

HISTORICALLY BLACK COLLEGE AND UNIVERSITY
CAPITAL FINANCING ADVISORY BOARD

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Advisory Board Meeting
Dr. Beverly Hogan, Chairwoman
December 2, 2017

Omni Hotel
White Rock Rooms 1-2, Level 5
555 South Lamar Street
Dallas, TX 75202

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2 DR. HOGAN: Thank you so much, President
3 Sorrell, for welcoming us to Dallas. It's a pleasure to
4 be here and to welcome all of you as members of this
5 HBCU Capital Financing Advisory Board.

6 I thank you all for your service. As I look
7 forward to working with all of you in the important work,
8 I think it comes at an important time as we look at
9 infrastructure needs on our campus. This is my first
10 meeting as the chair and some of you as new board
11 members, advisory board members. So we will learn
12 together. I know we are in an advisory capacity to look
13 at advising not only the Secretary, but Congress, on some
14 of the needs and maybe legislative kinds of things that
15 we can look at. I know we have a long list of needs at
16 our institutions. So this is the avenue that Don Watson
17 and others and Mr. Kissel and here in the U.S. Department
18 of Education, working with us on looking at how we can
19 find the resources and prioritize those kinds of things.

20 So I'm excited about the work before us. I'm
21 going to call this meeting to order, and we'll have the
22 roll call by Don Watson.

23 MR. WATSON: Yes, ma'am.

24 MR. WATSON: David Beckley.

25 MR. BECKLEY: Present.

1 MR. WATSON: Beverly Hogan.

2 DR. HOGAN: Here.

3 MR. WATSON: Harry Tisdale.

4 MR. TISDALE (telephonic): Here.

5 MR. WATSON: David Hall.

6 (No response)

7 MR. WATSON: Adena Williams Loston.

8 MS. LOSTON: Here.

9 MR. WATSON: Perry Ward.

10 MR. WARD: Here.

11 MR. WATSON: Lezli Baskerville.

12 MS. BASKERVILLE: Present.

13 MR. WATSON: Lodriguez Murray.

14 MR. MURRAY (telephonic): Here.

15 MR. WATSON: Johnny Taylor.

16 MR. TAYLOR (telephonic): Here.

17 MR. WATSON: A. Wayne Johnson.

18 (No response)

19 MR. WATSON: Johnathan Holifield.

20 MR. HOLIFIELD: Here.

21 MR. WATSON: Madame Chair, we have a quorum.

22 DR. HOGAN: Thank you.

23 At this time I'll ask Adam Kissel, who is the
24 Deputy Assistant Secretary for Higher Education Programs,
25 to speak to us and any other comments he wants to make.

1 MR. KISSEL: Welcome. Thanks, everyone, for
2 being here, audience and members and guests.

3 I'm Adam Kissel. I'm Deputy Assistant Secretary
4 for Higher Education Programs in the Education
5 Department. I'm the Designated Federal Official for the
6 HBCU Capital Financing Advisory Board. I have been here
7 for about five months, and I've been listening and
8 learning quite a lot about the board and its duties. Let
9 me tell you what the official duties are according to the
10 charter.

11 In brief, the Advisory Board is established
12 within the U.S. Department of Education to provide advice
13 and counsel to the secretary of the designated body
14 authority as to the most effective and efficient means of
15 implementing construction financing on the campuses of
16 HBCUs and to advise Congress regarding the progress made
17 in implementing the program.

18 So with some specific duties that are listed,
19 there's the feasibility of reducing borrowing costs
20 associated with the program, including reducing interest
21 rates, and again a general duty of advising on the most
22 effective and efficient means of implementing
23 construction financing on the campuses of the HBCUs.

24 I have some additional welcomes and thanks to
25 give. So for the first time representing United Negro

1 College Fund is Lodriguez Murray, who's the designated
2 member for the UNCF. We also should thank Michael Lomax
3 for his service on the board.

4 We, of course, should thank Johnny Chandler.
5 This is his last meeting with the board because he's
6 running off of Thurgood Marshall College Fund, TCMF. So
7 we have huge thanks to give him. Without his service on
8 this board and to so many other enterprises he's been
9 part of over the years.

10 So, Johnny, thank you so much for being with us
11 for the time you have.

12 MR. CHANDLER: Thank you, Adam.

13 MR. JOHNSON: Adam, this is Wayne Johnson. I
14 just joined in.

15 MR. KISSEL: Hi, Wayne. Thank you.

16 We also have coming in as the new TCMF
17 President. It's Harry Williams from Delaware State
18 University. So we will be welcoming him at our next
19 meeting for his first time with us here on the advisory
20 board.

21 Thanks again to Michael Sorrell for his welcome
22 just before we started. This is a beautiful location, a
23 wonderful city, and thank you for having us here. So
24 thanks to Paul Quinn College for being part of the
25 hosting delegation for us.

1 This is our first business meeting under our new
2 charter. So the last meeting of this board was in 2015.
3 The secretary rechartered and reconstituted the board
4 just this past summer. We held an administrative meeting
5 to get people up to speed on ethical responsibilities and
6 things like that, but this is the first business meeting
7 of the board in a couple of years. Our goal is to meet
8 at least twice a year for the duties that I described.

9 The importance of having these meetings public
10 and transcribed is that we are here as an advisory board
11 for the service of HBCUs with public input. So we have
12 people here in their representative capacities of public
13 HBCUs, private HBCUs, and the HBCU organizations. And
14 the public has its say, as well, and we can take public
15 comment. We have a half hour for that at the end of the
16 meeting, 6:45 to 7:15. And we have a transcriptionist to
17 make sure anyone who is not here has a chance to know
18 exactly word for word what everyone has said and think
19 about that and provide additional comments in coming
20 weeks and months.

21 In addition to that, we are intending to have
22 our meetings not just in D.C., but at HBCUs around the
23 country so that we can maximize public participation.
24 Not everybody is in D.C. or Dallas. So we can have
25 people from Alabama and North Carolina and Illinois and

1 wherever an HBCU may be -- it may be even outside of that
2 area -- so we can have maximum public participation in
3 the United States for people interested in this topic.

4 So we have a full agenda. Dr. Hogan is the
5 chair, so she is running the meeting. My role is to
6 approve the agenda and other duties like that, but for
7 the rest of the time this is Dr. Hogan's meeting.

8 So thanks very much.

9 DR. HOGAN: Thank you so much, Adam. I know we
10 have Dr. Leonard Haynes here, who is working with the
11 Department of Education, long time associate of the work
12 that we do, and the new Executive Director of the White
13 House Initiative, Johnathan.

14 MR. HOLIFIELD: It's great to be here.

15 DR. LOSTON: Adam, since you're addressing the
16 membership, the name of the institution is misspelled.
17 St. Philip's is actually the biblical spelling of
18 Philip's with one L and always an apostrophe S.

19 MR. KISSEL: Thank you very much.

20 DR. HOGAN: Lezli.

21 DR. BASKERVILLE: Madam President, I note the
22 presence of two presidents in the audience, and for the
23 record I think it would be great if they would introduce
24 themselves. They thought this was important enough to
25 get here early, and one came with their executive team.

1 DR. HOGAN: Great. Yes.

2 MS. DAWKINS: Good afternoon, everyone. I'm
3 Phyllis Dawkins. I'm President of Bennett College. And
4 with me I have my trustee chair soon to Gladys Robinson.
5 She's a North Carolina Senator. And with me also is
6 Leroy Summers; he's my chief financial officer.

7 DR. HOGAN: Okay. Gentlemen.

8 MR. NEWMAN: Hello, I'm Lester Newman, President
9 of Jarvis Christian College, only 100 miles east of
10 here.

11 DR. HOGAN: Thank you both for joining us.

12 At this time we will have the approval of the
13 May 18, 2015, minutes. I know that there are a couple of
14 members who were here at that time. Some of us were not,
15 so we're going to have to rely on the knowledge of all of
16 you who were here when those minutes were taken and those
17 discussions were had.

18 I will entertain a motion for the approval of
19 the minutes.

20 DR. LOSTON: So move.

21 DR. BECKLEY: Second.

22 DR. HOGAN: It's been moved and seconded that
23 the minutes are approved. Is there any discussion?

24 If there are no objections, we will accept the
25 approval of the minutes by acclamation.

1 Now we'll come down to the Director's report.
2 At this time I publicly thank Don Watson for all the work
3 he's done over the years with many of our institutions
4 and helping to implement the programs and making the
5 construction needs of our campuses become a reality.

6 MR. WATSON: Thank you, Dr. Hogan. First on my
7 report, since we're doing introductions, I would like to
8 introduce Rice, who is the designated marketing authority
9 for the Capital Financing Program. Here from Rice is
10 Will Fisher, CEO, and Don Rice, who is the president and
11 CEO of Rice Securities.

12 With that, Madam Chair, I will start my
13 report.

14 Thank you, Madam Chair and members. As I
15 present my report for the Capital Financing Program, I
16 would like to start with an update on Barber Scotia
17 college. As many of you know, Barber Scotia has
18 defaulted on its finance program in 2004. Since then
19 Barber Scotia has been using the funds of other HBCU
20 escrows to pay its bond payment.

21 As of December 17, the Designated Bonding
22 Authority released a Request For Information. What that
23 basically is, it's a document that goes out to developers
24 and other individuals seeking ways in which they could
25 utilize the asset for Barber Scotia campus. To date, I

1 believe they have somewhere between three or four
2 developments that actually have gone or requested visits
3 of the campus. The current president and his cabinet is
4 very helpful in facilitating those visits.

5 Just so you will understand the importance of
6 this, it's once -- we don't necessarily know what the
7 price of the campus would be until the asset is actually
8 sold. Or if the development comes in, that there will be
9 anything that the development can say, Hey, we want to
10 start bring all their payments to make them full and let
11 the college become -- continue as a going concern. Or
12 they can come and say, Hey, we want to buy the entire
13 campus, and Barber Scotia will sort of go away.

14 The importance of this part of the institution
15 in the loan program is that those institutions, whatever
16 the sale would be, would have -- after the bonds are
17 paid, a portion of their escrow has been used to pay the
18 bond service for the last 13 years would be reimbursed
19 proportionately.

20 DR. BECKLEY: Is the lien against the entire
21 campus or just that...

22 MR. WATSON: The lien is against the entire
23 campus. Carnus (phonetic) in 2008 made a suggestion or
24 made a statutory change that we actually only
25 collateralize one percent of the campus unless the

1 secretary deems more is necessary. So prior to that,
2 though, what I thought on the same lines of what Carnus
3 did prior to that, we actually no longer put liens on
4 entire campus. We only take enough collateral to cover
5 the loan.

6 But in this case, because that transaction was
7 done prior to my arrival, that was -- that was the
8 actual, but the program did design. There were
9 situations where we came back and reevaluated some
10 institutions where we collateralized entire campuses, and
11 we went back, reevaluated the collateral, the assets, and
12 our release in collateral so that we are in compliance
13 with other things. But in this case, because they're in
14 default, we did not go back to that.

15 Any more questions?

16 MR. TAYLOR: Just remind me. What's the amount
17 owed?

18 MR. WATSON: The outstanding amount for Barber
19 Scotia is roughly -- the bond itself is about four and
20 some change. But when you actually start to put in what
21 has been paid out of the other escrows, it comes closer
22 to.

23 DR. BASKERVILLE: 6.4.

24 MR. WATSON: 6.4.

25 MR. KISSEL: This is Adam. May I ask the people

1 on the phone to state their name before they provide a
2 comment or question so we can have that in the
3 transcription?

4 MR. TAYLOR: I'm sorry. This is John Taylor.
5 So what is the number?

6 DR. HOGAN: I think the number is 6.4 million
7 dollars.

8 MR. WATSON: Right. So the way you get to the
9 6.4 million, there's been 25 bond payments that haven't
10 been made on that, and their semiannual bond payment is
11 roughly \$257,000 every six months. Plus the
12 outstanding bond, which would bring the total outstanding
13 to around 10 million.

14 So campus would have to sell roughly over 10
15 million dollars to repay everyone's escrow and to pay the
16 bondholder.

17 DR. BECKLEY: And what was the initial not?

18 MR. WATSON: The initial note was 6.9 -- roughly
19 6.9 million.

20 MR. HOLIFIELD: This is Johnathan Holifield. Do
21 you have any idea of the value of their assets in total?

22 MR. WATSON: The last time I did an appraisal of
23 a campus it was about five or six years ago. When we
24 take college buildings as collateral, one of the
25 downsides of that is that the buildings themselves have a

1 limited educational use. So that sort of hurts the value
2 of selling the buildings as they are.

3 However, at the time that building -- the campus
4 was collateralized, the appraised value was, I believe 15
5 million. Roughly 15 million.

6 Since then, though, what you also have to
7 realize, in Concord, that town itself has actually
8 changed. So when you actually visit the town, it's not
9 like the same condition it was when we made the loan or
10 even the position it was four years ago.

11 But then five, ten minute walk is the city hall.
12 They have a race track there. They're building hotels
13 and other things. So the city itself is actually --
14 there's development in the city itself.

15 DR. BECKLEY: But the condition of the
16 buildings, that's going to be a major factor in terms of
17 value.

18 MR. WATSON: The condition of the buildings,
19 right.

20 A couple of things. As Dr. Beckley said, the
21 condition of the buildings will come into play. However,
22 when you look at the condition of the buildings, there
23 are a couple of things that have to happen anyway.
24 Because the buildings are designed -- most of their
25 buildings are designed as classrooms and other academic

1 buildings. Anybody who bought the campus would have to
2 go in and do a redesign the buildings.

3 The other thing, some of the buildings are
4 historic in nature, which will also be some things that
5 will come into play.

6 What we actually finance itself is actually
7 still in great condition. That's something that is used
8 for classrooms as well as space for students they have
9 that live on their campus.

10 DR. HOGAN: How many students are there now, do
11 you know?

12 MR. WATSON: They roughly have from anywhere
13 between 20 and 25 students. They offer programs that are
14 not accredited, more certificate programs. When I meet
15 with them, they talk about having or finding programs
16 that are in that nature job, crazy programs like solar
17 development, installation, electrician programs, things
18 like that.

19 DR. HOGAN: Did you have a question?

20 DR. LOSTON: I didn't realize they were still
21 operating -- Adena Loston. I didn't realize they were
22 still operating as an institution. But they are
23 functioning with 25 students?

24 MR. WATSON: Yes. They have 25 students
25 functioning. I'm not sure where the revenue comes from

1 because, again, they're not eligible for Title IV aid or
2 anything else. So how are students actually paying or
3 that, I'm not sure. But getting reports, that's
4 generally the number that I get. When I'm down to visit,
5 that's what I see. However, when I'm there I've never
6 seen any students.

7 DR. LOSTON: Is there anything in the law that
8 says that there is a time limit for when you -- if
9 they're continually defaulting on the loan, that we will
10 continue to draw down from the pool account to go on for
11 an unlimited timeline?

12 MR. WATSON: There is no timeline in the law.
13 However, what you have to realize, this is an asset. As
14 I said earlier, the asset is most of the buildings have
15 an educational use. So if you think about the housing
16 market and when the housing market took a bust, it was
17 difficult for banks to sell houses because -- and people
18 live in houses every day. People don't buy campuses
19 every day. They don't buy buildings every day.

20 Even if -- if you had a building across from you
21 or a campus was across from your campus at St. Philip's,
22 the ability to buy that building or the need to buy that
23 building wouldn't exist. So other development would have
24 to come in, and that's what's driving the market. The
25 other developers need to buy that or want an interest in

1 buying that piece of property.

2 So we have to keep going so the loan stays in
3 default, and we don't foreclose on it until we find a
4 lender. Otherwise, we become responsible for the
5 security. We become responsible for if someone gets hurt
6 on that campus at this point, we become responsible for
7 that.

8 I'll tell you, and as president you know, if
9 there's a house across the street from you that worth
10 \$30,000, because you're the president of the institution
11 and you want to buy the house, the value of the house now
12 becomes 150 million dollars. So just imagine if someone
13 knows the federal government owns something, and they
14 fall and hurt themselves on the property.

15 DR. HOGAN: Dr. Beckley.

16 DR. BECKLEY: Don, if the other four or five
17 institutions in that group decide to pay their bonds off,
18 what will happen to Barber Scotia?

19 MR. WATSON: Well, it's up to them. It's their
20 property.

21 DR. BECKLEY: What I'm saying is that four or
22 five students, if the other four schools paid, Here's my
23 check, I'm getting out of this. They just pay it off.
24 What will happen to Barber Scotia?

25 MR. WATSON: Barber Scotia will stay as they

1 are. It doesn't matter -- as a lender you sort of have
2 to understand as a lender if four or five schools came to
3 say, Hey, we want to pay off this debt, then we'll accept
4 that payment. If somebody from across the street came
5 and said, Hey, we want to pay this off, they just have to
6 pay for the debt.

7 DR. BECKLEY: I guess I should have asked it the
8 other way. If we say that there are five schools in this
9 co-op, Barber Scotia and four schools. The four schools
10 say, We owe you 6 million dollars on our debt, and they
11 pay that 6 million dollars. Do they still have the pay
12 the portion that resolves Barber Scotia debt?

13 MR. WATSON: No. So the school's obligation,
14 two things happen. When a school puts money in a pool of
15 escrow, that's their limit. If your five percent goes
16 away for whatever reason, that is your limit of liability
17 toward any default, whether it's Barber Scotia or some
18 other school. That's the limit of that particular
19 liability.

20 At the same time, for example, you give -- if
21 you have a million dollars in your escrow, and 100,000
22 went to Barber Scotia and you get out, you get that
23 \$900,000 back. So it's whatever remains. Because the
24 way pool escrow works or the way escrow works is that
25 it's based on a weighted average. So the more loans we

1 make, the smaller in-school contribution funds.

2 To give an example, one school received a loan I
3 think in 2002, and their initial contribution to the
4 escrow was 15,000. Fifteen years later their
5 contribution came less than \$1,500 a year. Now, it's
6 even less because we made more loans. The more loans we
7 make, institutions weighted contribution also decreases.

8 Dr. Baskerville.

9 DR. BASKERVILLE: Yes, sir. Thank you very
10 much.

11 Wondering so when by December 20 if the offers
12 that are in don't approximate 6.4 million dollars, are
13 you required to accept them or do you put out another
14 request for information? And then is there a timeline by
15 which something has got to happen?

16 MR. WATSON: There is not a timeline in which
17 something has to happen, but two things have to happen.
18 One thing you want to do, one, you have to have enough to
19 pay off the bond. If you don't have enough to pay the
20 bond, that's a no go there. That's the main objective.

21 If we get enough to pay of the bond and to give
22 the schools back a portion of their escrow, we're okay
23 doing that, as well. But the main goal is to pay of the
24 bond and stop any other schools you contribute to, any
25 debt service payments.

1 DR. BASKERVILLE: Okay. Thank you.

2 MR. TAYLOR: Johnny Taylor. One quick follow up
3 to that. It's a two-part question. Is currently Barber
4 Scotia paying anything or essentially they're squatters
5 rights?

6 MR. WATSON: Yes. No -- well, I don't want to
7 say it's there for free because as I said earlier in
8 response to Dr. Loston question, they're actually paying
9 insurance, they're paying lights, air, and other things
10 in the building for which we actually constructed. So I
11 wouldn't say that.

12 So what they're not doing is a paying their
13 bond, but the asset we actually created, when I go to the
14 campus, I have meetings there. There's running water, so
15 they're paying water, they're paying other things in the
16 asset that we actually created.

17 So -- and what the price of that is or the value
18 of that, they also get a portion of the money from, I
19 believe the Presbyterian church. So they're not paying
20 the bond payments, but they are keeping up the assets.
21 The grass is cut, things like that are going on.

22 MR. TAYLOR: But practically speaking, that
23 would be like me owning -- living in an apartment and not
24 paying rent, but I'm paying the light bill. I'm paying
25 the water bill. But the question is, are you paying the

1 rent? So that's what I mean. Specifically they are not
2 paying the rent, so they are there for free, right,
3 whether it comes to the rent or the mortgage in this
4 case?

5 MR. WATSON: Actually, you could look at it that
6 way, but actually I look at it from a point that the
7 legislation itself says that the purpose of the escrow is
8 to paid for the delinquency or the default of any
9 institution. So the escrow is actually performing its
10 purpose until we sell the asset.

11 Of course, this is the board's -- the board can
12 make a recommendation at this point in time that we
13 foreclose immediately and put that payment on the federal
14 government, which we become responsible for having
15 security there because I don't see the federal government
16 putting up a fence. We have to have security. And the
17 asset that we actually finance, I don't see us -- because
18 no one's in there, I don't think that the government
19 would actually keep the lights on.

20 And the buildings are, if you believe it or not,
21 are living, breathing things. At a certain level the
22 building deteriorates. If somebody breaks a window and
23 it's not fixed, that water damage causes more corrosion
24 than anything.

25 So it's a balancing act, but, as I said, the

1 board at any point in time can make a recommendation that
2 we foreclose immediately.

3 MR. WARD: Perry Ward. I'm new to the board,
4 but the entity that we're dealing with is still the board
5 of trustees of Barber Scotia?

6 MR. WATSON: Barber Scotia has a board of
7 trustees. They also have a president, a CFO. Everyone
8 there is on a volunteer basis.

9 The president cuts the grass voluntarily. Their
10 IT person, she has her own company, but she's been doing
11 things voluntarily. So people who are working there --
12 when I say Barber Scotia has an executive board, they're
13 all working for free or volunteer.

14 DR. BECKLEY: Let me go back to the building.
15 You maintain the building. Are they maintaining just the
16 building that you have a loan on or the entire campus?
17 Because from what I'm hearing, you have the entire campus
18 on your roll. If I'm only maintaining one building, you
19 may not have anything to sell other than rental space.

20 MR. WATSON: Right. You're right. But again
21 these buildings are old buildings. If you look at the
22 inside of the building at the structure itself. If
23 someone had to buy these buildings, as I said before,
24 they would probably go in and do an entire gut of the
25 building, right? Unless you're an institution buying a

1 building, you can't fit classrooms into an apartment or
2 create classrooms into condos or office space
3 necessarily. So they would have to go in and gut those,
4 anyway.

5 If they can't afford to take an entire campus
6 because of the expense of it, I mean, just think about
7 campuses that operate every day. There's no campus or
8 community that has a zero deferred maintenance bill.
9 Don't care who you are, what you're affiliated with, your
10 deferred maintenance bill is high, and that's the first
11 thing to go.

12 This is no different. The first thing we're
13 unable to pay, they keep up as much as they can. And the
14 building they're using, that's the one that they're
15 trying to keep up.

16 DR. BECKLEY: So the likelihood, you're not
17 going to get 6 million dollars for the property.

18 MR. WATSON: I don't know. It's not Cap
19 Finance, but personally I had real estate in New Jersey
20 that was in the worst shape of some of the buildings in
21 Barber Scotia. And because it was turning around the
22 city, I came off pretty good.

23 DR. BECKLEY: Good luck.

24 MR. WATSON: But again I'm not -- the market
25 bears that price.

1 DR. LOSTON: Don, I think we lost some. This
2 was maybe before your time. But do we know, what did
3 full enrollment look like at Barber Scotia? What was the
4 size of the...

5 DR. BECKLEY: About 700, I think.

6 MR. HAYNES: It was less than a thousand.

7 DR. BECKLEY: About 700. Small.

8 DR. HOGAN: Don, can you shed light on -- and
9 others might know this, but the advantage of continuing
10 the way -- we have to continue with Barber Scotia in the
11 position that it's in or what's the advantage or
12 disadvantage of saying it's time for foreclosure?

13 MR. WATSON: The biggest disadvantage to me is
14 that, one, you still have to pay the debt service. So
15 the debt service still comes out of escrow. So that's
16 the only thing now.

17 The disadvantage to me is if we pay the escrow,
18 we'll have to pay insurance. We also have to put a gate
19 up, secure the campus, and probably have someone actually
20 roaming the campus because it is -- security would have
21 to be an issue there, and that could be -- that will be
22 an additional cost.

23 DR. HOGAN: So you're thinking it's more
24 advantageous to continue?

25 DR. BECKLEY: Let them use it.

1 DR. HOGAN: Let them use it and continue with
2 some occupancy there. Makes sense.

3 DR. BECKLEY: Which leads to the question, How
4 long? That's the real question.

5 MR. WATSON: Dr. Baskerville, was your question
6 answered?

7 DR. BASKERVILLE: Yes. Thank you very much.

8 MR. WARD: I'm just curious. I'm sure you're
9 probably already doing it. Is there a person who is on
10 staff, a duty to market the property like a realtor could
11 get out and shop the building and the location of the
12 college?

13 MR. WATSON: On whose staff?

14 MR. WARD: On Barber Scotia. Is there anybody
15 in the mix that's out there saying, Hey, here's a good
16 buy. Find a secure buyer somewhere.

17 MR. WATSON: That's what we've done with the
18 Request For Information. That actually is sort of the
19 document. What we tried to do before was to go out and
20 have a market to sell. That part we did. We hired -- I
21 forget the entity's name, but this entity was specialized
22 in special real estate. Nothing came about that, either.

23 So this is another avenue that we're trying to
24 move the needle for with Barber Scotia.

25 DR. BASKERVILLE: A Request For Information, was

1 it in the federal register? Where was it published?

2 MR. WATSON: Can't remember. I can't remember.
3 I could find out and report back. I can't remember where
4 it was published.

5 DR. BASKERVILLE: Okay.

6 DR. LOSTON: Is it safe to assume that Barber
7 Scotia is comfortable with the status that they're in?
8 Because it sounds like they have a strategy, and it's
9 church-related, and they're committed to doing the work
10 on a volunteer basis. So they could be very comfortable
11 with just status quo.

12 MR. WATSON: I think the problem -- so I've --
13 their problem in a way is sort of similar to what I see
14 with institutions that aren't closed. So Barber Scotia
15 in the last two years had four different chairs and
16 probably six different presidents. So the strategy
17 actually changed each time.

18 But they have an idea of, Do we want to go in
19 and change the -- they tried to negotiate different
20 things with companies for training facilities for, like,
21 say, installing solar panels. Farmer Association, for
22 example, had a lawsuit some years back. They promised
23 they were going to come in and take over the campus and
24 use that as their space. That deal didn't go through.

25 So just as any other transaction, deals fall

1 through. It's not like they're not trying to find ways
2 to generate revenue. They're just not coming through.

3 The hard part with any institution, I always
4 make the statement. If you lose Title IV aid, there is
5 no institution. No matter how big your endowment, no
6 matter how big anything is, eventually your money will
7 start to dwindle and go away.

8 Anything else in that matter? Interestingly
9 enough, that's always the longest piece of the report.

10 So these are what you would expect. So once the
11 situation is resolved one way or the other, these
12 conversations become lower.

13 The next issue is the A-123 Risk Assessment and
14 our response. Every year the Department of Education
15 goes to what we call the risk assessment. Risk
16 assessment is basically where we have to go through a
17 questionnaire saying, What happens if certain things
18 aren't in place? The IT people and other things.

19 So when we went to our risk assessment, we
20 actually came off really good. We have no glaring
21 pieces. The year before last, two years ago, on the risk
22 assessment we had to go through an entire process.
23 Account finance, most people say it's a difficult to
24 understand. So going through the risk assessment, we end
25 up creating what we call SOP. And in creating the SOP,

1 it gave a little more insights as to what we do, what the
2 documents look like. Also created a detailed flow chart
3 so they could see what the process looks like in the very
4 beginning. Every stage of the process, if there's any
5 modifications that need to be done to advance dates. So
6 once we got through that process, since then on the last
7 three years we've been able just to respond to questions
8 and pretty good on that.

9 GAO has also -- since I believe GAO has come
10 through to a private program. The last time they did
11 this I believe was 2006. In 2006 we addressed all the
12 issues and all their recommendations, and this time
13 they're coming around as well to ask about the program.

14 This time is very different. This process is
15 different. They want to see how the program will be
16 utilized by more institutions, what changes can be made
17 to a program to allow more institutions to participate
18 and are there any flexibilities that can be seen in the
19 program.

20 MR. HOLIFIELD: This is Johnathan. These
21 bullets really jump out. What are the prospects for a
22 codified strategy for this program that really addresses
23 these in a long term, north star kind of way, over a
24 significant period of time versus perhaps just you or
25 staff ask -- you know, having compensation, but really

1 engage the community around the capital needs in a
2 federal capital strategy, if you will.

3 MR. WATSON: So, two things. One, the GAO
4 report is very specific to these questions. So the GAO,
5 when they come in, they're asking these questions that
6 Congress has asked them to look at these specific things.
7 Although there are three questions, it's a back and forth
8 conversation of I'm providing them questions and
9 documentation. They're coming back asking more
10 questions, and it continues.

11 But this board actually -- so I think what you
12 just mentioned, this board can actually sort of propose
13 some of those things as we go through. The board starts
14 to look at what it wants to do, I think the program would
15 be looked at a little bit differently from a long-term
16 range. The board can look at that and make a
17 recommendation.

18 MR. HOLIFIELD: Very good. Thanks.

19 DR. BECKLEY: What happens if the person has
20 problems with -- is that the escrow account? I have
21 enough problems paying my own bills. I pay the building
22 bills, too. That's a -- I'm talking about that
23 possibility.

24 MR. WATSON: So what I always tell people about
25 the escrow, and if you all notice the program coming, it

1 was scattered. There weren't many closings, and escrow
2 has always been an issue. However, when I tell someone
3 to look at your borrowing rate and look the borrowing
4 rate if you were to lose your entire escrow, we're still
5 achieving what you would get at any other place.

6 So if the escrow is your only issue, then you're
7 not making the best business decision for your
8 institution. Because if you take our interest rate at,
9 say, 100 percent, you're better off with us than you
10 would be in any other market.

11 And I'll tell you, what I like to give as an
12 example, also. When we close loans sometimes, Harvard,
13 Yale, other schools do loans at the same point in time.
14 What ends up happening is that our institutions, their
15 peer rate is lower than their rate. So we're doing
16 better than what they are doing. If you think about the
17 proportional rate, the escrow that you're using to pay,
18 that's also something to consider because the effective
19 rate is way less.

20 And if you think about for the most part, that's
21 how the program -- institutions that had that view,
22 they've come through on some institutions who from the
23 state had the same issues. So now states are trying to
24 figure out how they could come through and program the
25 borrower. Some states say, We've already thought about

1 it and we already know that your rate is better than our
2 rate. We need to see how we can get this done.

3 The program activities. You can see --

4 DR. BASKERVILLE: Excuse me, please. I'm sorry.

5 Before we go to the next discussion area,
6 relative to the questions that you're considering, I
7 think there may be some ways that we can be helpful.

8 MR. WATSON: These aren't my questions, just to
9 clarify.

10 DR. BASKERVILLE: No. GAO is asking.

11 MR. WATSON: Right. What the board does at this
12 meeting, I can share that with them, but their goal is to
13 sort of answer these questions for the Congress. So
14 whatever we do on this side will be totally different and
15 in addition. And, of course, most the questions they're
16 asking aren't administrative. They're statutory. Still
17 require an act of Congress.

18 DR. BASKERVILLE: So as an advisory board, could
19 we recommend some things that you would include or what
20 is the process for getting the advice of this body?
21 Because some of the questions certainly I think warrant
22 some input by this body and some advice. They're not
23 questions that necessarily the administrative office
24 would have the best perspective. Some of the people
25 around this table would have a good perspective, and

1 those of us who work with it and engage with people in
2 the community. And can we have some input?

3 MR. WATSON: This has nothing to do with GAO.
4 So as I told with Johnathan Holifield, this body, you do
5 that without GAO. So this GAO wasn't going on. This is
6 what this board should be doing, anyway. That's what I'm
7 saying.

8 Whatever you tell me today I can share with GAO.
9 They accept a report or not, but this body makes a
10 recommendation. This recommendation goes to the Congress
11 and administration. I didn't tell GAO one thing. I
12 didn't say, Okay, we're not putting that in the report.

13 As I said, I can share whatever goes on here.
14 They ask about the board meeting, but this body, if you
15 want to make recommendations, you have to follow the
16 official track and go through the Congress and the
17 administration as the legislation says it should.

18 So if the body wants to make -- use these
19 questions as a guideline for that, it can, but the
20 recommendation should go to the Congress and the
21 administration and not recommendations to GAO.

22 MR. KISSEL: What I understand -- I may be wrong
23 about this -- is that individual members of Congress ask
24 GAO to, in turn, ask us some questions. So our audience
25 is really those particular members of Congress who take

1 an interest, but they may or may not share what happens
2 with their colleague.

3 What the advisory board can do with its reports
4 and recommendations is reach the correct committee's
5 appropriations as well as education committees with the
6 recommendation so that the audience convince is more
7 pointed towards those who can make the recommendations or
8 change the law rather than the few individuals, even
9 though the few individuals might be the most interested,
10 because that's why they're we're asking.

11 So there's advantages to addressing both
12 audiences.

13 DR. BASKERVILLE: Yes, I'm not going to belabor
14 the point, and I certainly hear you, Dr. Watson.

15 But the GAO reports when they come out, they're
16 impactful. And so we want the GAO to have the most
17 accurate and most inclusive view that it can have. Even
18 though the CBC or some CBC members are asking, I hear you
19 saying, and we can certainly individually or collectively
20 or those of us representing associations do a joint
21 letter to CBC members.

22 GAO is going to release a report. So I think it
23 would be important for us to weigh in before they do to
24 the extent that we have information or at least provide
25 it to you or the appropriate people in ed so that becomes

1 a part of the report.

2 MR. WATSON: So what becomes a part of the
3 report, when they ask me things about the board, they ask
4 me things like, When did the board meet? Because they're
5 going to look at the board minutes. They're going to
6 look at what the board recommended. They're not going to
7 say, Don this is what the board. So whatever you
8 recommend, that's what's going to happen.

9 So whether -- it's like anyone writing a report.
10 So you take what you think is useful, and you draw it out
11 because they may think what this board gives here is
12 germane to what they're asking. These questions are
13 their questions. And I pulled these questions from a
14 release from the committees web site that they sent to
15 GAO.

16 But GAO questions are more about what Cap
17 Finance is doing today, not about what -- what Cap
18 Finance is doing today or what the board has recommended.
19 So if the board wants to recommend something, recommend.
20 I can't...

21 DR. HOGAN: If I'm remembering correctly -- I
22 don't know if any of the other presidents received this.
23 There was a survey sent to our institutions about the
24 capital needs. Is this in any way connected with it?

25 MR. WATSON: Yes.

1 DR. HOGAN: And Congressman Butterfield was
2 involved in that one or two, see and hear directly from
3 the institutions what the capital needs were on the
4 campuses.

5 MR. WATSON: Correct. That's very early on.

6 That's what I'm saying. These questions here
7 are not just Don Watson. They're not just Don Watson.
8 They're not just the administration. They contact the
9 DBA. They contact the schools. So they ask for an entire
10 list of schools, names and all of that.

11 So everyone in the portfolio should have gotten
12 a survey. Whether they should have answered that like
13 any survey, I have no idea. I didn't ask GAO what the
14 responses were because I don't want GAO to think I
15 influenced some way. I did give them a caveat. Some
16 presidents were in place or CFOs were in place, whether
17 they were there at the time it was made. So their ideas
18 may be different, but they did get the presidents
19 themselves.

20 DR. BASKERVILLE: So the engagement process has
21 already taken place, and it will be reflected perhaps or
22 not.

23 MR. WATSON: Again, I didn't send out the
24 surveys; GAO did. The way it works, they ask me
25 questions. I give them documentation. Ask me questions.

1 I didn't ask any presidents. They said, Well, Dr. Hogan
2 said they received one. If that's happening, then
3 they've actually gone off and asked presidents whatever
4 they asked them because I don't know about the surveys
5 here.

6 DR. HOGAN: It took place in the last year.
7 It's not on old survey. It's recent.

8 DR. BECKLEY: David Beckley. But that survey
9 was not tied to Capital Financing.

10 DR. HOGAN: I don't know if it was tied to the
11 Capital Financing, but it was about the HBCU Capital
12 Financing Program.

13 MR. WATSON: And GAO actually asked me for the
14 list.

15 DR. BECKLEY: Of who had processed loans from
16 you or what?

17 MR. WATSON: Who has loans with me as well as if
18 I had things from any other institutions who wanted to
19 come to the president. So they also ask me questions
20 like, of all the schools you made, there's number of
21 institutions you have not made loans to. Why have you
22 made loans to these institutions?

23 Well, if your enrollment is at a certain level,
24 then you can't actually effectively pay 10, 20 million
25 dollars in debt. So we don't make loans to the

1 institutions.

2 So then that question came about. So what is
3 there that can be done for that? It's a loan program.
4 So there's three, basically, elements in the loan.
5 There's the term, the interest rate, and the amount.

6 So if an institution wants to borrow 10 million
7 dollars, I don't control the term. I control the
8 interest rate, though, based on treasury instrument.
9 Those are things that are outside of my control.

10 So again I'm not sure what went into the survey,
11 but they did ask me for names of those institutions as
12 well as institutions who have loans in the program.

13 MR. KISSEL: This is Adam Kissel again.

14 What I've seen in some GAO reports is the agency
15 has had a chance to respond to a draft. There is no
16 report before the final report comes out. It may be we
17 think we shouldn't take that draft to this body if we're
18 allowed to. I don't know if they are. But if we can,
19 that might be a good last chance to see if there's
20 something incorrect or the report goes in the right
21 direction.

22 MR. WATSON: Okay. Program activities. I
23 provided a chart that has loan activity from 2013 to
24 2017. As you see, there's a number -- we have a number
25 of schools. In '13 there were seven schools: six

1 privates, one public.

2 Through 2017 where there were three
3 institutions -- loans made to three institutions: two
4 privates, one public. And the subsidy amounts have
5 generally been around close to 300 million. We, as you
6 see, because of the loan program we don't spend 300
7 million dollars. There's a credit piece that goes along.
8 There's also a list of institutions who are interested in
9 a program. Again, it's credit program, and we don't make
10 loans to everyone who wants a loan.

11 So you see that, you know, in 2013, out of 303
12 million, we made almost 204 million dollars. But in 2014
13 out of 300 million, we only made 94 million. So on and
14 so on.

15 In 2017, as you see, out of 82 million, we had
16 68 million. Again, it's not because the amount of money
17 can't be used. It's because, one, it's a credit program.
18 People have to meet the credit criteria and in addition
19 to that, it takes time to make a loan. Every loan isn't
20 just made in isolation. It takes time. It's a process
21 to make each loan.

22 DR. BECKLEY: For this year, the 68 million
23 dollars. Are there loans in process now from schools?

24 MR. WATSON: There's one loan in process. The
25 numbers that you see here aren't academic year; they're

1 calendar year, the difference between the two. So we
2 have to keep two accounts. I have to keep one account
3 because, trust indenture, I actually use calendar year,
4 but appropriation dollars are based on fiscal year.

5 So this data you're looking at now is based on
6 calendar year. And so when you look at -- we have one
7 more loan that is not a misheap (phonetic) because we
8 haven't closed the loan yet. We close the loan next
9 week. That loan is roughly 27 million. I didn't put it
10 on here because to me a loan doesn't close until it
11 actually closes, and that means that the actual letter of
12 credit is actually issued and treasury accepts the
13 bonds.

14 But we do have several schools that are in the
15 pipelines for a loan, and that amount is over 600 million
16 dollars. If each school got the amount they requested
17 and they -- got the amount they requested and met the
18 credit criteria, then we would be owed 600 million. But
19 I can tell you that number will not -- there are some
20 schools that ask for maybe 68 million, and they can't
21 enforce. We have to scale that number back. Work with
22 them about how you get to where you are and maybe a set
23 of new buildings, do some refinancing to build up the
24 reserves so you can get the new project.

25 So there's a lot of things that go into that.

1 Just not, Hey, we ask for this and let us have it.

2 MR. HOLIFIELD: Don, that's an important point.
3 These numbers to an uninitiated person say that there are
4 resources available, and our institutions are not
5 accessing those resources.

6 But there's a huge need -- and I would hate for
7 these kinds of numbers to undermine the position of the
8 program because we're not maxing every year available.
9 But there are real reasons why that's not true, and it's
10 not based on need.

11 MR. WATSON: If I was a lender outside of the
12 government, and if I was to spend every dollar every
13 year, this board should be concerned that every
14 institution is receiving all the money they want every
15 time they want.

16 So sometimes I think we look at the government
17 very differently, but we're still a lending institution,
18 regardless of how you may look at it. And so we have to
19 have certain things in place to make sure that we're
20 being good stewards of the taxpayer dollars.

21 MR. HOLIFIELD: But there's not a narrative that
22 the resources are available, and though we're not maxing
23 every year those available resources, that there's an
24 absence of need.

25 MR. WATSON: You're correct. What this board

1 actually recommended about, I want to say, maybe four
2 years ago is that the program have multiyear subsidy so
3 that in the cases of continuing resolutions -- and
4 Congress actually made that happen, all right? And
5 Congress allowed that without budget authority.

6 So what generally happens is that you see 303
7 million dollars this year, following continuing
8 resolution we're not concerned about what the money
9 amount is going to be. If a school wants to get a loan
10 for 30 million dollars, and I now have to build up money
11 over a period of time under continuing resolution to get
12 that 30 million. Now the school wants 30 million. I can
13 make a 30 million dollar loan. I don't have to wait and
14 push off the process.

15 Things like that become important, as well. So
16 although we're not spending the 68 million, even if we
17 don't have a budget at the end of next week, as long as
18 the government is not closed, then I can still make a
19 loan.

20 MR. HOLIFIELD: Thank you.

21 MR. WARD: I have a question here. Whatever the
22 budget amount obviously does not roll forward. You
23 either spend it, and it goes back into the...

24 MR. WATSON: That's a good question. That's a
25 good question. So if you ever look at the budget for Cap

1 Finance, it's roughly 20 million dollars. They don't
2 give us hundreds of millions of dollars to make loans.
3 So they give us a subsidy.

4 So based on that subsidy, we have a subsidy
5 rate. The subsidy rate is based on a number of defaults,
6 the amount of interest and principal payments we have
7 coming in. So all those things come into play to create
8 a subsidy rate. And a subsidy rate determines how much
9 money we're able to lend this year.

10 For example, when you see the 303 million
11 dollars, that 303 million because we were standing with
12 only one institution in default, which was Barber Scotia.
13 We had a number of institutions that were actually on
14 projects that were refunding. So now you think the
15 program, we're doing a lot of refundings now. So now you
16 will see what's going to be paid much sooner than
17 infrastructure and renovation.

18 So, with that, the money doesn't go back, and
19 the 20 million goes into what we call a financing
20 account. And the financing account, that 20 million is
21 sort of like a bank account. So you have the 20 million,
22 plus all the calculations of principal payments, interest
23 payments, all going to that one account as well as the
24 disbursement.

25 So when you put them together, the object is

1 that it remains a zero. So at some point if the amount
2 of disbursement we have coming in starts to decrease and
3 the amount of disbursements going out increases, then
4 that subsidy rate increases, which means the number score
5 comes down, as well.

6 If you have more questions, I know it's kind of
7 a government finance thing. That's one of my favorite
8 things. I get to talk about it with somebody other than
9 Will.

10 Any more questions about that?

11 And that process is no different than any other
12 government program. We look at subsidy rate. There's a
13 subsidy rate tied to it, and the subsidy rate dictates --
14 Congress tells you how much they're going to get. That's
15 a flat amount. Congress can decide to up it or decrease
16 it. If you recall in 2009, it was at 10 million, and we
17 were only able to get 68 million based on that because
18 subsidy rate was a little higher, based on never
19 having -- having no subsidy rate.

20 Then after that, it went to 20 million, and our
21 subsidy rate still remains constant around somewhere six
22 and 7 percent.

23 It also remains constant that I want to add
24 because the Federal Financing Bank, they charge a fee,
25 and that fee, that goes back to the Department of

1 Education to help decrease our subsidy. So all these
2 different funds go into this to keep the subsidy rate up.

3 On the second page -- I'm sorry. The third
4 page. I'll just give a brief overview of what the
5 portfolio sort of looks like and what the program looks
6 like at this point.

7 As you see the construction projects, sometimes
8 that number will go up and down. Again, that depends on
9 what the projects are at an institution. As I said
10 before, we have been doing -- they range anywhere between
11 four and 10, but then any period of time. And that again
12 depends on what the institutions are doing, whether it's
13 renovation or new construction or refinancing, and
14 there's been a lot of refinancing of bonds. So that's
15 why this number is not as high as 10.

16 And most people will come to the program, and
17 they will ask could they get one of those loans at 65
18 million dollars. 165 million dollars. Those loans were
19 made at one percent, and so always know your balance
20 sheet. So that's always the piece that sort of comes
21 out.

22 Other than that, that is my report unless you
23 have additional questions.

24 DR. HOGAN: Any questions, Dr. Baskerville?

25 DR. BASKERVILLE: I do, but many times I don't

1 ask a question unless I know the answer, and I don't know
2 the answer.

3 MR. WATSON: That's the lawyer in you.

4 DR. BASKERVILLE: And this so goes against that.
5 This so goes against that. I wish I could read your
6 mind, Dr. Watson.

7 But if we look at the portfolio, as a finance
8 expert what would you say is the general state of the
9 portfolio?

10 MR. WATSON: I would say it's in excellent
11 condition. And I'm not saying that just because it's
12 what it is. What I like to tell anyone is that when you
13 look at volume, dollar amount to number of schools made,
14 we still have the lowest interest rate than anyone -- any
15 bank anywhere.

16 I think the sad part is that people don't
17 realize it is a loan program, and we should expect
18 defaults. Although we don't want defaults, we should
19 expect defaults. I don't know what the limit is. If
20 it's a loan, has to be repaid. Someone is going to
21 default at some time.

22 I think we as an entity, because we're the
23 government, we are looked at a little bit differently,
24 but I don't think we should be looked at differently. If
25 you look at ABC bank and what their default rate is with

1 institutions, I'm sure it's much higher than ours if you
2 look at it comparatively. So I'm actually very impressed
3 with our portfolio performance of our institutions.

4 DR. BASKERVILLE: Thank you so much.

5 DR. HOGAN: Any other questions about the
6 report?

7 DR. BECKLEY: You have two HBCs that have
8 defaulted on the loan. Barber Scotia and somebody else?

9 MR. WATSON: Yes, Stillman.

10 DR. HOGAN: Are there any other comments or
11 questions regarding Don's report? If not, I'm going ask
12 him to continue with the update of the May 2015
13 recommendations.

14 MR. WATSON: What I said today is I didn't get
15 to the eye doctor. I generally print stuff in, like .8.
16 So I'm glad you all -- I bring smaller sheets of detailed
17 information there. As you can see, it's very little.

18 DR. BASKERVILLE: We can't even see it that.

19 MR. WATSON: I'm glad I didn't have to go
20 through that.

21 So from May '15 through today we haven't had a
22 business meeting. So there hasn't been much work done on
23 these recommendations because I'm not sure if this board
24 wants to continue the recommendations as they were made
25 then.

1 But just to give you some idea what was going on
2 then, it's -- the board wanted us to continue with fast
3 rate provisions that would allow us to leverage new
4 market tax credit with Cap Finance Program.

5 So what that basically will do is, say that if
6 Cap Finance Program today only allows institutions to be
7 the lenders. If you want the tax credit, the lender
8 would have to be -- if there is a leverage lender in
9 play, that person would have to get some funds to make
10 the transaction happen.

11 And I met with treasury individual who was in
12 charge of this program. There was no way that we could
13 make it happen unless there were some changes to Cap
14 Finance which would allow us to allow new market tax
15 credits as part of the Cap Finance Program.

16 For institutions, the benefit of the institution
17 would be if you have a 20 million dollar project, you
18 could borrow ten million from Cap Finance, get 10 million
19 in tax credits, which means your debt service for us will
20 be at 10 million instead of 20 millions. So you think
21 about a savings to credit your debt service in half. So
22 I think that would have been -- that's a good play for
23 our institutions to benefit from that. I think that's
24 why the board wanted to continue it.

25 The other piece was disaster relief program for

1 HBCUs. And although this representation happened in
2 2015, we're thinking in terms of what happened at Shaw
3 when they went through a disaster, and they had to pay
4 debt service.

5 This program is very different from a student
6 loan program that if something happens, you have to pay
7 debt service. There's no forbearance, there's no
8 deferment. There's nothing. No matter what happens,
9 we're expecting you to pay your loan.

10 At the time that Shaw had to shut down for a
11 semester. As you all know, had to shut down for a
12 semester and couldn't open. So that was a stream of
13 revenue they could not generate. They were able to
14 bounce back from debt payment service, but that was some
15 things that affected them from getting that tuition.

16 Today Dr. Hall, who isn't here, his institution
17 was affected by a hurricane. So he is in the same
18 position with Cap Finance loans. However, we expect debt
19 service payments. This relief program would have
20 actually allowed some deferment of payments rather than a
21 forbearance. So deferment, as you know, would say,
22 Someone else was paying the debt service, not you. So
23 that when you come back -- get back on your feet, you're
24 starting where you were without the additional stress of
25 having to make up any payments that were made on your

1 behalf.

2 The other piece was economic impact study, which
3 the department had done one many, many years ago, and
4 UNCF has done one since then. But for the Cap Finance
5 program, what we had realized is that we make loans.
6 These loans are not just to the institution, but they
7 have what I call a multiplying effect in communities,
8 states, and the nation.

9 But to show that impact would not just be useful
10 for Cap Finance, but it would be useful for institutions
11 going to be donors or anyone else, saying, Hey, this is
12 the impact. This is what we're doing today. If we were
13 to actually get X amount from you, that would contribute
14 X times five or four or whatever that multiplier is to
15 the economy, to the community.

16 MR. HOLIFIELD: Don, is that expectation in any
17 way an explicit criteria or recommendation in any way in
18 the loan process?

19 MR. WATSON: No. In the loan process
20 Congress -- there's a list of things that you can do and
21 what can be paid for. This is not one that can be
22 paid for or used. So there's uses that are associated
23 with the project.

24 MR. HOLIFIELD: But that if the institution is
25 able to tie the project to larger economic

1 competitiveness needs of their community, is that
2 something that we should expect for institutions to do or
3 it seems that any measurement of that impact is ad hoc
4 and if it happens, it happens; if it doesn't, it
5 doesn't.

6 MR. WATSON: So, yes, let me back up a little
7 bit. For that recommendation, that recommendation is
8 actually asking for -- so we get the subsidy for the 20
9 million, but we also get a fund for administration of the
10 program, right? So that economic impact study at the
11 time we were asking that, the board was recommending that
12 Congress increase that administrative amount to allow us
13 to pay for the impact studies for institutions. Not that
14 it comes out the lending fees. You have to think, you're
15 paying for an economic impact study that would have the
16 effect of maybe two or three years, but your loan is over
17 10, 20, 30 year period. So you're financing this study
18 over a 30 year period when it's no longer developed.

19 MR. HOLIFIELD: Maybe I'm asking a different
20 question. Without an expectation up front that the
21 institutions in some way consider tying their capital
22 development with the economic needs of their community,
23 then if it happens, it happens. If it doesn't, it
24 doesn't. And that's what I'm really getting at.

25 Is there any expectation that the institutions

1 consider how their Capital investments also create value
2 for the broader community so that it can be measured in a
3 few years?

4 MR. WATSON: That's not expectations from us.
5 It's almost -- to me, that's like the government telling
6 an institution how to build capacity or what capacity
7 looks like. But I think each institution would have its
8 own idea of what their contribution to the community is
9 or what to community development would be.

10 The presidents around the table can probably
11 speak to that better than I can. But for me this
12 particular -- the board at the time this particular piece
13 was to actually fund that. And presidents will tell you
14 it may be a good idea, but may not have the money to fund
15 that study.

16 MR. HOLIFIELD: Right. And forgive me for
17 continuing to go on, but this is again of particular
18 interest.

19 And sometimes when investments are made in our
20 communities, they're disconnected from where the economic
21 puck in the broader community is going. So our
22 institutions and our people and the markets they serve
23 are not connected to that.

24 So the underlying question is, is there a way we
25 can encourage, then, institutions as they build out their

1 capital needs to explore aligning -- how they align with
2 their local market needs and then over time can measure
3 that, and perhaps it will be a tremendous contribution.

4 MR. WATSON: If this was a grant, I would say
5 yes. But it's a loan that has to be repaid. Someone can
6 tell you, Don't tell me how to -- why don't you tell me
7 you're not giving me the money. Don't tell me how to
8 spend the money other than how I want to spend it.

9 MR. HOLIFIELD: But it's public sector loan,
10 too.

11 MR. WATSON: Doesn't matter. Unless we're
12 telling people we're going to forgive them, then might as
13 well say -- it may give other sector loans. It's public
14 or private. But you're still telling the institution you
15 have to repay it.

16 So that's the key there. So that's why this
17 recommendation was for us -- the board was asking for
18 Congress to increase the administrative amount to cover
19 these reports so that way there will be no -- once you
20 get -- the report is done, it's done, and there's no,
21 Hey, I'm not doing it. No, you're doing it. It's very
22 different at that point.

23 MR. HOLIFIELD: Got you.

24 MR. WATSON: But I can tell you from some
25 financing that we have done, there has been community,

1 state, or local input in and development around the area
2 because Cap Finance was there to do some of the
3 development.

4 MR. HOLIFIELD: Got you. That's really...

5 MR. WATSON: So it is helpful, but again it
6 depends on the area where you are and other things.

7 MR. HOLIFIELD: Got you. Thank you.

8 MR. WATSON: Okay. The other piece was full
9 escrow requirement. The board wanted us to continue to
10 develop what that would look like, whether it was having
11 an add-on percentage or some other mechanism so that the
12 escrow would no longer be pooled.

13 As you all may have heard that the Congress has
14 changed the word pool escrow to insurance fund. Well, if
15 you look at how the program actually works, the escrow
16 fund is actually payment for the secretary letter of
17 credit. Some programs have multiple accounts. This has
18 this one account that escrow or -- escrow account or
19 investment funds. And I think UNCF, Thurgood Marshall,
20 and NAFEO worked on getting that done outside of board
21 meetings.

22 Anything else?

23 MR. KISSEL: I was going to read what the draft
24 bill says. It says, Strikes -- well, I'll read it.
25 Says, our D Title III is amended in Section 343 by

1 striking escrow account and inserting bond insurance
2 fund. So that's the change that's being proposed.

3 DR. BECKLEY: From escrow to bond insurance?

4 MR. KISSEL: Bond insurance fund.

5 DR. BECKLEY: Same percentage, right?

6 MR. WATSON: Same percentage.

7 DR. HOGAN: And that's going to be used instead
8 of escrow language?

9 MR. WATSON: Right. So the term "bond
10 insurance" comes from -- again, you're paying for the
11 secretary letter of credit. So if you think about it, if
12 you're car insurance. You know, you pay a premium every
13 month. If you're in an accident, the amount of your
14 premiums are not necessarily going to cover whatever the
15 accident is.

16 This is the same thing. So you pay premiums to
17 the escrow, if you will, and the insurance company and
18 other people pick up the other ends to cover whatever the
19 loss is. So it's a similar concept to that.

20 DR. HOGAN: Any other questions about the
21 update on the May 2015 recommendations?

22 DR. BASKERVILLE: Was Dr. Watson seeking to have
23 us -- you started off by saying you weren't sure whether
24 this body wanted to continue. Do you want a
25 recommendation as to whether we do continue or go in

1 another direction or this is just --

2 THE COURT: That's further on the agenda.

3 DR. BASKERVILLE: Oh, I'm sorry.

4 DR. HOGAN: Yeah, the recommendations will come
5 farther on the agenda. Just giving us an update right
6 now.

7 We're going to talk now before we get down to
8 the board discussion and recommendations about dates and
9 locations for our 2018 meetings. It is my understanding
10 that it is expected that this body would meet at twice a
11 year. This is our first meeting, and I know that
12 generally the body has considered how we can have these
13 meetings in conjunction with other meetings that the
14 members would be attending.

15 I am open for discussion and suggestions on
16 those meeting dates. I have no dates in mind right now,
17 so just give me some guidance on how the previous
18 meetings, what time of the year, where. I know we talked
19 about having them on some of our campuses. What time of
20 the year would work best? Are there meetings coming up
21 where we can coordinate that where presidents and other
22 members would be attending?

23 DR. BECKLEY: Madam Chair, the UNCF meeting and
24 NAFEO meeting.

25 DR. HOGAN: What did I say?

1 DR. BECKLEY: I don't know, but there's two
2 organizations that meet with a lot of our presidents
3 attending. HBCU would be, as well.

4 DR. HOGAN: That's what I was thinking about as
5 well.

6 MR. HOLIFIELD: And I can tell you that the
7 initiative is narrower in beginning the planning around
8 the HBCU week and all of our clearances and support, et
9 cetera. So we're anticipating and think we will have a
10 robust meeting activities built around a more traditional
11 approach to HBCU.

12 DR. HOGAN: September?

13 MR. HOLIFIELD: That's the idea. Obviously
14 balancing the other major conference that generally
15 happens during that time as well so that they're
16 concurrent and not -- or not concurrent, but even -- what
17 is it -- succeeding one another and not concurrent.

18 DR. HOGAN: Okay. Dr. Beckley, I know that UNCF
19 has a meeting in March, but that's usually a packed week,
20 and that's in New York.

21 Dr. Baskerville, when is NAFEO scheduled?

22 DR. BASKERVILLE: End of March, beginning of
23 April. But I really like, if our collective thought that
24 we should try and do at least one of them on or around a
25 campus. So I know that NCAA draws a lot of people to

1 North Carolina, and there are lots of campuses there.
2 And a lot of people attend, a lot of HBCUs attend. So
3 what if we try to do it attendant to that?

4 DR. LOSTON: Is that --

5 DR. BECKLEY: March.

6 DR. HOGAN: You should know that, Dr. Beckley.

7 DR. BECKLEY: Did you say NCAA? Which one did
8 you say?

9 DR. BASKERVILLE: Which ever one --

10 DR. BECKLEY: I go to NCAA.

11 DR. HOGAN: She said NCAA.

12 DR. BECKLEY: I can do that

13 DR. HOGAN: What are the dates?

14 DR. BECKLEY: Usually the last weekend in March.
15 Last full weekend in March. It's in San Antonio this
16 next year.

17 DR. LOSTON: We would love to host you. And we
18 do have a wonderful program.

19 DR. HOGAN: Can we ask you to check into looking
20 into those dates and see if they work on St. Philip's
21 campus in March 2018 in connection with the NCAA?

22 DR. BECKLEY: The rear. Tuesday or Wednesday.

23 DR. HOGAN: I'm going to request that you
24 rephrase that statement for the record.

25 DR. BECKLEY: He can give you the dates.

1 DR. HOGAN: I was thinking that you would have
2 those.

3 DR. BECKLEY: I wonder why.

4 MR. KISSEL: We should try to do it earlier in
5 the day on a week day so that people during the business
6 day can come to the meeting. I think rotating the
7 locations as well as dates and times is good.

8 DR. LOSTON: Can we say March 30 through April
9 second?

10 DR. BECKLEY: So the third would be the latest.

11 DR. LOSTON: April 3?

12 DR. BECKLEY: Yes.

13 THE COURT: You're thinking April 3 would be a
14 good day.

15 DR. BECKLEY: The games would be Saturday and
16 Monday, I think, if I'm looking at this right, yeah.

17 The final game's on the second, so the third
18 would be the day after.

19 DR. HOGAN: What day of the week is that?

20 Dr. BECKLEY: That's a Tuesday. We get the
21 tickets, we can cut out on Thursday and close out with
22 the game.

23 DR. LOSTON: Wait a minute. You're expecting
24 us.

25 DR. BECKLEY: He can change the tickets for

1 us.

2 MR. KISSEL: In addition, this board may want to
3 have some meetings by phone as a Higher Education Act
4 Reauthorization proceeds. There might be things for this
5 group to talk about in making a formal recommendation to
6 Congress on key days. So we'll keep that in mind, as
7 well.

8 DR. HOGAN: Okay. So that was easy.

9 DR. LOSTON: Morning or afternoon, decide later?

10 DR. BECKLEY: Just about ten o'clock through
11 lunch.

12 MR. WATSON: Yes. Traditionally meetings were
13 10 am to two.

14 DR. HOGAN: We can get people in and out the
15 same day.

16 DR. BECKLEY: If you come to the game, it won't
17 be the same day.

18 DR. HOGAN: Understood. Exceptions as a rule.

19 DR. BECKLEY: Make sure you understand that.

20 DR. HOGAN: I think I understood that you would
21 come on a Thursday and be there Thursday, Friday,
22 Saturday, Sunday, Monday, and Tuesday.

23 DR. BECKLEY: Probably come Saturday morning.

24 DR. HOGAN: Now we'll move to -- we'll get those
25 dates, and y'all will communicate back with this body on

1 that.

2 Now we'll get to the recommendations. Board
3 discussion on recommendations to the secretary and
4 Congress then.

5 Are there discussions on whether we want to
6 restate or revise the May 2015 recommendations as Don has
7 set forth before us?

8 And now this is the time, Dr. Baskerville. This
9 is the time you can make your comments or recommendations
10 or have discussions around those recommendations, whether
11 we want to restate those in any form or revise those or
12 if they remain as they are. Go forward.

13 MR. KISSEL: So the source material for this
14 might be the May 18, 2015, minutes summary which has a
15 section called "Board Recommendations for the HBCU
16 Capital Financing Program." So that's a summary of what
17 the recommendations from the board were at that time.

18 DR. HOGAN: Let's start with maybe the New
19 Market Tax Credits. It's an interest that I've had, not
20 because I know all the details or how to necessarily
21 leverage with the HBCU Capital Financing Program, but I
22 think that there may be some opportunities to optimize
23 available resources if we can get the legislative changes
24 approved and the right recommendations.

25 I would just like to hear from others on that.

1 DR. BECKLEY: Don, have you discussed that
2 possibility with someone with the Department of
3 Congressional Leaders?

4 MR. WATSON: No. These recommendations aren't
5 discussed there. They're discussed here. Because it's
6 statutory, these recommendations will go both to
7 Congress, the congressional leadership, as well as to the
8 administration for them to weigh if they will. But these
9 are to actually take the congressional changes.

10 DR. BECKLEY: I guess the question would be,
11 will this fly with federal policy, I guess is the
12 question from your standpoint, your feelings for that.

13 MR. WATSON: Dr. Beckley, this thing is almost
14 like going on the Hill, and we haven't been approved to
15 say something. I'm not sure how that works.

16 MR. KISSEL: I don't think there's a department
17 position on it at this point, even if there was one
18 earlier. But just as a matter of process I would say
19 that there's this big tax bill that just got passed. And
20 so perhaps the conversation is now to have about this
21 issue. Regardless of what people in the room feel like,
22 the time might be now.

23 DR. HOGAN: I think the board, if I'm reading
24 the minutes right, it's kind of recommended statutory
25 provision that would allow this to take place. That was

1 the recommendation. I think you were on that board at
2 that time; I was not.

3 DR. BECKLEY: I was a guest at that meeting.

4 DR. HOGAN: Okay. From this board earlier, you
5 were there?

6 DR. BASKERVILLE: yes.

7 THE COURT: I think you were asking about that,
8 what's the likelihood that something like this -- and we
9 won't know until the recommendations.

10 DR. BECKLEY: I make that motion, Madam Chair.
11 I move that the board hire staff to work with the
12 necessary powers to advance this idea at the next
13 meeting.

14 DR. HOGAN: So in essence what you're saying is
15 that this board would recommend advancing the
16 recommendation that's been made previously, that we
17 approve that recommendation and move forward.

18 DR. BASKERVILLE: I second that.

19 DR. HOGAN: It has been moved and properly
20 seconded that this board would like to advance the
21 position of the prior board's action that will allow for
22 a statutory provision for the program to leverage funds
23 from the New Market Tax Credit.

24 DR. BECKLEY: Very well said.

25 DR. HOGAN: Is there any discussion? I think

1 this is important enough to carry this.

2 All in favor, say aye.

3 (Audible responses)

4 Opposed, no.

5 (No audible responses)

6 DR. HOGAN: Done.

7 Okay. The next recommendation we talked about
8 was the National Disaster Assistance Program, and at that
9 time the board took no action on that, on the Disaster
10 Relief Grant Program available to Capital Finance.

11 MR. KISSEL: I had a phone call with Dr. Haynes
12 and Dr. Hall. Dr. Hall is unfortunately not able to be
13 in the meeting, but he is very interested in this topic
14 area, of course, not only because of his institution, but
15 because of other institutions in similar situations.

16 DR. BECKLEY: Did anybody say how it would be
17 administered? Would it be a grant or would it be loans?
18 How do they propose to deal with it?

19 MR. WATSON: It was proposed to go to a very
20 similar situation. The staff would act as the schools
21 that were affected by Hurricanes Katrina and Rita, but
22 there was also a grant portion that would allow
23 institutions to sort of pay some of the debt service
24 while they're trying to rebuild.

25 The difficulty about a school that actually has

1 a loan with Cap Finance and trying to come back through,
2 because the loan program and because of the balance sheet
3 limits what you can borrow, the institution would not be
4 able to come through unless there were a lower interest
5 rate or something else.

6 In the case of -- so you have insurance and
7 other things that you're going to have to go through and
8 process, but that may not be enough to restore your
9 institution to where it was. This proposal is only for
10 grants to pay the debt service, which would have been a
11 separate motivation.

12 DR. BECKLEY: That's the loan that they had
13 made -- so okay. It's not really rebuilding.

14 MR. WATSON: It's nothing that prohibits this
15 Board, though, from extending or modifying regulation
16 that's to include a refinancing or anything else for this
17 that would be favorable for an institution affected by a
18 disaster.

19 So although we have these recommendations to
20 make debt service payment, you don't have to stick to
21 that. You can extend it if you want to extend it.

22 DR. LOSTON: Your response just answered --
23 well, the question I was about to ask is, Would this even
24 benefit? Dr. Hall, you said he had a question. You
25 called and asked would he be the benefactor. So there is

1 an opportunity that our recommendations could benefit
2 existing institutions.

3 MR. WATSON: Yes.

4 DR. BECKLEY: And until -- withholding the
5 payments until they get back on their feet and get back
6 to -- okay. It really would be a cash outlay in some
7 cases. It would be a delay.

8 MR. WATSON: Well, two things. The payment,
9 again, for this recommendation was a deferment, which
10 means that payment would have come from someone else.
11 The payment would not have come from the escrow account.
12 That's why you need a separate funding source. You are
13 not pulling these payments from an escrow account; you
14 are pulling these payments from another account that
15 Congress has appropriated.

16 MR. WARD: I'm new to this. So we're suggesting
17 taking a look at this or do we need to take a look at it
18 because obviously it has been impacted.

19 DR. BECKLEY: I think so.

20 DR. HOGAN: There's discussion on broadening the
21 Disaster Relief Grant Program and allowing a separate
22 appropriation for this program.

23 MR. WATSON: Yes.

24 MR. WARD: If I were there, I certainly would
25 wave the flag and say, Help, please, at least to get me

1 back on my feet, so.

2 DR. BECKLEY: Make a motion?

3 MR. WARD: Yes.

4 DR. BECKLEY: Second.

5 DR. HOGAN: It's been moved and properly
6 seconded that the Board would recommend that you broaden
7 the Disaster Relief Grant Program available to Capital
8 Financing and allow a separate appropriation for
9 institutions impacted.

10 MR. MURRAY: Lodriguez Murray. I'm going to
11 give a little explanation for separate appropriation. I
12 just want some clarification on what exactly we're
13 meaning when we make that recommendation.

14 MR. WATSON: So right now Congress only
15 appropriates money, 20 million dollars, for us to make
16 loans. The separate appropriation would be instead of
17 20 million dollars, now Cap Finance would have two lines
18 in the budget. It will have the 20 million to make
19 loans, and it would have another set of appropriation
20 dollar, whatever that amount would be, to pay the debt
21 service for schools that have been impacted by natural
22 disaster.

23 MR. MURRAY: Okay.

24 DR. BASKERVILLE: Okay. I'm sorry.

25 Dr. Watson, you said loans. My understanding was that we

1 were talking about two things. One is grant funds, and
2 the other a refinancing, and it's under separate power.

3 MR. WATSON: Well, for Rodriguez's explanation,
4 I have explaining where the second line item would come
5 from. If it was to make debt service payments would be
6 grants which will require a separate line item. If we're
7 talking about a new loan program that would have more
8 favorable terms than what the current program offers,
9 that would also have to be another separate line item.

10 DR. HOGAN: Let me be clear. On the motion
11 that was taken was on broadening the Disaster Relief
12 Grant Program, not a loan program. A grant.

13 DR. BECKLEY: Right.

14 DR. HOGAN: That was the understanding. I just
15 wanted to be clear.

16 MR. MURRAY: Thank you. I don't have any more
17 questions.

18 DR. HOGAN: Okay. I'll move the question.
19 All in favor, say aye.

20 (Audible responses)

21 Opposed, nay.

22 (No audible responses)

23 DR. HOGAN: Okay. The motion is carried.
24 Then we talked about the HBCU Economic Impact
25 Studies.

1 MR. HOLIFIELD: Dr. Hogan, this one really -- I
2 really would like some discussion around this one. As
3 Don described it and what's written here measuring how
4 useful these funds have been, I guess I struggle with, if
5 that's not part of the consideration for the investment,
6 to then try to measure it on the back end --

7 DR. HOGAN: Yes, I recall.

8 MR. HOLIFIELD: -- is a tough one.

9 DR. HOGAN: It is.

10 MR. HOLIFIELD: Are there ways that add some
11 intent consistent with -- you know, it is a loan. But
12 some encouragement for our institutions when we make
13 these significant investments, to also leverage how they
14 connect to and support local regional economic priorities
15 or what have you so that in years to come, we may have a
16 better shot at making the case for the multiplied impact
17 that you're talking about.

18 I think, absent that intent, we won't get the
19 optimum performance. We'll get whatever happens without
20 intent, which could be great. But without intent we risk
21 losing what could be a significant multiplier that makes
22 the case for these institutions' contributions to their
23 regional economies.

24 And as we all know, other institutions that make
25 significant investments grounded significantly -- not

1 necessarily in the academic mission, but in how that
2 academic mission has an impact on the local regional
3 economic priorities, as well.

4 MR. KISSEL: Let me add. In terms of public
5 encouragement, I could imagine with very little extra
6 time and trouble to have more attention when we do make a
7 loan to what the loan is and what it's for and how it
8 will be perceived to either help the students or whatever
9 the point is with that project and see if not just Tweet
10 about it, but see if there's an article in the newspaper
11 that says, If you hear something good that's happening
12 for the school from this program, just to make those
13 connections and alert people to the fact that this is
14 happening.

15 That may not be all that exciting as we refine
16 it, but it might still be exciting because it frees up
17 other moneys to do other interesting things. So I could
18 see that as being part of the publicity strategy.

19 MR. HOLIFIELD: Well, I would be interested in
20 modifying this to make it a more affirmative statement or
21 an affirmative objective than something we looked back at
22 and never encouraged it on the front end, but we're
23 looking back at it.

24 And underlying thrust to all this, many of us
25 believe that these institutions are indispensable to

1 local economies. So if we're able to build that
2 expectation in on the front end, perhaps on the back end
3 we could have better impact that further supports the
4 narrative that I think we all believe.

5 DR. HOGAN: And the kind of metrics that we
6 would be using in order to make this determination as we
7 go through this.

8 MR. HOLIFIELD: And probably the local economies
9 have their priorities and how this investment supports
10 that. And then looking back over time these are the --
11 I'm not trying to add a whole big layer of work.

12 DR. HOGAN: No, I understand.

13 MR. HOLIFIELD: But more explicitly tying it
14 there so we can look back and make that case -- or the
15 program to make the case.

16 MR. WATSON: Just so I understand because I will
17 have to implement this.

18 MR. HOLIFIELD: I'm only around the corner from
19 you.

20 MR. WATSON: So instead of credit criteria --

21 MR. HOLIFIELD: No.

22 DR. HOGAN: He didn't say that.

23 MR. WATSON: In addition to credit criteria.

24 So in addition to credit criteria, we're
25 actually going to say in order to get a loan, you have to

1 show what your impact is?

2 DR. BASKERVILLE: No, no criteria.

3 DR. HOGAN: I tell you what. Why don't you
4 hold your thought there, and let's hear the other
5 comments. And it may clarify.

6 Dr. Haynes and then Dr. Baskerville.

7 DR. HAYNES: Let me give an illustration of why
8 what I think Johnathan is saying is very important.

9 A couple years ago we made a loan to Wiley
10 College, and Dr. Strickland pointed out the 28 million
11 dollar loan was the largest amount of federal infusion in
12 that area in the history of that county. He became every
13 banker's friend. And because of the way that money
14 turned over, and it demonstrated again the value of Wiley
15 being in that location.

16 So it goes back to the narrative, as we say, of
17 indispensable institutions who have tremendous value to
18 where they're located. In the form of President of
19 Grambling, I can speak to that because I know we're
20 trying to do something with Grambling or not, that would
21 be huge.

22 So I was saying how we frame that I think is the
23 issue. Not to put -- you know we talk about the economic
24 impact and so forth, but it is important, I think.

25 DR. HOGAN: And you quantify the construction

1 employed out there and through making these kinds of
2 things happen on the campus, yes.

3 DR. BASKERVILLE: So when we had the discussion
4 previously, it wasn't that we were adding any new
5 criteria in, and we should be really clear about that

6 DR. HAYNES: Right, right.

7 DR. BASKERVILLE: But we were seeking the
8 Economic Impact Study to validate that, which we know.
9 And that is that our institutions are the economic
10 engines of their communities' universities. So to the
11 extent that you're building the infrastructure, you're,
12 by and large, building the communities that surround
13 them.

14 It would be a welcome addition to the UNCF
15 recently reported where they updated the 2006 report and
16 documented 14.8 billion dollar collective economic impact
17 just on what we're spending on our campuses. So we would
18 add to that when we build, this goes also to economic
19 impact on our communities, but we truly do not want
20 another criteria.

21 MR. HOLIFIELD: Those two comments were more
22 artfully than I made the point that I'm struggling to
23 make.

24 DR. HOGAN: You got instructed.

25 MR. WATSON: That's perfect because that's what

1 I had in mind. I just didn't want us to try to say that
2 in order to get these funds. We were doing something
3 else.

4 So basically this impact study is only, as the
5 two prior speakers said, would prove or show evidence of
6 what we've already been doing.

7 DR. HOGAN: And I think by this action, we are
8 affirming the recommendation of the board in 2015.

9 DR. BASKERVILLE: That's correct, Madam Chair.

10 MR. HOLIFIELD: Well...

11 DR. HOGAN: But clarification.

12 MR. HOLIFIELD: Yes, clarification. This
13 recommendation looked back to a fund, but I'm also
14 interested to see how we encourage on the front end not
15 to add a new criteria, but that this is important to the
16 program. And part of -- not the criteria, but the
17 expectation is that the program will have a broader
18 impact in the community and to somehow inform us of that
19 on the front end.

20 DR. HOGAN: It's expectation that can not be
21 measured until the project is in progress.

22 MR. HOLIFIELD: Exactly, but you're aware that
23 it will be measured or we will ask and we will -- you
24 know, the program will want those kinds of...

25 DR. HOGAN: And hence the purpose of my question

1 to Don was, Is this instructive enough for him? Because
2 sometimes things can't always be written as clearly in
3 guidelines to understand the essence of this, and that
4 will be taken into consideration.

5 MR. KISSEL: For instance, if there were, to
6 repeat my other point, a standard operating procedure
7 that after we make a loan, there's a press release a week
8 later once it's really made, and we're going to have to
9 save that institution.

10 So what do we say about your part why this is
11 good? That puts implicit pressure on that school to say,
12 There's going to be 50 jobs from the construction part of
13 this, or, There's going to be this many more students we
14 can help.

15 MR. HOLIFIELD: Or in case of an academic
16 building, this furthers our economic priority in
17 XYZ Industries, which is one of the growth industries in
18 our area.

19 DR. LOSTON: There are a lot of things that can
20 be said about the impact. We are leaving it up to the
21 institution to define what that is rather than trying to
22 provide specific guidance about expectations.

23 MR. HOLIFIELD: I think so, yes.

24 DR. LOSTON: Okay. Now we enter into a whole
25 nother arena.

1 DR. BASKERVILLE: May I please piggyback on
2 President Loston?

3 I think I hear you saying that we're going to
4 leave up to the member institutions to do this. But I
5 want the record to reflect that I personally -- and if we
6 need a vote, we need a vote. I don't think it wise to
7 require anyone applying for an HBCU Capital Financing
8 loan to have to do something extra. I think when you
9 start going down that road, someone in Congress looks and
10 says, Well, if they're going to get this money, we want
11 them to show da da da da da.

12 The fact is that the data reflect the impact,
13 and we need to have the survey that would do that, but we
14 don't need to require our members to do anything else.
15 Our institutions are small, and they're doing everything
16 that they can to get the loans that they need, the grants
17 that they need, and to move forward. And they have
18 responsibilities on the outside to show success, impact,
19 or some other things.

20 I really want to make sure we're not adding
21 something that HBCU seeking a loan, that any other entity
22 seeking a loan, would have to do.

23 MR. WATSON: We're talking about the 2015. This
24 recommendation has been around for a while, and it came
25 about because I stumbled upon I think it was University

1 of Nebraska, their impact study. So I reached out to the
2 agency that did their study. It wasn't a government
3 agency; it was a private entity. I asked about the
4 study, and they sent me two more. It was actually a book
5 about maybe eight or 10 pages. That's when I realized
6 that they were actually confirming our institutions.
7 They were showing how institutions with Title IV and what
8 that impact was with their athletic programs, what that
9 impact was. So that they needed something for a stadium,
10 they didn't necessarily have to come out of their pocket
11 for the stadium. The state says, Hey, that's helping us.

12 So that was the purpose of that study, not to
13 save the institution. That's what I was saying for us.
14 It was the funding assigned for us to do it so that
15 institutions themselves could say, Hey, alums, this is
16 what we're getting from alum donations. This is what
17 we're doing from this pocket. If we're able to do these
18 things, then this helps the institution.

19 But as I said, I'll go either way, but it wasn't
20 necessarily for us to look for -- I mean, there's nothing
21 that prohibits the Department of Education if we make a
22 loan to say, Hey, we made X loans to this institution.
23 We do it for grants all the time.

24 And if the body wants to have institutions, you
25 know, going on a press release or what have you, I'm okay

1 with that, as well. But I just think that the original
2 purpose of this was to have an actual report so people
3 can use when they're going to anyone. Because it wasn't
4 just about Cap Finance, just to be clear. It was about
5 all of the institutions' funds. Cap Finance, I already
6 know when I go on a campus, I see the jobs from
7 construction. I see journeyman. I see outside. If it's
8 a small town, I see contractors from another county or
9 city coming in. So I know what that multiplying effect
10 is.

11 It's almost like buying a refrigerator today.
12 They're buying a refrigerator in the store, in some store
13 in your town, doesn't necessarily just benefit that town.
14 It's also benefits people who actually made that in other
15 places. That's where the concept came from. It wasn't
16 necessarily to say, Hey, let's do this.

17 Again, it's whatever the Board decides. And I
18 can share those reports I have from Nebraska.

19 MR. HOLIFIELD: And to respond to Lezli's
20 concern. My interest is not to add anything, a new
21 infrastructure, but there is a narrative in our nation,
22 particularly around the very markets that our
23 institutions serve. And that narrative is rising in
24 prominence.

25 But what's not yet rising in prominence is the

1 role of these select institutions as a primary or
2 preferred tool to address this national imperative. So
3 when they're -- I'm interested in all kinds of ways to
4 continue to build the indispensability of this set of
5 institutions to all of these important things that
6 continue to get more and more traction. And lots of
7 nonprofits and bigger institutions or PWIs are beginning
8 to eat off of this plate. But 170 years of experience is
9 not yet fully eating off of that plate.

10 DR. LOSTON: I agree. I understand everything
11 that you just said. But where you're driving towards
12 should not be limited to the institutions that are
13 receiving loans.

14 MR. HOLIFIELD: Agreed. I was keeping it within
15 the confines of the advisory board, but I'm certainly
16 wide open and enthusiastic to engage in that matter for
17 the entire community.

18 DR. LOSTON: I would ask a question. You know,
19 we started down this road with Don about pursuing a loan.
20 Is there not sufficient documentation in place already to
21 address the potential impact that the institution is
22 going to have with the loan? Is that not already in
23 place? It's not in place, it's not sufficient.

24 MR. WATSON: From Cap Finance I looked at -- I
25 don't look at what the impact would be to them.

1 Literally I'm looking at it's an objective because the
2 impact, I just said impact of one community stadium, the
3 impact of that institution. It negatively effected. So
4 I don't look at that. I look at objective view, which
5 the numbers are objective. So I look at the numbers
6 themselves and say, Hey, could this institution afford to
7 repay a loan based on this criteria?

8 DR. HOGAN: Where do we stand? Earlier I
9 thought we were at a point where we were affirming the
10 prior recommendation and with instructions -- clarifying
11 instructions to Don what this means in terms of how we
12 would proceed within HBCU Capital Financing Program.

13 MR. HOLIFIELD: Dr. Hogan, may I offer this
14 then, since I have been a primary driver at this point.
15 If it's the Board's will to affirm the 2015
16 recommendation and provide an opportunity for perhaps a
17 report back from Don -- and I'll certainly work with Don
18 on an approach that may get at the kinds of concerns that
19 we're raising today to report back to the board in X
20 number through telephonically or what have you, whatever
21 mechanisms may be available so we don't have to resolve
22 it today.

23 DR. HOGAN: Right.

24 DR. BASKERVILLE: May I suggest when the board
25 gives us advice, we don't generally ask executives or

1 director or try to be more proscriptive than we have
2 about approach. So we would not need a report back.

3 I think we can affirm the recommendation from
4 2015. We've had this discussion. It's on the record. I
5 think it was important to have it on the record for
6 historical purposes, and then you all do your thing.

7 DR. HOGAN: Because it's not limiting. I don't
8 think the recommendation is limiting or expanding how you
9 do it at all.

10 MR. HOLIFIELD: Right, it's not.

11 DR. HOGAN: Do we need a motion on this?

12 DR. BASKERVILLE: I make a motion to affirm the
13 2015 recommendation with regard to the Economic Impact
14 Study.

15 MR. WARD: Second.

16 DR. HOGAN: It is moved that --

17 DR. LOSTON: Wait, wait, wait.

18 DR. HOGAN: It's been moved and properly
19 seconded that the -- we reaffirm the recommendation of
20 the Economic Impact Study as made in 2015.

21 Are there any questions or comments?

22 DR. LOSTON: Yes. Are we living by this
23 statement that is written into -- it says, "The Board
24 recommended that the Department, through NCES's
25 evaluation, perform economic impact studies to show how

1 useful Capital Finance and other funds are to the
2 nation."

3 So are we also buying into this evaluation
4 process? Because that's what's written here.

5 DR. HOGAN: I think one the comments -- and we
6 can integrate that -- that I made is that we're not
7 limiting how this can be done.

8 DR. LOSTON: But if you adopt it as written by
9 2015, so I think you just need to be real clear, that's
10 all.

11 DR. BASKERVILLE: What if I amend the
12 recommendation to adopt the spirit of this, but not
13 necessarily the letter of the word?

14 DR. HOGAN: Without limitations on how to make
15 it.

16 Now, what is your -- make the motion again.

17 DR. BASKERVILLE: I was just proposing that we
18 amend the motion to adopt the spirit of the Economic
19 Impact Recommendation 2015, not necessarily the letter of
20 the words.

21 DR. HOGAN: That's what I thought we were
22 doing.

23 DR. BECKLEY: And study all the Capital Funding
24 Programs in the various communities to make a loan, is
25 that what she's saying?

1 MR. WATSON: For me, in that recommendation I
2 just struck out "through NCES evaluation." I struck that
3 out.

4 DR. HOGAN: Okay. Might we restate this
5 motion?

6 It has been moved and seconded that the Board
7 recommend that the Department perform Economic Impact
8 Studies to show the usefulness of the Capital Finance
9 Program and other funds are to this nation.

10 Any comments?

11 All in favor, say aye.

12 (Audible responses)

13 Opposed, nay.

14 (No audible responses)

15 DR. HOGAN: Thank you. And I think one of the
16 other comments -- and I don't know if we -- it's about
17 the pool escrow. That has been changed to the insurance
18 bond.

19 MR. KISSEL: To be clear, that's just a bill at
20 this point. So it didn't change.

21 DR. HOGAN: It's been recommended. Was there a
22 recommendation on the pool escrow? I was looking at this
23 requirement.

24 Okay. "The Board continues to support the
25 escrow option stay in the pool escrow. The board asks

1 the Department to continue to work on this option while
2 keeping in mind that an open market still limits many
3 institutions."

4 What is the recommendation?

5 MR. WATSON: That the department continue to
6 look at changing the escrow from a pool escrow
7 requirement to something...

8 DR. HOGAN: And that's what this would be.

9 MR. WATSON: It's a name change, in nature.
10 It's not necessarily a change to how it works. But the
11 escrow in and of itself, whether it's an escrow in
12 insurance fund, it would still work the exact same. Just
13 changing the language to sort of nudge the insurance fund
14 to the Secretary's letter of credit, which is wise to get
15 the low rates, the treasury rates of security.

16 DR. HOGAN: So the recommendation is basically
17 just to continue to work on this option.

18 MR. WATSON: Yes.

19 DR. HOGAN: Okay.

20 DR. BASKERVILLE: So moved.

21 DR. BECKLEY: Second.

22 DR. HOGAN: We can affirm that. It's been moved
23 and properly seconded that we will affirm the -- that
24 were given to the program to continue to work on the
25 option as stated in the original recommendation.

1 Are there any questions?

2 All in favor, say aye.

3 (Audible responses)

4 All opposed, say nay.

5 (No audible responses)

6 DR. HOGAN: Well, Thanks. And Program
7 Staffing.

8 DR. BASKERVILLE: Madam Chair, I'm sorry. I'm
9 really not trying to extend this meeting, and I know it's
10 close to the dinner hour and so forth.

11 But we talked about the Disaster Relief Grant
12 Program. We voted on the grant piece. But in the
13 discussion we mentioned refinancing, and then we took
14 that off of the table? We didn't vote on that. I was
15 wondering Dr. Murray on the phone said that he had an
16 objection.

17 Dr. Murray, was your objection to considering
18 the refinance objection?

19 DR. MURRAY: No, ma'am, it wasn't an objection.
20 It was more unreadiness. I wanted clarification when it
21 was previously mentioned to have a separate appropriation
22 line. And having worked there in those difficulties in
23 the labor that will make that happen, I just wanted us to
24 be clear on what we were asking for.

25 So I have no objection if we want to pursue the

1 grant option, as well.

2 DR. BASKERVILLE: Well, the grant option I
3 thought we voted for.

4 DR. HOGAN: We did.

5 DR. BASKERVILLE: I was asking about a separate
6 refinancing pool so that when natural disasters hit,
7 there would be a separate pot of money that could go
8 beyond the 20 million which is basically what we're
9 getting now and have another set of another pool.

10 DR. HOGAN: I thought we affirmed that.

11 MR. WARD: Yes.

12 DR. HOGAN: That was all inclusive.

13 DR. BASKERVILLE: Was that your understanding
14 that we agreed on both the grant and the refinancing?

15 MR. WATSON: Yes.

16 DR. BASKERVILLE: Great.

17 DR. HOGAN: I want to get some guidance from
18 the staff here. On these other of issues of Program
19 staffing, Criteria for loans, Role of the Board,
20 Leveraging partnerships, do we need discussion on that?
21 Have recommendations been made on this or is this
22 something that's coming up now?

23 MR. KISSEL: These are topic areas that came up
24 in conversation with individual board members between the
25 administrative meeting and today.

1 So if there's someone on the phone or in the
2 room who takes an interest in any of these issues, that
3 person can raise it. And if there is not, then we can
4 skip it.

5 DR. HOGAN: Okay. I think we kind of talked
6 about the leveraging partnership in the New Market Tax
7 Credits.

8 DR. BECKLEY: And the criteria, we can't change
9 it back to the basic criteria.

10 DR. HOGAN: For the loans.

11 DR. BECKLEY: For the loans. Who will make the
12 suggestion that they can say what they had in mind here
13 in the criteria, Don?

14 MR. WATSON: Not me. There was recommendation I
15 think in 2010 to lower the criteria, but, again, this is
16 a bond program. So loan has to be paid. Loan and
17 criteria will not be paid.

18 DR. BECKLEY: Speaking of the criteria,
19 financial health, debt service, accreditation.

20 MR. WATSON: We're no different than any other.
21 In fact, we go a step further. My former Title IV
22 policy, and I know CERs are important. In 2014 we made
23 that a change for HBCUs, so that became a part of our
24 criteria, as well.

25 DR. HOGAN: Are there any comments or

1 discussion that we need to have on any of these topic
2 areas? Do we want to think about those?

3 DR. BECKLEY: I move we think about it a little
4 bit further.

5 DR. HOGAN: I don't know if that requires a
6 motion.

7 Dr. Baskerville.

8 DR. BASKERVILLE: I'm sorry. I don't raise my
9 hand to second it. So if somebody wants to second it...

10 DR. BECKLEY: She ruled it out of order.

11 DR. HOGAN: It's not a recognized motion.

12 DR. BASKERVILLE: Madam Chair, I'm always
13 interested in program staffing. Dr. Watson does a
14 remarkable job of servicing our members, and he always
15 has a woefully, woefully small staff. And I don't know
16 where we are today. I don't know what was recommended in
17 terms of staffing going forward and the funding for that.

18 Is that something that would come under this
19 discussion of program staffing or what was envisioned?
20 Because I would certainly like to know what has been
21 recommended, and then we certainly might collectively
22 have a recommendation.

23 MR. KISSEL: This topic came up a number of
24 places because Don really has the wisdom and experience
25 of the program. In my view we need to have enough people

1 to not just manage the program, but have long term
2 continuity. And there may be other growth opportunities
3 that we're limited in by not having a larger staff.

4 So I don't know if Wayne Johnson is still on the
5 phone with us or not. But since we're in hiring freeze
6 situation in the education department, our best source of
7 people with solid finance knowledge might be FSA, Federal
8 Student Aid.

9 MR. JOHNSON: This is Wayne, and we're certainly
10 prepared to provide support. We do have the knowledge
11 and skill set to, I think, make a contribution. So just
12 let us know what we need to do.

13 MR. KISSEL? Thank you very much.

14 DR. HOGAN: What's the size of your staff?

15 MR. JOHNSON: My staff?

16 DR. HOGAN: No, this is directed to Don Watson.
17 I'm sorry.

18 MR. WATSON: Wayne, we know you have the largest
19 staff.

20 It's two of us right now. It's two of us with
21 Cap Finance. I have another person for (inaudible), so
22 under my division are actually two bond programs.

23 DR. HOGAN: You have three staff people doing
24 two bond programs?

25 MR. WATSON: There's three of us: the director

1 and two staff.

2 MR. HAYNES: And some are getting ready to
3 retire.

4 DR. HOGAN: Do you have a portfolio?

5 MR. WATSON: For Cap Finance itself, Cap Finance
6 is roughly 2.4 billion dollar. Staff is about another
7 300 million.

8 DR. HOGAN: Whether we have it tonight or make
9 recommendation, I think that probably is worthy of some
10 discussion. Understanding the limitations, but it's
11 amazing that we do as well as we do.

12 MR. HAYNES: I can say -- and Adam knows this,
13 too -- the Department's senior leadership is very much
14 aware of this issue.

15 DR. BASKERVILLE: So may I suggest another way,
16 as well? First of all, student financial aid staff is
17 doing a remarkable job, and we're grateful for them. Our
18 members and the associations have a strong partnership
19 with them through lots of challenging times. So I
20 applaud them.

21 So someone who has mastered student financial
22 aid, but not necessarily have mastered HBCU Capital
23 Financing --

24 MR. HAYNES: Dollar bill.

25 DR. BASKERVILLE: He's the exception. His

1 background is in that, but my point is that -- and
2 understanding there's a freeze, there may be value to
3 considering an IPA to a broader group of agencies, and
4 some of them that are agencies that are actually doing
5 housing, lending, and so forth. And then get a pool of
6 people, and then you select someone who's an extra in a
7 housing finance administration within the government
8 under an IPA which will allow you to get them without
9 paying.

10 MR. KISSEL: Right. So that's the other major
11 way we might be able to bring people in.

12 MR. WARD: Don, just as a matter of record, if
13 we were a private entity based on the loan amounts, what
14 would our staffing possibly look like? Can anybody speak
15 to that? I'm just curious when you talk about the kind
16 of volume of dollars we have.

17 DR. HOGAN: Look at banks as lending
18 institutions. Even on a local level.

19 MR. HAYNES: There are between 50 and 100
20 people, professionals.

21 MR. WARD: Between 50 and 100 people
22 professionals, and we only have two or three.

23 DR. HOGAN: Three with two loan programs.

24 Is it appropriate at this time to make the
25 comment that this Board would strongly support taking a

1 very close look at assessing the staffing and recommend
2 that staffing would be increased to handle the volume of
3 work?

4 MR. WARD: Yes.

5 DR. HOGAN: That's coming with this program.

6 MR. HAYNES: Absolutely.

7 DR. HOGAN: So noted.

8 DR. BECKLEY: Yes.

9 MR. KISSEL: That's a comment and not a
10 recommendation?

11 DR. HOGAN: It's a comment. We strongly
12 recommend. Can I use that term? I think I did.

13 MR. WARD: Do you need a motion? I raised the
14 issue of --

15 THE COURT: You can do that then. I don't make
16 the motion.

17 MR. WARD: I'm making a motion.

18 DR. BECKLEY: Second.

19 DR. HOGAN: It has been moved and seconded that
20 the board recommends that there been an assessment --
21 review assessment of the staffing at HBCU Capital
22 Financing Program and urge attention to increase the
23 staff with the volume of loans that are handled there on
24 a yearly basis.

25 MR. WARD: Perfect.

1 DR. HOGAN: Are there any comments?

2 All in favor, say aye.

3 (Audible responses)

4 Opposed, nay.

5 (No audible responses)

6 DR. HOGAN: Do we have any comments about the
7 role of the board at this time on more members? I guess
8 we need more members that would be needed to be
9 discussed.

10 MR. KISSEL: So more topics from members under
11 the new business.

12 THE COURT: Okay. Any comments on any of that?

13 MR. HOLIFIELD: Yes. Dr. Loston really I think
14 nailed something very important. And a contribution the
15 initiative is interested in making is in the area of
16 strategy. There is no, nor to my knowledge has there
17 ever been a federal strategy around these institutions.
18 The weakness in the model is we have some great programs.
19 Thumbs up. But the overarching objective, what is the
20 national objective vis-a-vis the HBCUs? And that is
21 generally stated through some sort of enduring strategy.
22 We have strategies for world development, for inner city
23 or innovation development, for STEM development and all
24 kinds of other things. But we don't have a federal
25 strategy around HBCU competitiveness.

1 What do all of these things and all of our
2 actions connect up to? What is the national goal?

3 I am interested in bringing that strategy to the
4 board. Something that is a living document, if you will,
5 but it's a North Star kind of document to which
6 problematic and individual disjointed and disparate
7 efforts all connect.

8 And when any of us are asked or any federal
9 official is asked, What's the United States's objective
10 for HBCUs, we will be able to provide a clear, concise
11 answer and then back that up with some documentation
12 which is supported by programs across our federal
13 government to support this big objective.

14 That's going to take some time, development,
15 some resources, and the like. I'm interested in
16 discussing it briefly or more longer time a path forward
17 to get there. Should it come in the form of a
18 recommendation from this Board to the Department? Should
19 it be some other form?

20 I'm not sure, so I'm really bringing it to the
21 Board for some level of consideration today. And if
22 we're able to arrive at a path for it, then I would like
23 to adopt a motion in that respect.

24 DR. LOSTON: Just for clarification purposes, I
25 want to make sure we understand. I, Adena Loston, was

1 not raising the issue of about the contributions of HBCU
2 because it's clear to me in my head that we were talking
3 about some potential added requirements for the Capital
4 Financing, and I was just saying that it's best something
5 we shouldn't just access who's receiving these dollars.

6 So I am not at all raising the issue about the
7 contribution of HBCUs.

8 DR. HOGAN: Let me comment on what Johnathan
9 said. I thank you for that comment.

10 I could not agree with you more about the need
11 for a federal strategy, but I guess when you were laying
12 all this out, because HBCU Capital Financing program is
13 one part of that.

14 Might the discussion be better held with the
15 President's Advisory Board or advisors are of HBCUs under
16 the aegis of the White House Initiative?

17 MR. HOLIFIELD: And that's good counsel. As
18 that comes together, that will be a priority matter.
19 That's the kind of counsel that I wanted from this
20 group.

21 DR. HOGAN: Because you're talking broadly.
22 You're not just talking about -- you're talking broadly.
23 And that would be my suggestion.

24 MR. HOLIFIELD: That's a good suggestion.

25 MR. MURRAY: And it's possible that that

1 advisory board will move forward. I would assume there
2 would be portions that would impact with this board.

3 DR. HOGAN: Sure.

4 MR. MURRAY: And we could reaffirm. We could
5 stand with or figure put another way, the support of such
6 an effort. It all looks exactly as you described.

7 MR. WATSON: Lodriguez, correct?

8 MR. MURRAY: Correct.

9 MR. WATSON: I just wanted to be sure who was
10 speaking.

11 DR. BASKERVILLE: So I just affirm what
12 President and Chairwoman Hogan has said regarding the
13 White House Initiative and HBCU regimen and add that when
14 President Trump, like previous presidents, signed the
15 Executive Order, he established his vision. And then
16 that is expected that the White House Initiatives on
17 HBCUs and members of that body will help to flesh it out
18 and give meat to it. So there's the vision, and then
19 there will be a strategy.

20 But there's also a national goal that is
21 important for all of us to keep in mind, and that is that
22 the nation has embraced the 2025 goal of having 60
23 percent of all Americans with a two or four year degree.
24 According to the Education Testing Service recent report,
25 today the Asian American community has exceeded the 60

1 percent goal, 2025 goal. White females will meet that
2 goal not by 2025, but by 2027. White males will meet it
3 seven years after white females. African-Americans,
4 Hispanics, and Native Americans will not meet that goal
5 up until 2060 unless something is done drastically
6 different.

7 ETS makes some recommendations, but in terms of
8 the work of this Board, we can have Pell grants, we can
9 have all types of student loans. If our infrastructures
10 are not strong, what you get is a lot of qualifying, low
11 income students who are eager and prepared to go to
12 college who may opt not to come to institutions that
13 have 20 years of deferred maintenance and the absence of
14 an infrastructure. And I hope that and I know that this
15 group gets it. But it is important for the record that
16 people are sitting and reading and passing judgment
17 understand the importance. It can't be done without the
18 appropriate dollars. It can't be done without
19 appropriate documentation and a range of other things.

20 But right now African-Americans and other
21 traditionally under-represented minorities in this
22 country won't make the goal, but we can. Our
23 institutions, because of their outcomes, because they're
24 graduating disproportionately African-American in all the
25 growing areas can and will make the difference. They're

1 making a substantial difference with woefully inadequate
2 resources.

3 And so somehow -- I know you're sitting here,
4 and I know you agree. But how we need -- we're here
5 because we want to be in partnership with this
6 administration and whatever administration is in in
7 making this case so that as we go back and look at places
8 where people want to cut, we can talk about it. America
9 won't realize her goals if we cut infrastructure
10 development dollars for HBCUs, first of all.

11 Second thing is we really have to clear up
12 misunderstandings about the history and what HBCUs are.
13 Unlike any other group of American -- of the so-called
14 MSIs, HBCUs do not have and never have had any racial or
15 ethnic criteria. And this body has to be empowered and
16 clear to say that so that when members of Congress or
17 others who may be confused stand up and say, Well, we
18 think that illegal because that is for black people or
19 brown people or some other dubious classification, the
20 answer is, Not so. Our institutions have an important
21 historical mission that grew out of the nation's history
22 of slavery, and they have to have as part of their
23 mission the education of the progeny of the American
24 slave system, disproportionate percentage of whom are
25 black, African-American. But they've always been open to

1 all, and today they are educating between 30 and 35
2 percent non African ancestry students.

3 DR. HOGAN: Dr. Baskerville, I'm excited about
4 what you're saying. I think you're in the public
5 comments period. If we can finish the fees.

6 DR. BASKERVILLE: Okay.

7 DR. HOGAN: I think it is, but I think your
8 comments are well taken in the public comment section
9 because you're covering a lot of very important areas.

10 DR. BASKERVILLE: Thank you. Get off the soap
11 box.

12 DR. HOGAN: You wanted to quote something from
13 the legislation. Don't leave right now because we do
14 have the public comments.

15 MR. KISSEL: Related to the earlier comments, as
16 well. In the bill, again which is not the law, the
17 reporting section has been replaced with a new reporting
18 requirement which says, "On an annual basis the Advisory
19 Board shall prepare and submit to the authorizing
20 committees a report on the status of the Historically
21 Black Colleges and Universities described in paragraph
22 1A." Basically, HBCU is getting under the program. "And
23 an overview of all loans in the Capital Financing
24 Program, including the most recent loans awarded in the
25 fiscal year in which the report is submitted, the report

1 shall include administrative and legislative
2 recommendations as needed for addressing the issues
3 related to construction financing facing Historically
4 Black Colleges and Universities."

5 So this will be, if it's passed, a change from
6 what this body is asked to report on anyway from ad hoc
7 to whenever we want to submit a report to a required
8 annual report as described.

9 So if this Board wants to make a recommendation
10 related to that, again the time is over the next several
11 months as the HEA gets decided.

12 MR. WATSON: Just so you all know, that
13 requirement, they've been passing that around before this
14 draft came out. Now it's a different requirement. I'm
15 not sure what they mean by HCUs that they're going to
16 attend at a certain level. That may be difficult
17 because, again, it's loan program. But I think about the
18 report and the recommendation we just went over. That is
19 the report. So whatever the recommendation of this
20 board, the same thing, much more than that that we
21 provide. They could extend that activities peace of
22 mind, but I don't see it being a big issue.

23 MR. KISSEL: So we can interpret that at the
24 Department however we think is most appropriate. So we
25 could interpret it very narrowly as just being the

1 directions reporter versus, for instance, asking the
2 status of institutions that could be an endless amount of
3 work, correct, anywhere in between?

4 DR. HOGAN: If there are comments or thoughts
5 about any of these discussion points here, I know that
6 I'm open to hearing from you all in between the meetings.
7 I'm sure that Adam and Don are. Think about some things,
8 and we can take them up at our next meeting.

9 And if we are complete on the board discussion
10 part of the agenda, we can move into the public comments
11 area.

12 DR. BASKERVILLE: I really don't have a public
13 comment, but, Madam Chair, may I just comment on this?

14 DR. HOGAN: Sure. Absolutely.

15 DR. BASKERVILLE: So I was in conversations when
16 this was developed, and it was in the context of some
17 misinformed person prefacing the discussion with lots of
18 defaults and the program needs more Congressional
19 oversight.

20 It seems to me that we have a clear record that
21 they're not blocks. So perhaps this board could take the
22 position that -- certainly our institutions will do
23 anything that the law requires. But we think that it is
24 cumbersome, burdensome, costly, and not suggested by the
25 facts. And the facts are that over long period we have

1 two institutions in default, seven that have paid off the
2 programs, and lots of good things going on that we heard
3 earlier today. So I think that would be helpful because
4 there is also an effort afoot to come back and ask for
5 even more oversight on HBCU Capital Finance Program.

6 And that's probably why I went into the part
7 about my public comment.

8 DR. HOGAN: So what's your recommendation on
9 this?

10 DR. BASKERVILLE: That this body certainly
11 suggest that we will follow our -- our institution will
12 follow the law to the letter, whatever it becomes, but
13 that we believe that such congressional intrusion would
14 be costly, cumbersome -- well, costly in terms of human
15 and financial costs -- and is not suggested by the
16 evidence which shows that the HBCU Capital Financing
17 Program is one of the best run programs in the federal
18 government and, low, there's nothing negligible, but very
19 small numbers in the history of the program have
20 defaulted, and that the institutions are enriched and the
21 communities they serve, as well, by the program.

22 DR. HOGAN: Let me ask you a question. I agree
23 with that; I think it's important.

24 But given the law suggesting that there's a
25 report, could that not be included in the report that we

1 would submit annually to the Congressional people? How
2 do we do that?

3 DR. BECKLEY: Who would it need to go to?

4 THE COURT: Whoever it needs to go to, could we
5 have that kind of report? What you're saying is
6 basically -- I don't know if that's prescribing how
7 extensive a report would be, but it's suggesting a report
8 from this body. And I think that we comment on all of
9 those things, and we include that in a report that's a
10 part of all the reports that Don would have made during
11 the year.

12 But at the end of the year I do think this body
13 should have a report that will go in, even talking about
14 how many loans. You have that, anyway, but say that.
15 Out of all the loans we had, only two institutions have
16 defaulted and the kind of work that's done. It doesn't
17 have to be cumbersome. It's just a compilation in my
18 opinion of what has been discussed during the year and
19 what's been done.

20 Anybody differ with that?

21 DR. BASKERVILLE: No.

22 DR. BECKLEY: Makes sense to me.

23 DR. HOGAN: So it doesn't have to be cumbersome
24 or costly. Just a compilation.

25 MR. JOHNSON: This is Wayne. Do we have

1 anything such as an annual report that we produce?

2 MR. HOLIFIELD: No.

3 MR. JOHNSON: I know that one of the things when
4 I took over FSA I found very interesting, very helpful,
5 was that we actually produce an annual report. And I
6 think it might be something that we should consider
7 making as a part of what we do. And in that we would be
8 reflecting that kind of information that serves as an
9 on-going public reference document. We publish it. We
10 actually published ours November 13 if you want to go
11 online and look at it. I don't think it needs to be that
12 elaborate, but just a thought.

13 DR. BECKLEY: Don, don't you have at least a
14 financial report to somebody in the Department of
15 Education on activities of the year?

16 MR. WATSON: I would glance, like, it's a one
17 page where basically the same information you have. So
18 the difference between -- of course, as you all know,
19 it's three of us. So the reports we have and most of our
20 reports on finance and we have the reports that we have,
21 but it's not like I'm not going into each institution's
22 financial statement.

23 DR. HOGAN: It's a summary.

24 MR. WATSON: It's a summary, so that's why it's
25 easy for me to pull together the data that I gave you

1 all. I have that. Again, it depends on how detailed you
2 want it to be.

3 From the finance --

4 MR. JOHNSON: Let me wade in here as the
5 Secretary's designee, which is my role in this. I think
6 and offer up that an annual report to the Secretary -- I
7 think technically it's Secretary of Congress, but the
8 annual report to the Secretary just summarizes how many
9 dollars are outstanding, how many programs -- whatever we
10 want to report. Enough to carry the message because what
11 I heard somebody else say just a few minutes ago, and I
12 thought it was very proud. A lot of work has to be
13 encapsulated in a lot of, quite frankly, high quality
14 performance to the portfolio that you talked about when
15 you opened up in your director's report. I think that
16 would be -- if you make it a report to the Secretary,
17 then it becomes a matter of public document. You issue a
18 press release around it, and it comes in -- basically in
19 the online data bases forever.

20 MR. MURRAY: This is Murray. I agree with
21 Dr. Johnson on this. And I think some of the previous
22 comments, that it's best that we let the -- let the cat
23 out of the bag in terms of great work that's being done
24 here and by the program.

25 MR. WATSON: So this is Don Watson. I think

1 when we use the word "report," I look at something a
2 little different than what you all look at. As I said
3 earlier, this status report was easy to pull together
4 because I have two pages that I keep for when anyone asks
5 about Cap Finance.

6 So it's what you want -- it depends on what the
7 report would look like in the format of the report.

8 For what is asked, as I said, they've been going
9 around with this for about 18 months. I didn't know the
10 history behind it, but the things they're asking for,
11 it's based on my direct report and what your
12 recommendations are.

13 Somebody may interpret it much steeper than
14 that. Then I have to look and see what that looks like
15 because again I have to weigh options of making loans or
16 doing reports with the number of people I have. But I'm
17 okay with either way y'all want to go.

18 I just want to say depends on how detailed the
19 report is. And I know you're the Secretary's designee,
20 but, of course, you have a thousand people in the office
21 that specialize in that kind of thing. Statistics and
22 other things like that.

23 DR. JOHNSON: What I'm really trying to say here
24 is not an accountability report because I think that has
25 its own set of issues. I'm talking about PR.

1 DR. HOGAN: Which you're doing.

2 (Multiple speakers)

3 MR. WATSON: I think it's fine.

4 DR. JOHNSON: It could be just an annual record
5 to the Secretary instead of a report. Program overview,
6 something that can be a touch point for, you know, some
7 of the basic questions that are asked, but most
8 importantly are amplifying how important the program is
9 and the particular work that's being done and certainly
10 would be prepared to lend substance by discussing and put
11 together a few pages with the right kind of guidance.

12 I'm not making a motion or a recommendation.
13 I'm just putting it on the table for consideration, and
14 perhaps we can discuss it between now and the next
15 meeting. And I would be happy to sit down with you and
16 flesh out some thoughts. That's all I'm trying to say.

17 MR. WATSON: Again, I think it's fine. When I
18 read it before, I said this time when the Board meets,
19 instead of just having a letter with the recommendation
20 and estimates, I will modify the board report -- the
21 Director Report a little bit to add more flavor to it.

22 And part of that was to sort of get rid of some
23 of the misinterpretations people have when they read a
24 press release, for example, where I'm able to tell the
25 story of Cap Finance in a way where people understand a

1 little bit. So I think it may be fine.

2 I'm not sure what the Congressional intent was
3 behind it, but the report itself I think will be fine.

4 MR. JOHNSON: One last thing on the report. I
5 think when we do effect the financing, for example, where
6 did you go get the additional legislation for -- the
7 additional authorization for disaster relief, financing,
8 support, how can we make sure.

9 (Bells ringing)

10 DR. BECKLEY: I think it's time.

11 DR. HOGAN: Excuse us. Thank you for your
12 comments, and I think that certainly that gives Donald
13 some directions of what, you know, what we're thinking.
14 But I wasn't thinking about a long, drawn out report,
15 either, but a compilation of what you do during the
16 year.

17 DR. BASKERVILLE: Madam Chair, the recorder
18 didn't hear many of the things that Chief Johnson said.
19 And I certainly agree with what I heard him say. But I
20 think the very important thing that he said that I would
21 hope the record would reflect is that he does not
22 envision adding this as another layer of accountability.
23 That it's not an accountability report, but a touch point
24 and something that will help us tell the story.

25 I think that's very important because, having

1 been in the meetings when discussions were being had, it
2 was in the context of misunderstandings about the good
3 that we're doing, and so this can help.

4 DR. MURRAY: Sorry. I agreed with
5 Ms. Baskerville, and I know that -- and the Chair, as
6 well, because we don't want this to be an onerous report
7 for the administrator. But what we would like is
8 something that showcase the work.

9 I know that it was previously in a motion. But
10 I'm willing to put forth a motion that we produce an
11 annual report. It doesn't have to be onerous or long.
12 It can look not very different from the report that we
13 received today, but could help tell the story of the good
14 work that Capital Financing is providing.

15 DR. LOSTON: Who is that speaking?

16 DR. BASKERVILLE: Murray.

17 DR. HOGAN: Dr. Murray from UNCF.

18 Does someone want to second that recommendation?

19 MR. JOHNSON: This is Wayne. I would second
20 it.

21 DR. HOGAN: It has been moved and seconded that
22 we produce an annual report similar to the information
23 that Don Watson has been providing, but captioned in a
24 way that tells the good work as well that has come forth
25 from the HBCU Capital Financing Program.

1 Are there any questions?

2 All in favor, say aye.

3 MR. MURRAY: Madam Chair, I have a question.
4 This is Lodriguez. I have a question. I do want to say
5 again this is not to be onerous on Dr. Watson. And for
6 the record, FSA offers staffing assistance, if necessary,
7 to help bring this to pass. So I want the record to
8 reflect that as well as we move forward.

9 DR. HOGAN: Is that your comment?

10 Okay. All in favor, say aye.

11 (Audible responses)

12 Opposed?

13 (Audible responses)

14 MR. WATSON: Let's count.

15 DR. HOGAN: It's two on the phone voting yes.

16 The nays, one, two, three, four.

17 MR. HOLIFIELD: I didn't vote at all.

18 DR. HOGAN: Four. Well, this recommendation in
19 the sense that it has been presented has failed for lack
20 of --

21 DR. LOSTON: May I comment on that? Because I
22 think we talked about the annual report, the language.
23 So it's the terminology that we're struggling with. So
24 we have a different terminology because when you're
25 saying annual report, that signals a different number of

1 accountability. And we're not trying to put more work on
2 the stack here.

3 MR. WARD: And when you put it into the form of
4 a recommendation and it's voted on, then it starts to
5 take on a life of its own, and it becomes a huge report,
6 creating a burden.

7 DR. LOSTON: And we do want to share what is
8 happening.

9 DR. HOGAN: On a yearly basis, and that's in
10 the form of a report. But not necessarily -- because he
11 does one report.

12 MR. JOHNSON: This is Wayne. Could we change it
13 perhaps with the approval of the gentleman that made the
14 recommendation? Instead of an annual report, an annual
15 letter to the Secretary talking about the work that's
16 being done.

17 DR. BECKLEY: I don't think that's necessary. I
18 think what he's doing now could be expanded to include
19 some of the highlights. That should go to the Secretary,
20 go to all of us. I think it will address what you're
21 suggesting in the vote.

22 DR. HOGAN: I think what I heard you say, too,
23 you're talking about a few pages. You said three pages,
24 if I'm not mistaken, which indicates to me you're not
25 talking about expansive report. You're not talking about

1 a document --

2 DR. BECKLEY: Updates.

3 MR. WARD: We had talked about not being
4 proscriptive at all, and we would share with the Director
5 what we would like for him to do, and he's very capable.
6 So we shared that, and let him take it and implement it
7 in the form that he sees fit.

8 DR. BECKLEY: And he sees fit to update the
9 Secretary on what's going on, he can do that between our
10 meetings and share a copy with us.

11 DR. HOGAN: Well, the motion has failed. So
12 thank you all.

13 I think we're short on time. We certainly want
14 to allow time for public comments, and we'll move into
15 that sector.

16 Those who are here to make comments, if you will
17 come forward, state your name, and adhere to the five
18 minutes allotted for public comments for each individual.

19 DR. BASKERVILLE: Are you going to introduce
20 Michael Sorrell, Jr.?

21 DR. SORRELL: This is my son, Michael. He has
22 been in school, and he's staying so he can learn how
23 things get done. He's seven, second grade -- seven and a
24 half. It's important.

25 Really, all we want to say during the public

1 comment was just to very briefly talk about how important
2 these programs are. Many schools haven't yet accessed
3 them. We are one of those institutions. We spent the
4 decade really positioning ourselves as a very different
5 institution than the one which we inherited 11 years ago,
6 which was failing.

7 At this point we have had six or seven figure
8 surplusses, eight in the last 10 years. We just received
9 a gift in the spring for two and a half million dollars,
10 which erases our final piece of debt.

11 And what we are doing now really is akin to some
12 of the comments that you all talked about is we are now
13 going to have to be responsible for redeveloping our
14 entire community which surrounds the college. We've
15 started with the institution. We've done eight to nine
16 million dollars of infrastructure improvements over the
17 course of the last decade without using any debt. Mostly
18 through successful use of the Title III program and fund
19 raising.

20 We are now at a point where we have 90 students
21 living off campus because we're out of room on the
22 campus. It has a work college. Over 50 percent of our
23 student must live on campus and must be part the work
24 program, but we have no place to put them now until we
25 build new facilities. We're building a new 120 person

1 dorm.

2 We're building 120 person dorm which will
3 already be filled at the moment that it opens. We are
4 negotiating to build a 200 unit complex to use for both
5 the community and the college. The idea is to split the
6 housing up between police officers, area teachers, and
7 our students.

8 So we are doing all these things as an effort to
9 really create a very different institution and a very
10 different community.

11 So we are excited about this program because,
12 quite frankly, we've never been in a position to use it.
13 We are in a position today to use it. We have been
14 blessed that we have lots of options that we can go to to
15 receive financial funding, but we are prudent investors,
16 so we look for places where the interest rates will not
17 be something which will be difficult for our institution
18 to match.

19 So we say all that to say this is an important
20 program. It's a program which deserves to continue,
21 deserves to expand. Having been a corporate securities
22 lawyer, I can tell you that two defaults over the years
23 and the people involved in this is nothing to even focus
24 on.

25 And I would say this. I would encourage you not

1 to make it more difficult for institutions to access the
2 funds. There are enough hurdles. We see enough places
3 that don't want to do business with us simply because of
4 who and what we are. So the places that do, we would
5 appreciate just been able to be treated fairly.

6 Any questions or is this the part where I take
7 him to go get something to eat?

8 DR. HOGAN: This is the part where we say thank
9 you for your comments.

10 MR. HOLIFIELD: May I ask one question?

11 DR. HOGAN: Sure.

12 MR. HOLIFIELD: Very quick one.

13 To your impact around your community, how would
14 you successfully advocate and winning those kinds of
15 investments?

16 DR. SORRELL: We are a business. We never
17 pretended to be anything other than a business. So for
18 us it was simply a value proposition. We came forward.
19 We assessed the environment. We realized that, one, it
20 didn't matter what we did academically if we wanted a
21 sound business loan.

22 So we created a different version of a college
23 business model. Then we embraced the work program idea
24 that allowed us to expand rapidly, reduce tuition fees by
25 10,000.

1 This April we will celebrate 146 years, and in
2 the last three years we've had waiting lists. We can't
3 meet the demand. We've rejected 25 to 30 percent of the
4 students who are now applying. We raise the admission
5 standards from none to 2.5 to now 2.75.

6 We are a different institution, but we don't
7 stand just for ourselves. We built the model. And we
8 said this from day one, that we are going to address the
9 needs of the communities we serve. Those needs initially
10 were security, so we addressed those.

11 Now, listen, the average student loan rate the
12 students are buying, \$37,000 a year. And many of our
13 black colleges, those numbers are greater because the
14 reality of it is, for many of our communities and
15 families, this is the first time they've had access to
16 the capital market.

17 So we can not be surprised that they borrowed
18 more money because it's the first time their families
19 have had access to money. So we've dealt with that by
20 reducing tuition and fees. It allowed us to place a cap
21 so students didn't wind up in situations that would serve
22 them poorly.

23 But the market is also very, very clear. 79
24 percent of employers want their entry level students
25 to -- eligible hires that come to them with previous work

1 experience for the entry level jobs, which means the only
2 place they're going to get them is while they're in
3 school. So we have to speak to that need.

4 50 percent of college students wish the college
5 had given them more real world experience. So we address
6 that need.

7 Right now if you are a dependent student, over
8 70 percent of them are working more than 20 yours per
9 week. If you're an independent student, more than 80
10 percent of them are working 30 hours per week. So we
11 built a system which acknowledges the reality of the day
12 and speaks to standing in that gap.

13 So once you do things like that, people respond,
14 and people have responded to us.

15 DR. HOGAN: Thank you.

16 MR. NEWMAN: I know it's been a long evening,
17 afternoon, so I'll try not to keep you much longer.

18 I'm Lester Newman, President of Jarvis Christian
19 College. First of all, I want to commend Don Watson and
20 his small staff for the work they have done with the
21 program. I've had a long history with the program. I
22 served on the board back in 2005 or '6, and I worked at
23 two previous institutions, have gone through the process,
24 and I let that happen. And it was a tremendous help to
25 those institutions.

1 At Jarvis Christian College we recently went
2 through the process. Last year we were able to refinance
3 some debt, renovate one residence hall, and we're in the
4 process of building two new residence halls, 192 beds, to
5 accommodate the growth that we've experienced.

6 Going to the question of the impact on the
7 community, it has a great impact on the community. It
8 has helped build our relationship with the local banks.
9 And now we have the community supporting our efforts
10 because they see the resources that we are putting into
11 the community. That's coming on the heels of the report
12 that UNCF, the entity that was here a few weeks ago,
13 helps us in our local community.

14 But one of the things I want to put on the table
15 for your consideration is that many of the schools who
16 use the program are small, underresourced institutions.
17 And during the summer when we have no students on campus,
18 that's when we can really use the help. If the program
19 can be redefined where you can take a line of credit for
20 operational purposes to help get us through those lean
21 months, because a lot of times during the summer is when
22 you renovate, enhance the residence halls. Because when
23 you have students on your campus, they're going to do
24 some things, and that's the time you really need the
25 resources to do it. We go the banks, and interest rates

1 are a lot higher. But if we could do it through this
2 program, it would be a tremendous help to a lot of our
3 program.

4 If there are any questions...

5 MR. WARD: Are you asking short term?

6 MR. NEWMAN: Yeah, short term line of credit.
7 Because we usually pay the line of credit back during the
8 year because you're going to need it again during that
9 summer. So if it's short term, give us a year to pay it
10 back because we always go back again for the line of
11 credit.

12 DR. BASKERVILLE: President Newman, this board
13 actually considered that. And, Dr. Watson, correct me.
14 We took an affirmative position on that?

15 MR. WATSON: No, I think it was discussions at
16 the 2015 meeting. The meeting had already ended when the
17 conversation came up about that. So the board did not
18 take a position on short term borrowing, which comes into
19 place not just as Dr. Newman described during the summer
20 months when it's low, but also in the cases where audits
21 are low, and they have to issue a line of credit for five
22 years. Audits are late. They have to issue a line of
23 credit for five years, things like that. So it's not
24 just for low periods.

25 But as you say, our rates are much lower. If we

1 would give a line of credit for what he just described
2 for one year, and we could actually try to sort of risk
3 premium or something similar to it or add on to it, it
4 would be less than two percent. Around two percent or
5 less.

6 I haven't done any substantive calculations, but
7 the substantive calculations probably would be zero to
8 none because the program will fund itself. And as you
9 describe, all HBCU issues, I'm sure, would be from the
10 line of credit.

11 DR. BECKLEY: Could we suggest that you explore
12 that possibility?

13 DR. WATSON: Explore it?

14 DR. BECKLEY: Possibility. Or is it already in
15 place?

16 MR. WATSON: No, if the board wants to recommend
17 it. It's not in place yet. That would have to take a
18 statutory change. Right now it's a capital program.
19 Short term credit would have to be new or something added
20 to this.

21 DR. HOGAN: I suggest we make this an agenda
22 item for our next meeting so we can have more discussion
23 on it.

24 Thank you so much, President Newman.

25 Are there any other comments from the public?

1 There are no other board comments. Let me thank
2 all of you for your participation, for your thinking and
3 comments as we move forward with the work as advisory
4 board members for the HBCU Capital Financing Program.

5 I look forward to the next meeting. I think
6 that this, for our first gathering as a body, was a good
7 one.

8 I want to again thank Don and his staff, and all
9 of you, Adam, and others for your good work in helping us
10 to put this meeting together. And we look forward to
11 further conversations to make this an even stronger
12 program for the benefit of our HBCUs.

13 DR. BASKERVILLE: Thank you for your tremendous
14 leadership.

15 DR. HOGAN: This meeting is adjourned.

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1 REPORTER'S CERTIFICATE

2
3
4 I, Janet E. Wright, CSR No. 1532, Certified
5 Shorthand Reporter, certify:

6 That the foregoing proceedings were stenographically
7 reported by me at the time and place therein set forth
8 and were thereafter transcribed;

9 That the foregoing is a true and correct transcript
10 of my shorthand notes so taken;

11 I further certify that I am not a relative or
12 employee of any attorney or any of the parties nor
13 financially interested in the action.

14 I declare under penalty of perjury under the laws of
15 Texas that the foregoing is true and correct.

16 Dated this 29th day of December, 2017.

17
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19 
20 _____
JANET E. WRIGHT, CSR No. 1532

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