

Former USM Provost Jay Grimes Implicated in USM Research Foundation Scandal

In a [28-April-2010 news story](#) by *The Hattiesburg American's* higher education reporter Ed Kemp entitled "Auditor investigating \$860K stock purchase," the USM family learned that former USM provost Jay Grimes is alleged to have been involved in the [breaking scandal](#) in the USM Research Council. As [reported earlier](#) by news sources, the USMRF formed Pinion Properties and placed its management in the hands of former USM employee Richard Hadden. This [arrangement](#) was formed during the controversial Shelby Thames administration (2002-07) of USM, and Thames was at the helm when Hadden and Hadden's wife, Helene, were first employed by the university.¹ Kemp's latest article states that Pinion Properties was established to manage the old Garden Park Hospital in Gulfport, and that PP ended up "losing more than \$800,000" in a deal that had PP buy stock in a third entity – Saone Corporation, which was owned by Richard and Helene Hadden.



Jay Grimes

Mississippi Auditor Stacey Pickering is now investigating the issue, while PP has filed a suit alleging that Hadden violated the Mississippi LLC Act when, as PP's manager, he purchased (in May-08) 245,000 shares of Saone stock for \$860,000. And as Kemp reports, at the time of the purchase, PP's chairman, Jay Grimes, signed off on a subscription agreement for Pinion to purchase the stock, which occurred "just three days after the Haddens formed Saone." Kemp also reports that, at the time of the stock purchase, Grimes served on the USMRF Board, a position he relinquished in Dec-09 after current USM president Martha Saunders decided to replace members of the USMRF Board.



A number of organizations are now following the development of this latest USM scandal, including the university's own *The Student Printz*. In a [28-April-2010 report](#) by Jesse Bass entitled "Research Foundation-owned business files lawsuit," more details emerged about the timeline of many of the events covered in prior news stories. According to Bass, the USMRF formed Pinion Properties in Jan-05, the same month that Hadden formed Westside Management, LLC. In March-05, Hadden became the managing agent, through Westside Management, of PP. As Bass indicates,

"In March 2008, Hadden and Westside returned a 10 percent ownership stock Pinion sold the business for \$1. The same day, Pinion executed a resolution authorizing an \$860,000 stock purchase from Next Stage Development Corp. Next Stage never existed, according to the report. A week later, Hadden and his wife, Helene, created Saone Corp., both as 50 percent shareholders. Saone then wrote a private placement memorandum, authorizing the sale of Saone stock to select private parties without sale in public markets. Pinion then bought 245,000 shares of Saone stock for \$860,000 with a check that Hadden endorsed and negotiated the day it was delivered to him. Only two days later did Hadden mail a copy of the private placement memorandum to the chair of Pinion's board, and Pinion alleges the business plan and projected

¹ As Kemp notes, Richard Hadden was hired in 2003 by Thames as USM's Director of Strategic Venture Development.

financial reports for Saone were not attached to the memorandum as they should have been. In November of 2008, Pinion sold the shares back to Hadden and Saone for \$38,671.14, resulting in a 96 percent loss on the investment in less than five months. Hadden also created JMH Consulting LLC in that same month, and presented a service agreement to Pinion, asking the corporation to pay \$260,000 annually to Hadden for the performance of duties nearly identical to those he already received USM salary for.”

Since becoming Mississippi Governor, Haley Barbour has often referred to his desire to see the state's public universities become economic gold mines. During his 2002-07 USM presidency, Thames occasionally stated that it was his desire to see a number of USM employees become millionaires as a result of product development/innovation and/or their work in moving forward the institution's research program. This growing scandal perhaps highlights the pitfalls in such thinking, and serves to remind the USM family that higher education institutions are meant to serve the public.