

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

November 12, 2004

The Trustee Finance Committee and Trustee Policy Committee meetings were held in the Board Room of the Administration Building beginning at 9:00 a.m. on Friday, November 12, 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 9:20 a.m. in the Board Room.

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

University officers present: President McPherson, Provost and President Designate Simon, Vice President Poston, Secretary Carter, Vice President and General Counsel Noto, Vice Presidents Denbow, Gray, June and Webb, Senior Advisor and Director Granberry Russell and Director Williams. Faculty Liaisons present: Melanie Helton, Robert Maleczka, Sue Melnick, Michael Moch and Norm Abeles for Jon Sticklen. Student Liaisons present: 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. Porteous, supported by Ms. Gonazles, **THE BOARD VOTED to approve** the agenda as amended.
2. On a motion by Mr. Porteous, supported by Ms. Gonzales, **THE BOARD VOTED to approve** the minutes of October 8, 2004.
3. President's Report:

President McPherson reported that Lonnie King, Dean, College of Veterinary Medicine, was elected to the Institute of Medicine. This is a high honor that is usually reserved for physicians and researchers who study human health issues. Dr. King has argued that a strong human medicine research program in Grand Rapids would augment the Veterinary Medicine program. He has long seen the connections between

human and animal medicine. Dr. King also works extensively with the communicable disease center in Atlanta.

President McPherson announced that seven MSU students have been nominated for three of the most prestigious scholarships available: the Mitchell Scholarship, the Marshall Scholarship and the Rhodes Scholarship. These students come from the Colleges of Natural Science, Social Science and Arts and Letters, as well as the Honors College and Lyman Briggs School of Science.

President McPherson said that MSU will soon be awarded the Goldman Sachs Foundation's prestigious Prize for Excellence in International Education. The prize honors MSU for a number of international initiatives, including development of an interactive secondary schools curriculum that focuses on Africa and development of resources for middle- and high-school students and teachers who are interested in learning about Latin America and the Caribbean.

President McPherson noted that this is International Education Week, and in keeping with that theme, Constance Berry Newman, Assistant Secretary of State of African Affairs, will make a presentation on November 16th. Secondly, MSU's Institute of International Agriculture has a partnership for food and industrial development, using science and technology. Additional funding from the U.S. Agency for International Development has been awarded for this project.

4. Public Participation on Items Germane to the Agenda

There was no public participation on items germane to the Agenda.

5. Personnel Actions

Provost and President Designate Simon presented the following personnel actions:

A. Appointments

- 1) Last, Robert L., AN – Professor, Departments of Biochemistry and Molecular Biology; Plant Biology, \$127,110, with Tenure, effective January 1, 2005.
- 2) Izzo, Thomas M., AN – Head Coach – Basketball, Intercollegiate Athletics, Subject to Contract, effective July 1, 2010 to June 30, 2011.

B. Other Personnel Actions

- 1) Hudzik, John, AN – Dean, International Studies and Programs; Professor, School of Criminal Justice, to add title Acting Provost and Vice President for Academic Affairs Designate, effective November 12, 2004 to December 31, 2004.
- 2) Hudzik, John, AN – Dean, International Studies and Programs; Professor, School of Criminal Justice, to change title to Acting Provost and Vice President for Academic Affairs and for a salary rate change to \$185,000, effective January 1, 2005.

The following actions include tenure recommendations that were delayed last spring. They are recommended by the Department Chairperson/Director, the Deans and the Provost in accordance with the tenure rules.

- 1) Schatz, Hendrik, promotion to Associate Professor, Department of Physics and Astronomy; National Superconducting Cyclotron Laboratory.
- 2) Summerhill, Thomas, promotion to Associate Professor, Department of History.

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

Dr. Simon said that Professor Last has a Ph.D. in Biological Science from Carnegie Mellon and has served at Cornell University, as well as in the private sector as a visiting scientist at the Max Klein Institute for Chemical Ecology. Most recently, he was the program director for the Plant Genomic Research Program at the National Science Foundation. MSU is very fortunate to have Dr. Last as part of its faculty.

Professor Steve Lacy, Chair of the Search Committee for Acting Provost and Vice President for Academic Affairs, reported that the Committee received seven nominations, from which two finalists were selected. Both are outstanding faculty members at MSU. Following a series of public fora, interviews with deans, committees and staff, the Search Committee determined that Dr. Hudzik's qualifications better fit the criteria. The Committee feels that Dr. Hudzik will do an outstanding job as Acting Provost. Dr. Simon added that she appreciates the work of Professor Lacy and the

Committee and thanked them for including faculty, staff and students in the selection process.

Dr. Poston explained that basketball coach Tom Izzo has a seven-year rolling contract. Each year it is incumbent on the Trustees to decide if they want to add another year to the end of the seven years. This action is an extension of one year, consistent with the terms of Mr. Izzo's contract.

Dr. Hudzik thanked Dr. Simon, President McPherson and the members of the Board of Trustees for their confidence in his ability to serve effectively as Acting Provost and Vice President for Academic Affairs. Dr. Hudzik said the University faces both challenges and great opportunities, and stated that it is his obligation to deal with the challenges, to realize many of the opportunities and to keep the University moving forward.

6. Finance Committee

Chairperson Pittman presented the Trustee Finance Committee report and recommendations.

A. Amend Construction Manager Work Scope

It was recommended that the Board of Trustees amend the work scope authorized for Barton Malow/Clark Construction, construction manager for Spartan Stadium Seating Expansion to include restoration of the West Upper Stands, and completion of space for a branch of the Career Planning and Placement Center.

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

Kelley Bishop, Director, Career Service and Placement, said this was a great opportunity for his department. With the introduction of the Lear Center in the College of Business, his department moved from a centralized program toward a more distributed approach. A proposal was made for a three-hub system on campus that focuses on various industries that connect closely with specific colleges. The third hub would include the College of Engineering, Communication Arts and Sciences, Agriculture and Natural Resources and other science-related disciplines. Synergy will be created with University Development and MSU's Alumni Association, with which Career Service and Placement currently works closely.

Mr. Pittman pointed out that combining space at the stadium for University Development, the Alumni Association and the Career Center will create an opportunity to reevaluate how the Student Union Building is used. One of the concepts under consideration is a possible expansion of the Multicultural Center. All of these moves are interlinked, and each fits the Board's long-term plan.

Dr. Poston said that analysis of the Multicultural Center in the Student Union is not yet complete, but it seems that an expansion may be possible. Funding and timing has to be worked out. Dr. Simon offered that by making this change, some space in Student Services could be used for placement activities for other students.

Mr. Nugent said the Lear Center points out the high value of having a first-class area for recruitment for this University. The stadium project will make a positive impression on recruiters seeking students from other colleges.

B. Bid and Contract Award

It was recommended to the Board of Trustees that a contract in the amount of \$3,272,800 be awarded to Fryling Construction Company, Inc., of Grand Rapids, Michigan, and that a budget in the amount of \$4,360,000 be established for the project entitled: The Matilda R. Wilson Pegasus Critical Care Center.

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

Lonnie King, Dean, Veterinary Medicine, credited Dr. Frederik Derksen, Professor, Large Animal Clinical Science, with moving this project forward to its current stage. Dr. King said the Matilda Wilson Fund awarded a gift of \$5 M to create a combination of a unique isolation facility to treat very sick food animals and young horses, especially foals, and to create new residency programs to allow MSU state-wide expertise. Dr. King said the isolation facility is critical. Animals being treated for West Nile virus, salmonella, etc., need to be separated from other animals. The physical structure is consistent in design with the Equine Performance Center. The Critical Care Center will be a valuable asset to the College of Veterinary Medicine, as well as MSU.

Mr. Pittman pointed out that an ordinance change is necessary because the Critical Care Center will encroach on protected green space. Jeff Kacos, Director, Campus Park and Planning, said the purpose of having a protected green space plan for campus is to

ensure that the quality of the University's park-like setting is preserved. The purpose of the green space upon which the Critical Care Center would encroach is to assure a landscape corridor for the streetscape. The setback of the building would place it far enough back from the road and from the south side that a landscape buffer will still filter the view of the building on the west and screen it from the view of people on the south. The original intent of having this landscape corridor will not be compromised by placing the building at the proposed location.

Mr. Nugent pointed out that the area to the south serves as a buffer between the building and the railroad tracks. Mr. Pittman asked Dr. King where the aviary rehabilitation facility would be relocated. Dr. King indicated it would be moved just east of the current location to space that is being used as a paddock for horses.

Mr. Porteous asked Dr. King what impact the Critical Care Center and the future cancer facility has had on the College of Veterinary Medicine and its national reputation. Dr. King said that the Matilda R. Wilson Pegasus Critical Care Center, the comparative oncology center and the McPhail Equine Performance Center have all been developed through private funding. That keeps MSU one of the very top veterinary colleges.

Mr. Pittman said that he has learned that there are an incredible number of biotech researchers who are doctors of veterinary medicine. This is one of Michigan State's great strengths.

Ms. Cook mentioned that some of the members of the Board of Trustees took a tour yesterday of the Diagnostic Center for Population and Animal Health (DCPAH), under Dr. King's leadership. Ms. Cook said she was astonished by the concentration of scientists and specialists who are doing research and diagnosing animal diseases. The DCPAH technology and the design are very impressive, and people around the country will look to this facility to test diseases that very often affect the human population. Ms. Cook also noted that the Matilda R. Wilson Trust has been very generous to Michigan State and the endowment has been critical to continuing to build Michigan State University.

C. Reinvestment Option – Funds Functioning as Endowments

It was recommended that the Board of Trustees adopt the following resolution:

BE IT RESOLVED, that expendable amounts from all funds functioning as endowments that remain unspent at the end of any fiscal year will be (i) automatically held for expenditure in subsequent fiscal year(s), or (ii) transferred to the principal balance of funds functioning as endowments for investment if a request is made to do so at least thirty (30) days prior to the close of any given fiscal year.

BE IT FURTHER RESOLVED, that, unless the funds functioning as endowment states otherwise, this action shall apply to all expendable amounts that currently remain unspent in existing funds functioning as endowments as well as to future funds functioning as endowments.

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

D. Funds Functioning as an Endowment

It was recommended that the Board of Trustees establish a fund functioning as an endowment entitled: Wharton Center Endowed Enhancement Fund.

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

Mr. Pittman explained that the initial funding of \$25,000 and the income from the fund functioning as an endowment would be used to support new or special initiatives, commissions, arts education outreach, capital improvements or any activity pertaining to the fulfillment of the center's mission.

E. Investment Policy Statement Revisions

It was recommended that the Board of Trustees adopt the attached revised Investment Policy Statement. (Attachment A)

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

Mr. Pittman explained that the substantive updates include:

- 1) The long-term performance goals for the Liquidity Pool and the Intermediate-Term Fixed Income Fund were both reduced 50 basis points to a total annual return, net of fees,

greater than the rate of inflation plus 1.5% (from 2%) and the rate of inflation plus 3.0% (from 3.5%), respectively.

- 2) Required reporting to the Finance Committee and the Board of the decline in values of the University's various portfolios and investments with individual managers, if a decline in value is in excess of 10% and more than \$100,000.
- 3) Institutional Funds that are separately invested outside of the Common Investment Fund due to donor limitations have been explicitly addressed, including their endowment spending guidelines.
- 4) The Liquidity Pool's minimum portfolio quality was increased from "A" to "AA".

Also included are a number of housekeeping details that are important in terms of control aspects and management. Glen Klein took care of these details, under the direction of Vice President Poston. Mr. Pittman commended Mr. Klein for his hard work, not only on this project, but overall because of its importance to the University.

7. Policy Committee

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

A. Policy Revision: Board of Trustees Committee Structure 01-01-09

It was recommended that the Board of Trustees Finance Committee be renamed the Finance and Audit Committee and that Board Policy 01-01-09 Board of Trustees Committee Structure be amended to reflect that change and to clarify the description of the Finance and Audit Committee's responsibilities, as set forth in the revised version of Board Policy 01-01-09, attached hereto. (Attachment B)

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

B. Notice of Intent to Negotiate Contracts

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 an agreement regarding

technology licensing, research and related matters with the following companies:

- 1) Advanced Material and Manufacturing Technologies, Inc., a Michigan company based in Marshall, Michigan. As indicated in documentation provided to the Board, Dr. Farhang Pourboghrat, an Associate Professor in the Department of Mechanical Engineering, and his immediate family, cumulatively own or have options to buy an ownership interest of more than 5% of the company. Dr. Pourboghrat will also be an officer of Advanced Material and Manufacturing Technologies, Inc.
- 2) Natural Therapeutics, LLC, a Michigan company based in Dexter, Michigan. Dr. Muralee Nair, a Professor in the Department of Horticulture, and his immediate family, cumulatively own or have an option to buy an ownership interest of more than 5% of the company. Dr. Nair is also an officer of Natural Therapeutics, LLC.

C. Approval of Contract Terms and Conflict of Interest Management Procedures

- 1) It was recommended to the Board of Trustees that it approve the administration's recommendation for execution of an amendment to a license agreement with AFID Therapeutics, Inc., consistent with earlier public notice given on October 10, 2003, and amendments made on April 16, 2004, and on September 17, 2004, and an applicable "License Amendment Term Sheet." (Attachment C)
- 2) It was recommended to the Board of Trustees that it approve the administration's recommendation for execution of a research contract with Biophotonic Solutions, Inc., consistent with earlier public notice given on September 17, 2004, and consistent with an applicable revised "Research Contract Term Sheet." (Attachment D)
- 3) It was recommended to the Board of Trustees that it approve the administration's recommendation for execution of a license agreement with Cyagra, Inc., consistent with earlier public notice given on December 6, 2002, and consistent with an applicable "License Term Sheet." (Attachment E)

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

8. Chairman's Report

Trustee Porteous commented on the special connection between Veteran's Day and Michigan State University. Many graduates of MSU have served in the armed forces – in World War I, World War II, the Korean Conflict, Vietnam, Desert Storm, and now in Iraq. MSU experienced significant growth when World War II veterans returned to college. They drove the expansion of this University.

President McPherson said there is a picture in Cowles House of the seven graduates of the class of 1861. All of them immediately went to war. Five returned. One died at Gettysburg, another died in a prisoner camp. MSU graduates have been engaged in every conflict since that time.

Mr. Porteous pointed out that this is the first meeting since the November election, and when thinking of Trustee Pittman he is reminded of Tom Izzo's comments about elite players and what they do for the team. Mr. Porteous said he considers Mr. Pittman one of those elite players. He brought to the Board a special knowledge and insight that has resulted in the entire Board being a better Board. Mr. Porteous said Mr. Pittman will be greatly missed on the Board.

Mr. Pittman congratulated Trustee Ferguson on his election victory.

Trustee Porteous presented two Resolutions that amended the Agenda:

- 1) BE IT RESOLVED that the Board of Trustees approves the employment agreement negotiated between Dr. Lou Anna K. Simon and the Chairperson of the Board, in accordance with the Board's Resolution of June 18, 2004, appointing Dr. Simon to be the twentieth President of Michigan State University; and

BE IT FURTHER RESOLVED that the Board of Trustees authorizes the Chairperson of the Board to execute such employment agreement, substantially in the form attached to this Resolution, on behalf of the Board. (Attachment F)

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

Mr. Porteous said that this is a three-year contract, the compensation is \$340,000, there is no deferred compensation or life insurance. The contract will place Dr. Simon's salary at about the mid-point of Big Ten presidents. Because of Dr. Simon's extensive background at Michigan

State, serving the past 11 years as Provost, and with her exceptional national reputation, the Board is very comfortable with this agreement.

- 2) BE IT RESOLVED that the Board of Trustees approves and authorizes the Chairperson of the Board to execute on behalf of the Board, the Amendment to Employment Agreement between M. Peter McPherson and the Board, substantially in the form of Exhibit 1 attached to this Resolution; and

BE IT FURTHER RESOLVED that the Board of Trustees approves and authorizes the Chairperson of the Board to execute on behalf of the Board, the Deferred Compensation Agreement between M. Peter McPherson and the Board, substantially in the form of Exhibit 2 attached to this Resolution. (Attachment G)

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

Mr. Porteous said that in 1998 this Board adopted a resolution that provided that if President McPherson served longer than ten years as president, he would qualify for a five-year employment extension after he leaves the presidency. The agreement addressed how compensation would be determined, and this agreement follows the spirit of the 1998 resolution. Among other things, the agreement provides President McPherson with the opportunity to take a leave of absence, it provides for compensation at about \$143,000, it provides a fuller explanation as to his duties and it addresses tax issues.

President McPherson thanked the Board and said that the 1998 agreement allows him the option of either a continued engagement with the University or to take a leave of absence and then return to the University at a later date. Mr. McPherson said that he will announce his intentions at the December Board meeting. President McPherson said he loves Michigan State and wants to see it prosper. There are many things yet to be done, and he will be a supportive graduate of the University.

9. Trustees' Comments

- A. Trustee Cook thanked Professor Abeles for the advisory report he prepared on the potential expansion of the medical school. She thanked him for his personal commitment and willingness to give of his energy, intellect and expertise whenever called upon. The report was very supportive of the resolution passed by this Board in the spring.

Dr. Abeles said the Oversight Committee will meet with the College of Human Medicine this coming week and will have a formal recommendation for the Board at its December meeting. The Committee has made a number of recommendations as to possible expansion of the MSU College of Human Medicine. It states that expansion should proceed through planned phases. The Committee feels that development of a targeted research program guided by the Research Implementation Committee in the College of Human Medicine and development of the College of Human Medicine clinical practice model are essential parts of this expansion, and that significant new funding will be necessary to support expansion. Finally, first- and second-year students should arrive in Grand Rapids after the research program is well underway and appropriate faculty and physical facilities are present.

- B. Trustee Gonzales said she was very pleased to learn that expansion of the Multicultural Center is being considered. One of the major complaints of students is that a larger space is needed. When there are functions in the current space, it is much too crowded, and a larger space will be very helpful.
- C. Trustee McNamara passed.
- D. Trustee Nugent said that one of the things that excited him in reading the report of the Oversight Committee was the concluding remark that the Committee recommends discussion commence immediately. Mr. Nugent said he appreciated that enthusiasm, and the Board members all agree on the importance of working toward getting this program put together with Grand Rapids. It's going to mean a great deal to Trustee Pittman, who worked so hard on this project. Mr. Nugent said he hopes Mr. Pittman will remain engaged in this project. Mr. Nugent said that there are some points that need to be negotiated, but there is not a great deal of conflict.

Mr. Nugent reminded the Board that AutumnFest begins at 12:30 p.m., November 13, in the Livestock Pavilion. He encouraged everyone to attend. The event raises a great deal of money for scholarships.

- E. Trustee Romney said he is impressed with the quality of MSU's veterinary programs. He also noted that the renovations at Spartan Stadium are very important, not only for the Athletics Department, but for University Development and the Alumni Association, as well as for Career Services and Placement. Mr. Romney said he is thrilled with the enthusiasm of the Oversight Committee report and

the work the Committee has done. Mr. Romney said the Board members continue to be willing to help in any way they can to bring the expansion about and to make this a positive experience for the Grand Rapids community and for Michigan State University, as well as for Lansing, and East Lansing.

Mr. Romney said he would save most of his comments about Trustee Pittman for the December meeting, but that rarely in life do people meet an individual with the kind of capacity and commitment that Mr. Pittman has contributed to the Board of Trustees. It has been a rewarding experience for Mr. Romney to get to know and work with him on this Board.

F. Trustee Pittman thanked Mr. Romney for his comments.

Mr. Pittman said he is, too, very excited about the Oversight Committee report. It is a culmination of a significant investment and involvement of many people on MSU's campus, including faculty members and others. Last spring, the Board indicated its commitment to involvement and discussion, and good progress has been made and continues to be made. The number of hours that have been devoted to this project is astounding, and the ideas that have come from discussions have improved the entire concept of expanding the College of Human Medicine. Mr. Pittman thanked Dr. Bowersox, whose work resulted in new ideas that made the expansion more practical and much better. The Deloitte report corroborates that by saying that MSU is the best medical school for West Michigan.

Phasing is a practical approach and has many positive ramifications, including cost and ensuring the continuity and availability of health care services to this community. Research expansion will result in great benefits for the University and betterment of mankind. There are a lot of steps yet to be taken. Mr. Pittman thanked all those involved.

President McPherson said he wanted to affirm some of the comments about the medical school. The processes of the Oversight Committee and the Implementation Committee have worked well, putting MSU in a position of broad engagement and compiling a set of good concepts, many of which are included in the Deloitte report. There is broad support for a research focus of a specialty practice integrated into the Grand Rapids community and for not moving students quickly, but, rather, over a period of time, but of moving research quickly. Those are ideas that are consistent with the Bowersox report.

President McPherson said that he has never been involved in an important project that didn't change from the first concept to completion. There will likely be further evolution. It is clear that the leadership in Grand Rapids is anxious to get to work, and the Oversight Committee's final sentence expresses the same sentiment. David VanAndel of the VanAndel Institute has the responsibility in the Grand Rapids community to pull together VanAndel, Spectrum, St. Mary's and Grand Valley State University. President McPherson said he expects to be meeting with that group in the near future. It is important that physicians in Grand Rapids are significantly involved, as well as other parties in west Michigan. President McPherson said he is pleased that MSU's faculty has been engaged in helping to shape the proposal.

Trustee Cook said that when she attended the dedication of the Meijer Heart Center at Spectrum, the Director of the Heart Center, who is the Chief of Medicine, mentioned the importance of research in the complex they are developing with the new cancer center and the new children's pediatric hospital. The emphasis was clearly on the importance of research to the building of the "corridor of health" that is being developed.

G. Trustee Ferguson passed.

10. Public Participation on Issues Not Germane to the Agenda

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

11. An Executive Session was not requested.

12. On a motion by Mr. Ferguson, supported by Ms. Gonzales, **THE BOARD VOTED to adjourn** at 10:28 A.M.

Respectfully submitted,

L. Susan Carter
Secretary of the Board of Trustees