

**MINUTES OF  
NCCU BOARD OF TRUSTEES  
EXECUTIVE COMMITTEE  
January 13, 2009**

The NCCU Board of Trustees Executive Committee met via telephone conference call and a public forum was provided in the Hoey Administration Building, Conference Room 113. Chairman Thomas called the meeting to order at 2:00 p.m. She recognized Ms. Dottie Irving Fuller to call the roll.

Executive Committee members participating on the call: Chairman Kay Thomas, Trustee Glenn Adams, Trustee Robert Dolan, and Trustee Nancy Wysenski. A quorum was established.

Others present included: Trustee George Miller, Trustee Avon Ruffin, Trustee Ed Stewart, Trustee Charles Baron, Chancellor Charlie Nelms, Ms. Susan Hester, Vice Chancellor Alan Robertson, Vice Chancellor Kevin Rome, Attorney Kaye Webb, Dr. Pauletta Bracy, Ms. Gracie LeSane, Ms. Yolanda Banks-Deaver, Ms. Miji Bell, Mr. Eric Ferreri (*News & Observer*), Mr. Greg Childress (*Herald Sun*) and Ms. Dottie Irving Fuller.

Chairman Thomas recognized Dr. Kevin Rome, Vice Chancellor for Student Affairs and Enrollment Management, to provide an update on Campus Crossings.

Vice Chancellor Rome stated that in 2005, North Carolina Central University entered into a contractual relationship with Campus Apartments, Inc., as a temporary resolution to a housing shortage problem due to on campus renovations and to meet our increasing enrollment needs. The university leased the entire facility.

The costs associated with continuing the contract exceeds the amount of revenue collected, thereby creating a shortfall. As an auxiliary unit, Residential Life could not maintain the impact of a shortfall, which necessitates the cancellation of a contractual relationship with Campus Apartments, Inc. effective May 23, 2009.

To assist with this transition the NCCU Office of Residential Life will make every effort to assist students with acquiring on-campus housing or alternative off-campus housing options. Residential Life will host an off-campus housing fair and provide online resources this spring to assist any students impacted by this decision. The number of students impacted would be approximately 500. Chancellor Nelms indicated we can absorb approximately 150 of those students in our current housing inventory. So approximately 400 students will need to secure housing. It is anticipated many students will choose to continue to live at Campus Crossings, we just will not be in a position to lease the entire complex.

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Chairman Thomas recognized Chancellor Nelms. He informed the trustees that a "Campus Update to the Board of Trustees" was mailed to each trustee recently. It is an effort to keep the Trustees apprised of ongoing developments on campus between board meetings. Any questions the trustees may have should be directed to the Chancellor, Ms. Susan Hester and/or any Vice Chancellors and every effort will be made to respond to any specific information.

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Chancellor Nelms provided an update on New Birth. He indicated we have been engaged in over the past 12 months in addressing an array of issues associated with the course offerings by NCCU at New Birth Church in Lithonia, Georgia. The Southern Association of Colleges and Schools (SACS) approved our Teachout Agreement officially its the December 2008 meeting. We currently have 29 students enrolled through online courses at NCCU or East Carolina University, the institution with whom we have a relationship with on the Teachout. We are very pleased, classes are underway and hopefully some of these students will be able to complete their course requirements for degree in order to graduate in May with others graduating in December 2009. Chancellor Nelms has thanked the faculty and staff who have been involved in this process.

Chancellor Nelms shared with the committee the issue of liability incurred by the University as a result of having not gone through the appropriate approval process with the Board of Trustees, Board of Governors, SACS as well as the US Department of Education. We transmitted all of our information by way of a self report to the US Department of Education and they evaluated what was submitted to them and using the formula that they use which is taking into consideration the total amount of grant aid disbursed, the total amount of direct loans disbursed and taking into consideration the University's default rate on student loans, they calculated the liability. The liability for North Carolina Central University is \$1,138,228.22. That figure is based on a formula used by the US Department of Education. We have been in conversation with the US Department of Education as well as UNC General Administration and we are at the point now where we will be entering into a repayment agreement with the US Department of Education. We will not utilize any state funds to repay this amount of money, trust dollars will be used. Chancellor Nelms also indicated he expects to receive soon an actual repayment agreement from the US Department of Education, which with the trustees approval, he will move forward to sign on behalf of North Carolina Central University. The agreement calls for repayment over a 5-year period in equal installments. This will allow us to move forward. This repayment agreement will not impact in any way those students who have completed the FAFSA and qualified for financial and are in receipt of financial aid. Those students enrolled online right now would not be negatively impacted. Anyone who has received financial aid in the past will not be negatively impacted by this agreement. This is North Carolina Central University's approach to writing the last chapter in this situation and upon receipt of the actual agreement, Chancellor wants to be in the position to sign on behalf of NCCU. Chancellor Nelms wanted to

bring this to the attention of the Board of Trustees for their information. It is the Chancellor's understanding that it does not require the Board's action. Chancellor expects the agreement any day because timelines are outlined in the agreement.

Next on the agenda, Chairman Thomas recognized Dr. Alan Robertson, Vice Chancellor for Administration and Finance, to make a presentation. Dr. Robertson indicated there are three (3) action items relative to the NCCU Endowment Asset Policy: (1) The Asset Allocation Policy Change which has not been updated since November 1996; (2) from a conversation at the last Board of Trustees meeting, Vice Chancellor Robertson wants to propose a trigger that would satisfy the board's need for communication relative for changes in the Endowment Policy; and (3) discussion of investment of the new Endowed Professorships in relation to the new asset allocation policy.

The information provided the Executive Committee included an asset target range. What is being proposed is a range to bring us back in line with where we are today. When we moved to UNC Management for investments, UNC Management does not allow us the flexibility to articulate the allocation that we want, they have a fixed allocation, so we invest dollars and they invest it throughout their portfolio. What this did was through us out of compliance with our 1996 allocation. Our old allocation was 55% equity, 40% fixed and 5% hedge funds. What is being proposed today we do 62% equities, 20% fixed income, 10% real estate and 8% energy and natural resources and within a range so that it provides some flexibility as we continue to invest and as UNC Management changes its portfolio.

Within the equity investment asset class, being proposed is 34% domestic, 14% International, 10% global and 12% private. The handout shows where we are now and listed is UNC Management's dollar amounts as well as Piedmont with the percentages. In total we are 52% equities, 11.1% private equity for a total equity percentage of 63.1% with fixed income securities 19.6% and others which consist of real estate, energy and natural resources which is 17.3%. We cannot do individual investments, we have to adjust outside of UNC management and at this point we have only 2 investment houses approved by the Board, UNC Management and Piedmont. So what is being recommended is that we invest fixed income securities for the endowed professorship in the amount of \$1 million that would bring us closer in line to our policy to balance us out with fixed because right now we would be to heavily weighted in equities with UNC Management. Trustee Adams indicated historically Piedmont has always had a lower return than UNC Management. Vice Chancellor Robertson indicated this is a fixed investment that is not going to be subject to the market fluctuation that would be inequities. He feels pretty confident to get a decent return. Vice Chancellor Robertson concurred that Piedmont has had lower returns than UNC Management and the risk profiles are different. Piedmont has had returns that exceeded the market returns.

Chancellor Nelms made three observations: (1) Piedmont has a smaller pool of dollars that they are dealing overall. So the larger pool you have to invest the

greater the probability that you are going to exceed someone with a smaller pool; (2) the investment philosophies differ for these two companies. Chancellor Nelms recalls from the November Board of Trustees meeting the three entities, Deutsche Bank, Piedmont and UNC Management all went through their investment philosophies; and (3) the kinds of things that UNC Management can invest in. Chancellor Nelms does not worry quite as much with their being differences in investment houses, the question is are they doing better than the bench mark established. This was a concern with Trustees Adams and Miller. Vice Chancellor Robertson indicated that Piedmont, in their presentation, at the November Board of Trustees that they had out performed the market. Trustee Miller inquired are we stacking the deck against Piedmont by forcing them to be in compliance with their own rules. Chancellor Nelms indicated anytime you are dealing with an endowment we know there are certain dollars we have to pay out in order to meet the requirements of the donor. So we do not want to put dollars at risk in this kind of market condition. Chancellor Nelms' suggestion would be that we make the adjustments and monitor what is going on and come back and make an adjustment as we need, if we get an upturn in the market then we can consider doing something. To make the expectations that we have for this professorship, we need to make sure those dollars are there. Vice Chancellor Robertson indicated we would not blend the rate, we will continue to tract Piedmont's equity portfolio separate from the fixed income and still benchmark the fixed income returns.

Finally, Vice Chancellor Robertson proposed a development of a trigger. What is being proposed, given the volatility in the financial markets, that any change greater than 20% between the monthly reports the Chancellor would be notified and he in consultation with the Chair, would determine it warrants an Executive Committee meeting to review reallocation. Twenty% (20%) is based on recent changes, but can be lowered or raised depending upon the wishes of the Board.

Trustee Ruffin inquired about the professorship and the investment with Piedmont, is that the only alternative we have in terms of investment. Vice Chancellor Robertson indicated at this point, it is because we are only approved to invest in Piedmont and UNC Management. Trustee Ruffin further inquired as to what it will take to change. Vice Chancellor Robertson indicated typically we would go out into the market and ask firms to bid, evaluate their performance and add to list of approved members. The approval would be by the Board of Trustees. Chancellor Nelms indicated if it is pleasure of the board to go out and explore the options, we can do that, come back with a recommendation at a later date. Comptroller Yolanda Banks-Deaver indicated we have an Endowment Board, not a committee. The Endowment Board takes the action on any endowment activity, transaction or recommendation put forth. Trustee Ruffin inquired as to whether the Endowment Board has reviewed this recommendation. The Endowment Board consists of: Trustees Thomas, Stewart, Baron, Long, Hamilton, Williams and Chancellor. There is a quorum of the Endowment Board on the call.

Chancellor Nelms suggested after additional discussion, this matter be tabled and be scheduled to be considered as an action item at the February NCCU Board of Trustees Endowment Board to take action and then present to the full board for action. It was moved by Trustee Adams and properly seconded that the Asset Allocation Policy Change, Triggers and Investment of New Endowed Professorships action items be tabled until the February 2009 NCCU Board of Trustees meeting. The motion carried.

Chancellor Nelms posed another question that deals with expanding the options. Right now we only have 2 options. Is there a desire of the Board to explore additional/different options. The Board indicated yes. Chancellor indicated we will come prepared at the February meeting or as soon as possible with a recommendation for expanding the options available to us.

Trustee Dolan indicated in the Proposed Endowment Policy it mentions the Endowment Board. Based on the discussion, is it a "Board" or "Committee.?" There needs to be some consistency in the policy. Chancellor Nelms will have legal counsel review and determine whether it is a committee or board.

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Chairman Thomas inquired of the board if there are any questions, since there were none, she recognized Trustee Adams for a motion to go into closed session to discuss personnel matters pursuant to NC General Statute 143-318.11(a)(6).

It was moved by Trustee Adams and properly seconded by Trustee Miller to go into closed session. The motion carried.

### **CLOSED SESSION**

Chairman Thomas recognized Chancellor Nelms who made a presentation regarding a candidate for the appointment of Chief Legal Counsel. Chancellor Nelms provided background information and qualifications of the candidate for the position.

Further, Chancellor Nelms, informed the Executive Committee that the recommendation for a candidate for the appointment of Interim Associate Vice Chancellor for Institutional Advancement is being made as a result of an illness of a colleague and friend, Randal Childs. Randal has been seriously ill over the past three weeks and remained in a coma until last week. Medical personnel are still trying to decide exactly what the illness is, and Chancellor Nelms announced that he is now showing considerable improvement. Randal was the lead person regarding fundraising development. Ms. Susan Hester made a presentation regarding a candidate for the appointment and provided background information and qualifications of the candidate for the position.

Trustee Baron suggested a Thinking of You/Get Well Wishes be extended to Randal on behalf of the Board of Trustees.

Finally, Interim Vice Chancellor for Institutional Advancement, Susan Hester, made a presentation regarding a candidate for the appointment of Interim Director for Alumni Relations. She provided background information and qualifications of the candidate for the position.

Chair Thomas inquired of the board if there are any questions, since there were none, Trustee Adams moved and it was properly seconded by Trustee Dolan to reconvene in open session. The motion carried.

#### **OPEN SESSION**

It was moved by Trustee Adams and properly seconded by Trustee Miller that the NCCU Board of Trustees Executive Committee approve the recommendation of the candidate for Chief Legal Counsel and directs the staff to forward all relevant information to the UNC Board of Governors/President for final action. The motion carried.

Further, it was moved by Trustee Adams and properly seconded by Trustee Dolan that the NCCU Board of Trustees Executive Committee approve the recommendation of the candidate for Interim Associate Vice Chancellor for Institutional Advancement, Johnnie Southerland, effective January 15, 2009, at a salary of \$100,285. The motion carried.

Finally, it was moved by Trustee Adams and properly seconded by Trustee Dolan that the NCCU Board of Trustees Executive Committee approve the recommendation of the candidate for Interim Director, Alumni Relations, William P. Evans, effective February 2, 2009, at a salary of \$15,000. The motion was properly seconded and the motion carried.

There being no further action, a motion to adjourn was proffered. The motion was properly seconded and the motion carried.

Respectfully submitted,

***Dottie Irving Fuller***

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