

STATE OF SOUTH CAROLINA)
)
COUNTY OF PICKENS)

AFFIDAVIT OF SCOTT LUDLOW

PERSONALLY APPEARED BEFORE ME, Scott Ludlow, who upon being duly sworn,
deposes and states as follows:

1. I am a citizen and resident of South Carolina. My permanent home is 1434 Melton Road, Liberty, South Carolina 29657. I am currently employed as the Vice President for Finance of the South Carolina Technical Schools. My office address is 111 Executive Center Drive, Columbia, South Carolina 29210. I was recently asked by the Governor to serve on the Higher Educational Task Force, which will study and make recommendations regarding publicly-funded higher education throughout South Carolina.

2. I am a graduate of the University of Montana with a degree in Accounting. I am a licensed Certified Public Accountant. I was previously employed by the State of Montana as an auditor of higher educational institutions funded by the state. I later took a position as Controller of Northern Montana College. After that, I took a position at Kansas State University where I was the Associate Controller. From there, I moved to West Virginia University where I served as the Controller. My next employer was Clemson University, where I served for approximately eight and a half years as the Chief Financial Officer and Chief Business Officer. On October 25, 2004, I submitted my letter of resignation to the President pursuant to his earlier request. That request was confirmed by a letter, a copy of which is attached as Exhibit A.

3. After the arrival of President Barker, I noted that all presentations to the Board of Trustees by the Administrative Council were rehearsed. Presenters were encouraged not to stray from the agreed upon contents of the presentation which had previously been approved by the administrative council. To my knowledge and to the best of my information and belief, there

was never a factual and accurate presentation made to the Trustees about the accumulation of cash in recent years. There was no explanation about why it was happening. There was never any expression of concerns which I and perhaps others had about this situation to the Trustees. I have no reason to believe the members of the South Carolina General Assembly or others in State government had a clear and complete understanding about the cash which has been accumulating in recent years at Clemson University.

4. On numerous occasions, I recommended to the Administrative Council that some of the accumulated funds be used to upgrade the University's facilities. There were a number of buildings on the campus badly in need of upgrades and repairs. There was a need for a back-up electricity generation system. I recall a potential new scientific researcher, who was visiting the campus and who was being recruited as a possible new faculty hire, expressed concerns about a power outage which occurred during his visit. When he learned that the University had no back-up generator and how there were power outages on the campus approximately twice a year, he stated that he would not be able to come to Clemson University because he could not do his research and preserve his specimens if there were concerns about power outages.

5. I also expressed concerns about the University's computer system and the antiquated connections which existed between some campus locations. I also expressed concern about some of our buildings which had humidity problems or air quality problems. Although I sought the authority and the funds to correct these problems and deficiencies, I did not receive support or approval for these projects.

6. The Board of Trustees was made aware of my concerns, the problems with our buildings, the need for a backup electricity generating system but not my views about the funds being generated by tuition increases. Based on facts and circumstances which came to my

attention, the Trustees were not, to the best of my knowledge, ever made aware of these problems or my recommendations relating to tuition increases.

7. In April of 2004, I prepared listing of "Budget things to look at" which was prepared and presented to the Administration. This listing questioned the use of various institutional resources and recommended that the Administration should utilize existing resources that had accumulated to limit tuition and fee increases, conduct a thorough "product line analysis," and invest in infrastructure/deferred maintenance needs. Shortly after this, I came to understand that I had been sidelined. I was told that I would not make the budget presentations to the Board of Trustees, and financial presentations relative to tuition increases which should have been made by me in my capacity as the Chief Financial Officer would instead be presented by others on the Administrative Council. I recall asking one of the Trustees if he did not wonder why his CFO no longer appeared before the Trustees to make financial presentations. That Trustee replied that he agreed this was unusual. Nothing came of that conversation. I was never reinstated as the person who would make financial reports to the Trustees. This is one reason I concluded I had been sidelined.

8. On June 4, 2004, in response to a request by President Barker, I provided him with a self-assessment of my performance for the prior year. A copy of that self-assessment is attached as Exhibit C. Because of my continued concerns over accountability with use of institutional resources and my inability to get the Administration's attention I recommended creation of a position in Internal Audit "independent of all programmatic and budgetary activities...The charge would be to independently review operational benchmarks and use of existing resources, vet budgetary requests, ensure allocations are being used for the purpose designated, and provide reports to the Administration identifying areas of over and under

investment.” I further noted “that historically a similar position was located in the Budget Office, but was eliminated in the 1994-95 reorganizations.”

9. In June of 2004, I met with the President to receive my annual performance review. I had received favorable job performance reviews previously. During the administration of President Constantine Curris and up to this time with President Barker, my performance rating evaluations were outstanding. Instead of receiving a favorable review, I was told by the President that if I did not change my attitude and get on board I would not be the Chief Business Officer on January 1, 2005. I understood this to mean that I would likely be fired or substantially demoted. I made the decision at that time to seek other employment. When I obtained my position with the South Carolina Technical Colleges System, I submitted my letter of resignation. In my letter sent by email, I stated in part, “I truly believe that lasting success in academic pursuits will be sustained only if investments are made in the supporting personnel, institutional compliance, and facility infrastructure. I regret that I was unable to be more persuasive in securing these resources and bring balance to institutional investments which has resulted in negative perceptions of my not being a team player.” A copy of this letter is attached as Exhibit B.

10. To the best of my recollection, I had one-on-one conversations with the President about my concerns regarding the cash that was piling up and how I could not support the tuition increases. I recall having such conversations in the fall of 2003, the spring of 2004, and in the summer of 2004, the meeting where my resignation was requested.

11. I am informed and believe that my resignation was requested because of positions I took during meetings with President Barker and with the Administrative Council. I frequently expressed my concern about how the University was accumulating large sums of cash due

primarily to its substantial tuition increase. I was also concerned that the information and recommendations which I provided were not passed along to the University's Trustees.

12. While I was employed by the University and while I served as a member of the Administrative Council, we received presentations from Alan Godfrey, the Budget Director. In the years ending after June 30, 2003, his conclusions and concerns about the accumulation of cash were similar to my own. I recall Mr. Godfrey telling the Administrative Council we should not raise tuition simply to build bank account balances.

13. The accumulated cash was sometimes referred to as "performance credits." I do not regard this to be an accurate term, and to my knowledge, it is not a term routinely used by accountants and auditors of institutions of higher learning.

14. I understand this Affidavit may be submitted as evidence in a grievance proceeding which has been or will be filed by Gene Troutman, the former Executive Secretary of the Board of Trustees. If, during the investigation of his grievance, additional information is needed from me, I will be glad to cooperate.

FURTHER, YOUR AFFIANT SAYETH NAUGHT.


SCOTT LUDLOW

SWORN to and SUBSCRIBED before me

this 29th day of August, 2007

Patricia M. Varnadore (L.S.)
NOTARY PUBLIC for South Carolina

My Commission Expires: 2-16-11

TO: James Barker, President

FROM: Scott Ludlow, Chief Business Officer

SUBJ: Resignation

DATE: October 25, 2004

It is with mixed emotions I submit my resignation. My last planned day in the office will be November 23, 2004 with utilization of accumulated vacation time to carry through approximately January 28, 2005 when I will officially cease employment with the University. If needs arise during this period requiring my attention, I will do my best to respond.

Over the past 8 ½ years I have enjoyed a number of successes that hopefully will leave Clemson a better place than when I arrived. These include:

- A benchmark implementation of new finance and human resource software systems. This process has been replicated at a number of other institutions and by a number of consulting firms.
- Completion of the largest dollar amount of construction ever undertaken by the University in any 5 year period. Significant achievements include emergency replacement of the Littlejohn Coliseum roof and delivering the Advanced Materials Research Building saving millions of dollars over the cost of leasing from the SCRA.
- Completing a University Master Plan and leading an effort to incorporate LEED practices and commissioning for all new construction.
- Providing annual audited financial reports with clean opinions and in a format to achieve recognition by the GFOA.
- With your assistance changing institutional practices to start "Budgeting to a Plan" that has helped in prioritizing and balancing budgets through significant state appropriation reductions.
- Statewide recognition for minority procurement improvement, recycling, energy management, and leadership in financial issues at the CHE.
- National recognition representing the University with two national organizations: The NACUBO Research University Council and the NASULGC Council on Business Affairs. Clemson has been the only institution represented on both of these key councils.

I note that virtually all of these accomplishments came through the efforts of loyal and hardworking individuals in the Finance, Facilities, Human Resource, and Environmental Health and Safety units. In respect to their needs I truly believe that lasting success in academic pursuits will be sustained only if investments are made in the supporting personnel, institutional compliance, and the facility infrastructure. I regret that I was unable to be more persuasive in securing these resources and bring balance to institutional investments which has resulted in negative perceptions of my "not being a team player."

In conclusion Clemson is a great University and as I change roles I will continue to seek synergies consistent with my past support of yourself and this Institution.

cc. Directors (via e-mail)

CLEMSON

UNIVERSITY

July 23, 2004

CONFIDENTIAL

Mr. Scott A. Ludlow
Chief Financial Officer
Clemson University
G06 Sikes Hall
Clemson, South Carolina 29634

Dear Scott:

This letter will provide an evaluation of your work as the Chief Business Officer of Clemson University for the 2003-2004 academic year from my perspective as President. Further, I will address my specific expectations of you for the next six (6) months.

I recognize that you have very real and immediate personal challenges in your wife's battle with cancer. I also recognize that your evaluations from the previous three years have been positive. Further, your work with facilities has resulted in most projects being completed on time and on budget.

However, I have been very disappointed in your overall performance during the past year, as Clemson has strived to increase quality in the face of unprecedented budget cuts. The greatest impediments to our vision have been financial in nature, and our team depends on the Chief Business Officer for leadership in times of financial crisis. I look to the Provost as the architect of our Academic Roadmap, and I look to the Chief Business Officer as the designer of our funding plan for Top 20. When other members of the team have to step in and design a funding plan, the organization loses the benefit of their energy in their primary areas of responsibility. Simply put, your responsibilities as Chief Business Officer demand performance at a much higher level than you have demonstrated.

Therefore, the next six (6) months will be a trial period providing you the opportunity to demonstrate your value, skills and ability in the current challenging context we face as a University. The following statements reflect the performance that must be achieved. If this level of performance is not reached you will not remain as Chief Business Officer:



P R E S I D E N T

201 Sikes Hall Clemson, SC 29634-5002

864.656.3413 FAX 864.656.4676

EXHIBIT B

Mr. Scott A. Ludlow
July 23, 2004
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- Clemson must have a Chief Business Officer who demonstrates the ability to open doors to problem solutions. Currently you are closing doors to problem solutions.
- Clemson must have a Chief Business Officer who demonstrates the ability to generate solutions to our budget challenges. Currently you are simply pointing out the problems with other people's solutions.
- Clemson must have a Chief Business Officer who demonstrates fresh thinking in our new business context. Currently you are relying on traditional thinking.
- Overall, you must demonstrate that you are leading Clemson to a future of quality by being proactive, innovative and anticipating the challenges and solutions that will help make Clemson a Top 20 public university. You have not demonstrated these skills to date and you must do so.

I will review your work on January 24, 2005 and determine if your performance meets these expectations listed above.

Scott, I want you to be successful. I will do all I can to help you be successful. However, Clemson must have a higher level of performance in your responsibilities if we are to reach our goals.

Sincerely,



James F. Barker, FAIA
President

JFB/stm

TO: James Barker, President

FROM: Scott Ludlow, Chief Business Officer

SUBJ: Self Assessment

DATE: June 4, 2004

My organization continues to be challenged with the growth of the campus, increased quality expectations, and declining budgets. Despite this I believe we have achieved many successes and produced positive results for the University. The following challenges were provided in my planning session for the past year and I have added comments to reflect the status of each:

Research Model:

Working with Dr. Przirembel a research model was finalized that incorporates a process for identifying impacts of research on the institutional infrastructure and seeking reimbursement for these costs. I note this model is substantially the same as the model implemented in 1997 with nominal adjustments for embedded institutional support of research. The primary change is the utilization of the Mission Vice Presidents to review future research impact funding requests.

Waiver Funding:

Ensuring conscious decisions accompany increases in the commitment of resources to waivers has been an on-going challenge. In the past year I have taken the following actions:

- Followed up on prior white papers to the Provost on funding of waivers,
- Urged the Tuition Task Force to recommend that waivers be budgeted.
- Provided input through the budget discussions of the impact of unconstrained waiver growth.
- Urged the Revenue Task Force to make a specific recommendation regarding waivers for Graduate Research Assistants.

I note Dr. Helms has indicated an increasing interest in applying limits to the graduate programs following a model implemented at Florida State. The Mission Vice President's also have apparently entered into a process for reallocation of research waivers to academic priorities as reported by the expenditure task force.

Land Endowment:

Working with Stassen Thompson presentations were made to the Administration on our land resources that included impacts of Federal Land Use Restrictions on much of our land. This review identified Myrtle Beach property as surplus. No action has been taken until the political process clarifies the impact of Governor Sanford's position on the proceeds of land sales. We have supported the development of the ICAR campus our most immediate land development opportunity providing input on building and road placement to more effectively utilize the land.

Financing University Goals:

I have pursued the effort of identifying alternative revenue streams in a number of venues including:

- Participation in professional organizations,
- Personal professional and organizational contacts, and
- Searches of both higher education and corporate publications seeking ideas for resources.

Typically I have found Clemson leads most public and private institutions in identifying and using alternative revenue streams. I note the predominant advice being provided is contrary to our Top 20 vision such as increase class size and use of adjunct faculty.

Some specific documents provided to the administration in the past year include:

- An analysis of tuition required to transition to a private model,
- A summary of Diversifying Revenue Streams published by the American Council on Education Center for Policy Analysis, and
- Requests to consider increasing and utilizing our debt capacity at a time of historically low interest rates for infrastructure investments as identified in the University Master Plan.

Re-energize the Budget to a Plan:

The challenges of continuing reductions in state funding coupled with some critical infrastructure failures and Board reactions have assisted in gaining the recognition by the Administration and Board that we must have a plan that extends beyond academics to the entire institution. In the fall of 2003 we solicited input from across the campus in the development of a Non-Academic Road Map to identify issues that could hinder progress:

I also submitted a proposal for establishing a 5 year budget process to be guided by a Budget Committee that could commit more time to details and analysis of critical funding needs. This project is on-going with the primary challenge being identification and recognition of a Budget Committee with a broad perspective of campus needs and providing them with the authority and responsibility for establishing a framework for a 5 year budget process.

Parochial interests continue to hinder vetting of budgetary requests and accountability for current resource use. After considerable thought I would like to discuss development and use of a Program Audit position independent of all programmatic and budgetary activities. Such a position would administratively be placed in the Office of Internal Audit, but would programmatically report directly to the President. The charge would be to independently review operational benchmarks and use of existing resources, vet budgetary requests, ensure allocations are being used for the purpose designated, and provide reports to the Administration identifying areas of over and under investment. This position could also potentially be utilized to Chair a Budget Committee. I note that historically a similar position was located in the Budget Office but was eliminated in the 1994-95 reorganizations.

Infrastructure Plan:

A Facilities Stewardship presentation was provided to the Administration and the Board that included benchmarks and results of multiple years of funding deficiencies for both operations and maintenance. This presentation included an outline of a funding plan, timetable for implementation, and managerial policies relative to infrastructure growth, debt capacity, and prioritizing investment of limited maintenance resources.

Additionally we have started work on a Utility Master Plan and Storm Water Master Plan to identify deficiencies and future requirements necessary to support growth identified by the Master Plan. I note any significant progress in this area will be contingent on the ability to obtain funding.

Other:

- Personal professional recognition by being asked to serve as a member of both the NASULGC Council on Business Affairs and the NACUBO Research University Council. (It appears Clemson is the only University represented on both of these Councils of national stature with responsibilities for leadership in business management for higher education.)
- We have embraced sustainability through design and in-progress construction of LEED certified building projects. I am tentatively scheduled to be on a panel discussion at the 2004 National NASULGC meeting on this topic. The Advanced Materials Lab will be highlighted.
- Recipient of Duke Energy's Power Partner Award
- Second consecutive year for recognition as the most improved state agency in minority procurement.
- Twelfth year of receipt on the Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association.
- In coordination with Aramark we have engaged in a Market Match process to identify strengths and weaknesses in our food service programs.
- We have hosted a number of campuses who have expressed interest in the operation of our Financial and Human Resource Systems. These include: Florida State University, University of South Carolina, Georgia Board of Regents, North Carolina State University, Georgia College of Medicine, and the University of Maryland.

In conclusion, I believe it has been another successful year. I certainly owe credit for many of these accomplishments to the approximately 500 individuals who work in our Facility, Finance, Budget, Human Resource, and Environmental Health and Safety areas.

Challenges for the coming year:

- Continue work to refine a comprehensive multi-year budgeting process in support of multi-year plans.
- Infrastructure
 - Strategic plans for utilities including master plans and related policy reviews for the Power, Central HVAC, and Storm Water Systems.

- Providing funding strategies for new buildings, deferred maintenance, and routine operational investments.
- Conducting air quality improvement projects in both the P&A Phase I and Tillman Hall while buildings remain occupied.
- Successful completion and attainment of LEED certification on the Advanced Materials Lab.
- Upgrade the Financial System to a web based system providing increased flexibility in use while extending the service life of our now 6 year old system.