

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

October 23, 1998

The Trustee Finance Committee and Trustee Policy Committee of the Whole meetings were held in the Board Room of the Administration Building beginning at 9:00 a.m. on Friday, October 23, 1998. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President McPherson called the meeting of the Board of Trustees to order at 10:35 a.m. in the Board Room.

Trustees present: Dolores M. Cook, Joel Ferguson, Dorothy Gonzales (via telephone), Colleen McNamara, Donald W. Nugent, John D. Shingleton, and Robert E. Weiss.
Trustee absent: Bob Traxler.

University officers present: President McPherson, Provost Simon, Secretary Pogel, Vice President and General Counsel Noto, Vice Presidents Denbow, Greenleaf, Huggett, June, Murray, Webb, and Webster. Faculty Liaisons present: Professors Daniel Kruger and Jacqueline Wright. Student Liaisons present: Ebony Green, Charles McHugh, Derron Parks, and Clay Pelon. Charles McHugh and Derron Parks substituted for Jamie Czeka and Nate Smith-Tyge who were attending an out-of-town meeting.

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

1. On a motion by Ms. Gonzales, supported by Mr. Shingleton, **THE BOARD VOTED to approve** the amended agenda. Two items were added: Trustee Finance Committee (Revised) Agenda Item E, Purchase of Cross Property (Attachment I.E), and the addition of Other Personnel Actions to the Personnel Actions (Attachment 3).
2. On a motion by Ms. Gonzales, supported by Mr. Shingleton, **THE BOARD VOTED to approve** the minutes of the September 18, 1998 Board meeting.

3. President's Report

The President's Report included the following items:

- A. President McPherson reported that the last meeting of the Alcohol Action Team would take place that afternoon. He said the committee had received comments at hearings held both on- and off-campus, from e-mail and surveys conducted by ASMSU and the Greek community. Those comments will be formatted into recommendations that will be

widely distributed to the campus community by the end of the school year. The President said he felt good about the accomplishments of the committee and was pleased to know many student members felt the same way.

B. President McPherson commented that Homecoming activities had been successful this year. He said Homecoming is once again becoming an important fall event for students and alumni.

C. The President reported that the Multicultural Center is a very nice facility, located adjacent to the cafeteria in the MSU Union. He encouraged everyone to attend the dedication that afternoon or to visit the Center at another time.

D. President McPherson announced that he will be proposing the concept of "The MSU Promise" which will be a continuation of implementing the Guiding Principles. He will be talking more about his ideas in the months ahead and will report more extensively at the State of the University address in February.

E. President McPherson reported that one example of "The MSU Promise" is to be more attentive to faculty concerns. The President said that he and the Provost are proposing to form an ad hoc Faculty Work-Life Improvement Group.

4. Guiding Principles Report

Vice President Greenleaf reported on a conference Michigan State recently co-hosted with major university associations in South Africa, "Academic Partnerships with South Africans for Mutual Capacity Building." The purpose of the conference was to discuss how universities in the United States, Europe, and Canada could work with universities in South Africa to the advantage of all. The 250 participants included representatives from half of the universities in South Africa and 70 U.S. universities. Representatives also attended from World Bank, AID, Ford Foundation, Kellogg Foundation, and government. Approximately 50 MSU faculty members currently have major involvements in South Africa.

Vice President Greenleaf commended the leadership of Dr. Moses Turner, committee persons David Wiley and John Eadie, the Provost's Office, International Studies and Programs, and the College of Education. The South African initiative relates to the Guiding Principles of problem solving and generating new knowledge and scholarship.

5. There were no requests to address the Board of Trustees on issues germane to the agenda.

6. Personnel Actions

Provost Simon presented the following Personnel Actions.

A. Faculty Promotions and Tenure Recommendations

Most of the recommendations for faculty members whose current probationary appointments in the tenure system end on August 15, 1999, were made at the Board meeting on June 26, 1998. A tenure action was delayed last spring on recommendation of the college for the faculty members named below.

The following actions are recommended by the Departmental Chairpersons/ Directors, the Deans, and the Provost in accordance with the tenure rules.

The following promotions which include the award of tenure are recommended to be effective November 1, 1998.

- 1)Smith, John P., promotion to Associate Professor, Department of Counseling, Educational Psychology and Special Education, College of Education.
- 2)Tatto, Maria T., promotion to Associate Professor, Department of Teacher Education, College of Education.
- 3)Cobbett, Peter J.R., promotion to Associate Professor, Department of Pharmacology and Toxicology, College of Human Medicine.
- 4)Mullan, Patricia B., promotion to Associate Professor, Office of Medical Education, Research and Development; Dean's Office, College of Human Medicine.

On a motion by Mr. Weiss, supported by Mr. Shingleton, **THE BOARD VOTED to approve** the Faculty Promotions and Tenure Recommendations.

B. Other Personnel Actions - President's Compensation

Chairperson Shingleton presented the following recommendation:

Be it resolved that President M. Peter McPherson's current compensation be increased by three percent (3%) effective October 1, 1998.

On a motion by Mr. Shingleton, supported by Mr. Weiss, **THE BOARD VOTED to approve** the recommendation.

Chairperson Shingleton commented that some Board members thought the President should receive a greater increase. However, at the insistence of the President, the increase will be retained at the 3% level. Mr. Shingleton thanked the President.

Trustee Weiss said it should be noted that the President is doing a good job for the University. He said it was the universal feeling of the Board that a higher increase was appropriate; but, the President declined and the Board is honoring his request in granting a 3% increase. Mr. Weiss said, "The University is on the right track, things are going well, we have had great accomplishments, and we appreciate it."

C. Information Report

An Information Report of Academic Personnel Actions of August 31, 1998 was distributed with the Board Agenda and has been included with the agenda materials in the Office of the Secretary of the Board of Trustees.

7. Gift, Grant and Contract Report

Vice President Huggett presented the Gift, Grant and Contract Report for the period of September 5, 1998 through October 7, 1998. The report is a compilation of 252 Gifts, Grants and Contracts, 15 Consignment/Non-Cash Gifts, and no Consignment/Non-Cash Loans with a total value of \$22,242,290.99. The Gift, Grant and Contract Report is included with the agenda materials in the Secretary's Office.

On a motion by Mr. Nugent, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the Gift, Grant and Contract Report.

8. Trustee Finance Committee

The Trustee Finance Committee report and recommendations were presented by Committee Chairperson Nugent.

A. Bids and Contract Awards

1) It was recommended to award a contract in the amount of \$263,300 (base bid plus alternate) to Nielsen Commercial Construction Company, of Holt, Michigan, and that a budget in the amount of \$340,000 be established for the project entitled: Pesticide Research Center - Alterations to Headhouse.

2) It was recommended to award a contract in the amount of \$1,415,000 to Granger Construction Company, of Lansing, Michigan, and that a budget in the amount of \$1,875,000 be established for the project entitled: Wells Hall - Upgrade Cooling System.

On a motion by Mr. Nugent, supported by Mr. Shingleton, **THE BOARD VOTED to approve** the recommendations for the Bids and Contract Awards.

B. The 1999-2000 Budget Request Guidelines

It was recommended to adopt the operating and capital Budget Request Guidelines, i

including needs for the University General Fund, the Michigan Agricultural Experiment Station, the Michigan State University Extension, and the Plant Initiative.

On a motion by Mr. Nugent, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the recommendation to adopt the operating and capital Budget Request Guidelines.

C. Purchase of Cross Property

It was recommended to purchase the 1.64 acre Robert Cross and Cross Estate properties located at 3627 Forest Road and 3631 Forest Road in Lansing, Michigan, Ingham County, for \$425,000.

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

D. Information Items

1)Committee Chairperson Nugent reported that the Committee had its annual review of the University's investment performance with Cambridge and Associates. He commented that the University's investment performance has been very good.

At Trustee Weiss' request, the President said comments from the Committee meeting regarding the University's investments would become part of the record of the Board meeting (See Addendum 1).

2)Mr. Nugent reported that the Committee also received an annual report from the Land Management Office regarding the University's real estate properties.

9.Trustee Policy Committee

President McPherson presented the report of the Trustee Policy Committee of the Whole.

A.Rename Eustace Hall

It was recommended that Eustace Hall be renamed Eustace-Cole Hall in honor of Jeffrey and Kathryn Cole.

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

President McPherson requested that comments from the earlier Committee meeting regarding Eustace-Cole Hall and Walter Adams Memorial Field be carried forward to the Board meeting minutes (See Addendum 2 and Addendum 3).

B. Walter Adams Memorial Field

Trustee Cook presented the following recommendation.

Be it resolved that the Trustee Policy Committee recommends to the Board of Trustees that the field adjacent to Cowles House and across from Landon Hall be named the Walter Adams Memorial Field in honor of former President and University Distinguished Professor Emeritus Walter Adams.

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

Derron Parks presented ASMSU Student Assembly Bill No. 35-68, introduced on October 22, 1998 by Nick Krieger and seconded by Brent Deverman, to "Support the proposed resolution of the MSU Board of Trustees to dedicate Landon Field as Walter Adams Memorial Field, and to prescribe future actions for the commemoration of Dr. Adams' great legacy."

"THE ASSOCIATED STUDENTS OF MICHIGAN STATE UNIVERSITY ENACT:

WHEREAS, Dr. Walter Adams truly represented all Spartans through his great love of Michigan State University; and

WHEREAS, The MSU Board of Trustees will consider a resolution to dedicate Landon Field as Walter Adams Memorial Field; and

WHEREAS, The legacy of Dr. Walter Adams is deserving of the highest honor that MSU can bestow; and

WHEREAS, The dedication of Landon Field is fitting as a noble tribute to all that Dr. Adams did for MSU as the President, a Professor, and a dedicated Spartan; now, therefore, be it

RESOLVED, That the ASMSU Student Assembly urge the passage of the proposed resolution of the MSU Board of Trustees to dedicate Landon Field as Walter Adams Memorial Field; and be it further

RESOLVED, That the ASMSU Student Assembly recommend that a Michigan Historical Marker be erected on Walter Adams Memorial Field in order to celebrate Dr. Adams' life and to let all passers-by come to know of his great deeds and accomplishments."

Derron Parks said ASMSU was in strong support of this recommendation. He said student government had talked in length about Dr. Adams' legacy and how to give tribute to such a great man. He said it was extremely important to them. Derron thanked the Board for naming the field in honor of Dr. Adams and said ASMSU would be donating money to the scho

larship fund as well as to help with any cost that might arise with erection of the Michigan Historical Marker.

Mrs. Adams responded, "I would like to thank you personally and to tell you that Walter always believed that the greatest tribute any teacher could get was from students."

Trustee Cook remarked that the commemorative marker was being done in consultation with Mrs. Adams and her son. The marker will face toward the Sparty monument and will be placed where it will be visible to the greatest number of people who come to the campus.

President McPherson noted that a Walter Adams and Pauline Adams Scholarship Fund had been established earlier. He said it is an important part of the lasting memory of Walter and Pauline Adams' contributions that will be present at Michigan State.

C.Reports

At the earlier Policy Committee meeting, Provost Simon reported on the final enrollment figures for Fall 1998. She said there were no major changes from the preliminary report she had presented at the September Board meeting.

10. Chairperson's Report and Trustees' Comments

A. Chairperson's Report

Chairperson Shingleton commented that prior to the Committee meeting he had been concerned about the status of the University's investments as a result of recent developments in the market. He said the Committee had done a thorough review and he is satisfied with the investment portfolio and the job being done by Cambridge Associates.

Mr. Shingleton remarked that he is delighted with the direction of the Honors College, the increase in enrollment, and the quality of students in the program. He commented also that the Honors College will benefit greatly from the financial assistance from Jeffrey and Kathryn Cole.

Chairperson Shingleton reported that he had attended MSU homecoming events since 1949, and the enthusiasm for this year's activities made it the best homecoming that he has witnessed. He attributed its success to the esprit de corps of the University community and the President's leadership.

Mr. Shingleton noted that the President had completed five years at Michigan State. He said he appreciated the job the President has done and wished him well in the days ahead.

B.Trustee Ferguson said that the President's first five years have been excellent and he believes the "best is yet to come."

Mr. Ferguson congratulated Trustee Cook for her leadership in naming the Walter Adams Field. He said she has been "in tune" with both the University and the Adams family and he thinks the naming is extremely appropriate.

C.Trustee Nugent said he echoed Mr. Ferguson's comments regarding Trustee Cook's leadership in naming the Walter Adams Field. Mr. Nugent extended best wishes to Trustee Cook for the upcoming election.

D.Trustee Cook congratulated President McPherson for becoming a grandfather and said it is a nice tribute that the family name will be carried on.

E.Trustee Gonzales thanked President McPherson for being so considerate in not accepting a larger salary increase. She also congratulated him for becoming a grandfather.

Ms. Gonzales thanked student liaisons for their comments during breakfast and said she looks forward to communicating more frequently and effectively with them.

11. Public Participation

Mary Lou Schaffer, an MSU retiree, commented on her experiences with TIAA-CREF personnel when trying to correct an error on a form she completed. Ms. Schaffer complimented MSU employee Sherry Vankampen for her assistance in attempting to resolve the issue.

President McPherson noted that Dr. Keith Groty was in the audience and would want to learn more about Ms. Schaffer's situation. The President thanked Ms. Schaffer for commenting about the employee in Dr. Groty's division.

12.An Executive Session was not requested.

13.The meeting adjourned at 11:25 a.m.

14.President McPherson announced that lunch was available in conference room 443 A & B.

Peter McPherson, President

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Board of Trustees Minutes 10/23/98

Nancy H. Pogel, Secretary

Information Items - University Investment Report
Trustee Finance Committee Agenda Item F.1

Chairperson Nugent: "Yesterday we had a work session with the investment counselors of Cambridge Associates. Unfortunately, Steve Berger the representative from Cambridge that we always meet with called the night before and is in the hospital and so was not able to attend the meeting. They had a representative there as well as on the phone to review the performances of this last year and to make any recommended changes as we enter into this next year. I think we need to take a little time to clearly define where we are and how we are doing. It's been a very good year considering what's happened in the marketplace this year. As a point of reference, our endowment fund this last year grew at 18.2 percent. Cambridge's average of all universities was 17.3. If we wanted to compare that to a neighboring school, they grew at 13.6 while we are at 18.2. We can even look at a long-term average--I don't really mean to cause them a lot of embarrassment here, but over three years they were at 16.5 and we were at 19.7. Over five years they are at 13.1, while we are 17.4. I think overall it looks like we are doing quite well compared to some other institutions."

Trustee Gonzales: "Not mentioning any names."

Chairperson Nugent: "No, we will not mention any names. We wouldn't even mention animals. In the review we wanted to take a very close look at where we are in our hedge funds and to make sure that we are not putting the endowment fund at risk. Mark, do you want to report to make sure if we have any questions they are answered."

Vice President Murray: "This is the conventional time of year in which we would review the performance for the previous fiscal year and so that would be July 1 through June 30. You gave a couple of the summary numbers and it certainly is good news. Anyone who pays any attention to the financial market knows that since June 30th there has been considerable turmoil in financial markets in the United States and around the world. We asked for, and Cambridge did provide us, an update through the first quarter of our fiscal year, the third quarter of the calendar year through September 30th."

Let me back up and remind you that in our endowment fund by design we attempt to put money in different asset classes. In managing endowment funds, you don't put all your eggs in one basket. We tend to have some funds in domestic equity, some in foreign equity, some in things that we think will move in opposite directions so that we are covered in different market periods. We hold some in nonequities, in bonds or even in straight cash, but principally in bonds. There have been allocation decisions made to try to keep the portfolio balanced. For the long term what it means is that we can come in during periods of up markets and say, 'well, if we had had everything in this investment category we might have made a little bit more.' That is true, but we try to keep diversified because at some point we are going to go into a downturn and we want to be protected on the downside."

This is a question of being prudent managers of the resources. So the endowment, while we have done materially better than the average university around the country, we have not done quite as well as something like the S&P 500. But in the last three months with the markets in turmoil, the core strategy has proven to be valid. During those three months our

overall endowment was only down 7.4 percent when we had seen declines in the double digit range in some of the indexes' small cap funds and other indexes that we sometimes saw going up a little bit faster than our overall endowment. The diversification strategy in terms of the asset category has worked. But, the specific number for that first quarter was a decline of 7.4% in the overall value of the endowment which relative to what we saw in a lot of markets really was quite good.

The person who did the briefing for us, Heidi Pearson from Cambridge Associates, had not done a full tally of all their other clients, but she obviously had been in reviews with other universities because all universities are concerned about this. She said this is one of the best performances she had seen among the universities during that quarter. I assume when we get the full tally that will be affirmed.

The issue of hedge funds has been much in the press just as the issue of derivatives was in the press a couple of years ago. Hedge funds is a very large category of instruments which are attempting to hedge against something. The financial press has had an extensive discussion of one particular hedge fund called Long Term Capital. It actually got to the point with Long Term Capital where government officials intervened. The Federal Reserve, U.S. Treasury intervened to keep some stability in financial markets. There were two fundamental problems with Long Term Capital, one is what the trade press calls transparency. What Long Term Capital was actually doing with the money was not really clear to those investing.

Long Term Capital had solicited Cambridge Associates and asked that Long Term Capital be one of the hedge funds that be referred to universities for potential investment. Cambridge Associates was unwilling to recommend Long Term Capital to any university as an investment because it wasn't transparent. They could not identify and clearly delineate exactly what kind of investments Long Term Capital was making. Cambridge, as a policy, will not get involved in hedge funds unless they have transparency, unless you can really see exactly what is going on and clear assessments can be made about what kind of risks are being undertaken. So none of ours have issues of transparency. We have four hedge funds, and it is clear what each of those hedge fund strategies are and how the funds execute those strategies.

The other issue often commented on in the Long Term Capital story is the issue of leverage: essentially, how many assets were you able to control in the market relative to what your actual equity was. The more highly leveraged, essentially the more you are out controlling fairly large assets relative to your own equity, the more potential there is for gain. If you play this all right, you can have big gains, and Long Term Capital certainly had big gains. They also had big losses and that's the story there.

Of our four hedge funds, three by their own charter are not allowed to borrow to gain leverage. We do have one which is allowed, but it has been relatively conservative within the hedge fund category. They have not yet done any leveraged deals. And so, although their charter will allow them to, we at this point have no hedge funds who are involved in leverage at all. We have a relatively safe category. They were as a category part of the stability that we had in having only a 7.4% decline. I think it was a good discussion yesterday. It certainly is an important issue in terms of prudence and fiduciary responsibility in terms of these resources.

In achieving our long term success, we have relied heavily on Cambridge. Cambridge is the adv

isger for ivg league schools, major universities as well as smaller schools around the country. They have about 120 university clients. We have relied heavily on them and, frankly, it has paid off well. We have done well over the years with them, and I think the period we just recently went through in the last three months is additional evidence that the guidance they have given and the direction we have taken working in partnership with them has proven to be a good decision by the University. I would leave it at that, Don."

Trustee Nugent: "As a follow up on our hedge funds, for your information: during this last quarter the Russell 2000 dropped 43.5%, Standard & Poors dropped 37.5%, our hedge funds dropped 4.6. They did work. We did not show hardly any loss on those. Are there any questions at all on that? With regard to the point about derivatives, we are not in the derivatives. Bob."

Trustee Weiss: "Do you want me to do this now?"

Trustee Nugent: "That would be fine."

Trustee Weiss: "How much do we have in hedge funds?"

Vice President Murray: "Our total exposure in hedge funds is about \$40 million."

Trustee Weiss: "What percentage of that is our invested capital?"

Vice President Murray: "That would be a little over 10%. Hedge arbitrage as a category is about 13% of our portfolio."

Trustee Weiss: "Is that what they recommend?"

Vice President Murray: "Yes, it is what they recommend. Our established target range for hedge arbitrage is 5-15%. The midpoint of that would be 10%, so we are slightly above the midpoint right now. It is a category that can be an important part of stability and yes, that is their recommendation. Again, there are different kinds of hedge funds. There are areas where an investment could be made that has materially more risk, and I think those two defining characteristics of when you are in risk are issues of transparency where you are not entirely sure what you have got there or where you are in situations where people think they know where the markets are going, and so they essentially buy more of that market by leveraging themselves. In our case, with the counsel of Cambridge, we have stayed out of those more risky hedge funds."

Trustee Weiss: "Has our hedge fund percentage stayed the same the last five years?"

Vice President Murray: "I don't know the answer to that. I can get the answer to that. We have not in recent times, in the time I have been here, been trying to increase our proportion of hedge funds. Again this was part of a later discussion here. Where we frankly are trying to increase is in private equity. We have had a long-term target to have a little more of the endowment in private equity for purposes of diversification, and we are not yet at that target."

Trustee Weiss: "What percentage do we have in the Asian markets?"

Vice President Murray: "Foreign equity right now is a little over 10%, about 12%."

Trustee Nugent: "The Asian market is very, very small, Bob. The foreign market is primarily European investment. The Asian market is a very small percentage of that percentage."

Trustee Weiss: "What has our foreign market performance been over the same periods of time that Don was referring to?"

Trustee Nugent: "The foreign market has not performed as well as we had hoped it would."

Trustee Weiss: "How far down is it?"

Vice President Murray: "It is down, depending on the individual manager, in the 15-20% range for the last quarter."

Trustee Weiss: "Have we done anything to get out of that position? Have we lowered that position? Have we changed our position?"

Vice President Murray: "We have not lowered the position. The core investment decisions relative to an endowment are focused on long term, not on being "traders" trying to time markets. These are allocation decisions that are held for years. They are designed to keep us diversified."

Trustee Weiss: "I understand, but if a steam roller is coming down the street, it might be an opportunity to change your position and get out of the street. That doesn't mean that you are changing your basic investment philosophy. It means that you react to what is happening at the time and being realistic."

Vice President Murray: "At this hour, the issue is how much more of a beating would foreign markets take, and it may even be a time to make some additional investments in foreign markets because things have gone down so much."

Trustee Weiss: "That may be the right answer, or maybe we should have gotten out a year and one-half ago and should be looking at getting back in now. The point is, I don't see us reacting to reality rather than just sitting on long term strategy. Strategy may, from time to time, need to change."

Trustee Nugent: "I think that we need to look at the growth of the endowment and the long term performance of our investments. What Cambridge has been recommending is to pretty much stay the course. To get out, the only thing you guarantee is your losses at that point. That is for certain."

Trustee Weiss: "You may not have bigger losses."

Trustee Nugent: "You may avoid bigger losses. The reality is that right now most people seem to think that the foreign markets are much closer to the bottom and this might be a good time to start investing in them. That's not really the recommendation that we are going to be proposing. The recommendation that is being proposed by Cambridge is that, again, we should reduce our concentration in one particular stock fund manager because we feel there is too much concentration in that particular fund manager and move funds into the private equity venture capital areas which are below our target range. We are only at 4.9% in that area and our target is 15% of our total fund management. We have had absolutely excellent results in that, but that, too, is risky. You can have a venture capital that goes south on you."

Trustee Weiss: "I understand that. Just because you suffer a loss does not mean I am being critical. Frankly, I feel somewhat more confident that Mark and Peter are involved who are much more knowledgeable about the market than I am. But, I think with this volatility and with what is happening, you just can't set a strategy and say that's our strategy come hell or high water. We need to be reevaluating it constantly. The Asian market was sending signals long before it started going down and kept going down."

Trustee Nugent: "We are in the process of monitoring--the fact is that in the case of the Galileo Fund they did not follow what they were supposed to be doing. We are liquidating out of the Galileo Fund. We will be out of that by the first of the year because they were not following the performance of what their charter was supposed to be doing and the fund was not performing well."

There is a constant. Mark is doing a very good job, I think, of monitoring these funds to make sure that we are achieving our long range goals. We have had foreign market investments for a significant period of time. A very high percentage of that is in the European market or Canada.

It's not in the Asian market. Asian investment was very small. Japan was minute, particularly minute."

Trustee Weiss: "I have raised, and I will continue to raise my concern that we are properly monitoring where we are and that we don't just say, this is our strategy and we are on this course and if a bomb is in the way we are going to continue on the course. This bomb was out there to be seen for a period of time by many of the experts."

President McPherson: "We had a long discussion about the foreign markets yesterday at the committee, something that I have spent lots of years thinking about--although that doesn't mean that I am superbly good at it. Markets are a great humbler of mankind, I think. Regardless how smart you think you are, sooner or later you get your comeuppance, it seems."

I think a series of things. One, through the combination of thoughtfulness here and very good advice from Cambridge, we have done very well. We have a long history of doing better than most other universities in the country. This strategy we are using follows the fairly strong advice of Cambridge and I questioned and probed the foreign part of it at some length yesterday. They had a strong defense. I would be hesitant to not take advice which over the years has been very sound. I do think that it makes sense to continue to monitor this foreign investment increase, particularly. I would not want all the money to be transferred into emerging markets tomorrow morning. I do think there is a medium term significant downside risk in these markets. On the other hand, the plan is to go at it gradually over the next three years. If we were talking about a six-month horizon, I would have trouble with this strategy. We are also intending to speak with the portfolio manager about his strategy because I have some questions as to whether he might be doing more debt as opposed to equity in the Latin America markets. In my judgment, the debt is a better portfolio for the next few months than additional equities would be.

I say three things, actually four things. One, we have to continue to have a diversified approach. You can at the margins or maybe even significantly move things around, but we have to have a diversified approach. That is prudent and wise, and I might say to all the individuals I think it is prudent and wise that you diversify the approach in your own portfolios, too. We want to stay with a diversified approach. Two, the Cambridge advice has been fundamentally sound, and I think we should question it and we ultimately have to take responsibility for it, but we should not disregard their advice casually. I don't think you are suggesting that, but I am just stating where I am. Diversification is important. Give some assumption of correctness to the Cambridge recommendations and the case of the emerging market, foreign investments, I am more comfortable because we are going to move into it over a period of years and we are going to have further di

seussions with the portfolio manager concerning the debt versus equity balance in the next few months. To me, this is a fascinating set of issues, and difficult ones."

Trustee Nugent: "As we move into these emerging market funds, it takes several months, if fund managers are going to have a program, for it to get fully funded."

Vice President Murray: "What we typically do in that area is we make a commitment to them and then they draw it down over time so they are working on issues of market timing as well as the issues of which particular instruments. One of the directions we are looking to proceed with is with Oaktree which would be \$3 million in an emerging markets fund, but that would be drawn down over time and that is the area where we are going to continue the conversations with the managers."

Trustee Nugent: "Are there any other questions? I appreciate your questions, Bob."

Trustee Weiss: "I appreciate having this discussion."

Trustee Nugent: "Any other questions? Yesterday in our work session there were four recommendations from our consultants. We wish to move to recommend those."

Trustee Ferguson: "Excellent."

Trustee Nugent: "So moved and supported. All in favor say aye, opposed the same. It is carried."

Recommendation to Rename Eustace Hall, Eustace-Cole Hall

Trustee Policy Committee Agenda Item 2.B

Provost Simon presented the recommendation to change the name of Eustace Hall to Eustace-Cole Hall and provided a brief history of the building. Eustace Hall was designed in 1888 by Liberty Hyde Bailey and was the nation's first laboratory building intended for the study of horticulture. When the new Horticulture Building was built in 1921, Eustace Hall became known as the University College Building. The Honors College was founded in 1956, and it moved to Eustace Hall in 1969.

Dr. Ronald Fisher, Director of the Honors College, spoke about the significance of the gift to the Honors College. He said a large part of the gift was being used for renovation of Eustace Hall.

Dr. Fisher commented: "The gift will be a lasting and tangible sign of the revitalization of the Honors College on campus, and we are very excited about that. The work is progressing. Both Jeff and Kitty and the President have been through the building recently to look at the progress, and we think there is a good chance that by the end of the year we will be back in the building. In addition to that, a substantial part of Jeffrey and Kathryn's gift has also been used to support scholarships for Honors College students, including scholarships for International Study. We are very excited about that as well, and as many of you know, Jeff and Kitty have been supporting the Honors College for a number of years before this most recent gift. I have said before, that while we value very much their support, even more we value their continued interest and participation with Honors College activities on campus. We are really excited to have them as part of our group. Thank you very much for considering what we think is a very appropriate change from Eustace Hall to Eustace-Cole Hall and for recognizing their long-standing involvement with our program."

President McPherson said it was good to have Jeff and Kitty Cole at the Board meeting again. He commented that the building is becoming a beautiful facility. The President said he and Jeff and Kitty Cole had walked through the building the Friday afternoon of homecoming and said that "the structure is going to be spectacular." The President asked Mr. Cole if he wished to comment.

Mr. Jeffrey Cole commented: "I have only been here in this room twice. This is the second time. It is a little awesome with all these portraits of University presidents. I left here a long time ago as a young man and today I am a lot older. I have learned a few things. One of them is to discern the difference between what someone does that is selfless and what someone does that is selfish. I am loaning you my father's name and you can keep it, but only as long as what I do brings credit to this school. I don't know how permanent this will be, but maybe it will be as permanent as my ability to discern the difference. I would hope it is a loan. I haven't sold it. I won't do that. But Peter asked that this be done and I am very proud of it. Obviously, very proud of it. But I hope that it is just the beginning of an effort that might be sanctioned by this body and the people in Chuck Webb's area, the Development people, to spur the formation of a group whose focus will be the renovation of our older buildings before it is too late, before the economics will militate against such a conclusion in committees such as this. If this isn't done, we will lose something that we can never, never replace. We will be long gone before the loss is suffered, but that

It doesn't make the loss any less real. And, so I would encourage you--and that is why I came here this morning, quite frankly--I would encourage you to endeavor to persuade private individuals to give back, to live up to their responsibility to the University now that they get to be our age, and in a private way to renovate these buildings. The loan of one's name, Peter thought, might motivate those who haven't learned the difference between selfishness and selflessness to get on board. So, on that basis, it's our honor to lend the name, Mr. President."

Trustee Weiss: "Your remarks, Jeff, were so appropriate, just outstanding. I am going to ask you a question that I am sure I already know the answer to and that is if we can enroll your efforts to help us do exactly what you suggested we do. That is a vital jewel of this campus, our heritage and our tradition, and you started showing the way with your generosity. I would hope that we can continue to use you as a resource with Chuck and others to go out and help us do this around the campus because you certainly now speak with great creditability and that would certainly be very helpful."

Mr. Cole: "You are right. It is something that I personally would think favorably upon-- investing a lot of time and energy to endeavor to advocate on behalf of structures that can't speak to those that have had meaningful life experiences in these silent buildings. I would like to do that with Chuck and the Board's blessing, but it would be a private effort. Lord knows you have enough financial entanglements with governmental entities and things political. This would strictly be Green and White. No political strings attached."

Trustee Weiss: "This is exactly what I am talking about. I knew what the answer would be."

Mr. Cole: "You are right."

President McPherson: "Chuck, Lou Anna and I, and the Coles have been thinking about how we can put together an appropriate campaign to get that whole row of buildings renovated together and how to do it in a financial way that is practical, but at the same time preserve their very specialness. I don't have any doubt that the Eustace-Cole Building is going to be an inspiration for other people."

Trustee Weiss: "I agree."

Trustee Cook: "Wonderful gesture."

The recommendation was presented and approved.

BE IT RESOLVED that the Trustee Policy Committee recommends to the Board of Trustees that Eustace Hall be renamed Eustace-Cole Hall in honor of Jeffrey and Kathryn Cole.

Background: As you are aware, Jeffrey and Kathryn Cole have most recently donated \$3 million to the Honors College to be used for extensive renovation of Eustace Hall and scholarship support for MSU Honors College students. The Coles previously had established an Annual Visiting Lectureship for the College and Visiting Professorship. In addition, the Coles have created an endowment to provide for other academic scholarships for honors students. Mr. Cole serves as a member of the Honors College Director's Advisory Council.

The new name was approved by the MSU Naming Committee and forwarded to the President who has also approved this recommendation and is forwarding it to you for your consideration.

on.

This matter was deferred to the October Board meeting to permit Jeffrey and Kathryn Cole to be present.

On a motion by Mr. Shingleton, supported by Ms. Gonzales, ~~THE BOARD VOTED~~ to approve the recommendation.

President McPherson: "Incidentally, it is particularly appropriate that at this time in the history of the University that we have this work done on the Honors College building because the Honors College is experiencing new growth and energy. The numbers are almost double, and we are attracting exceptional, high-quality students. The leadership Dr. Fisher is providing is outstanding and we are really pleased all the way around."

Walter Adams Memorial Field

Trustee Policy Committee Agenda Item 2.C

President McPherson reported that the idea for naming the Walter Adams Memorial Field was first suggested by Trustee Dee Cook. The President asked Trustee Cook to present the recommendation.

Trustee Cook commented: "Thank you Mr. President. The recommendation before you is for the renaming of what is commonly known on this campus as Landon Field because of its proximity to Landon Hall. We lost a valuable asset in this University recently with the passing of Dr. Walter Adams. There were several ideas. I believe it was very universal on this campus that some appropriate memorial be placed somewhere for this wonderful person who meant so much to all of us. His great attachment to our Marching Band was, of course, one of the first things that we thought of. I am very happy to see John Madden here this morning to witness this recommendation that is being placed before the Board. John, as you all know, is Director of the Spartan Marching Band. I am happy to have you here this morning John, as well as Dr. Adams' wife, Pauline, who is a retired Professor of this University. Both Dr. and Mrs. Adams have devoted their entire academic lives to this institution, not to mention their personal lives and great love for all of us around this table, all of us in this room, all of us in the University. So it is with pleasure that I present the following recommendation to the Board:

BE IT RESOLVED that the Trustee Policy Committee recommends to the Board of Trustees that the field adjacent to Cowles House and across from Landon Hall be named the Walter Adams Memorial Field in honor of former President and University Distinguished Professor Emeritus Walter Adams.

Background: The recent death of former President and University Distinguished Professor Emeritus Walter Adams was a significant loss for the MSU community. The Offices of the Board of Trustees and President have received many letters requesting that the University dedicate an appropriate campus area in memory of a remarkable man. Walter Adams influenced the lives of countless students and the course of a world-class university.

It has been suggested that the field across from Landon Hall would be a suitable memorial to Professor Adams because it is adjacent to Cowles House and so would help to commemorate Dr. Adams' academic career and his presidency. It is also the field where the marching band practices. Walter Adams was an enthusiastic fan of the Spartan Marching Band and of MSU athletic events. The University Naming Committee has approved this proposal, and the President recommends it to the Board.

An extraordinary teacher, an internationally respected economist, and an effective University administrator during tense times, Walter Adams modeled many forms of excellence in the academy. The field to be named in Walter Adams' honor is an emblem of his passions and contributions. It is a memorial to the completeness of a distinguished life. It is MSU's loving tribute to a great Spartan and a friend."

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

mendation.

Trustee Cook: "May I add, parenthetically, that at our last Board meeting everyone had left this room. We had recently learned of Dr. Adams' passing. I returned to the Board Room to retrieve something that I had left on the table. The room was empty, but I looked across at Dr. Adams' portrait and someone had placed three long-stemmed roses on his portrait. Two of the roses remain today. We salute Dr. Walter Adams. Pauline, it is a joy to have you here, and we do this with great love."

Trustee Weiss: "Support."

Mrs. Pauline Adams: "Thank you very much. I wish I could borrow Jeffrey Cole to speak for me. He speaks so eloquently. But, unfortunately, I didn't give him any preparation."

Trustee Cook: "Thank you for coming today."

Dr. Nancy Pogel: "With Pauline today is her cousin, Phyllis, and, of course, Lash Larrow, a dear friend of Walter's and the family, and a good friend of the University."

President McPherson: "Nice to have you here. I spent an hour with Walter just a few days before he passed away. Lash was right there. It was like old times, Lash. I didn't know you back then, but I know we had those discussions back in Viet Nam. It was nice to have both of you here, and thank you so much."

Professor Emeritus Charles P. (Lash) Larrow: "Unlike old times, I didn't attack the President of the University."

President McPherson: "I am appreciative of this."

Provost Simon: "There is still plenty of time, Lash."

Provost Simon asked the President to invite John Madden to comment on the significance of the Marching Band.

President McPherson: "John."

Director John Madden: "I would be happy to. I have been discussing this with the Band for the last week or so. While the current band students know Dr. Adams, the incoming students this year learned of him and became attached to our strong bond to him. This insures a great legacy, in that I am probably one of the few people who regularly refers to that space by way of 300 people convening every football Saturday at a certain time. I mean that the words come out of my mouth, Spartan Marching Band, 11:45, Landon Field. Well now, forever, that is going to be, whoever the director is, whoever the students are, Spartan Marching Band, 11:45, Adams Field. They will, by way of that name, be insured the legacy of who he was, even when we are all gone. There are others who can teach into the future how special he was and how special the relationship between that group and Dr. Adams was. So, it is my pleasure to be able to start that legacy."

President McPherson: "It is one of the special things about institutions that we don't always really recognize. The facilities and the grounds here are beautiful. Over the history of this instit

ution there are some very key people that, in effect, are so important to it that they become part of what the institution is and they shape it beyond their physical reach. Walter was absolutely one of those. When you think about institutions, you think about how to build and maintain them and have a legacy. That legacy was created by some very critical people whose personalities were strong and whose impact was great. I like to say at various campus ceremonies that if you take the people of an institution and replace them with a whole other crowd, you would have a very different institution. I think we tend to think of institutions as physical buildings and grounds, but the character of a university is really in its people. President Hannah used to talk about that. I remember when he came to talk to me about AID, I've told this story to some of you. I can still see him sitting in my AID office there. I was brand new to the job. He had been AID administrator ten years before, beginning the job at age 65, and I was just 40. I can still remember him, patting my knee--he did actually pat my knee as I was his old student--and saying, 'Peter what this institution is about, just like what Michigan State is about, is about people.'

Chairperson Shingleton: "People matter."

President McPherson: "People."

Trustee Ferguson: "I would like to know if we have the mechanics to put the comments that have been made around both the naming of Adams Field and the gift from the Colles as part of the record of the Board meeting and not the record of this committee. Because we are having all of the comments right now before the Board meeting, we probably won't have them again. I really think that the comments that everyone has made should be part of the permanent record of the Board, without exception."

Trustee Cook: "Excellent idea."

President McPherson: "When we go to the full Board meeting, let me just accept a motion to incorporate the comments into the minutes. That would be very nice."

Trustee Ferguson: "All the comments that have been made by Mr. Jeffrey Cole, by Mrs. Pauline Adams, by Lash Larrowe, and everyone, should be a part of the record of this Board."

Trustee Cook: "Lash's too, about attacking the President?"

Trustee Ferguson: "Absolutely."

President McPherson: "Not Dr. Simon's, though."

Trustee Ferguson: "I said, without exception. I said, WITHOUT exception."

Chairperson Shingleton: "He'll write a column on it."

Provost Simon: "It would be interesting if the Provost and Lash wrote a joint column. It would be a first in the history of the University."

President McPherson: "Yes."

Trustee Weiss: "Just a comment."

Trustee Ferguson: "And Bob's future comments, too, should become part of the permanent record."

Trustee Weiss: "Just a comment. We were sitting around discussing what we could do to remember Walter and when Dee suggested naming of the field it was just a natural that this is where it ought to be. We will remember him every Saturday morning marching over to the field. I remember last year after a meeting on Thursday, I went over to the football practice. And, as Walter would do, he said 'Mr. Trustee,'--he and I were the only ones there, it was 20 degrees out and I didn't have a coat on, he was puffing his cigar, and he said 'we'll get them through Saturday.' We did get through Saturday. We got through Penn State in pretty good shape. It was those kinds of moments with Walter that I will always cherish."

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