MINUTES OF THE

NATIONAL COLLEGIATE ATHLETIC ASSOCIATION

EXECUTIVE COMMITTEE

San Antonio Marriott Rivercenter
San Antonio, Texas

January 15, 2011

Participants:

Michael Alden, University of Missouri, Columbia
Charles Bantz, Indiana Univ.-Purdue Univ. at Indianapolis
Drew Bogner, Molloy College
James Bultman, Hope College
Rick Cole, Dowling College
Judy Genshaft, University of South Florida
James Harris, Widener University
Nathan Hatch, Wake Forest University
Ann Millner, Weber State University
J. Patrick O'Brien, West Texas A&M University
John Peters, Northern Illinois University
Edward Ray, Oregon State University, chair
David Schmidly, University of New Mexico
Lou Anna Simon, Michigan State University
Lee Todd, University of Kentucky
Mark Emmert, NCAA
Bernard Franklin, NCAA
Delise O'Meally, NCAA, recording secretary

William Harvey, Hampton University; Chris Martin, College Conference of Illinois & Wisconsin; Sidney McPhee, Middle Tennessee State University; and Kevin Mullen, Siena College, were not able to participate.

Also in attendance were: Scott Bearby, interim general counsel and vice president of legal affairs; Joni Comstock, senior vice president of championships; Jim Isch, chief operating officer; Kevin Lennon, vice president of academic and membership affairs; Keith Martin, interim vice president of administration/chief financial officer; Donald Remy, NCAA general counsel and vice president of legal affairs-designate; Wallace Renfro, vice president and senior advisor to the NCAA president; Greg Shaheen, interim executive vice president of championships and alliances; Robert Vowels, vice president of student-athlete affairs and leadership development programs; Bob Williams, vice president of communications; David Berst, Daniel Dutcher and Mike Racy, NCAA governance vice presidents; and Jackie Campbell and Terri Steeb, NCAA governance directors.

[Note: These minutes contain only actions taken (formal votes or stated "sense of the meeting") in accordance with NCAA policy regarding minutes of all Association entities. While certain items on the Committee's agenda were acted on at various times throughout the meeting, all final actions within a given topic are combined in these minutes for convenience of reference.]

The meeting was called to order at 3 p.m. by the chair, President Ray. All members were present as noted above.

1. Welcome and announcements. Ray welcomed Rick Cole, director of athletics at Dowling College and incoming chair of the Division II Management Council. Also, Ray presented James Harris, chair of the Division III Presidents Council, with an award for his service to the Executive Committee.

2. Approval of October 28, 2010, meeting minutes.

   It was VOTED

   "To approve the Executive Committee minutes of the October 28, 2010, meeting as distributed."

3. NCAA President report. President Emmert noted that each of the items on the president's report had been discussed during the respective divisional presidential meetings. Further discussion will occur during the April round of meetings.

4. NCAA Executive Committee Finance Committee report.

   a. Fiscal year 2009-10 audited financial statements. The Finance Committee met with the audit firm of KPMG to review fiscal year 2009-10 financial statements and conduct the required audit communications and review.

      (1) KPMG issued an unqualified opinion for the fiscal year statements ending August 31, 2010.

      (2) Highlights of the Consolidated Statement of Financial Position are:

         (a) The Association's total assets increased by approximately $67 million in comparison to the prior year. The increase was primarily in the investment holdings as of year-end, including approximately

$18 million in restricted investments from the 2010 bond issuance proceeds. These proceeds will be used to partially fund the building project that was approved in the prior year.

(b) The state, through White River State Park, leased the NCAA the additional land required for the new building project and extended the lease for the current office building for 50 years with three ten-year options. Since the NCAA pays only a dollar a year for this lease, this required a revaluation of the existing building and the addition of the contributed land as part of the revised lease agreement with White River State Park. The end result was a $19 million decrease to contributions receivable over the life of the lease due to changes in the accounting pronouncements, the downtown market for office leases, and the historical growth in lease rates.

(c) Deferred revenue increased by $14 million. Most of the increase is timing related to collection of championship revenues for the Men's Final Four, Frozen Four and Women's Final Four ticket sales. In addition, Arbiter generated more subscription sales than in the prior year.

(d) NCAA issued tax-exempt revenue bonds to partially finance the construction of the headquarters' expansion over a 10-year period at a rate of less than three percent. This resulted in an $18 million increase to net bonds payable.

(e) The Association had an overall increase in revenue of $47.9 million this past year, primarily related to the increases in television and marketing rights fees, as well as an increase of $15 million in investment earnings as a result of the bounceback in the investment markets.

(f) Contributions' revenue was a negative $10 million related to the revaluation of the existing NCAA building and the addition of the contributed land.

(g) The distribution to Division I expenses increased approximately 11 percent. This is due to the eight percent increase approved in the distribution plan, plus a supplemental distribution of $15 million approved in the prior year.

(h) Division I championships expenses increased approximately six percent, which is mostly the result of higher travel costs this year. Travel costs were higher because there was a reduction to the inventory of commercial airfare, which led to increased charter usage.

(i) The increase in Association-wide expenses is primarily due to the recognition of a one-time $3 million in amortization expense related to the prepayment of the National Invitation Tournament (NIT) liability. The remaining NIT liability of $19.2 million was paid off in October 2010 using a four percent discount rate and saving the Association dollars over the remaining life of the payment.

(j) Excess revenues over expenses for the year were approximately $43 million.

It was VOTED

"To approve the fiscal year 2009-10 audited financial statements."

b. Recommended uses of unallocated net assets. Fiscal year 2009-10 year ended with the Association having $28.5 million in unrestricted net assets available for allocation. The Finance Committee recommended the surplus be used in the following manner:

(1) $27 million distributed back to the Division I members.

(2) $1.5 million allocated to fund transition expenses related to national office restructuring.

It was VOTED

"To approve the proposed unallocated net assets allocations."

c. Recommended target balance for quasi-endowment reserve. The Finance Committee reviewed the quasi-endowment purpose, the funding reserve policies, the current and future targeted balance, the asset allocation policies and an investment committee performance report. Since more than 90 percent of the revenues are the result of one revenue stream, the committee continued to support the need for a quasi-endowment reserve to sustain championships, Association-wide programming and operations, and at least 50 percent of the Division I revenue distribution in the year of a catastrophic event for a period of time not to exceed one year.

The committee noted that the growth of the quasi-endowment could be slowed by modifying the current funding policy to remove the requirement that 50 percent of the year-end unallocated net assets be allocated and invested in the quasi-endowment. These additional funds likely would go directly back to the Division I membership. The Finance Committee also reduced the future funding target from $500 million to $380 million to align it with a one-year funding target to sustain operations and meet the minimum 50 percent of the Division I revenue distribution.

It was VOTED

"To approve the revised quasi-endowment policy and targeted balance."

d. Recommended budget allocations for 2011-12. The NCAA is in the second year of a biennial budget cycle. This budget process will only address inflationary adjustments necessary to maintain the current level of services. The revenue increase for the coming year is projected at approximately two percent. The Finance Committee recommended the following allocations:

(1) The recommended Division I revenue distribution is increased by $14.8 million. In the prior year, a portion of the inflationary dollars was reserved in order to meet the Division I student-athlete distribution commitments that were required to settle the White litigation. All other distributions are budgeted for a two percent increase.

(2) New initiatives totaling $200,000 that were approved in the prior year were allocated to championships and the basketball enforcement area.

(3) The recommended increase for the Divisions II and III allocations is $1.06 million. The Divisions II and III allocations are the respective increases in revenue allocations.

(4) One percent allocation of $1.5 million is to provide President Emmert some flexibility to come back in April with specific budget recommendations. The specific budget recommendations will be reviewed by the Finance Committee and presented to the Executive Committee for approval at its April meeting.

It was VOTED

"To approve the 2011-12 proposed budget allocations."

e. First quarter fiscal year 2010-11 budget to actual.

(1) The Association has limited financial activity in the first quarter, with the majority of revenues and expenditures occurring in the second half of the year related to championship activity and revenue distributions.

(2) Television and marketing rights revenue received is 15 percent of the budget and is consistent with the prior year. Championships revenue is two percentage points ahead of the prior year as men's basketball tickets sales revenue is slightly higher than the prior year.

(3) The Association's expenses are approximately 10 percent of the total budget for the first quarter, which is higher than the prior year because of a $17.2 million settlement with a third party that occurred in October 2010.

5. NCAA Division I Board of Directors and Divisions II and III Presidents Councils reports.

a. Division I Board of Directors. The Committee received an update on the actions of the Division I Board of Directors that included the following:

(1) Postseason football bowl licensing and NCAA advertising policies. Discussed the NCAA's involvement in postseason football bowl licensing and how the Association's advertising policies should apply. The Board will continue these discussions in April.

(2) Supplemental distribution. Approved the Finance Committee's recommendation for a supplemental distribution of $27 million to be dispensed to the Division I membership at the end of January.

(3) Membership categories. The Division I Legislative Council adopted Proposal No. 2010-117, which would eliminate the corresponding membership category and redefine the affiliated membership category.

b. Division II Presidents Council. The Committee received an update on the actions of the Division II Presidents Council that included the following:

(1) 2011 NCAA Convention. Division II completed another successful Convention. The membership voted on 24 proposals during Saturday's business session – 21 of those were passed by the membership, and three were defeated. Significant proposals include the following:

(a) Division II Convention Proposal No. 2011-12—NCAA membership. Per the request of the NCAA Executive Committee Working Group on Membership, this proposal eliminates corresponding membership and modifies the requirements for affiliated membership.

(b) Proposal No. 2011-18—eligibility—freshman academic requirements. This proposal specifies that a nontraditional course to satisfy NCAA core-course requirements must meet certain requirements and ensures that incoming students are prepared to meet the rigors of college life as students who have had a traditional high school education; the legislation aligns the Division II legislation more closely to that of Division I.

(c) Proposal No. 2011-19—eligibility—two-year college transfers. This proposal adds the requirement that two-year college transfer student-athletes also complete a minimum of six semester or eight quarter hours of transferable English credit and three semester or four quarter hours of transferable math credit prior to transferring. It holds two-year college students who were partial qualifiers or nonqualifiers to the same standards as four-year college students by requiring them to complete college-level coursework in English and math at the two-year institution. This legislation aligns the Division II legislation more closely to that of Division I.

(d) The Division II membership also approved three more proposals in the "Life in the Balance" legislative initiative that shortens the length of Division II nonchampionship playing seasons for student-athletes and staffs.

(2) Division II Strategic Growth and Long-Range Projections Task Force. During the Convention, Division II engaged its governance groups and general membership in discussions regarding its strategic growth and long-range projections. The overall goal is to enhance Division II membership requirements so that it manages future growth in a strategic way; that the division takes steps to ensure that future growth does not create an unnecessary financial burden on the division's resources and long-range revenue allocations; and that a membership system is developed that is flexible enough to maximize growth in certain geographical areas.

(3) Review of transgender student-athletes. Mary Wilfert of the NCAA staff provided the Councils with an update on the transgender student-athlete

issue and informed them that an educational resource will be available to the membership later this spring/summer.

c. Division III Presidents Council. The Committee received an update on the actions of the Division III Presidents Council. These included:

(1) Special Olympics partnership. Consistent with the division's strategic positioning platform, the Presidents Council formally endorsed the Division III Student-Athlete Advisory Committee's (SAAC's) national partnership with Special Olympics. The new partnership was unveiled at Saturday's business session where the division was joined by two dozen local Special Olympics athletes. This initiative follows a successful outreach to campus and conference SAACs across the division to support relief efforts in Haiti (greater than $145,000). The SAAC decided to partner with Special Olympics, given the similar values and principles shared by Division III and the Special Olympics. Approximately one-half of Division III schools have an existing relationship with the Special Olympics. Implementation of the partnership will begin in 2011-12.

(2) Division III expenses report. Continues to support further examination of Division III expenses and the development of financial dashboard indicators. The information was presented during the presidents/chancellors forum and luncheon, where feedback was very positive.

(3) Academic reporting pilot. Data from the first year of the two-year pilot were shared with the membership during Saturday's business session. The data show that Division III student-athletes graduate at a rate greater than other students. The Presidents Council remains committed to gathering data regarding the academic success of Division III student-athletes and will continue to monitor the progress of the pilot program.

(4) Executive Committee scorecard. Received initial information regarding the development of an Executive Committee scorecard and performance management program to align with the division's priorities outlined in its strategic plan. The Council supported the development of this tool to measure and assess the division's progress and success relative to its stated goals and priorities. It charged the staff and the Division III Strategic Planning and Finance Committee with developing more specifics for its April meeting.

(5) 2011 NCAA Convention. The membership addressed 14 proposals during Saturday's business session. Eleven proposals were adopted, one proposal failed, one proposal was not moved and one proposal was withdrawn. A proposal with significant Association-wide impact is as follows:

- Division III Convention Proposal No. 2011-6—NCAA membership—definitions and applications—affiliated and corresponding membership—requirements for affiliate membership and elimination of corresponding membership. At the request of the Executive Committee Working Group on Membership, this proposal eliminates corresponding membership and modifies the requirements for affiliated membership.

6. Future meetings. The Committee reviewed its future meetings schedule.

7. Adjournment. Ray adjourned the meeting at 4 p.m.

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