

**SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION
BOARD OF DIRECTORS
MAY 8, 2015
MINUTES**

The meeting was called to order by President Elliot Hirshman at 9:01 a.m. in the James W. Cobble Boardroom on the third floor of the Gateway Center building.

Present: Dr. Elliot Hirshman, presiding; Dr. Kim Barrett; Mr. William Brack; Ms. Paula Brock; Ms. Vickie Capps; Dr. Karen Emmorey; Dr. Chukuka Enwemeka; Dr. Craig Hauser; Mr. Tom McCarron; Dr. Marilyn Newhoff; Dr. Ming-Hsiang Tsou; Dr. Stephen Welter; Dr. Robert Zeller and Mr. Bob Wolfson.

Absent: Mr. J. Cole, Dr. Samuel Kassegne, Dr. Mary Ann Lyman-Hager, and Dr. Randolph Philipp.

Also attending: Ms. Agnes Wong Nickerson from SDSU, and Ms. Debbie Brighton, Ms. Norma Clark, Ms. Melinda Coil, Ms. Michèle Goetz, Mr. Timothy Hushen, Ms. Rachel Raynoha, Ms. Victoria Kern and Ms. Renée Daniels from SDSU Research Foundation.

1. CALL TO ORDER

President Hirshman welcomed Ms. Victoria Kern, SDSU Research Foundation's (SDSURF) associate director of finance and accounting, who was present to answer any questions about the Form 990. President Hirshman then recognized Ms. Melinda Coil, SDSURF's chief financial officer, who had just completed her MBA at Point Loma Nazarene University. Congratulations were expressed to Ms. Coil on her accomplishment.

President Hirshman announced that today's Board meeting was the last for Associated Students President J. Cole. He reported that Mr. Cole was not able to attend the meeting. As an expression of gratitude for his service, President Hirshman introduced the following resolution of appreciation for Mr. Cole to be recorded in the minutes:

COLE RESOLUTION:

BE IT RESOLVED: That the Board of Directors of San Diego State University Research Foundation honors and commends Mr. J. Cole for his service as a member of the Board. Through this resolution, the Board endeavors to record its sincere appreciation and respect for Mr. Cole and his contributions to the Research Foundation board.

2. CONSENT AGENDA

The minutes of the meeting held on March 6, 2015 were approved unanimously.

3. REVIEW AND ADOPT: FY 2015-16 GENERAL FUND BUDGET

Finance and Investment Committee (FIC) chair McCarron explained that the research foundation's general fund budget is developed in close collaboration with the university—as evidenced by the continued support from the university through the waiver of certain allocations—which Ms. Coil would highlight in her presentation. Mr. McCarron said the university understood that research foundation reserves were limited and wanted to ensure conservative use of these funds until recent research initiatives produce increased revenues. Mr. Wolfson expressed the research foundation's appreciation for the support provided by the university. He and Ms. Coil then highlighted and reviewed the detailed information contained in the FY 2015-16 budget document.

Mr. McCarron reported that the Finance and Investment Committee met on April 29th to review the FY 2015-16 budget. Following its review, the committee recommended that the board adopt SDSURF's FY 2015-16 budget.

Dr. Newhoff proposed that the Board adopt the following resolution:

**RESOLUTION OF THE BOARD OF DIRECTORS:
APPROVAL OF SDSU RESEARCH FOUNDATION'S
FY 2015-16 GENERAL FUND BUDGET**

RESOLVED, That the General Fund Budget as submitted to the Board of Directors at its meeting on May 8, 2015, at a level of \$29,403,000, be adopted as SDSU Research Foundation's budget for FY 2015-16, and forwarded to the President for approval.

The motion was seconded by Dr. Emmorey and adopted unanimously.

4. INFORMATION AND ACTION ITEM RELATED TO THE COLLEGE OF EXTENDED STUDIES AND CHANGE IN POLICY—TRANSFER OF NON-GENERAL FUNDS BETWEEN SDSU AUXILIARIES

FIC chair McCarron reported that the College of Extended Studies (CES) has grown exponentially over the past several years. To accommodate this growth and facilitate continued growth, CES is planning several capital improvements. He noted that the agenda materials contained in Tab C provided important background materials related to the use of CES cash reserves held at the research foundation for these various projects which Mr. Wolfson then reviewed in detail with the board.

Mr. Wolfson explained that current board policy requires board approval of funds transferred to another SDSU auxiliary, if the amount exceeded \$500,000 and the transaction is outside the normal course of research foundation business. Management requested a change in this policy for the reasons provided in the agenda material.

Mr. McCarron reported that the FIC met on April 29, 2015, to review and discuss the proposed change of policy. Following its review, the committee recommended board adoption of the resolution revising the current policy:

**RESOLUTION OF THE BOARD OF DIRECTORS:
CHANGE OF POLICY—TRANSFERS OF NON-GENERAL FUNDS
BETWEEN SDSU RESEARCH FOUNDATION AND
OTHER SDSU AUXILIARIES**

WHEREAS, the current policy of the board of directors of the SDSU Research Foundation (RF) is that “All transfers of funds to other university auxiliaries outside of the normal course of business exceeding \$500,000 will be presented to the SDSU Research Foundation Board of Directors for approval; and

WHEREAS, management requests the board amend this policy to enhance the orderly and timely performance of the services that the RF currently provides to other units of the university;

NOW, THEREFORE be it resolved by the Board of Directors of the SDSU Research Foundation, as follows:

FIRST, the current policy referenced above is hereby amended to read as follows:

All transfers of general funds to other university auxiliaries outside the normal course of business will be presented to the SDSU Research Foundation Board of Directors for approval;

All transfers of non-general funds that are held for the benefit of other University units and are outside of the normal course of business exceeding \$500,000 may be transferred to other SDSU auxiliaries with the approval of the SDSU Vice President for Business and Financial Affairs, without the need for prior Board of Directors approval; and

SECOND, all inter-auxiliary non-general fund transfers in excess of \$500,000 and outside of the normal course of business shall be reported to the board as an information item at its next regularly scheduled meeting, and

FINALLY, this resolution shall take effect immediately upon its adoption.

After further discussion, clarifying language to amend the second paragraph under the first resolve clause was presented as follows:

All transfers of non-general funds that are held for the benefit of other University units and are outside of the normal course of business exceeding \$500,000 may be transferred to other SDSU auxiliaries with the recommendation of the SDSU Vice President for Business and Financial Affairs and the SDSU Provost, and the concurrence of the SDSU President; and

Dr. Newhoff proposed that the Board adopt the following resolution as amended:

**RESOLUTION OF THE BOARD OF DIRECTORS:
CHANGE OF POLICY—TRANSFERS OF NON-GENERAL FUNDS
BETWEEN SDSU RESEARCH FOUNDATION AND
OTHER SDSU AUXILIARIES**

WHEREAS, the current policy of the board of directors of the SDSU Research Foundation (RF) is that “All transfers of funds to other university auxiliaries outside of the normal course of business exceeding \$500,000 will be presented to the SDSU Research Foundation Board of Directors for approval; and

WHEREAS, management requests the board amend this policy to enhance the orderly and timely performance of the services that the RF currently provides to other units of the university;

NOW, THEREFORE be it resolved by the Board of Directors of the SDSU Research Foundation, as follows:

FIRST, the current policy referenced above is hereby amended to read as follows:

All transfers of general funds to other university auxiliaries outside the normal course of business will be presented to the SDSU Research Foundation Board of Directors for approval;

All transfers of non-general funds that are held for the benefit of other University units and are outside of the normal course of business exceeding \$500,000 may be transferred to other SDSU auxiliaries with the recommendation of the SDSU Vice President for Business and Financial Affairs and the SDSU Provost and the concurrence of SDSU’s President; and

SECOND, all inter-auxiliary non-general fund transfers in excess of \$500,000 and outside of the normal course of business shall be reported to the board as an information item at its next regularly scheduled meeting, and

FINALLY, this resolution shall take effect immediately upon its adoption.

The motion was seconded by Mr. McCarron and adopted unanimously.

5. REVIEW AND ADOPT: FINANCING OF THE NEW SDSU RESEARCH FOUNDATION ENGINEERING AND INTERDISCIPLINARY SCIENCES COMPLEX PROJECT

FIC chair McCarron referenced the comprehensive overview of the new Engineering and Interdisciplinary Sciences (EIS) Complex Project provided to the board at the March 6 meeting. He said the project continued to develop and the agenda materials provided under Tab D

provided background information on the financing aspects of the building. Mr. Wolfson presented some updated slides on the project.

Mr. McCarron reviewed the proposed financing plan contained in the agenda material. He added that the goal was to avoid significant debt and retire the debt early through fund raising. Mr. Wolfson clarified that no research foundation general fund reserves would be used for the construction of the project. The research foundation will lease the facility to the university at a rate sufficient to cover debt service for the amount financed and all operating expenses. The building will revert to the university at the end of the lease.

Mr. McCarron said the Finance and Investment Committee had met on April 29th to review and discuss the proposed financing for the project. Following its review, the committee recommends board adoption of the resolution approving the financing of the new SDSU Research Foundation Engineering and Interdisciplinary Sciences Complex Project. He explained that the project now needed SDSURF board approval and subsequent to its approval would be included as an agenda item on the May 20, 2015 CSU board of trustees meeting.

Dr. Newhoff proposed that the Board adopt the following resolution:

**RESOLUTION OF THE BOARD OF DIRECTORS OF
SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION
PROVIDING FOR THE FINANCING OF THE
SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION—
ENGINEERING AND INTERDISCIPLINARY SCIENCES COMPLEX PROJECT**

WHEREAS, the San Diego State University Foundation (the “Foundation”), doing business as San Diego State University Research Foundation, has been formed for the purpose of furthering the educational programs of San Diego State University (the “University”) as more fully described in the Articles of Incorporation of the Foundation (the “Articles of Incorporation”);

WHEREAS, the Foundation is an auxiliary organization of The California State University governed by California Education Code Sections 89900 et seq. and the administrative regulations of The California State University as set forth in Title 5 of the California Code of Regulations;

WHEREAS, the Foundation is organized under the Nonprofit Public Benefit Corporation Law of the State of California and the Articles of Incorporation provide that it is not organized for the private gain of any person;

WHEREAS, no part of the Foundation’s net earnings, if any, will ever inure to the benefit of any person except the Board of Trustees of the California State University (the “Board”);

WHEREAS, the Articles of Incorporation provide that assets of the Foundation will not be distributed to any member, director or officer of the Foundation;

WHEREAS, the Foundation desires to undertake the financing of certain capital costs with respect to the construction of a new 81,900 gross square foot, three- to five-story building consisting of teaching lab and flexible research space for the Colleges of Engineering and the Sciences, a landscaped quadrangle, the demolition of 47,000 gross square feet of deteriorated space and construction of required access improvements, including any related improvements and any substitutions, additions, deletions or replacements to the foregoing, to be known as the San Diego State University Research Foundation – Engineering and Interdisciplinary Sciences Complex Project (the “Project”), expected to be constructed on land leased to the Foundation pursuant to a ground lease with the State of California, and further subleased to the University by the Foundation;

WHEREAS, in order to provide funds for such Project the Board proposes to issue Bond Anticipation Notes or Trustees of the California State University Systemwide Revenue Bonds and to loan a portion of the proceeds of such obligations, namely, the combined not-to-exceed principal amount of \$57,925,000, to the Foundation;

WHEREAS, the Foundation and the Board desire to enter into an amendment (the “Amendment”) to that certain Loan Agreement, dated as of August 1, 2012 (as the same may be amended from time to time, the “Loan Agreement”) to specify the terms and conditions of such loan from the Board to the Foundation and to require and confirm the obligation of the Foundation to make payments at such times and in such manner as may be necessary to provide for the full repayment of the debt service on the Trustees of the California State University obligations related to such loans, as such debt service becomes due; and

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Foundation as follows:

Section 1. It is hereby found and determined that the foregoing recitals are true and correct and that the activities and purposes of the Foundation are permitted under the Nonprofit Public Benefit Foundation Law of the State of California.

Section 2. The officers of the Foundation and the Executive Director, or their designees, with the advice of retained counsel, are each hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to effectuate the purposes of this resolution, including but not limited to the Amendment, provided, that the terms of the

Amendment, as finally executed and delivered, shall provide that the total aggregate principal component of the scheduled loan payments payable by the Foundation thereunder with respect to the financing of the Project shall not exceed \$57,925,000.

Section 3. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED this 8th day of May, 2015, by the following vote:

Ayes: 13 Noes: 0 Absent: 4

The motion was seconded by Mr. McCarron and adopted unanimously.

6. INFORMATION ITEMS

REPORT OF THE VICE PRESIDENT FOR RESEARCH: Dr. Welter reported on:

- Mr. Hushen’s attendance at a recent meeting of research universities where “flat” was being called the “new up” (with regard to research revenue)
- SDSU faculty’s above average success rate with NIH and NSF
- New faculty recruitment, collaborations by new faculty members and the success of new faculty
- The selection of three new areas of excellence
- The loss of research-active faculty
- The approval of 60 new hires
- The success of the GREW (Grants and Research Enterprise Writing) program.

COMMITTEE REPORTS

Audit Committee: Ms. Brock provided an update on committee topics at the April 29 meeting including:

- Introduction of new auditors—Grant Thornton LLP
- Establishment of key dates for FY 2014-15 audit
- A review of audit procedures
- A review of significant accounting transactions
 - Transfers to The Campanile Foundation
 - Financing of the Engineering and Interdisciplinary Sciences Complex Project
 - MCA-Georgia Project
- Discussion of other audits.

Investment Committee: Mr. McCarron provided an update on committee activities including the April 29 meeting. The committee voted to make recommendations to the Board on several of the items already covered under today’s board agenda including:

- Adoption of the FY 2015-16 general fund budget
- Approval of the transfer of non-general funds between SDSU auxiliaries related to the CES
- Approval of the financing for the new SDSU Research Foundation Engineering and Interdisciplinary Sciences Complex Project.

In addition to these items, Mr. McCarron reported that the committee:

- Discussed the CSU Trustees meeting on May 19 and 20 related to the SDSU Research Foundation Engineering and Interdisciplinary Sciences Complex Project
- Reviewed the summary of investments for the period ending March 31, 2015
- Reviewed SDSU Research Foundation's annual federal tax return—IRS Form 990
- Held an Executive Session for discussion related to legal and personnel matters.

REPORT OF THE EXECUTIVE DIRECTOR: Mr. Wolfson reported on:

- The newly-updated Project Administration Guide which will be posted on the research foundation's website
- The schedule of Board meetings for FY 2015-16—contained in Tab E of the agenda materials
- Sale of the Calexico property
- Dr. Ming-Hsiang Tsou's work related to the Nepal disaster recovery efforts
- Efforts to retain staff
- The Georgia project
- Cancellation of the PI presentation due to a schedule conflict with the PI.

NEW BUSINESS

President Hirshman called for any items of new business. Hearing none, he adjourned the meeting at 10:14 a.m.

Respectfully submitted,

Bob E. Wolfson
Associate Secretary-Treasurer