

MINUTES OF THE MEETING
OF THE
MICHIGAN STATE UNIVERSITY
BOARD OF TRUSTEES

May 7, 2004

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 8:00 a.m. on Friday, May 7, 2004. Minutes of the meetings are on file in the Office of the Secretary of the Board of Trustees.

President McPherson called the meeting of the Board of Trustees to order at 8:14 a.m. in the Board Room.

Trustees present: Dolores M. Cook, Joel I. Ferguson, Dorothy V. Gonzales, Colleen M. McNamara, Donald W. Nugent, Randall L. Pittman, David L. Porteous and G. Scott Romney.

University officers present: President McPherson, Provost Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Huggett, June and Webster and Senior Advisor and Director Granberry Russell. Faculty Liaisons present: Michael Moch, James Potchen, Arjun Sing and Jon Sticklen. Student Liaisons present: Carl Newman, Andrew Schepers and Daniel Weber.

All actions taken were by unanimous vote of the Trustees present, unless otherwise noted.

1. On a motion by Mr. Pittman, supported by Mr. Romney, **THE BOARD VOTED to approve** the agenda.
2. On a motion by Mr. Romney, supported by Ms. McNamara, **THE BOARD VOTED to approve** the minutes of April 16, 2004.
3. President's Report:

Mr. McPherson introduced the Student Liaisons to the Board of Trustees who will serve for the coming year: Carl Newman, representing COGS, Andrew Schepers, representing ASMSU, and Daniel Weber, representing ASMSU Academic Assembly.

4. Personnel Actions

Provost Simon presented the following personnel actions:

Appointment:

Miller, Robin L., AY – Associate Professor, Department of Psychology, \$88,000, with Tenure, effective, January 1, 2005.

Other Personnel Actions:

- A. McConeghy, Patrick, AN – Professor and Associate Dean, College of Arts and Letters; Department of Linguistics and Languages, for a change in salary rate to \$141,372, effective May 7, 2004; and for a change in title to Acting Dean, College of Arts and Letters, effective July 1, 2004.
- B. Abbett, William, AN – Professor and Dean Emeritus; Senior Advisor, Office of the Provost, to add title Acting Dean, College of Human Ecology and for a change in salary rate to \$159,200, effective June 1, 2004, to September 30, 2004.

Provost Simon said that Dr. Miller comes to MSU from the University of Illinois – Chicago, having received her Ph.D. from New York University. While at the University of Illinois – Chicago, Dr. Miller received a distinguished teaching award and was involved in an extensive research program.

Dr. Simon explained that Dr. Abbett has agreed to extend his service as Acting Dean to September 30, 2004.

On a motion by Ms. McNamara, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the recommendations.

5. Scholarships and Awards

A. Goldwater Scholars

President McPherson acknowledged Michigan State University's new Goldwater Scholars for 2004: Bhooma Aravamuthan, of Kalamazoo, a junior, majoring in biochemistry; Nathan Lord, of Saginaw, a second-year junior, majoring in biochemistry.

B. National Science Foundation (NSF) Fellowships

The National Science Foundation recently awarded fellowships to eleven Michigan State University students. NSF Fellowships are awarded for graduate study leading to research-based masters or doctoral degrees in science, mathematics and engineering.

Mr. McPherson congratulated those who were recognized at a recent dinner honoring a number of scholarship recipients.

- C. MSU's Department of Advertising and Russ White of University Relations recently received a Public Relations Society of America Crystal Award. It is the top award for the best public relations creative tactic, recognizing the 2003 Super Bowl Ad party.

Mr. McPherson said it is gratifying to see so many of our students and others represent the University so well.

- 6. Committee Chairman Pittman presented the Trustee Finance Committee report and recommendations.

- A. Bids and Contract Awards

- 1) It was recommended that a contract in the amount of \$5,325,000 be awarded to Fryling Construction Company, Inc., of Grand Rapids, Michigan, and that a budget in the amount of \$6,857,700 be established for the project entitled: Marshall-Adams Hall – Renovations.
- 2) It was recommended that a contract in the amount of \$9,750,000 be awarded to JM Olson Corporation, of St. Clair Shores, Michigan, and that a budget in the amount of \$12,676,000 be established for the project entitled: Veterinary Medical Center Oncology Addition.

On a motion by Mr. Pittman, supported by Mr. Porteous, **THE BOARD VOTED to approve** the recommendations.

Mr. Pittman said that the proposed restoration of Marshall Hall has been examined, and the Finance Committee believes that the historical presence of the Hall will be restored and more effective use of the facility will result. This project is part of a long-term projection for restoring "laboratory row," to establish that area as a significant cornerstone for the campus.

Mr. Pittman pointed out that the Veterinary Medical Center Oncology Addition would be funded primarily from clinical revenue. The School of Veterinary Medicine has developed a plan to provide services for pet oncology. It is a leading-edge concept.

- 3) It was recommended that a contract in the amount of \$338,232 be awarded to Town & County Tel-Com, of Zeeland, Michigan, and that a budget in the amount of \$480,000 be established for the project entitled: Cherry Lane Apartments – Data Access Service.
- 4) It was recommended that a contract in the amount of \$381,900 be awarded to Kares Construction Co., Inc., of Charlotte, Michigan, and that a budget in the amount of \$480,000 be established for the project entitled: Chemistry Building – Elevator Replacement.
- 5) It was recommended that a contract in the amount of \$389,000 be awarded to Irish Construction Co., Inc., of Howell, Michigan, and that a budget in the amount of \$495,000 be established for the project entitled: Erickson Hall – Elevator Replacement.
- 6) It was recommended that a contract in the amount of \$474,000 be awarded to Kares Construction Co., Inc., of Charlotte, Michigan, and that a budget in the amount of \$595,000 be established for the project entitled: Kedzie Hall – Elevator Replacement.
- 7) It was recommended that a contract in the amount of \$369,800 be awarded to Irish Construction Company, Inc., of Howell, Michigan, and that a budget in the amount of \$465,000 be established for the project entitled: Library – Elevator Replacement.
- 8) It was recommended that a contract in the amount of \$816,800 be awarded to Moore Trosper Construction Company, of Holt, Michigan, and that a budget in the amount of \$1,000,000 be established for the project entitled: Wonders Hall – Elevator Replacement.

On a motion by Mr. Pittman, supported by Mr. Porteous,
THE BOARD VOTED to approve the recommendations.

B. Site and Footprint Change: Administration Plaza Renovation

It was recommended that a contract in the amount of \$141,500 be awarded to Sandborn Construction, Inc., of Portland, Michigan, and that a budget in the amount of \$238,500 be established for the project entitled: Administration Plaza Renovation – Phase I.

It was further recommended that Granger Construction Company be appointed as construction manager for the project entitled: Administration Plaza Renovation – Phase II.

On a motion by Mr. Pittman, supported by Mr. Porteous, **THE BOARD VOTED to approve** the recommendations.

Trustee Pittman explained that the Administration Plaza renovation would accommodate the John Hannah statue that will be dedicated in September 2004.

Trustee Cook said she appreciated the opportunity to participate in the John Hannah statue project. Ms. Cook traveled to San Francisco, together with the former University Vice President for Finance, Roger Wilkinson, and the Chair of the Fine Art Department, to meet with the sculptor. Ms. Cook was taken with how well the artist captured John Hannah as a young man. A visit to the foundry allowed the MSU representatives to look at finishes, placement of the statue and lighting at various times of the day. The artist will be on campus in the fall to assist with placement of the statue as part of the University's sesquicentennial celebration.

C. Funds Functioning as Endowments

- 1) It was recommended that the Board of Trustees establish a Fund Functioning as an Endowment entitled: The ME Design/Manufacturing Graduate Student Fellowship Endowment.
- 2) It was recommended that the Board of Trustees establish a Fund Functioning as an Endowment entitled: The Mechanical Engineering Graduate Student Fellowship Endowment.

On a motion by Mr. Pittman, supported by Mr. Nugent, **THE BOARD VOTED to approve** these Funds.

Mr. Pittman explained that the purpose of the ME Design/Manufacturing Fund Functioning as an Endowment is consistent with the underlying discretionary gifts guidelines. Future gifts are expected to be added to this FFE. The income will be used to support the recruitment and funding of new graduate students entering the Mechanical Engineering Department, with an emphasis on design/manufacturing. The primary focus will be on students

who wish to pursue a Ph.D. at MSU in the Department of Mechanical Engineering.

Mr. Pittman stated that the purpose of the Mechanical Engineering Graduate Student Fellowship Fund Functioning as an Endowment is consistent with the underlying discretionary gifts guidelines. Future gifts are expected to be added to this FFE. The income will be used to support the recruitment and funding of outstanding new graduate students entering the Mechanical Engineering Department who wish to pursue a Ph.D. at MSU in the Department of Mechanical Engineering.

D. New Investment Managers

- 1) It was recommended to the Board of Trustees that Boldwater Capital Management L.P. be selected as an absolute return manager.
- 2) It was recommended to the Board of Trustees that Rosehill Capital Management L.L.C. be selected as an absolute return manager.

On a motion by Mr. Pittman, supported by Mr. Nugent, **THE BOARD VOTED to approve** the recommendations.

E. Endowment Spending Policy

It was recommended that the Board of Trustees (I) adopt a spending policy under which the University may spend up to 5.75% of the average market value of the endowment as calculated for the twenty quarters of the five calendar years prior to the beginning of the fiscal year and which will be reviewed annually at the February meeting of the Trustee Finance Committee, and (II) amendment of the University's Investment Policy and other documents in which the spending policy appears, to reflect the new policy.

On a motion by Mr. Pittman, supported by Mr. Nugent, **THE BOARD VOTED to approve** the recommendation.

Mr. Pittman explained that the University's internal finance group prepared an analysis of this proposal; Cambridge Associates also prepared an extensive analysis. This is a change from 5.25% to 5.75%. The amendment will provide additional dollars for the budget, but is also very conservative in protecting the corpus of investments.

Vice President Poston pointed out that embedded in the amendment is a change from a three-year rolling average to a five-year rolling average. That will provide a great deal of stability in planning. By shifting from three to five years, the effective yield modeled is about 25 basis points, versus 50 basis points.

Mr. Porteous commented that the administration, led by President McPherson, Cambridge Associates, the University's investment advisors, and the Finance Committee of the Board, have worked very hard over a long period of time to build strong investment policies. MSU has a great history of financial stewardship that allows for adoption of this amendment.

F. Securities Lending Program

It was recommended that, effective May 10, 2004, the Vice President for Finance and Operations and Treasurer and the Assistant Vice President for Finance and Operations each be authorized and empowered to invest the assets of Michigan State University; to purchase, sell, exchange, lend or transfer all forms of securities and other investments, including rights or options to acquire the same, directly or through instructions to brokers or other agents; to execute and deliver any necessary documents in connection with such transactions; and to delegate such authority to others. The authority and power conferred by this action shall vest in any successor positions to the Vice President for Finance and Operations and Treasurer or Assistant Vice President for Finance and Operations and individuals appointed to these positions.

This action supersedes all prior Board actions relating to investment authority, including the Board Resolution on the same topic adopted on February 11, 1998.

On a motion by Mr. Pittman, supported by Mr. Porteous, **THE BOARD VOTED to approve** the recommendation.

Mr. Pittman explained that this recommendation allows for lending securities in the University's portfolio to banks and others, in exchange for collateral securing the loans. These loans would yield to the University a number of basis points that will generate more than \$400,000 per year. The University's assets are protected.

Mr. Romney noted that the entity that borrows these securities will provide cash collateral, and the University will also receive an indemnity from its custodian, a significant financial institution.

Dr. Poston added that the Trustees may withdraw the University from this program on five days' notice.

President McPherson emphasized that in the financial community, this type of arrangement is regarded as a very secure financial transaction.

7. Resolution

Trustee Porteous presented the attached Resolution honoring Dr. Robert Huggett, Vice President for Research and Graduate Studies, upon his retirement from Michigan State University. (Attachment A)

On a Motion by Mr. Porteous, supported by Mr. Nugent, **THE BOARD VOTED to adopt** the Resolution.

President McPherson thanked Dr. Huggett on behalf of himself, the Board of Trustees and the University community for his years of loyal service to the University.

Dr. Huggett said the University has a tremendous faculty, incredible students and the best staff he has seen anywhere. They are the ones who have made his accomplishments possible.

8. Public Participation on Issues Germane to Agenda

- A. Fred Graham, representing the MSU Retirees Association, thanked the Board of Trustees, on behalf of the retirees, for its liberal support by way of health benefits, free e-mail and Internet access, etc. Mr. Graham expressed concern that a move by the College of Human Medicine (CHM) would make finding a physician more difficult. Mr. Graham acknowledged that physicians connected with the University cannot generate the revenue needed to support the vast structure of machinery and personnel that modern medical training requires. It is understandable, therefore, that President McPherson would turn to private funding sources to make an expensive move possible. However, in order to find the funds necessary for this undertaking, it appears to the retirees' board that a public institution of medical training is becoming a private one. This results in grave implications for medical care to be provided or prohibited, as well as giving large donors exaggerated influence in medical research.

- B. Gretchen Whitmer, State Representative, said she was aware of the budget issues the University is struggling with and recognizes the need for independent sources of funding to support programs at MSU. A move by CHM would have a direct impact on the community of East Lansing. Ms. Whitmer expressed concern that \$40 million would be removed from the East Lansing community. Representative Whitmer urged the Board to remain attuned to the impact this move would have on mid-Michigan.
- C. Sandra Hiatt, resident of East Lansing, said she is opposed to moving CHM to Grand Rapids, as CHM's current focus is primary care and family care. Ms. Hiatt questioned whether the main focus would remain on primary care and family care with a move to Grand Rapids. As a nurse, Ms. Hiatt expressed concern for the underinsured. People with little or no insurance and Medicaid patients find access to primary care physicians challenging. The osteopathic specialists will not be able to fill the hole left by a move of CHM. Loss of health care access and jobs to the mid-Michigan area would not improve the relationship between the University and the community, at large.
- D. Mark Meadows, Mayor of East Lansing, spoke of the importance of growing health care access and the health care economy in mid-Michigan. Mr. Meadows thanked the President for his reaction to community concerns. The President gave community leaders unprecedented access to University personnel.

The community agreement announced on April 8th, would serve as a limitation on the scope of the expansion and assured a viable, credible two-campus model for CHM, if an expansion were to take place. The agreement assured the future health care needs of local citizens and avoided adverse economic impacts resulting from implementation of a complete CHM move to Grand Rapids.

Mayor Meadows stated that the financial projections provided on May 4, 2004, do not conform to the agreement. The projections assume a shift of health care resources from the capital region to Grand Rapids in the magnitude of \$100 million. Although the Mayor is aware that an "agreement in principle" awaits the final document to be signed, the Board is being asked to approve a move to Grand Rapids on the evidence being provided today. On behalf of the community coalition, Mayor Meadows asked for a delay of consideration of the proposed Resolution until the financial figures submitted could be thoroughly analyzed.

Mayor Meadows encouraged a re-engagement of the experts and staff of CHM to provide the community and Board with valuable information that will permit an accurate assessment of the value of expansion of CHM. He believes the evidence indicates an additional financial burden would be placed on the University, if it proceeds with the expansion. Mayor Meadows urged the vote be deferred for 90 days.

- E. Aron Sousa, Assistant Professor of Medicine, indicated that the faculty of CHM appreciate the President's and the Provost's endorsement of the Academic Senate Resolution. In addition to the oversight language in the Resolution, the faculty appreciates that through the academic governance of the College, it would have assurance and satisfaction that there are adequate resources, before implementation of the proposed expansion.

The spreadsheets in the financials indicate a cut in the number of providers in East Lansing, with a resulting decline in the provision of care.

The Clinical Center has spent time and effort to improve quality, with support of the Trustees. If revenue is cut to the Clinical Center, care will decrease in this community. An expansion of the CHM to Grand Rapids would be fine, but abandoning Lansing would not be a good idea.

- F. Jane Turner, Associate Professor in Pediatrics and Human Development and Assistant Dean, CHM, oversees the curriculum for first and second year medical students. Dr. Turner asked who would teach first and second year CHM students. The proposed expansion to Grand Rapids would move pre-clinical students and require the recruitment of a faculty of basic scientists to build a research-intensive institution. It takes years of training and mentoring to for scientists to work with medical students. Dr. Turner also expressed concern about accreditation if there is a gap, or perceived gap, in quality. Student and faculty recruitment would be affected, jeopardizing the medical school's excellence.
- G. Bill Derman, Anthropology Professor, works with social impact analysis. Dr. Derman is unaware of a serious study into the range of social impact to the rest of the University if CHM is moved. The Department of Anthropology has had a medical anthropology program since the mid-1970s. There have been multiple engagements with CHM, including research curriculum, shared faculty and participation in joint programs.

Dr. Derman said much research has been conducted in health disparities; CHM, as well as anthropologists, carry out study of chronic pain. Will these cutting-edge studies and research continue?

Dr. Derman asked the Board to examine very closely what other units on campus would be hurt by a move, what research would be lost by a move, what graduate students would not come to MSU because there would be no guarantee of collaboration with CHM after a move and what other impact this move would have on the University.

- H. Rae Schnuth, Associate Professor, Human Medicine, advised that the Resolution she presented at the last Board meeting was approved by faculty across the University. The key components of that Resolution include: the importance of the oversight committee in evaluating adequacy of finance, accreditation, faculty support, programmatic quality and the impact of the expansion on the community. In order for the oversight committee to be effective, it must work in the areas of academic affairs, clinical practice, research and community-campus network. These pieces must be in place in order for CHM to maintain its commitment to humanism, diversity, educational innovation and commitment to the medically underserved. Dr. Schnuth thanked the President and the Board for the time and hard work they have expended in examining the issues.
- I. Joseph E. Drolett, Delta Township Supervisor, said the CHM expansion is a regional issue and urged the Board to take very seriously the impact on this region. As the \$1.2 billion investment by General Motors has region-wide impact, so does the fate of the CHM. Mr. Drolett acknowledged benefits of an expansion, but said responsibility to maintain a presence in mid-Michigan is crucial. The substitution of osteopathic students for CHM students who would move to Grand Rapids does not ensure that accreditation of the CHM is secure.

Mr. Drolett asked the Board, in their deliberations, to carefully study the assessment reports and the financials and to listen to faculty.

- J. Claudia Holzman, Associate Professor, Epidemiology, questioned whether it would be possible to maintain innovative multi-disciplinary research teams that are now a key ingredient for National Institute of Health (NIH) funding. Dr. Holzman has been a part of a multi-disciplinary team that includes MSU faculty from the

clinical sciences, the basic sciences, animal sciences and social sciences.

Dr. Holzman expressed concern that expansion of the CHM to Grand Rapids would weaken cross-disciplinary bonds. The multi-discipline projects Dr. Holzman has been a part of would not have come to fruition in the Grand Rapids setting, because they were conceived in the MSU atmosphere of diverse scholarly activities.

- K. Ramakrishna Mukkamala, Assistant Professor, Electrical & Computer Engineering, informed the Board that his principal research objective is to innovate engineering solutions to important problems in human medicine, and he feels the only way to achieve this objective is with a strong collaboration with clinicians in human medicine. Dr. Mukkamala accepted MSU's offer because he thought it would be easy to form such collaborations. Recently, the College of Electrical Computer Engineering has launched a biomedical engineering initiative, and six new biomedical engineering faculty have been hired over the past two years. The College has invested millions of dollars to support research with biomedical equipment, laboratories and start-up packages. If CHM is moved to Grand Rapids, where will that leave the biomedical engineers who are striving to build internationally recognized research programs? Dr. Mukkamala urged the Board to consider this question when making its decision.

- L. James R. Anderson, Professor, History, as a faculty member of the College of Arts and Letters and as a member of Academic Council, expressed concern about financial transparency in the CHM issue. His concern is whether private agendas and private interests are making their way into the deliberations of the Board on the issue of moving the medical school. He questioned whether there are conflicts of interest. Dr. Anderson asserted that the questions emerge from the dense cloud of secrecy that has surrounded official deliberations on this matter so far. If it were not for a vigilant press and rising concern among the University faculty, this vote could have come with the public and faculty almost completely in the dark. There was no financial data until about 72 hours ago.

- M. James Potchen, spoke on behalf of the Faculty Liaisons to the Board of Trustees. Dr. Potchen expressed appreciation for what is being done to attempt to expand and enhance opportunities for CHM. CHM is woven into the fabric of the entire University. The medical school is a key part of the University and a key part of the community. Dr. Potchen encouraged the Board to take seriously all the statements made today.

The Faculty Liaisons met with some members of the Board this morning, and Dr. Potchen emerged with a better understanding of the issues. There has been conjecture that if the expansion to Grand Rapids does not become a reality, MSU may not be able to afford a medical school. Dr. Potchen urged the Board to recommit that the University will afford a medical school, at all costs. It is an opportunity for the rest of the University and the State to move forward; funds can be generated through a medical school.

The Faculty Liaisons feel, after reviewing the financial projections, that the pro forma, as presented, would not pass accreditation with the LCME. He expressed concern for what would happen if MSU were to abandon the medical school or abandon the community of East Lansing. Dr. Potchen shares concerns of the community leaders that the potential of CHM expansion was revealed very late in the game.

Dr. Potchen urged that, if the Resolution is passed, the oversight committee be taken very seriously. Much insight can be gathered from the people who would implement the decision that is made. Dr. Potchen said he understands that this “in principle” vote does not mean that it’s done until the oversight committee reviews the financial pro formas.

9. Committee Chairperson McNamara presented the Trustee Policy Committee report and recommendations.

A. Notice of Intent to Negotiate a Contract

Pursuant to state law, the Chair of the Policy Committee gave public notice to the full Board during the Committee’s report of the University’s intention to negotiate agreements regarding technology licensing, research and related matters with:

SiGNa, LLC, a limited liability company being formed in New York. Dr. James L. Dye, an emeritus Professor who maintains an active research program on campus in the Department of Chemistry, and his immediate, family cumulatively own or have options to buy an ownership interest of more than 5% of the company. It is anticipated that Dr. Dye will also be Vice President of SiGNa, LLC.

B. Resolution: Expansion of College of Human Medicine to Grand Rapids.

It was recommended that the Board of Trustees approve the following Resolution:

BE IT RESOLVED that the Board of Trustees approve, in principle, the expansion of the Michigan State University College of Human Medicine in Grand Rapids, consistent with the recommendations of the Medical School Assessment led by Dean Emeritus Dean Bowersox, the Agreement with Community Leaders and the Academic Senate Resolution on the College of Human Medicine's Expansion to Grand Rapids. The Administration is charged to develop implementation plans for the expansion in a wise and prudent manner with the active engagement of the faculty. The Administration is to report periodically on its progress.

Based on a review of the implementation plans and evidence of satisfactory financing, a separate action by the Board of Trustees at a subsequent meeting is required to authorize the execution of the implementation plans including the related agreements with partners in West Michigan and Mid-Michigan.

On a motion by Ms. McNamara, supported by Mr. Porteous, **THE BOARD VOTED to adopt** the Resolution.

President McPherson commented that everyone involved with the medical school issues has been very supportive of Michigan State having a medical school. The University has a good medical school, resources are difficult, but will allow continuing a good medical school. The question is whether MSU can put together the resources to move from good to great. Mr. McPherson said there is a very strong, long and deep commitment to medical education at Michigan State.

Secondly, Mr. McPherson said this is one of the most difficult MSU-community issues he has encountered since he has been President. It is an extraordinarily complicated matter and he, as well as many others, has spent a lot of time thinking about how this community can continue to have strong medical care. That has been a significant part of all discussions. Mr. McPherson pointed out that the MSU HealthTeam will continue its presence in East Lansing, and the clinic will continue to operate. There may be changes, but the project is a true expansion to Grand Rapids, rather than a transfer of vast numbers of people.

The Medical School Assessment report is a very detailed report; it itemizes what would be the Grand Rapids component and what would remain in East Lansing. The financial projections, which have gone through 31 editions, quite closely track the Assessment report. The community leadership has indicated that MSU needs a rebalanced relationship with local hospitals; that is critical in terms of what needs to be done.

The President also pointed out that the financial projections are those of CHM – not of osteopathic medicine. The expansion plan expects to replace the first and second year student numbers in East Lansing with a growth in osteopathic medicine. That activity is not reflected in the Human Medicine financials.

MSU remains deeply committed to this community.

President McPherson said he feels that the faculty and their voice have been very constructive and helpful, including comments this morning. The oversight committee will be formed very soon and will be worked very hard. The administration is deeply committed to engaging the oversight committee and the subcommittees, as well.

Mr. McPherson expressed his gratitude for discussions with the community, discussions with the faculty and various legislative representatives, and for the three-part public forum that Chairman Porteous and several members of the Board attended.

Trustee Proteous indicated that he believed a compelling case has been made for the further movement of this process. Mr. Porteous found the extensive input, not only from this community, but from across the State, to be very helpful. He acknowledged the extraordinary amount of time Trustee Pittman has devoted to this matter. Mr. Pittman was able to enlighten and to help alleviate some of the concerns of the Faculty Liaisons to the Board, as well as to identify areas that need continued work and refinement. Mr. Porteous expressed his gratitude to the President, Provost and others in the administration for the extraordinary amount of time that has been spent on the CHM expansion project.

The College of Osteopathic Medicine will be almost doubling in size. This is an extraordinary commitment by this University to medical education. The proposed expansion, Mr. Porteous believes, is not only important to CHM, but to the University and the entire State.

Several years ago, the State of Michigan made a very important, long-term commitment to drive life science business and life science research by pioneering the Life Sciences Corridor. As the state has lost many manufacturing jobs, one of the best avenues to potentially replace those jobs is in bioscience, biotechnology and medical research. The step being taken today will enhance the campus, the opportunities in Grand Rapids and the entire state. Trustee Porteous supported the Resolution.

Trustee Pittman added that he has been involved in a very significant way with the concept of expanding CHM to Grand Rapids. He believes that the project has been approached with the following objectives: first, there is a history of leadership with the medical school but it needs to continue to improve – the ranking of the medical school should improve, one step at a time. As the medical school improves, the graduates impact the lives of Michigan residents, not only in the Lansing area, but in the Upper Peninsula, in southeast Michigan and west Michigan. The public deserves the most competent and qualified physicians that can be provided. That can be accomplished by increasing research, attracting the most qualified and competent faculty possible to work with existing faculty who helped to achieve the current status. The medical school needs to be a leader in terms of medical change. Michigan State University and the College of Human Medicine can and should be in a position to offer the best care to the citizens of Michigan.

Mr. Pittman mentioned that many additional faculty will be needed for expansion of osteopathic medicine. A very small percentage of the health care in the Lansing area is supported by the CHM. It is an important component, but a small component. Expansion to Grand Rapids would not abandon Lansing, but will help Lansing. The number one issue for many large and small corporations is the cost of health care. It affects their ability to be competitive; MSU must be innovative; MSU must assist in finding ways to control the cost of health care. The current road leads to double-digit cost increases each year. Change to improve is vital.

The plan, as it stands, is not complete. There is an enormous amount of work yet to be done. The current plan will see change and be modified. This is an aggressive plan. The concept being considered today is one that makes sense. The Resolution reads that when the details are complete, it will be brought back to this Board; this Board will be thorough in its analysis and then a final decision will be made.

Trustee Ferguson expressed tremendous trust in President McPherson in working out details so the potential CHM expansion will be a win-win situation. Mr. Ferguson has a history with a number of Lansing leaders in whom he has total trust, as well. Mr. Ferguson said he felt the President is committed to Michigan and to Michigan State. CHM expansion would mean expansion of health care throughout Michigan. Trustee Ferguson said he would vote in favor of the Resolution, as it will be best for both MSU and the larger community.

Trustee Romney endorsed the comments of the previous Trustees and the President. He said he felt this is an outstanding opportunity to improve the excellence of medical care in the State and in CHM. Mr. Romney emphasized that the Trustees have listened to concerns today, and they believe that Lansing and East Lansing will be enhanced by this opportunity.

Trustee Romney assured those in attendance that CHM would maintain its independence. The Trustees and the University will control the future of the medical school. Mr. Romney added that the Board is concerned about the multi-disciplinary aspects and the opportunity for synergy between departments of the University – that is critical and can be enhanced by proper planning for the expansion.

This expansion would give MSU an opportunity to move to a new tier in terms of competence and talent and benefit to the community.

Trustee Nugent thanked President McPherson and Trustee Pittman for all the time they have devoted to this project. At the public forum held last week, one concern that was voiced repeatedly was that CHM might be privatized and would not be MSU's school of medicine, but, rather, Spectrum's school of medicine, or someone else's school of medicine. That is not true. It is not uncommon among Land Grant universities for medical schools to be located away from the base university. When the Land Grant institutions were established, they were located in agriculture areas, not population centers. Hence, it makes very good sense that many of the Big Ten university medical schools are off campus. MSU has the unique advantage of the osteopathic school filling in for changes in CHM.

Trustee McNamara said that CHM expansion decision is a very difficult one, and that she is impressed by the incredible engagement by the community and the faculty. Ms. McNamara

thanked everyone who talked with her and e-mailed her and took time to come to the Board meeting to express thoughts and concerns. This is not a decision taken lightly on the part of any of the Board members. Trustee McNamara assured those present that expansion will not take place unless the numbers and the details work out favorably. Ms. McNamara added she will be voting in favor of the Resolution.

Trustee Gonzales echoed her colleagues. Ms. Gonzales advised that, from the prospective of one who works in health care, she recognizes that partnerships are needed. Health care has become so expensive that a stand-alone effort just won't work. Ms. Gonzales said she feels very comfortable with Trustee Pittman, the President and the others who are involved in the project. Trustee Gonzales added that there has to be a regional approach to health care. She emphasized that the CHM will still be Michigan State University's medical school.

Trustee Cook explained that she feels that this project is very important to the mission of this Land Grant University. The Board will continue the tradition of being the University of the people of Michigan.

Ms. Cook met this morning with the Faculty Liaisons to the Board and felt that Dr. Potchen accurately reported the discussion. Ms. Cook sees the potential to move the University and CHM to a higher level. She reassured the audience that one of the major considerations of the Board has been the continuation of medical services to the capital community that supports the University – emotionally, philosophically and financially. The Board takes very seriously the concerns expressed by the community and has made every effort to keep them at the forefront as this concept moves forward. She expressed her intention to support adoption of the Resolution.

10. Trustee Comments

Trustee Nugent indicated that he attended a function for the American Society of Public Administrators where President McPherson was honored as the outstanding citizen of the year, receiving the Frank Kelley Award. The Board congratulated the President on receiving that award.

11. Public Participation on Issues Not Germane to the Agenda

There was no public participation on issues not germane to the agenda.

12. An Executive Session was not requested.
13. On a motion by Mr. Porteous, supported by Mr. Romney, **THE BOARD VOTED to adjourn** at 10:21 A.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees

Attachment A

MICHIGAN STATE UNIVERSITY BOARD OF TRUSTEES RESOLUTION HONORING DR. ROBERT HUGGETT

May 7, 2004

The Board of Trustees of Michigan State University today honors and pays special tribute to Dr. Robert Huggett, as he steps down from the Vice Presidency for Research and Graduate Studies.

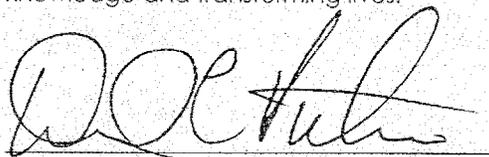
Dr. Huggett came to the University in 1997 as Vice President for Research and Graduate Studies and a professor of Zoology. His background in higher education administration and research leadership has greatly advanced Michigan State's research mission.

We commend Dr. Huggett for his leadership. During his tenure, MSU has seen its external research funding increase by 81 percent, rising from \$108 million in fiscal year 1997-98 to \$196 million in fiscal year 2002-03. Research awards from all sources totaled more than \$300 million in 2003-04.

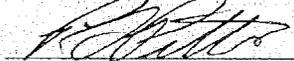
The Board honors Dr. Huggett's leadership in expanding MSU's science and research infrastructure, including construction of the National Food Safety and Toxicology Center, the Biomedical and Physical Sciences Building, and the Diagnostic Center for Population and Animal Health.

We also recognize Vice President Huggett's leadership which has led to the expansion of the Office of Intellectual Property and the pursuit of the Rare Isotope Accelerator. Dr. Huggett's commitment to investing internal seed funding in research projects proposed by faculty in every disciplinary area of the university has yielded substantial returns in external research funding and scholarly achievements.

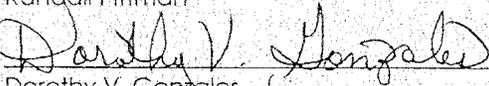
On behalf of Michigan State University and the citizens of Michigan, we extend our sincere gratitude and best wishes to Robert J. Huggett and acknowledge his devoted service and accomplishments in furtherance of Michigan State University's commitment to advancing knowledge and transforming lives.



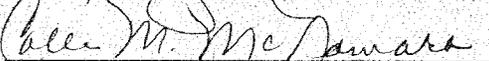
David L. Pateous, Chairman



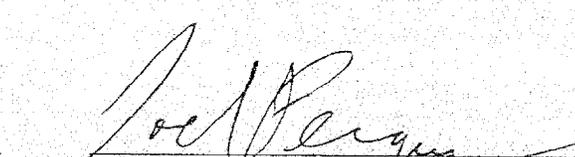
Randall Pittman



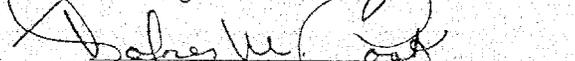
Dorothy V. Gonzales



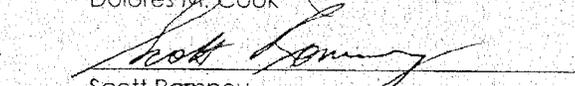
Colleen M. McNamara



Joel Ferguson, Vice Chairman



Dolores M. Cook



Scott Romney



Donald W. Nugent