The relevant accounting guidelines;
- The relevant tax treatment; and
- An analysis of any changes to any applicable legislation and any new legal restrictions which may impact the enforceability of the swap obligations.

V. FORM OF AGREEMENTS

Each interest rate swap transaction shall be governed by the terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended or supplemented by Schedules, Credit Support Annexes and Confirmations. The swap agreements between the Regents and each qualified swap counterparty shall include payment, term, security, collateral, default, remedy, termination, and other terms, conditions and provisions as the CFO deems necessary or desirable.

VI. QUALIFIED SWAP COUNTERPARTIES

Swaps will be executed with counterparties possessing minimum counterparty ratings in the "AA" ratings category by at least one nationally recognized rating agency. Counterparties may meet these ratings criteria based on their own credit ratings or the credit ratings of their guarantors or credit enhancers. Exceptions may be granted if specifically approved in writing by the CFO. All counterparties will be required to post collateral (subject to threshold amounts) for the Regents' benefit in the event they fall below specific ratings thresholds.

VII. METHODS OF SOLICITING AND PROCURING SWAPS

Swaps can be procured on a competitive or negotiated basis.

BASIS OF AWARD

Competitive Bid. As a general rule, a competitive selection process will be used whenever reasonable, if the product is relatively standard, if it can be broken down into standard components, if multiple providers have proposed a similar product to the Regents, or if competition will not create market pricing effects that would be detrimental to the Regents' interests. If it is determined that a Swap should be competitively bid, the Regents may employ a hybrid structure to reward unique ideas or special effort by reserving a specified percentage of the Swap to the firm presenting the ideas on the condition that the firm match or improve upon the best bid. The competitive bid should solicit bids from a minimum of three firms. Solicitations for bids must be made only to potential counterparties who are qualified under the terms of this policy.

Negotiated Transaction. The CFO may procure swaps by negotiated methods in the following situations as he or she determines:

(a) A determination is made by the CFO that due to the complexity of a particular swap; a negotiated process is advisable.
(b) A determination is made that a negotiated transaction will assist the Regents and reward innovation and a high level of service in the provider's capacity as part of the Regent's investment banking team;
(c) A determination is made that the negotiated process will facilitate counterparty diversification which is in the best interest of the Regents;
(d) A determination is made that the negotiated process will avoid market pricing effects that would be detrimental to the Regent's interest.

To provide safeguards on negotiated transactions, the Regents will secure outside professional financial advice to assist in the process of structuring, documenting and pricing the transaction and to render an opinion that a fair price was obtained. In all transactions, regardless of procurement method, the counterparty shall be required to first disclose any and all payments to third parties (including lobbyists, consultants and attorneys) who had any involvement in assisting the counterparty in securing business with the Regents.

VIII. MANAGEMENT OF SWAP RELATED RISK

Swap agreements present certain risks for the Regents. The CFO will consider the following risks and follow the related guidelines and parameters upon entering into each Swap agreement.

COUNTERPARTY RISK. Swaps are financial contracts under which the parties assume credit exposure to one another. Limiting the maximum potential exposure caused by a concentration of swap agreements with one counterparty is advisable. In order to manage this risk the CFO will:

1) Target the maximum potential exposure of Swaps between a particular Counterparty and the Regents not to exceed 50% of the total maximum potential exposure of the Regents' entire swap and overall credit portfolio, when logistically possible. Exposures on off-setting swaps may be considered when calculating net maximum potential exposure.

2) Require collateralization provisions by the counterparty based on credit rating thresholds.

AA-/Aa3 and above	$30 million
A+/A1	$20 million
A/A2	$10 million
A-/A3	$5 million
Baa1/BBB+ and below	Zero

3) Require optional termination rights for the benefit of the Regents if the counterparty is downgraded below the "A" ratings category by a nationally recognized ratings agency.

TERMINATION RISK. A swap termination, in general, should produce a benefit to the University either through a receipt of payment from a termination, or if a termination payment is made by the University, through conversion to a more beneficial debt position. The University can consider a provision in a swap agreement that permits an optional termination at any time over the term of the swap. In some circumstances, a termination payment by or to the University may be required in the event of termination of a swap agreement due to a counterparty default or decrease in credit rating.

AMORTIZATION RISK. Mismatched swap and bond amortization schedules can result in a less than perfect hedge and create additional risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. The term and notional amount of the swap should generally not exceed the term and amount of the associated debt.

BASIS RISK. There exists the potential for the cashflows on the underlying floating rate bond issue to not match the floating leg of the swap**.** To mitigate this risk, any index chosen as the basis of a swap agreement shall be an industry recognized market index that includes but is not limited to SIFMA (Securities Industries and Financial Market Association) Municipal Swap Index or LIBOR (London Interbank Offered Rate). The potential risk of the University is making/receiving payments based on the specified index should be evaluated and quantitatively measured prior to entering into a swap.

TAX RISK. The risk that tax-exempt bond rates may unexpectedly increase or fluctuate due to changes in the tax code is called tax risk. Tax risk is present in all tax-exempt debt issuances. When entering into swaps associated with tax-exempt bonds, tax risk involves tax-exempt bond rates consequently diverging from the specified swap index (a form of basis risk). Tax risk should be evaluated prior to entering into a swap agreement. This risk will be regularly monitored.

IX. MEASURING SWAP EXPOSURE

The Regents will measure swap exposure not based on notional amount, but rather on the risk to the Regents of potential termination payments (either by the Regents or to the Regents by the counterparties). Maximum potential exposure also referred to as "Peak Exposure," will be determined by a quantitative measure that reflects the size, term, and projected volatility of the swaps. Peak Exposure provides a quantification of the Regents' worst case swap exposure. It is calculated by applying stress tests to the Regents' swaps to show how large the potential termination costs of the swaps could be if markets moved in an extremely adverse manner. Market movements are typically calculated assuming a two standard deviation change in market rates, based on historic volatilities, to provide better than 95% degree of confidence.

In order to accurately determine the potential risks from entering into new interest rate swaps, prior to entering into new swap agreements, the CFO will prepare for the President, the Chair of the Board and the Chair of the Finance Committee an updated analysis of Peak Exposure, both with and without the proposed new swap agreement. This will be attached as part of the authorization request.

In order to limit the Regents' counterparty risk, the Regents will seek to avoid excessive concentration to a single counterparty or guarantor by diversifying its counterparty exposure over time. Exposure to any counterparty or guarantor will be measured using peak exposure analysis.

X. REPORTING

The Annual Financial Report prepared by the University of California Office of the President and presented to the Board of Regents will discuss all interest rate swaps. The notes to the financial statements shall include the following information:

- A summary of swap agreements, including but not limited to the type of swap, the rates paid by the Regents and received by the Regents, indices, and other key terms.
- Market values of the Regents' swap agreements.

- The credit rating of each swap counterparty or credit enhancer (where relevant).
- Actual collateral posting by a swap counterparty, if any, per swap agreement and in total by swap counterparty.
- Any termination events that have occurred.
- A summary of derivative instrument activity during the reporting period and balances at the end of the reporting period.

The Regents may hire a financial advisor to assist in the monitoring of its swaps on an on-going basis.

B. DEFINITIONS

Authorized Representative – Includes the President and as delegated Executive Vice President – CFO.

Counterparty – The participant to which an exchange of payments is made.

Interest Rate Swap - Involves exchanging a fixed amount per payment period for a payment that is not fixed, or in the case of a basis swap, an amount based on one floating rate index for another. In an interest rate swap, the principal amount is never exchanged.

ISDA Master Agreement - The International Swaps and Derivatives Association (ISDA) is a trade organization of participants in the market for over-the-counter derivatives. The ISDA Master Agreement is a standardized contract that serves as the framework between two counterparties to enter into a swap.

London Interbank Offered Rate (LIBOR) – The interest rate that the banks charge each other for loans (usually in Eurodollars). A commonly used base index for swap agreements.

Notional Amount - Nominal or face amount that is used to calculate payments for the swap agreement.

SIFMA Index - The Securities Industry and Financial Markets Association Municipal Swap Index , produced by Municipal Market Data, is a 7-day high-grade market index comprised of tax-exempt variable rate demand bonds. It is the principal floating rate index for municipal floating rate bonds.