

MINUTES OF THE MEETING
of the
FINANCE COMMITTEE OF THE
STATE BOARD OF AGRICULTURE
February 16, 1956

The meeting of the Finance Committee was held at Kellogg Center starting with dinner at 6 p.m.
The following members were present:

Messrs. Baker, Brody, Mueller, Rouse, Smith; President Hannah; Treasurer May and Secretary McDonel.

Absent: Mr. Akers; Dr. Taylor

1. The Finance Committee received the recommendations of Scudder, Stevens, and Clark as follows:

Finance
Committee
Recommendations

Pension and Retirement Fund

<u>Amount</u>	<u>Security</u>	<u>Approx. Price</u>	<u>Principal</u>	<u>Income</u>	<u>Yield</u>
With available cash of about \$822,000					

Recommend Purchasing:

\$400,000	Michigan State University Dormitory Revenue 3½s-12-1-76	100	400,000	\$13,000	3.25%
up to \$425,000	Selected Mortgages 4½s (Ext.)	99	420,750	19,125	4.65

Consolidated Investment Fund

For the February Stock Buying Program
Recommend SELLING to the Pension & Retirement Fund for cash:

\$ 7,000	U. S. Savings Bonds Series "G" 2½s-5/1/58 (of \$31,000)	98	6,860	175	--
Plus <u>Maturity</u> of					
\$ 50	U. S. Savings Bonds Series "F" 2/1/56	74	37	--	--
and <u>SALE</u> of					
21 Shrs.	Northern Illinois Gas \$0.80	19	399	17	4.20%
Recommend PURCHASING					
300 Shrs.	American Airlines 1.00	24	7,200	300	4.20%
1 Sh.	Standard Oil of New Jersey	148			

Jenison Fund

In order to increase mortgage investments in this Fund,
Recommend SELLING to Pension & Retirement Fund
for cash (or REDEEM if cash not available):

- (1) U. S. Savings Bonds Series "G" 2½s (longer maturities first)
- (2) U. S. Savings Bonds Series "K" 2.76s

Recommend Purchasing:

\$ 50,000	Selected Mortgages 4½s	99	\$49,500	\$2,250	4.65%
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To Consolidate holdings, recommend CONVERTING:

\$ 500	Standard Oil of Indiana Convertible 3 1/8s-1982	120	600	15	2.10%
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into:

Shares:					
11	Standard Oil of Indiana (holding 150 shs.)	\$1.40+	52	572	15+ 2.70%+
Plus Cash to be paid for ½ share				26	
				\$598	

Spartan Fund

For the February Stock Buying Program of
about \$ 3,000

Recommend PURCHASING with cash:

Shares:					
125	American Airlines	\$1.00	24	\$ 3,000	125 4.20%

Finance Committee
Recommendations

1. Recommendations of Scudder, Stevens, and Clark, continued:

Pension & Retirement Fund

I

To consolidate investment in Detroit Edison,
recommend CONVERTING:

\$ 2,000 Detroit Edison Conv. $3\frac{1}{4}$ s-1969

	<u>Into</u>	<u>Approx. Cost</u>	<u>Principal</u>	<u>Income</u>	<u>Yield</u>
80 shs. Detroit Edison (Holding 700)	\$1.80	35	2,800	144	5.10%

II

In order to improve selection, recommend SELLING:

150 Shs. Northern Illinois Gas	\$0.80	19	2,850	120	4.20%
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Recommend PURCHASING:

100 Shs. Merck & Company (Holding 1,200)	\$0.80	26	2,600	80	3.10%
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III

With proceeds from MATURITY OF:

\$16,200 U. S. Savings Bonds Series "G" $2\frac{1}{2}$ s-2/1/56	100	\$16,200	405	--
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Recommend PURCHASING:

\$16,000 U. S. Treasury $2\frac{1}{2}$ s-11-15-61	99	\$15,840	400	2.73%
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Rackham Fund

With proceeds from MATURITY OF:

\$2,100 U. S. Savings Bonds Series "G" $2\frac{1}{2}$ s-2/1/1956	100	\$ 2,100	52	--
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Recommend PURCHASING:

\$2,000 U. S. Treasury $2\frac{1}{2}$ s-11/15/1961	99	1,980	50	2.73%
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Reserve for Rehabilitation of Structures and Acquisition of Educational Facilities

With proceeds from MATURING:

\$95,000 U. S. Treasury 1 5/8s-3/15/1956	100	\$95,000	\$1,544	1.62%
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Recommend giving to Mr. May authority to act on recommendation of

Either

Accepting Treasury exchange offer to be made shortly before maturity

or PURCHASING

\$70,000 U. S. Treasury $2\frac{1}{2}$ s-11/15/1961	99	\$94,050	\$2,375	2.73%
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On motion of Mr. Mueller, seconded by Mr. Brody, it was voted to approve the above recommendations.

2. To complete the sale of securities as covered in the preceding recommendations, the following resolutions are required:

- a. Recommendation from Scudder, Stevens and Clark that the following securities held in the Consolidated Investment Fund be sold at market value:

21 Shares Northern Illinois Gas.

On motion of Dr. Smith, seconded by Mr. Baker, it was voted to authorize the sale of the above named securities at market value and that Philip J. May, Treasurer, be and is hereby authorized to execute any and all necessary transfers to effectuate and carry out the sale of said securities.

- b. Recommendation from Scudder, Stevens & Clark that the following bonds be converted into common stock which are held in the Pension and Retirement Fund:

\$2,000 Detroit Edison Company $3\frac{1}{4}$ % due February 1, 1969.

On motion of Mr. Mueller, seconded by Mr. Brody, it was voted to authorize the conversion of the above named bonds and that Philip J. May, Treasurer, be and is hereby authorized to execute any and all necessary transfers to effectuate and carry out the conversion of said bonds.

Finance Committee Meeting February 16, 1956:

2. Complete sale of securities as covered in preceding recommendations, resolutions required:

- c. Recommendation from Scudder, Stevens and Clark that the following bond be converted into common stock which is held in the Jenison Fund:

\$500 Standard Oil Company (Indiana) 3 1/3% due October 1, 1982 No. D1540.

On motion of Mr. Rouse, seconded by Mr. Brody, it was voted to authorize the conversion of the above named bond and that Philip J. May, Treasurer be and is hereby authorized to execute any and all necessary transfers to effectuate and carry out the conversion of said bond.

- d. Recommendation from Scudder, Stevens and Clark that the following securities held in the Pension and Retirement Fund be sold at market value:

150 shares Northern Illinois Gas.

On motion of Mr. Mueller, seconded by Dr. Smith, it was voted to authorize the sale of the above named securities at market value and that Philip J. May, Treasurer, be and is hereby authorized to execute any and all necessary transfers to effectuate and carry out the sale of said securities.

3. Mr. Harding of Scudder, Stevens and Clark presented the following statement:

"For the first year of our supervision our fee charge was set at \$5,000 on the basis of a formula worked out with the Committee's approval and spelled out in detail in a letter to Mr. May dated May 18, 1955. Applying this same formula to the January 1, 1956 appraisal of the account our fee charge for the current year works out to \$5,506."

On motion of Mr. Mueller, seconded by Mr. Rouse, it was voted to approve the retention of Scudder, Stevens and Clark for the calendar year 1956 at an annual fee of \$5,506.

4. Mr. Cress presented his recommendations for financing the \$1,700,000 married student apartments now under construction. He has tentative commitments for the purchase of these bonds as follows:

National Bank of Detroit	\$ 450,000
Detroit Bank	250,000
Manufacturers National Bank	100,000
Ann Arbor Bank	100,000
Michigan National Bank--Trust Department	100,000
State Savings Bank, Ann Arbor	50,000
MSU Pension and Retirement Fund	400,000
Trust Companies	250,000

\$1,700,000

The interest rate on the bonds to be \$570,000 @ 2.80, \$380,000 @ 2.90, \$750,000 @ 3.25; an average of 3.09.

On motion of Mr. Brody, seconded by Dr. Smith, it was voted to authorize the officers to complete the financing as suggested by Mr. Cress, to accept the tentative commitments, and to issue the necessary bonds subject in form and content to the approval of Lee Carr, our legal counsellor.

The formal resolution in full which has been approved by the legal counsellor follows:

RESOLUTION OF THE STATE BOARD OF AGRICULTURE RELATIVE TO THE ISSUANCE AND SALE OF MICHIGAN STATE UNIVERSITY OF AGRICULTURE AND APPLIED SCIENCE APARTMENT REVENUE BONDS, 1955 SERIES.

WHEREAS, The State Board of Agriculture, in the exercise of its constitutional duties, has determined that it is necessary and expedient to construct, furnish, and equip, on the campus of Michigan State University of Agriculture and Applied Science at East Lansing, Michigan, eleven apartment buildings, in which will be located eighty-eight one-bedroom apartment units and eighty-eight two-bedroom apartment units, and which, when completed and placed in operation, will be used to furnish housing accommodations primarily for married students attending Michigan State University of Agriculture and Applied Science; and

WHEREAS, this Board deems it necessary and expedient to issue and sell Michigan State University of Agriculture and Applied Science Apartment Revenue Bonds, 1955 Series, in the aggregate principal amount of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), for the purpose of providing funds incidental to the construction, furnishing, and equipping of said eleven apartment buildings more particularly described in the preceding paragraph, including, but not limited to, Architects' fees, costs of bringing utility services to said buildings, provide necessary walks and drives, landscaping, insurance during construction, financing costs, including interest during construction, costs of unforeseen contingencies, and other costs incidental to the construction, furnishing, and equipping herein contemplated, and to establish a Debt Service Reserve in the principal amount of One Hundred Thousand Dollars (\$100,000.00); and

WHEREAS, Ann Arbor Trust Company, of Ann Arbor, Michigan, has submitted for the consideration of this Board a form of Trust Agreement, pursuant to the terms which Michigan State University of Agriculture and Applied Science Apartment Revenue Bonds, 1955 Series, of the face value of One Million Seven Hundred Thousand Dollars (\$1,700,000.00) may be issued and sold;

Finance
Committee
Recommendations

Approval of
fee for
Scudder,
Stevens and
Clark for
1956 to be
\$5,506.

Approval of
resolution
re: financing
\$1,700,000
married
apartments
now under
construction

4. Recommendations for financing the \$1,700,000 married student apartments .
Formal resolution, continued:

NOW, THEREFORE, BE IT RESOLVED by The State Board of Agriculture that it borrow the sum of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), through the issuance and sale of Michigan State University of Agriculture and Applied Science Apartment Revenue Bonds, 1955 Series, under the terms and conditions more specifically set forth in the Official Statement of this Board relative to such issuance and sale; which Official Statement is incorporated herein by reference, with the same force and effect as if fully set forth herein.

BE IT FURTHER RESOLVED, that the Trust agreement between this Board and Ann Arbor Trust Company, to be dated as of December 1, 1955, which conforms to the terms and conditions set forth in the Official Statement of this Board and pursuant to the terms of which said Apartment Revenue Bonds, 1955 Series, may be issued and sold, be and the same is hereby approved as to content and form.

BE IT FURTHER RESOLVED that this Board issue Michigan State University of Agriculture and Applied Science Apartment Revenue Bonds, 1955 Series, of the face value of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), pursuant to the terms and conditions set forth in the Official Statement adopted by this Board and the Trust Agreement above referred to, and to sell the same to provide funds to pay costs incidental to the construction, furnishing, and equipping of sixteen apartment buildings on the campus of Michigan State University of Agriculture and Applied Science, which when completed and placed in operation, will contain 88 one-bedroom apartment units and 88 two-bedroom apartment units, which will be rented primarily to married students attending Michigan State University of Agriculture and Applied Science, to pay Architects' fees, financing costs, costs of unforeseen contingencies and other costs incidental to such construction and financing, and to establish a Debt Service Reserve in the principal amount of One Hundred Thousand Dollars (\$100,000.00).

BE IT FURTHER RESOLVED that Philip J. May, Comptroller and Treasurer of Michigan State University of Agriculture and Applied Science, be and he is hereby authorized, empowered, and directed, in the name of The State Board of Agriculture and as its corporate act and deed, to execute and sign the Apartment Revenue Bonds, 1955 Series, herein provided for. If Philip J. May, by reason of illness, absence, or for some other reason, is unable to sign the Apartment Revenue Bonds, 1955 Series, herein provided for, then, in such event, the same shall be signed by Karl H. McDonel, Secretary of the University. To facilitate the signing of bonds, said Philip J. May is authorized to sign said bonds as P. J. May; and if the bonds shall be signed by Karl H. McDonel, he is authorized to sign the same as K. H. McDonel. The coupons appertaining to the Apartment Revenue Bonds, 1955 Series, shall be authenticated by the facsimile signature of Karl H. McDonel, Secretary of the University.

BE IT FURTHER RESOLVED that any two of the following officers of Michigan State University of Agriculture and Applied Science, to-wit: John A. Hannah, President, Karl H. McDonel, Secretary, and Philip J. May, Comptroller and Treasurer, are hereby empowered and directed, for and in the name of The State Board of Agriculture and as its corporate act and deed, to execute the Trust Agreement hereinbefore referred to, to pledge the Net Income, as therein defined, for the purpose of securing and paying all payments of principal, interest, and reserves provided for in the Trust Agreement and Official Statement, and to perform all acts and deeds and execute all instruments and documents necessary, expedient, and proper in connection with the borrowing of said sum of One Million Seven Hundred Thousand Dollars (\$1,700,000.00), the issuance of the Apartment Revenue Bonds, 1955 Series, and the sale of the same.

BE IT FURTHER RESOLVED that any two of said officers be and they are hereby authorized, empowered, and directed, for and in the name of The State Board of Agriculture and as its corporate act and deed, to make, consent to, and agree to any changes in the terms and conditions of said Trust Agreement which they may deem necessary, expedient, and proper, prior to or at the time of the execution of said Trust Agreement, but no such amendment shall change the provisions therein for the amount to be borrowed, the interest to be paid thereon, the payments required to be made to the Trustee, or the security pledged. Provided, however, nothing herein contained shall be construed as limiting the right of such officers to alter or change the date of issue of said bonds, the dates for payment of interest, or the dates fixed for payments to the Trustee provided for in said Trust Agreement.

BE IT FURTHER RESOLVED that said officers, either in said Trust Agreement or by the issuance of said Apartment Revenue Bonds, 1955 Series, shall not pledge the credit of or create any liability on the part of the State of Michigan, The State Board of Agriculture, or any member or officer of this Board of any of their successors, other than to pledge the Net Income, as defined in the Trust Agreement above referred to and as set forth in the Official Statement.

BE IT FURTHER RESOLVED that any two of said officers be and they are hereby authorized, empowered, and directed, for and in the name of The State Board of Agriculture, to sell Michigan State University of Agriculture and Applied Science Apartment Revenue Bonds, 1955 Series, of the face value of One Million Seven Hundred Thousand Dollars (\$1,700,000.00) at par and accrued interest, in accordance with commitments submitted by Ann Arbor Trust Company, as Fiscal Agent of this Board; and said Ann Arbor Trust Company is hereby authorized to accept payment for said bonds upon delivery of the same.