

**LOUISIANA SCHOOL EMPLOYEES' RETIREMENT SYSTEM
BOARD AD HOC COMMITTEE MEETING**

Monday - February 16, 2004

The Louisiana School Employees' Retirement System's Board Ad Hoc Committee convened in the board room (Room 100) of the Louisiana School Employees' Retirement System Building, located at 8660 United Plaza Blvd., Baton Rouge, Louisiana. Mr. Wilmer called the meeting to order at 12:57 p.m. The Roll was called by Mrs. Stark.

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Members Present: Mr. Larry Wilmer - Chairman, Ms. Betty Jacobs, Ms. Susan Pappan - State Treasurer's Office, and Mr. Warren Ponder - Secretary of State's Office.

Members Absent: Mr. Joe Seymour.

Staff Present: Mr. Patrick Cospier - Director, Mrs. Debra Dudley - Assistant Director, Mr. Randy Roche - General Counsel, Mrs. Julia LeBlanc - Chief Investment Officer, Ms. Judy Wright - Public Information Director I and Mrs. Laurie Stark - Executive Services Assistant.

Others Present: Mr. Richard Ranallo - Segal Advisors, Inc., Ms. Sylvia Myers, Mr. Earl Richard, Jr., Ms. Betty Crain, Mr. Jeffrey Faulk, Mr. Larry Sisung and Mr. Lane Sisung, both with Sisung Securities.

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Mr. Larry Sisung and Mr. Lane Sisung with Sisung Securities arrived at 1:04 p.m.

Mr. Richard Ranallo arrived at 1:08 p.m.

EDUCATIONAL SEMINAR BY SISUNG SECURITIES.

Mr. Larry Sisung and Mr. Lane Sisung with Sisung Securities presented to the committee members an overview of the program their company has developed regarding investing in venture capital which the committee may want to consider using in order to comply with Act 788. Their presence was requested by the board to go over the exploratory issues of venture capital investments that the legislature is asking the pension funds of Louisiana to become involved in. Mr. Sisung gave the committee an overview of what the current situation is regarding venture capital. He began by saying that there just is not that much venture capital in Louisiana and the state is looking for ways to get investments to come into Louisiana. He said that back in the 80's the state formed a "capco" legislation that was used to form capital companies that the state would issue tax credits to. Those tax credits were then sold so that the money could be reinvested back into the small companies in Louisiana. It has succeeded for a number of years and is still in place today. It does not bring in the money that is really needed for the state. Mr. Sisung stated that he owns an investment banking company, an asset management company and a venture capital company which are all regulated by the Office of Financial Institutions. Their companies are considered "capcos." Mr. Lane Sisung told the committee that they have developed a plan that is very similar to the one they use with banks to help the pension funds. It offers the pension

funds the security of principal that the “capco” program also offers and it will allow them to still meet the legislative guidelines of putting money into venture capital, small companies and emerging companies in Louisiana. It provides for a set amount of tax credits on annual raises that are issued to the “capcos” who raise money from an outside party. The “capco” raises the money from insurance companies or from income tax payers and in return for that investment those who invest get the tax credits that the state issues them to secure their principal. Then the “capco” takes that money and invests it in products that the state wants to enhance which are the smaller companies that it is trying to build its economy on. Their company uses a bank and a conduit to get their investments in and therefore receive the tax credit as security. From that point the tax credit can then be sold at a discount value in order to provide the security of principal for the original investor. There is a risk but the system would be getting a venture capital type program while protecting its risk. This risk is if the “capco” does not lend out the money.

When asked if money would be available for transfer to fund monthly benefits, Mr. Sisung said that it could only be liquidated when \$10 million has been invested because it is a commitment. After approximately five years, the investment can be 100% liquidated, but not before then.

DISCUSSION WITH CONSULTANT.

Mr. Ranallo presented to the committee his own research into venture capital. He found that not many venture capital companies were interested in creating an exclusive Louisiana-based venture capital portfolio. Credit Suisse/First Boston was the only company that he spoke with that said they were familiar with this type of legislation from dealing with other states with similar legislation. Because there was a considerable amount of confusion regarding the venture capital presentation given by Sisung, Mr. Ranallo suggested that the committee may want to have someone from Credit Suisse/First Boston come in and give them another view of venture capital. Ms. Pappan also suggested that they may also want to have Mr. Peter Ricchiuti who is with the A. B. Freeman School of Business at Tulane University come in to give them a seminar regarding venture capital. He specializes in analyzing Louisiana companies.

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ON MOTION OF MS. JACOBS, SECONDED BY MR. PONDER AND CARRIED, the committee agreed to invite Mr. Peter Ricchiuti with the A. B. Freeman School of Business at Tulane University to attend the March Ad Hoc Committee Meeting and in April the committee would like to have a representative from Credit Suisse/First Boston come in to present an educational seminar regarding venture capital.

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ACTIVITIES OF OTHER LOUISIANA PLANS.

Mrs. LeBlanc presented to the committee an overview of what the other retirement systems are doing to comply with Act 788 of 2003. The report that was received from Teachers’ Retirement System said that

they had adopted a policy in December 2003 and a copy will be available to the committee members to review at the next Ad Hoc Committee Meeting. A “technologies transfer plan” that is associated with LSU is a venture capital fund that is organized as a limited liability company that is independently

managed outside of the LSU system. They have hired Hamilton, Lane as a consultant for alternative investments. Teachers' has not made any commitments yet. Mrs. LeBlanc further said that State Retirement System has not sent her an update on their plan, but it was discussed in detail at the December Ad Hoc Meeting.

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REVIEW OF MANAGERS RESPONSES CONCERNING LOUISIANA EXPOSURE IN LSERS' PORTFOLIOS AS OF 12/31/03.

Mrs. LeBlanc requested that the portfolio managers send her a list of what Louisiana companies they currently have investments in. She summarized each of their responses with the committee. Mrs. LeBlanc began by saying that she received a list from Brandywine, Trinity said in their response that they did not have any holdings that would fit the profile that was requested, Evergreen mentioned that they really did not have Louisiana corporations in their portfolio, but they do have government sponsors such as Fannie Mae and Freddie Mac holdings some of which are located in Louisiana. J & W Seligman holds Superior Energy Services, which is a provider of specialized oil field services and equipment for companies in the Gulf of Mexico. Orleans said that they have issued the companies that have offices in Louisiana and/or employ Louisiana citizens and NTQA said it holds Century Telephone Company in their portfolio.

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ON MOTION OF MS. JACOBS, SECONDED BY MS. CRAIN AND CARRIED, the committee agreed to accept the report regarding the review of responses concerning Louisiana Exposure in LSERS' portfolios as of 12/31/03.

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ON MOTION OF MS. MYERS, SECONDED BY MS. CRAIN AND CARRIED, the committee agreed to adjourn.

The meeting adjourned at 3:06 p.m.

Patrick Cospers, Director

Larry Wilmer, Chairman