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CSU extends Hunter's contract Investment policies also to be reviewed

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Charleston Southern University took steps to shore up its financial image Wednesday, creating a task force to review its investment policies after suffering what may be a \$10.6 million loss in former professor Al Parish's investment pools.

The disclosure came with an announcement that the school's board of trustees gave a unanimous vote of confidence to school President Jairy Hunter, extending his contract through the 2012-13 school year.

Hunter, who has been at the helm of the private Baptist college for 23 years, declined to answer questions Wednesday, a CSU spokeswoman said, referring all inquiries to the school's attorney, J. Rutledge Young Jr.

Young did not return calls Wednesday.

CSU may be the largest single loser in the investigation into Parish, whom the Securities and Exchange Commission has accused of widespread fraud over how he operated his "informal pools" of investments.

On paper, about \$520 million may be lost by nearly 600 investors.

No details on the new CSU task force were disclosed by the school.

Hunter said last week that the decision to turn over millions in investment cash to its star economist followed procedure and was vetted by the school's attorneys, its investment committee and the full board of trustees.

The decision was partially based on the phenomenal returns Parish claimed, and his reputation as a star financier on campus.

CSU first wrote checks to Parish's "pools" about five years ago.

"There was in-depth due diligence that was done on this investment plan," Hunter said shortly after the scandal broke.

"People who have much experience, quite a bit of knowledge in finance, investing, checked out everything that they knew to check," he said.

Parish was not registered with the SEC as a financial adviser, a requirement for any person or firm who handles more than \$25 million of other peoples' money. He also is not registered to handle securities with the state or with the National Association of Securities Dealers, a private watchdog of the investment industry.

Hunter has been the subject of some criticism on Internet chat sites dedicated to the Parish saga. The school also has been named in a civil lawsuit by five Parish investors, alleging liability for allowing him to run his pools out of his CSU office.

Marketing materials from Parish's company told investors that they could expect higher average returns than those posted by any mutual fund in the past 10 years. CSU allegedly invested in the most conservative of Parish's funds, a pool of money that ostensibly bought corporate and government bonds. However, Parish never revealed to his investors exactly where the money was invested, as a mutual fund would.

While CSU promised a new level of scrutiny to future donors, most institutions have long-standing policies that may have red-flagged the investments Parish offered.

"Ultimately, the trustees have a fiduciary responsibility to act in the institution's best interest," said Morgan Olsen, treasurer of Purdue University and chairman of the National Association of College and University Business Officers.

It's unclear what rules CSU's board was subject to. University officials have declined the newspaper's request for copies of its policies on investments and donor safeguards.

Asked if it's appropriate for an institution to invest a large percentage of its assets with a single, unregistered fund manager, Olsen said, "That's one of the things that somebody would want to evaluate." CSU has an operating budget of about \$45 million a year.

South Carolina is among several states with a law governing how college and other large institutional boards and officers should manage institutional funds. The act says institutions' governing boards must "exercise ordinary business care and prudence."

Olsen said that such laws are broad, and that strict internal oversight offers the best protection for donors' money.

Parish also has been charged with lying to the SEC and is being held at the Charleston County jail as a flight risk.