

MINUTES OF THE SPECIAL MEETING
OF
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

July 22, 2004

President McPherson called the special meeting of the Board of Trustees to order at 10:03 A.M. in the Board Room.

Trustees present: Dolores Cook (by telephone), Joel I. Ferguson (by telephone), Dorothy V. Gonzales (by telephone), Colleen M. McNamara (by telephone), Donald W. Nugent (by telephone), Randall L. Pittman (by telephone) and David L. Porteous (by telephone).

Trustee absent: G. Scott Romney

University officers present: President McPherson (by telephone), President Designate and Provost Simon (by telephone), Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, June, and Webster and Executive Director Williams. Faculty Liaisons present: Robert Maleczka and James Potchen. Student Liaison present: Andrew Schepers.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to approve** the agenda.

2. Public Participation on Items Germane to the Agenda

There was no public participation on items germane to the agenda.

3. Finance Committee Report and Related Actions

Committee Chairperson Pittman presented the Trustee Finance Committee report and recommendations.

A. Sale of Ludington Property

On a motion by Mr. Porteous, supported by Ms. Cook, **THE BOARD VOTED to approve** the sale, pursuant to the Resolution attached to these Minutes as “Exhibit A”.

Dr. Poston said that the Board of Trustees authorized offering the Ludington property for sale on April 3, 2003. The University set an asking price of \$89,900. A potential buyer has made an offer of \$86,000, with the condition that the University pay approximately \$4,000 of the closing costs. The net proceeds of approximately \$82,000 would be within the acceptable range set by the Board of Trustees and are nearly the amount of the appraisal.

Dr. Poston pointed out that the property has been listed for over a year. There was a previous offer on the property, but the offer was withdrawn before the Board had an opportunity to consider it. A back-up offer at the same selling price has been signed and is available, should the current buyer not honor the buy-sell agreement.

B. Investment Manager Appointment

Trustee Pittman explained that the statement of investment objectives established by the Board of Trustees includes a target asset allocation of 12.5 percent for the private equity class. Currently, the private equity class investment is about 7.6 percent. In order to reach the target allocation over the next five years, Cambridge Associates estimates that \$30 million, or more, must be invested in the private equity area each year. It will be difficult to reach that level because those who invested in earlier funds with highly rated investment managers often participate in those managers' subsequent funds, making opportunity for new participants very limited.

Cambridge Associates presented the Finance Committee with two potential investment managers. Dr. Poston and his staff evaluated them carefully. Thereafter, the Finance Committee consulted with Cambridge Associates and also interviewed the potential investment managers directly. As a result of that investigation, Mr. Pittman indicated he would approve the appointment of the investment management firm of Providence Equity Partners Inc., which is raising up to \$4 billion in Providence Equity Partners V, L.P. The Finance Committee recommended investing up to \$8 million in Providence Equity Partners V, L.P. Mr. Pittman said that fund would invest from \$100 million to \$400 million in each of approximately 15 – 20 companies in the communications and media sectors. Providence Equity Partners has long-term

experience and has done very well in “up” markets and has done very well compared to its peers in “down” markets. Providence Equity Partners has a strong team and a strong track record. Mr. Pittman said he believed this is an excellent opportunity for the University.

Mr. Pittman pointed out that this situation illustrated the discussion at the last Board meeting that sometimes it is necessary to move quickly in order to take advantage of valuable investment opportunities.

Mr. Pittman said that Cambridge Associates also recommended a much smaller commitment in another fund. Mr. Pittman applauded the manner in which Cambridge Associates presented to the Finance Committee the reasons for investment, as well as the associated risks. After discussion with Cambridge Associates and this particular fund manager, Mr. Pittman recommended the University not participate in the fund. The fund would invest in software enterprise infrastructure, wireless and optical communications and semi-conductors, areas of great competition. Mr. Pittman expressed his opinion that the level of experience of the management team was inadequate with respect to those types of investments.

Mr. Pittman said he felt the University might not have sufficient opportunities to invest with top tier non-marketable investment managers to reach its allocation target. Mr. Porteous asked whether an allocation target of 12.5 percent was realistic. Glen Klein, Investment and Financial Management Director, responded that there is a strategy in place to try to reach that allocation target, namely, to utilize fund-to-fund managers that would have access to top tier managers. Dr. Poston pointed out that additional fees attach to fund-to-fund managers. Trustee Pittman suggested that in addition to higher fees, with fund-to-fund managers, control as to placement of investments would be lost. The Finance Committee will evaluate whether the return achieved would merit paying the additional fees.

Dr. Poston advised that the Finance Committee would be prepared with a full analysis for the September Board meeting.

5. Personnel Actions

Provost Simon presented the following personnel actions:

Gray, James Ian, AN – Assistant Vice President, Office of Vice President for Research and Graduate Studies; Director, Michigan Agricultural Experiment Station; Professor, Department of Food Science and Human Nutrition, to add title Vice President Designate, Office of Vice President for

Research and Graduate Studies, effective July 22, 2004, through August 31, 2004.

Gray, James Ian, AN – Vice President, Office of Vice President for Research and Graduate Studies; Professor, Department of Food Science and Human Nutrition, \$210,000, effective September 1, 2004.

On a motion by Ms. Cook, supported by Mr. Nugent, **THE BOARD VOTED to approve** the recommendation.

President McPherson indicated that the University conducted an extensive search to fill the position of Vice President for Research and Graduate Studies, vacated at the time of Dr. Huggett's retirement.

Provost Simon said she felt Dr. Gray would provide extraordinary leadership for the University.

Mr. Nugent commented that Dr. Gray has done an outstanding job, not only as a researcher in food science, but also as administrator of the Agriculture Experiment Station, with national and international collaboration. Mr. Nugent said he was personally aware that Dr. Gray is highly regarded and has valuable skill working with legislators.

6. Chairman's Report

Trustee Porteous had no report to make, except to congratulate Trustee Pittman on his boat's victorious finish in the Port Huron to Mackinac race.

7. Trustees' Comments

No Trustees offered comments.

8. Public Participation on Issues Not Germane to the Agenda

There was no public participation on issues not germane to the agenda.

9. Executive Session

No executive session was requested.

10. On a motion by Mr. Nugent, supported by Mr. Pittman, **THE BOARD VOTED to adjourn** at 10:18 A.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees