

**TRUSTEE FINANCE COMMITTEE  
AGENDA**

Wednesday, September 12, 2007 (9:30am)  
401 Administration Building

**REVISED**  
*Attachment 1 & 10 removed*

**I. Action Items**

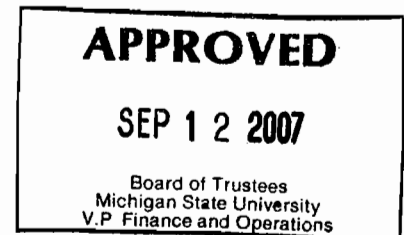
Financing of MSU Programs of Higher Education in Dubai, United Arab Emirates	Attachment 1a
Manager Approval – EnCap Investments L.P.	Attachment 2
Manager Approval – Rho Capital Partners, Inc.	Attachment 3
Manager Approval – Bain Capital Partners, L.L.C.	Attachment 4
Manager Approval – VA Partners, L.L.C.	Attachment 5

**A. Authorization to Plan**

East Circle Drive Reconstruction	Attachment 6
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**B. Project Approval - Authorization to Proceed**

Holden Hall – Elevator Replacement	Attachment 7
Erickson Hall – Exterior Restoration	Attachment 8
Crescent Road/Middlevale Road Reconstruction – Phase IV	Attachment 9



**MICHIGAN STATE**  
UNIVERSITY

August 31, 2007

**MEMORANDUM**



**To:** Trustee Finance Committee

**From:** Fred L. Poston

A handwritten signature in black ink, appearing to read "Fred L. Poston".

**Subject:** Financing of MSU Programs of Higher Education in Dubai, United Arab Emirates

**RECOMMENDATION**

Be it resolved that the Trustee Finance Committee recommends to the Board of Trustees that it adopt the following resolution:

BE IT RESOLVED, that the Board of Trustees of Michigan State University authorizes obtaining financing from TECOM Investments FZ-LLC, to be used for the start-up, operational and facilities costs of Michigan State University programs of higher education in Dubai, United Arab Emirates, upon terms and conditions set forth in an agreement approved by an Authorized Officer (as defined in this Resolution), but not to exceed Three Million Dollars (\$3,000,000) principal amount ("Financing"); and

BE IT FURTHER RESOLVED, that the President, the Vice President for Finance and Operations and Treasurer, and the Director of Investments and Financial Management (each an "Authorized Officer"), or any one of them individually, is authorized to negotiate, execute and deliver on behalf of the Board of Trustees an agreement and any other instrument or document, and to take any other actions, as the Authorized Officer deems appropriate or expedient in connection with the Financing.

**BACKGROUND**

The Board of Trustees has endorsed the expansion of MSU programs to Dubai upon terms and conditions satisfactory to the President. MSU has consistently emphasized to its Dubai collaborators that MSU is not willing to undertake unwarranted financial risk to establish programs in Dubai. Further, MSU is unwilling to grant potential investors any equity interest in the proceeds from MSU programs.

TECOM Investments FZ-LLC ("TECOM") is a Dubai entity connected with the Dubai Technology, Commerce and Media Free Zone Authority, MSU's primary Dubai sponsor and collaborator. TECOM has played a very positive role in MSU's development of the Dubai concept and now in its implementation. To minimize risk to MSU and sustain the business model underlying the Board action, TECOM has offered an attractive limited liability loan option to MSU. The President has determined that it is in MSU's short and long-term interests to utilize this vehicle for external financial support for MSU programs in Dubai.

TECOM has offered to provide \$2,500,000 in financing for MSU's Dubai start-up and initial operational costs, advanced over time as needed by MSU. The TECOM



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financing would be on favorable terms, with interest based on TECOM's cost of funds and repayment over ten years starting in 2010 and limited, in most circumstances, to MSU revenues from its Dubai operations. Legal documentation for the financing includes standard preconditions for disbursement of funds, including a resolution of the borrowing entity's governing body authorizing particular officers to sign documents and to take all necessary actions in connection with the financing.

The MSU Dubai planning group, including legal counsel, has been working with representatives of TECOM Investments on agreement terms and conditions, and negotiations are progressing well. The planning group anticipates that financing draws may be advisable as early as September 2007.

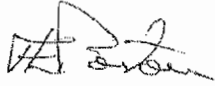
cc: K. Wilcox, S. Harwood, K. Lindahl

**MICHIGAN STATE**  
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August 31, 2007



**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** New Investment Manager – EnCap Investments L.P.

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the selection of EnCap Investments L.P. as an inflation hedge manager.

**BACKGROUND**

EnCap Investments L.P. (EnCap) is seeking \$2.5 billion for EnCap Energy Capital Fund VII (the Fund). The Fund will provide growth capital to seasoned management teams whose primary focus is the acquisition and development of oil and gas assets in the United States and Canada. Similar to previous funds, the strategy will be to make investments supported by proved reserve values and to develop lower risk, repeatable drilling projects.

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EnCap's senior partners are among the most experienced investors in the U.S. oil and gas industry. Collectively they have over 130 years of industry experience and have worked together for over 30 years. The first six EnCap funds have generated strong, consistent returns across multiple energy price cycles.

Cambridge Associates advises and the Investment Advisory Subcommittee and Administration concur that EnCap Energy Capital Fund VII represents an opportunity to invest with an experienced private equity investor in the energy sector. The Administration plans to invest \$5 million in the Fund.

cc: D. Brower, N. Carter, G. Klein, K. Lindahl

**MICHIGAN STATE**  
**UNIVERSITY**

August 31, 2007



**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** New Investment Manager – Rho Capital Partners, Inc.

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the selection of Rho Capital Partners, Inc. as a non-marketable alternative asset investment manager.

**BACKGROUND**

Rho Capital Partners, Inc. (Rho) is seeking \$700 million for Rho Ventures VI, L.P. (the Fund), to make venture capital investments in the healthcare, information technology and communications sectors. Similar to previous funds, Rho's strategy will be to diversify investments across multiple industry sectors and stages of company development. After investment Rho will take an active approach in working with portfolio company management to maximize shareholder value. Rho has a stable and experience team, a strong industry network and a solid track record.

Cambridge Associates advises and the Investment Advisory Subcommittee and Administration concur that Rho Ventures VI, L.P. is an opportunity to invest with a proven venture capital firm. The Administration plans to invest \$5 million in the Fund.

cc: D. Brower, N. Carter, G. Klein, K. Lindahl



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September 7, 2007

REVISED

**MEMORANDUM**

**To:** Trustee Finance Committee

**From:** Fred L. Poston 

**Subject:** New Investment Manager – Bain Capital Partners, L.L.C.

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the selection of Bain Capital Partners, L.L.C. as a non-marketable alternative asset investment manager.

**BACKGROUND**

Bain Capital Partners, L.L.C. (Bain) is seeking \$10 billion for Bain Capital Fund X, L.P. and \$5 billion for Bain Capital Coinvestment Fund X, L.P. (the Funds), to make large scale private equity investments. The Funds will continue Bain's strategy of investing in businesses with both strong strategic positions and clearly defined plans for growth and profit improvement. Investments will span a range of industries, transaction types and geographies.

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Bain's large investment staff and analytical abilities allow for an exhaustive review of industry dynamics and business fundamentals and are supported by a portfolio management group that works directly with companies on operational initiatives after closing. The net returns of prior funds with measurable and meaningful performance have been impressive. Six of the eight core funds and two of the three coinvestment funds rank in the top quartile of their respective vintage years.

Cambridge Associates advises and the Investment Advisory Subcommittee and Administration concur that Bain Capital Fund X is an attractive opportunity to invest with a highly respected private equity firm with experienced investment and operating teams, a differentiated strategy and an excellent performance record. The Administration plans to invest up to \$20 million in the Funds.


cc: D. Brower, N. Carter, G. Klein, K. Lindahl

**MICHIGAN STATE**  
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August 31, 2007

**MEMORANDUM**



**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** New Investment Manager – VA Partners, L.L.C.

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees the selection of VA Partners, L.L.C. as a U.S. equity manager.

**BACKGROUND**

VA Partners, L.L.C. offers ValueAct AllCap Partners (ValueAct) which is focused on making long-term strategic equity investments in a limited number of small capitalization public companies. The investment strategy is similar to that of a private equity fund - hold a concentrated portfolio of stocks in which it is usually the largest shareholder and exert considerable influence over management and the board. The team focuses on buying good businesses at a good price and then attempts to enhance returns by acting as a catalyst for change.

Within MSU's U.S. equity portfolio, ValueAct's strategy will provide favorable diversification to other managers. After consultation with Cambridge Associates, the Administration plans to invest \$15 million to be funded by redemptions of \$10 million from Iridian Asset Management and \$5 million from Reed, Conner & Birdwell.

cc: D. Brower, N. Carter, G. Klein, K. Lindahl

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**MICHIGAN STATE**  
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August 31, 2007

**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** **Authorization to Plan**  
East Circle Drive Reconstruction



**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it authorize the administration to plan for the project entitled East Circle Drive Reconstruction.

**BACKGROUND**

**Program Need:**

East Circle Drive between Collingwood and West Circle is in poor condition, and in need of reconstruction. The Campus Master Plan calls for the removal of on-street parking to address safety issues and the addition of bike lanes on the street. The removal of on-street parking had been planned with the increased capacity provided by the Grand River Ramp. Additional communication duct is needed to accommodate future needs, and there is a deteriorating direct buried steam line connecting to Berkey Hall.

**General Description of the Project:**

The planning of this project is anticipated to include the reconstruction of East Circle Drive by adding bike lanes, removing on street parking wherever possible, narrowing the road lanes as a traffic calming measure, reducing unnecessary pedestrian crossings, and adding a speed table between Old Horticulture and Berkey Hall. The project is also expected to include additional communication duct line and replacement steam service. This project will be coordinated with the construction of the proposed art museum along East Circle Drive.

This project is located between Collingwood Entrance and West Circle Drive in the North Academic District. This project is consistent with the Campus Master Plan.

**Communication Plan:**

During the planning phase, faculty and staff who work in the North Academic District will be given an opportunity to provide feedback on the project as it is being designed. The planning process will include multiple feedback opportunities. Input from the project planning team will also be solicited during design.

**Preliminary Project Cost Information:**

Based on cost experience for similar projects and current pricing information, the preliminary project cost estimate is \$3,600,000.

The source of funds for the project is expected to be from the General Fund - Just-In-Time.

cc: D. Brower, R. Flinn, J. Kacos, G. Klein, W. Latta, K. Lindahl, M. McCabe, J. Mumma, R. Nestle, D. Quinney

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**MICHIGAN STATE**  
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August 31, 2007



**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** **Project Approval - Authorization to Proceed**  
Holden Hall – Elevator Replacement

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it authorize the administration to proceed with the project entitled Holden Hall – Elevator Replacement and to approve a budget of \$1,000,000.

**BACKGROUND**

**Program Need:**

Holden Hall was built in 1967, and the four elevators in the Holden Hall need to be replaced with a system that is more reliable, requires less maintenance, and enhances safety and accessibility.

**Description of the Project:**

Holden Hall is located on Chestnut Road in the Residential District. This project involves the complete removal and replacement of four elevator cars, cabs, motors, and controllers, and calls.

The Architect/Engineer is Bernath Coakley Associates.

**Communication Feedback:**

Faculty and staff who work in Holden Hall and the Resources Center for Persons with Disabilities were given an opportunity to provide feedback during the planning phase. No issues or concerns were raised regarding the project.

The Office of Campus Planning and Administration has reviewed this project and it meets the Campus Master Plan and Planning Principles. The Campus Infrastructure Planning Work - Group also supports the recommendation to proceed with the project.

As construction proceeds, the schedule and phasing will be reviewed with the building occupants and key administrator within Holden Hall.

**Project Cost and Timetable:**

The budget for this design-bid-build project is \$1,000,000 which is being funded by Auxiliary Activities – Housing & Food Services.

Construction is planned to begin in September 2007, will be substantially complete by September 2008, with final completion by June 2009.

cc: D. Brower, R. Flinn, J. Kacos, G. Klein, W. Latta, K. Lindahl, M. McCabe, J. Mumma, R. Nestle, D. Quinney, S. Margraves, V. Gore

CP06538



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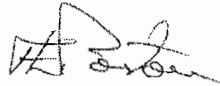
**MICHIGAN STATE**  
UNIVERSITY

August 31, 2007

**MEMORANDUM**

**To:** Trustee Finance Committee

**From:** Fred L. Poston



**Subject:** **Project Approval - Authorization to Proceed**  
Erickson Hall - Exterior Restoration



**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it authorize the administration to proceed with the project entitled Erickson Hall - Exterior Restoration and to approve a budget of \$2,100,000.

**BACKGROUND**

**Program Need:**

Erickson Hall was constructed in 1957 and the original aluminum curtain wall, glazing system, and exterior aluminum doors are no longer cost effective for either maintenance or energy efficiency.

**Description of the Project:**

Erickson Hall is located on the west side of Farm Lane in the Central Academic District. This project involves the replacement of the existing aluminum curtain wall (including windows and exterior doors) and the glazing system with a new energy efficient aluminum curtain wall and glazing system.

The Architect/Engineer is Design Plus.

**Communication Feedback:**

Faculty and staff who work in and adjacent to Erickson Hall were given opportunities to provide feedback during the planning phase. Erickson faculty and staff requested that operable windows remain in offices and wanted new windows to match the recent addition. These concerns have been addressed in the project design.

The Office of Campus Planning and Administration has reviewed this project and found it to be consistent with the Campus Master Plan and Planning Principles. The Campus Infrastructure Planning Work Group supports the recommendation to proceed with the project.

As construction proceeds, the schedule and phasing will be reviewed with the building occupants and key administrators within Erickson Hall.

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**Project Cost and Timetable:**

The budget for this Design-Bid-Build project is \$2,100,000 which is being funded by General Fund - Infrastructure.

Construction is planned to begin in May 2008, will be substantially complete by October 2008, with final completion by April 2009.

cc: D. Brower, R. Flinn, J. Kacos, G. Klein, W. Latta, K. Lindahl, M. McCabe,  
J. Mumma, R. Nestle, D. Quinney

CP06298

**MICHIGAN STATE**  
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August 31, 2007

**MEMORANDUM**

**To:** Trustee Finance Committee  
**From:** Fred L. Poston   
**Subject:** **Project Approval - Authorization to Proceed**  
Crescent Road/Middlevale Road Reconstruction – Phase IV

**RECOMMENDATION**

BE IT RESOLVED that the Trustee Finance Committee recommends to the Board of Trustees that it authorize the administration to proceed with the project entitled Crescent Road/Middlevale Road Reconstruction – Phase IV and to approve a budget of \$2,300,000.

**BACKGROUND**

**Program Need:**

Crescent Road and Middlevale Road, located south of Service Road and west of Harrison Road, were constructed over 40 years ago and have long since outlived their useful lives. Pedestrian, bicycle and vehicle safety issues need to be addressed, and the water line capacity needs to be enhanced in this area.

**Description of the Project:**

Crescent and Middlevale Roads are in the Residential District west of Harrison Road. The project includes converting Crescent Road to three vehicle lanes (one in each direction and one center turn lane) and two bike lanes. Middlevale Road will match the current new road cross section constructed in 2007. There are a total of five phases to be completed in this area by 2009. The project will also upgrade the water service within and along the road alignment and to the adjacent buildings to meet current fire-fighting requirements.

The Architect/Engineer is Consoer Townsend Envirodyne Engineers of Michigan.

**Communication Feedback:**

Faculty and staff who work in the Residential District and residents, Spartan Village, and Spartan Child Development Center were given an opportunity to provide feedback during the planning phase. Parking access to all apartments will be maintained except for 1526-1534 where this will be relocated for a period of time during construction. Access to the Spartan Child Development Center will be from the south Crescent Road/Harrison Road intersection. To accommodate the needs of residents, CATA bus routes through Spartan Village will be maintained with mini-buses when construction activities do not permit full size buses.

The Office of Campus Planning and Administration has reviewed this project and found it to be consistent with the Campus Master Plan and Planning Principles. The Campus Infrastructure Planning Work Group also supports the recommendation to proceed with the project.

As construction proceeds, the schedule and phasing will be reviewed with the employees and residents in this district.

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**Project Cost and Timetable:**

The budget for this design-bid-build project is \$2,300,000 which is being funded from a tax-exempt bond offering with initial funding and debt replacement from the General Fund – Just-In-Time.

Construction is planned to begin in May 2008, will be substantially complete by August 2008, with final completion by November 2009.

cc: D. Brower, R. Flinn, J. Kacos, G. Klein, W. Latta, K. Lindahl, M. McCabe, J. Mumma,  
R. Nestle, D. Quinney, N. Carter, S. Margraves, V. Gore

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