

MINUTES
The University of North Carolina at Greensboro
Board of Trustees
Business Affairs Committee

February 2, 2006

Attending-Business Affairs: Hudnall Christopher, Jr., Thomas Ross, William Pratt

Board Members and Guests: Kemp Allen, Kate Barrett, Alan Boyette, Mike Byers, James Clotfelter, Karen Core, Crista Cuccarò, Jean Davis, Exandra Dempsey, Howard Doyle, Carolyn Ferree, Dan Fisher, Steve Gilliam, Jill Goodman, Stephen Hassenfelt, Donna Honeycutt, Davis Lumpkin, Karen McNeil-Miller, John Merrill, Sharlene O'Neil, Jen Palancia Shipp, Fred Patrick, Steve Rhew, Philip Richman, Bo Rodenbaugh, Jonathon Rosamond, Gary Rosenkrantz, Yvonne Ross, Angela Scott, Don Skeen, Patricia Stewart, Reade Taylor, Patricia Sullivan, Edward Uprichard, Lenita Withes, and Jonas Wortel

Hudnall Christopher, Chair of the committee, called the meeting to order at 8:05 a.m.

The minutes for the November 3, 2005 meeting were approved as written.

ACTION ITEMS

Report of the Board of Trustees of the Endowment Fund (BAC-1)

Philip Richman explained to the Board that the Endowment Board was different from the other foundation boards in that it was established by statute from the legislature. A certified audit goes through three reviews - the Audit Committee, the Board of Trustees and the Board of Governors. The funds from the Endowment Fund are used for scholarships, fellowships and professorships. There was an unqualified audit opinion and a business advise letter recommending an audit committee. There is a Board of Governors Policy pending on the formation of this committee.

Tom Ross moved to approve the report. William Pratt seconded the motion and it was unanimously approved for recommendation to the full Board.

Designer Selection for Mossman Roof Replacement (BAC-2)

Philip Richman reported that twelve letters of interest were received for this project. Four were selected for presentation and qualifications. The firm of Sutton-Kennerly & Associates was recommended as the designer due to previous experience, sufficient technical staff and excellent customer service during construction.

Tom Ross moved to approve the recommendation. William Pratt seconded the motion and it was unanimously approved for recommendation to the full Board.

Designer Selection for UNCG Data Center Study (BAC-3)

Davis Lumpkin advised the Board that with the expansion of IT on the campus, the physical move of the installation is critical. There are three main areas of concern - 1) What kind of measures to take prior to the move to maintain service, 2) How to move the present equipment from Forney and remain on-line, and 3) How to plan for the future. Seven letters of interest were received for this study. Two firms were chosen for review of presentation and qualifications. Calloway Johnson Moore & West is recommended due to their experience with similar installation and technical expertise.

Jean Davis asked how long the study would take. Mr. Lumpkin estimated that this study would take until the end of the fiscal year.

William Pratt moved to approve the recommendation. Tom Ross seconded the motion and it was unanimously approved for recommendation to the full Board.

Lease Agreement between the Greensboro Center for Innovative Development and UNCG and NCA&T (BAC-4)

Philip Richman advised the Board that the School of the Deaf property became available in 2002. NC A&T and UNCG asked that the property be transferred to the campuses which formed the Joint Millennium Campus. In order to manage the property the GCID was created to enhance facility development and new building for the two sites. Mr. Richman asked John Merrill to speak to the specifics of the lease.

John stated that the ground lease was designed to give more flexibility for development, use state funds and work with the facility staff of both UNCG and NC A&T. The USDA is a possibility for the anchor tenant. The details of the lease were reviewed by Skip Capone for UNCG and Leslie Winner for General Administration. All details of the lease have been reviewed beyond the campuses. The template was designed by Skip Capone, Leslie Winner and representatives from NC A&T and the Financial Department in General Administration. Following approval by both Boards of Trustees, the lease will be submitted to the Board of Governors, then the Council of State and finally the Governor.

Tom Ross moved to approve the recommendation. William Pratt seconded the motion and it was unanimously approved for recommendation to the full Board.

INFORMATION ITEM

Trustee Audit Review (BAC-5)

Philip Richman informed the new members of the Board that the Business Affairs Committee serves as the Audit Committee of the Board of Trustees for UNCG. Annually they review the external and internal audits performed for UNCG. The primary audit is held in August of each year and extends for several months. Also in August the independent auditors, McGladrey & Pullen are in our offices. This year we had an additional NCAA audit which was a program, rather than a financial audit. There was no federal audit in 2004-05.

The State audit was unqualified with no major findings. McGladrey & Pullen's audit was also unqualified with no major findings. There was a recommendation that a specific audit committee be convened for the foundations. The Weatherspoon Foundation, which is a volunteer organization had two minor notes. The NCAA audit which was special and specific to the program had no findings.

William Pratt asked if the recent business climate had changed the auditing process. Mr. Richman responded that it was much more intense now, even for non-profit organization. There is much sharper scrutiny since the Sarbanes Oxley was introduced.

Chancellor Sullivan advised that the Board of Governors had instituted a study of the Best Practices and new guidelines were expected to be adopted shortly. More information should be received shortly.

University Investment Fund Update (BAC-6)

Philip Richman presented the annual report of the University Investment Fund. There is \$142.7 million in this consolidation of all foundations. The purpose of the fund is to hold the funds for the other entities and manage the portfolio. A chart was distributed to show the ownership and allocation percentages of the fund. Cambridge has managed the fund since its inception in July, 1992. They will supply the final figures for the year by April.

Hudnall Christopher asked how many of the investments did not meet their targets. Mr. Richman advised that only 1 or 2 did not.

Chancellor Sullivan announced that the Peabody Park and Bridge renovation has been presented with an award from the State of North Carolina and will be presented for a national award.

The meeting was adjourned at 8:41 a.m.

Respectfully submitted,

Donna Honeycutt, CPS

BOARD OF TRUSTEES

THE UNIVERSITY OF NORTH CAROLINA AT GREENSBORO

February 2, 2006

ACTION ITEM: Lease Agreement between the Greensboro Center for Innovative Development and UNCG and NCA&T

BACKGROUND INFORMATION:

*John MARRELL
Greensboro Center For Innovative
Development*

In February 2003, the concept for a "Joint" Millennial Campus was presented to the UNC Office of the President indicating the potential for collaborative opportunities between UNCG and NCA&T. Later that year, the Joint Millennial Campus was introduced to the community.

In September 2003, in order to create an efficient vehicle to manage the UNCG/NCA&T Joint Millennial Campus (JMC), a separate 501(c)3 not-for-profit was established. The newly formed organization is known as the Greensboro Center for Innovative Development (GCID). The GCID is charged with the management and development of the properties that represent the JMC.


In September 2005, a Management Services and Development Agreement (MSDA) between the GCID and NCA&T and UNCG was approved and executed by each party's respective board of trustees. The MSDA formally established a working relationship between the two universities and the GCID for future development. Section I.F. of the MSDA states, "The Universities shall lease to GCID any or all property designated as the JMC, subject to necessary governmental approvals. Such leases shall be long-term leases for nominal consideration."

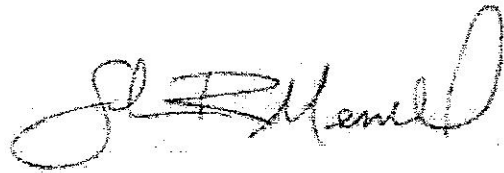
In order to facilitate the GCID's ability to perform its role as manager/developer it was determined by counsel for the universities and the GCID to pursue a master lease for the properties identified as the JMC. The lease document is based on a model previously used by several UNC campuses, including UNCG and NC A&T. This document has also been reviewed by the Office of the President.

The purpose of this action is to request approval from this Board to proceed with a 50-year ground lease (and two successive 10 year renewals) with the GCID on land owned by the State of North Carolina (Approximately 75 acres with 142,000 square feet of existing space at the former Central North Carolina School for the Deaf and approximately 75 acres adjacent to the NCA&T farm), on which the GCID will develop, in concert with the universities, a research park similar to the Centennial Campus at North Carolina State University.

RECOMMENDED ACTION:

It is recommended the Board of Trustees of The University of North Carolina at Greensboro approve the Lease Agreement between the Greensboro Center for Innovative Development and UNCG and NCA&T and recommend approval to the Board of Governors.


Philip H. Richman
Vice Chancellor for Business Affairs


John R. Merrill
Executive Director, Greensboro Center for
Innovative Development

Attachments

APPENDIX C

Lease of Joint Millennial Campus – North Carolina A&T State University and The University of North Carolina at Greensboro

The 2000 session of the General Assembly authorized the Board of Governors to designate Millennial Campuses at each constituent institution when the Board finds that such a designation will enhance the economic development of the region served by the constituent institution.

In October 2003, the Boards of Trustees of North Carolina A&T State University and The University of North Carolina at Greensboro requested, and the Board of Governors approved, the designation of the land (formerly the Central School for the Deaf) reallocated to the Board of Governors by the 2003 Session of the General Assembly and a 75-acre parcel of land currently comprising a portion of the NCA&T State University Farm as a Joint Millennial Campus.

Now, the Boards of Trustees of NCA&T and UNCG are requesting permission to execute a ground lease of the land and existing improvements for the Joint Millennial Campus to the Greensboro Center for Innovative Development, a jointly-controlled and jointly-funded 501(c)(3) entity that will administer the educational, research, and economic development mission of the Joint Millennial Campus.

The \$1 lease would be for the initial term of 50 years with two, 10-year renewal options. Upon the expiration of the lease, the land and any improvements upon the land would revert to the State. The lease of the land will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and must be approved by the Council of State.

It is recommended that the request of the Board of Trustees of North Carolina A&T State University and the Board of Trustees of The University of North Carolina at Greensboro be approved and transmitted to the Council of State for final action.

Minutes of the May 11, 2006 Meeting
of the Board of Governors' Committee on Budget and Finance

The Committee on Budget and Finance met in the Board Room of the General Administration Building in Chapel Hill, North Carolina on Thursday, May 11, 2006, at 2:00 p.m.

Members in attendance were: Mr. Bradley T. Adcock, Mr. R. Steve Bowden, Mr. F. Edward Broadwell, Jr., Mr. William L. Burns, Jr., Mr. Ray S. Farris, Ms. Hannah D. Gage, Mr. Peter D. Hans, Governor James E. Holshouser, Jr., and Mr. Benjamin S. Ruffin. Other Board of Governors' members attending were Brent D. Barringer, John W. Davis III, Phillip R. Dixon, Dudley E. Flood, Willie J. Gilchrist, H. Frank Grainger, Charles A. Hayes, Adelaide D. Key, Charles H. Mercer, Jr., Fred G. Mills, Charles S. Norwood, Cary C. Owen, Jim W. Phillips, Jr., Gladys Ashe Robinson, Estelle Sanders, William G. Smith, Priscilla P. Taylor, and David W. Young. Attending from General Administration were President Erskine Bowles, Chief of Staff Jeffrey R. Davies; Vice Presidents Russ Lea, Robert O. Nelson, Alan Mabe, and Leslie Winner; Associate Vice Presidents Ginger Burks, George Burnette, Shari Harris, David Harrison, Kimrey Rhinehardt, and James O. Smith; Assistant Vice President Claudia Odom; Associate Vice President and University Property Officer Terrance Feravich; and Special Assistant to the University Kennis R. Grogan. Chancellors in attendance were: Steven C. Ballard (ECU), T.J. Bryan (FSU), James H. Ammons, Jr. (NCCU), Patricia A. Sullivan (UNCG), Rosemary DePaolo (UNCW), and John W. Bardo (WCU). Chief Finance Officers in attendance were: Charles O'Duor (NCCU) and Chuck Wooten (WCU). Trey O'Quinn, Kristen Crosson, and Chris Harder from the Office of State Budget and Management, Consultant Eva Klein, Consultant John Merrill, Vice Chancellor for Student Affairs at NCCU Roland Gaines, and Chair of the Faculty Assembly Brenda Killingsworth were in attendance as well as members of the press.

Chair Gage convened the meeting. The minutes of the meetings of April 11, 2006 were approved.

1. Before the item was considered, Chancellor Bardo presented information prepared by Eva Klein and Associates in support of the agenda item. Questions were answered throughout the presentation. The 2000 session of the General Assembly authorized the Board of Governors to designate a Millennial Campus at each constituent institution when the Board found that such a designation would enhance the economic development of the region served by the constituent institution. The legislation stated that the Board should act on the recommendation of the President after the President had consulted with the Chancellor and the Board of Trustees. The designation should be based on the express finding that the institution had the administrative and fiscal capacity to create and maintain such a campus. Each Millennial Campus would function in a manner similar to the Centennial Campus at North Carolina State University and each would be exempt from the provisions of the Umstead Act.

The Board of Trustees of Western Carolina University had requested that the Board of Governors designate as a Millennial Campus the recently acquired 344.77 acres located on the west side of NC Hwy. 107 and the following buildings located on the east side of NC Hwy. 107: Outreach Center (formerly known as the Camp Lab School), Graham Building (former student health center); and Moore Building (current home to Allied Health

Programs). The Millennial Campus would be developed to enhance the research, teaching and service missions of WCU by relying on its respective strengths in the advanced manufacturing, human learning systems, media and media content, molecular biosciences, retirement, aging, and education. Vice President Nelson reported that the President had completed the required consultations and recommended that the Board approve the request. The campus had the administrative and fiscal capacity that was required; and the activities to be performed on the Millennial Campus would advance regional economic development.

It was recommended that 344.77 acres and the Outreach Center, the Graham Building, and the Moore Building be designated as a Millennial Campus.

On the motion of Mr. Broadwell, seconded by Mr. Burns, the recommendation was approved.

2. Before the item was considered, Mr. Merrill presented information in support of the agenda item. Questions were answered throughout his presentation. In October 2003, the Boards of Trustees of North Carolina A&T State University and The University of North Carolina at Greensboro requested, and the Board of Governors approved, the designation of the land (formerly the Central School for the Deaf) reallocated to the Board of Governors by the 2003 Session of the General Assembly and a 75-acre parcel of land currently comprising a portion of the NCA&T State University Farm as a Joint Millennial Campus.

Now, the Boards of Trustees of NCA&T and UNCG were requesting permission to execute a ground lease of the land and existing improvements for the Joint Millennial Campus to the Greensboro Center for Innovative Development, a jointly-controlled and jointly-funded 501(c)(3) entity that would administer the educational, research, and economic development mission of the Joint Millennial Campus.

The \$1 lease would be for the initial term of 50 years with two, 10-year renewal options. Upon the expiration of the lease, the land and any improvements upon the land would revert to the State. The lease of the land would be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and must be approved by the Council of State.

It was recommended that the request of the Board of Trustees of North Carolina A&T State University and the Board of Trustees of The University of North Carolina at Greensboro be approved and transmitted to the Council of State for final action.

On the motion of Mr. Broadwell, seconded by Mr. Burns, the recommendation was approved.

3. The Board of Trustees of North Carolina Central University had requested permission to extend an existing lease and to seek additional leased student housing in order to accommodate a continuing high number of students seeking on-campus housing for the 2006-07 academic year.

Originally approved in August 2005, NCCU was requesting permission to extend and

increase the number of beds of its current lease with Campus Apartments, Inc. at their Campus Crossing Apartments Community located at 1400 E. Cornwallis Drive in Durham for the 2006-07 academic year. The lease would be for 564 beds (up from 480) and was estimated to cost \$3.2 million or \$20.03 per bed per day including utilities, janitorial services, transportation, security, and furnishings. Office space for NCCU staff and complex common spaces were provided at no additional charge.

Also, NCCU was requesting permission to work with the State Property Office to lease up to an additional 300 beds for the 2006-07 academic year at a location and price to be determined by bid. The lease of these 300 beds was estimated to cost \$1.2 million. (Once determined by bid, the Committee asked that the actual lease cost be forwarded to the Council of State for consideration.)

These additional beds would help address the 370 beds that had been taken off-line during the renovation of Eagleson Residence Hall, the 510 beds off-line with the closing of Chidley and Latham Residence Halls, and increased demand for on-campus housing. The rates charged would be consistent with equivalent on-campus housing.

The cost of the leases would be funded from student housing receipts and housing reserves.

It was recommended that the requests of the NCCU Board of Trustees be approved and transmitted to the Council of State for final action.

On the motion of Mr. Broadwell, seconded by Mr. Burns, the recommendation was approved.

4. The Board of Trustees of Winston-Salem State University had requested approval to enter into a lease for the long-term use of the City of Winston-Salem's Bowman Gray Stadium.

The City was embarking on a project to upgrade Bowman Gray Stadium, including the construction of a new 21,000 square-foot field house. Approximately 14,500 square feet of the new field house would be used by WSSU and would provide offices, conditioning/training facilities, hospitality suites, and other support spaces for the Athletics Department. Construction would be managed by the City with participation by the university.

Improvements to the stadium complex were expected to cost \$5.1 million. The City would issue debt for the project, as a 30-year bond, and WSSU would make lease payments that would pay the costs associated for its use of the facility, with a maximum of up to \$3.1 million of principal. In addition, WSSU's annual lease payments would include negotiated operating and maintenance costs. The project and method-of-financing were approved as part of the Board of Governors' request to the 2005 General Assembly.

The term of the lease would be for 30 years and the initial lease cost was expected to be \$320,000 per year. Lease payments would be funded by a \$44.00 University student debt service fee, included as part of the 2005 Budget Request, and by university receipts. WSSU would begin collecting the fee in the fall of 2006.

It was recommended that the request of the Board of Trustees be approved and transmitted to the Council of State for final action.

On the motion of Mr. Broadwell, seconded by Mr. Bowden, the recommendation was approved.

5. The Chancellor of North Carolina Central University had informed the President of the need to invoke emergency procedures as allowed by G.S. 143-129 to provide for a new capital improvements project.

The project would repair steam leaks in lines serving McLendon-McDougald Gymnasium and Hubbard Chemistry, Lee Biology, and Robinson Science buildings. Because the leaks were producing high levels of humidity in mechanical rooms, utility tunnels, and adjacent support spaces, NCCU had invoked the procedures allowed by the statute to make the needed repairs by the quickest means possible to avoid unsafe conditions and costly damage to buildings and equipment. The project, estimated to cost \$134,000, would be funded from repair and renovation funds and Higher Education Bond funds.

In accordance with emergency procedures, the State Building Commission had been notified.

6. The Board of Trustees of Winston-Salem State University had requested the authority to establish a new capital improvements project.

Whitaker Basketball Courts Reconstruction would be accomplished by demolishing the existing deteriorated surface and providing new asphalt and concrete, new goals, new striping, and improved accessibility to the courts. The project, estimated to cost \$285,000, would be funded from the student activities trust fund. There would be no increase in the student activities fees to complete this project.

It was recommended that the project be authorized and that the method of financing as proposed by Winston-Salem State University be approved.

On the motion of Mr. Burns, seconded by Mr. Farris, the recommendation was approved.

7. G.S. 116-13.2 required the Board of Governors to report on an annual basis to the Joint Legislative Commission on Governmental Operations as follows:

§ 116-13.2. Report on University Fiscal Liabilities.

The Board of Governors shall report on an annual basis to the Joint Legislative Commission on Governmental Operations on:

- (1) Any financing of buildings or other facilities, regardless of the ownership of those buildings or other facilities, located on land owned by The University of North Carolina or the constituent institutions of The University of North Carolina; and*
- (2) All fiscal liabilities or contingent liabilities, including payments for debt service or other contractual arrangements, of The University of North Carolina or any constituent institution.*

It was recommended that the Report on Fiscal Liabilities be accepted and reported to the Joint Legislative Commission on Governmental Operations.

On the motion of Mr. Broadwell, seconded by Mr. Bowden, the recommendation was approved.

Chair Gage asked for the update on the 2000 Higher Education Bond Program. On April 24, 2006, the Higher Education Bond Oversight Committee (HEBOC) held its quarterly meeting at UNCW. HEBOC members discussed with representatives from the University and the Community Colleges the need to place the remaining projects under contract as soon as practicable to minimize the affect of steadily increasing costs and, especially for UNC, the need to remain focused to finish the program on time. The Department of Insurance (DOI) summarized continuing efforts to ensure efficient reviews of construction documents that led to code-compliant facilities for the State. As requested by DOI, UNC had updated and submitted a priority list of projects for review. Aside from the HEBOC meeting, a follow-up session to the February project close-out training was being planned to assist and encourage timely project closure by the campuses. Approximately \$4.4M of allotment from past bond sales was available for distribution to the campuses. Working with the State Treasurer, the next bond sale was expected to occur in May 2006. Approximately \$4.4M of the \$25.2M Reserve for Repair and Renovations and Cost Overruns had been distributed to the campuses. Bond funding commitments now exceeded \$2.1 billion.

There being no further business, the meeting was adjourned.

Ms. Hannah Gage
Chair of the Committee
on Budget and Finance

Mr. R. Steve Bowden
Secretary of the Committee
on Budget and Finance



The University of North Carolina

GENERAL ADMINISTRATION

POST OFFICE BOX 2688, CHAPEL HILL, NC 27515-2688

Telephone: (919) 962-1000

2006 MAY 18 A 10:26

OFFICE OF THE
CHANCELLOR

May 15, 2006

Appalachian State
University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
School of
the Arts

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

Western Carolina
University

Winston-Salem
Forsyth State University

Chancellor Patricia A. Sullivan
The University of N.C. at Greensboro
P.O. Box 26170
Greensboro, NC 27402

Dear Chancellor Sullivan:

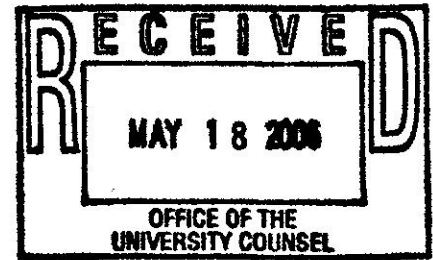
On May 12, 2006, the Board of Governors of The University of North Carolina approved a ground lease of the land (formerly the Central School for the Deaf and a 75-acre parcel of land currently comprising a portion of the NCA&T State University Farm) and existing improvements for the Joint Millennial Campus to the Greensboro Center for Innovative Development to administer the educational, research, and economic development mission of the Joint Millennial Campus. The \$1 lease will be for the initial term of 50 years with two, 10-year renewal options. Upon the expiration of the lease, the land and any improvements upon the land will revert to the State. The lease of the land will be accomplished within the guidelines, procedures, and policies of the North Carolina Department of Administration and must be approved by the Council of State.

This item has been transmitted to the Council of State for final action.

Sincerely,

Robert O. Nelson
Vice President for Finance

c: Mr. D. Reade Taylor





North Carolina
Department of Administration

Michael F. Easley, Governor
W. Britt Cobb, Jr., Secretary

State Property Office
Joseph H. Henderson, Director

November 7, 2006

MEMORANDUM

TO: James Griffin
NC A&T State University

Helen Ward
UNC - Greensboro

FROM: Joseph Henderson, Director
State Property Office

RE: Council of State Approval
File No. 41-AAA

This is to advise you that the Council of State, at its meeting held on the above date, approved the attached item.

This matter will be referred to the Attorney General's Office at the appropriate time for preparation of documents. In the meantime, if you have any questions regarding this transaction, please contact Pam Strickland of this office.

PS/tm

Attachment

Cc: Don Teeter
John Merrill

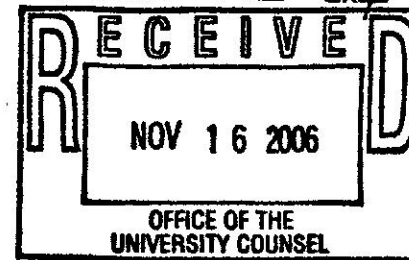
Mailing Address:
1321 Mail Service Center
Raleigh, N.C. 27699-1321

Telephone (919) 807-4650
Fax (919) 733-1431
State Courier #52-71-78

Location:
116 West Jones Street
Raleigh, North Carolina

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pc: CHANCELLOR SULLIVAN
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DISPOSITION BY LEASE

ITEM 3

LESSOR: State of North Carolina
North Carolina Agricultural and Technical State University and
University of North Carolina at Greensboro

LESSEE: Greensboro Center for Innovative Development, Inc.
John R. Merrill – CEO

LOCATION: 5900 Summit Avenue, Greensboro, Guilford County

TERM: 50 years effective December 1, 2006 or possession, plus two 10-year renewal options

AREA: Joint Millennial Campus, Greensboro consisting of a North Campus and a South Campus

UNIT COST: \$1.00 for the term

COMMENTS: The General Assembly and the Board of Governors of the University of North Carolina designated this property to be developed as a Joint Millennial Campus for NC A&T State University and UNC at Greensboro to support the education and research missions of the campuses and to foster economic development and entrepreneurial activity in the region. Greensboro Center for Innovative Development, Inc., (GCID) a nonprofit corporation, was created to manage the property for the two campuses and to manage any joint ventures with private business that may occur at the Campus. All buildings, structures and improvements will become State property upon the expiration or termination of this Lease. Subleases will be subject to State approval except for leases of space only not exceeding a term of ten years.