

DECEMBER MEETING, 2006

*The University of Michigan
Ann Arbor
December 14, 2006*

The Regents convened at 9:10 a.m. in the Regents Room. Present were President Coleman and Regents Brandon, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Deitch was absent.

Call to Order

President Coleman called the meeting to order. She announced that former president Bill Clinton has accepted the University's invitation to deliver the commencement address during Spring Commencement, 2007. She noted that Lyric Chen, a 2006 alumna, had been named a Marshall Scholar, in addition to being recipient of a Fulbright Scholarship and a Truman Scholar. Finally, she noted that President Emeritus Robben Fleming was about to celebrate his 90th birthday.

President Coleman commented that the schematic design for North Quad would be presented at this meeting, and noted how this structure would serve as the new northern gateway to the central campus.

Finally, President Coleman noted that this would be the last meeting for Regent David Brandon. She thanked Regent Brandon for his tireless commitment to the Board and to the University throughout his eight years as Regent. Among his many contributions, she called

attention to his dedication and personal contribution to the new C.S. Mott Children's Hospital project. She called on Regent Newman.

Resolution in Honor of Regent Brandon

Regent Newman read the following resolution:

Regents' Resolution

The Regents of the University of Michigan extend their heartfelt appreciation and gratitude to their colleague and friend David A. Brandon as he concludes eight years of exemplary service on the Board of Regents.

An alumnus of the Class of 1974, Regent Brandon excelled both in the School of Education, where he earned an A.B. degree and teaching certificate, and on the football field, where he played for the legendary Coach Bo Schembechler. Today, a major corporate leader as chairman and CEO of Domino's Pizza, Inc., and member of a number of corporate and non-profit boards, he still attributes much of his success to his undergraduate years at Michigan.

Regent Brandon's tenure as a Regent has been marked by his leadership in a number of key areas. He initiated amendments to the Regents' bylaws that led to the establishment of a board leadership structure and committee system, and served as founding chair of the Finance, Audit and Investment Committee. In this role, his experience and acumen in financial matters have been invaluable in helping the committee to develop its charter, establish its agenda, and carry out its work. Under his guidance, the committee set up a comprehensive system of financial oversight that will benefit the University for years to come.

The Regents also salute Regent Brandon and his wife, Jan, for their generous financial support of a number of University projects, but most notably for their leadership of the "Champions for Children" campaign to benefit the new C.S. Mott Children's Hospital. In addition to being a person who "walks the talk," Regent Brandon will be remembered with fondness for his sense of humor and his ability to add just the right note of levity to a discussion when it is most needed.

Regent Brandon has carried out his official duties with the charm, grace, and class of a quintessential "Michigan Man." With gratitude and esteem for his many contributions to his beloved alma mater, and with the expectation that he and Jan will continue to be involved actively in University life, the Regents name David A. Brandon Regent Emeritus of the University of Michigan.

A standing ovation followed. Regent Brandon noted that he had left the University as a better person after having received his undergraduate degree 30 years ago, and was now leaving as a better person after 8 years as a Regent. "I see the world a little differently and I've learned a

lot,” he said. “I’ve made some relationships that are incredibly important to me. I respected this place a lot when I ran for Regent, and I respect it even more, having served here and viewed up close and personal how truly great this place is.”

Regent Brandon thanked his colleagues, noting how hard the Regents work on behalf of the University because they care about the institution and its future. He commented on how honored he had felt to serve with President Coleman and to have had the privilege of advancing the Mott Children’s Hospital Project. However, he said that “the most shining moment I had in my eight years was presenting Bo Schembechler with an honorary degree.”

A round of applause followed. Regent McGowan commented on Regent Brandon’s many contributions to the board and especially to the Finance, Audit and Investment Committee, noting that he has been “a remarkable leader.”

Michigan Difference Campaign Update

Vice President May introduced Mr. Rich Rogel, volunteer chair of the Michigan Difference Campaign, noting that his tireless efforts on behalf of the campaign have been “wildly successful.” He said that Ranny Riecker, honorary co-chair of the campaign, and Paul Courant and Stephanie Pinder-Amaker, co-chairs of the faculty-staff component of the campaign, would also be speaking.

Mr. Rogel described some of his efforts on behalf of the campaign, both in the United States and around the world. He pointed out that in addition to raising money, the campaign brings Michigan into focus for the rest of the world. He also noted that a critical component of this campaign is financial aid for students, and that more than \$349 million has been contributed so far toward this effort. He reported almost \$4 million has been received in response to

President Coleman's donor challenge for matching contributions to need-based undergraduate scholarships, and said that alumni are eager to continue to help in the campaign effort. Mr. Rogel then introduced Ms. Margaret Anne "Ranny" Riecker, honorary co-chair of the Michigan Difference Campaign.

Ms. Riecker thanked the Regents for their leadership during the campaign, noting that they are vital to its success. She commented that the University is "supremely important" to the business and industry of the state, and said that increasing the number of endowed professorships to retain and attract great faculty is an important campaign goal. Ms. Riecker stated that 133 new endowed professorships have been added during the Michigan Difference campaign, bringing the total number to 401, and that the president's donor challenge has had a significant effect on funding these professorships. Ms. Riecker stated that these funds and the \$1 billion that has been contributed to research support and programmatic support are crucially important to the state's economy. She introduced Professor Paul Courant and Associate Dean of Students Stephanie Pinder-Amaker, co-chairs of the faculty-staff campaign.

Professor Courant and Associate Dean Pinder-Amaker described their efforts in the first University-wide campaign for soliciting support from faculty and staff. They noted that faculty and staff appreciate working for such a high quality institution, and that more than 12,000 faculty and staff – nearly 30% – have so far contributed more than \$87 million.

Mr. Rogel concluded the presentation with the announcement that as of September 30, \$2.32 billion had been raised, representing 93% of the goal with 75% of the time having elapsed. He said that "this has been a marvelous experience" and expressed that it had been a privilege to serve as volunteer campaign chair.

Regent Maynard thanked all of the volunteers on behalf of the Regents for all of their work on the campaign, noting that they have been a major factor in the success of the campaign.

Residential Life Initiative

Vice President Harper noted that the Residential Life Initiative provides an opportunity to provide students with high quality living/learning experiences that contribute to their academic success, as well as the opportunity to attract new students. She introduced Carole Henry, assistant vice president for student affairs and director of University Housing.

Ms. Henry gave a presentation in which she reviewed progress that has been made on Residential Life Initiative (RLI) projects that have been approved by the Board and how they contribute to the president's vision of enhanced living and learning environments. She reported that the RLI projects are proceeding within their projected budgets, although some adjustments have been made in original plans.

Ms. Henry noted that the first renovation and renewal of a heritage residence hall, Mosher-Jordan, is well underway, and a new dining center to serve all residence halls on the hill is included in the project. These are scheduled for completion in 2008. North Quad, the first new residence hall to be built in 40 years, is currently in the design phase and is projected to open in the Fall of 2010. This innovative structure will integrate academic programs with residential and dining facilities. In addition to the dining facilities that are part of these two projects, a new, modern food emporium, The Blue Apple, has opened in Bursley Hall on the North Campus.

With respect to the fire and life safety improvements that are a major component of the RLI, Ms. Henry reported that fire alarm upgrades will be completed in all halls by 2007 and fire

suppression system installation is scheduled for completion in all halls by 2011. The final part of the RLI involves IT upgrades, which are being phased into all residence halls.

Ms. Henry then reviewed the completed and planned project timelines and budgets, noting that all projects are remaining within budget.

President Coleman then turned to the committee reports.

Committee Reports

Personnel, Compensation and Governance Committee. Regent Richner reported that Regent Taylor, chair of the committee, could not attend the meeting, but that Regents Newman and Maynard had participated. The committee reviewed the 2006-07 annual salary report for faculty and staff with Associate Vice President Laurita Thomas, and Regent Richner said that this report will be released publicly next week. They also met with Associate Vice President Peggy Norgren and reviewed and accepted the president's 2005-06 travel and hosting report, and then with Provost Sullivan to receive an update on dean searches.

Finance, Audit and Investment Committee. Regent McGowan, chair of the committee, reported that the meeting was attended by herself and Regent Brandon and Executive Vice President Slottow. The agenda items included the annual debt program overview, with Treasurer Greg Tewksbury, Associate Treasurer Milagros Dougan, and Associate Vice President Peggy Norgren. The committee conducted its bimonthly audit update with Executive Director of University Audits Carol Senneff, and finalized its calendar for 2007. Regent McGowan stated that the documents referenced in her report are publicly available.

The Regents then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of November 17, 2006.

Reports. Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, and the Human Resources and Affirmative Action Report.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, November 1 - November 30, 2006.

University of Michigan Health System. There was no additional report from the University of Michigan Health System.

Division of Student Affairs. There was no additional report from the Division of Student Affairs.

University of Michigan-Flint. There was no additional report from the Flint Campus.

University of Michigan-Dearborn. Chancellor Little commented that the first of a number of critical infrastructure improvements for the Henry Ford Estate-Fair Lane is being submitted for approval in this month's agenda. He also reported that December 15, 2006 marks the 50th anniversary of the gift of money and land from Ford Motor Company to establish the Dearborn campus.

Michigan Student Assembly Report. MSA President Nicole Stallings reported on the reaction of students on campus to the passage of Proposal 2.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for November 30, 2006.

Personnel Actions and Personnel Reports. Provost Sullivan submitted a number of personnel actions and personnel reports.

Retirement Memoirs. Vice President Churchill submitted retirement memoirs for nine faculty members.

Memorials. No deaths of active faculty members were reported to the Regents this month.

Degrees. There are no actions with respect to degrees this month.

Approval of Consent Agenda. On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the Consent Agenda.

The Regents then turned to consideration of the regular agenda.

North Quad Residential and Academic Complex

Executive Vice President Slottow reported that this project had originally been approved in January 2005, with Einhorn Yaffee Prescott (EYP) as the architect, and a budget of \$137 million. In March 2006, Robert A.M. Stern Architects was added as the lead designer to incorporate the new objective of conceiving the structure as a signature building that would serve as a gateway to the central campus. The additional goal of creating an appropriate signature building has led to an increase in the project budget to \$175 million, due to the one-year extension and additional architectural fees, as well as increased quality of the building design and materials. He also noted that the revised budget is in line with internal and external benchmark studies for similar quality and size buildings. He introduced Graham Wyatt, principal from A.M. Stern Architects, Leila Kamal, from EYP, and Jeffery Povero, lead architect from A.M. Stern.

Mr. Povero presented the schematic design, beginning with a site plan illustrating the site in relation to other buildings in the area. He then gave detailed descriptions of how each of the

building's functions will be incorporated into the design. He pointed out that the facility will be totally wheelchair-accessible and that people will be able to reach any spot in the building without walking outside. The academic and residential portions will be located in separate areas to accommodate their different functional needs.

Mr. Povero also pointed out that the facade of the Carnegie Library, located on the site, will not only be preserved, but that the facade is integral to the design of the residential tower. He then displayed a "fly through" video illustrating features of the structure, and showed renderings of the exterior.

Regent McGowan moved approval of the schematic design and revised budget for the North Quad Residential and Academic Complex Project as presented at the meeting. Regent Newman seconded the motion and it was approved unanimously.

Fiscal Year 2008 Capital Outlay Submission for All Campuses

Executive Vice President Slottow reported on the capital outlay request and five-year master plan for the Ann Arbor, Dearborn, and Flint campuses that was submitted to the state in November 2006. He noted that the first priority for the Ann Arbor campus is for a new biology building, the second priority is for a renovation and addition to the G.G. Brown Laboratory Building, and the third priority is for a new health sciences education building. There is one project for the Dearborn campus, a new facility to house its teacher preparation and child development center, and one project for the Flint campus, renovation in the Murchie Science Laboratory Building.

University Real Estate Policy Annual Report on Leases Exceeding 50,000 Square Feet

Executive Vice President Slottow submitted the annual report of all situations where the total square footage being leased in a particular building or in a related complex of buildings exceeds 50,000 square feet, as required by the University Real Estate Policy.

Alternative Asset Commitments (*Hampshire Partners REIT VII, Inc., KHP Fund II, L.P., Kayne Anderson Energy Fund IV, L.P.*)

The Regents were informed that follow-on investments had been made with the following previously-approved partnerships: \$20 million to Hampshire Partners REIT VII, Inc.; \$25 million to KHP Fund II, L.P.; and \$30 million to Kane Anderson Energy Fund IV, L.P.

Alternative Asset Commitments and Alternative Asset Managers

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved alternative asset commitments from the Long Term Portfolio of up to \$15 million to SGAM/4D Global Energy Development Capital Fund II and up to \$15 million to NCD IV, L.P. They also approved hiring Schott Capital and T. Rowe Price to manage the liquidation of securities distributed from the University's Alternative Asset programs.

Harlan Hatcher South Graduate Library Air Handling Improvements

On a motion by Regent Brandon, seconded by Regent Richner, the Regents unanimously approved the Harlan Hatcher South Graduate Library Air Handling Improvements Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Medical Science Unit I Third Floor Research Laboratory Renovations

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the Medical Science Unit I Third Floor Research Laboratory Renovations Project as

described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers University Hospital Radiation Oncology Computed Tomography Simulator Replacement

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Radiation Oncology Computed Tomography Simulator Replacement Project as described, authorized commissioning the architectural firm of Integrated Design Solutions, LLC, for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan-Dearborn Henry Ford Estate-Fair Lane Heating and Cooling System Improvements

On a motion by Regent Richner, seconded by seconded by Regent Newman, the Regents unanimously approved the University of Michigan-Dearborn Henry Ford Estate-Fair Lane Heating and Cooling System Improvements Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Regent McGowan left the meeting at this point, at 10:30 a.m.

Conflict of Interest Items

President Coleman announced that the agenda includes 5 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved each of the following items:

Approval of Payment for Soar Technology, Inc.

The Regents approved a payment by the Division of Computer Science Engineering to Soar Technology, Inc. for a workshop attended by students and faculty. Because John Laird is a University of Michigan employee and is also a stockholder and board member of Soar Technology, Inc., this purchase is subject to the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the contract are the Regents of the University of Michigan and its Division of Computer Science Engineering and Soar Technology, Inc.
2. The service provided was a workshop attended by faculty and students. The cost for the service is \$1,700.00.
3. The pecuniary interest arises from the fact that John Laird, a University of Michigan employee, is a stockholder and board member in Soar Technology, Inc.

Option Agreement between the University of Michigan and Innovational Therapeutics, Inc.

The Regents approved an option agreement with Innovational Therapeutics, Inc. (“Innovational”) for commercialization of the technology “MES: A Novel Device for the Endovascular Treatment of Intracranial Aneurysms” (UM File No. 2779). Because Mr. Ewen Nichol is both a University of Michigan employee and a partial owner, director and officer of Innovational Therapeutics, Inc., this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and Innovational Therapeutics, Inc.
2. Option terms include giving Innovational an exclusive twelve month option. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the agreement may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

3. Mr. Nichol's pecuniary interest arises from his ownership interest in Innovational.

License Agreement between the University of Michigan and ImBio, LLC

The Regents approved a license agreement under which MIRROR, Inc. ("MIRROR"), of which the principal owners are University of Michigan employees Brian D. Ross and Alnawaz Rehemtulla, will transfer all of its assets to ImBio, LLC, including two University of Michigan licensed technologies: UM File No. 1297 ("Mutual Information for Automatic Multimodal Image Fusion (MIAMI FUSE)" and UM File No. 1817 (Diffusion Magnetic Resonance Imaging"). Because Mrs. Ross and Rehemtulla are also principal owners and managers of ImBio, LLC, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided under statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and ImBio, LLC.
2. ImBio, LLC will agree in writing to accept all of the terms and conditions of the prior MIRROR license agreement.
3. The pecuniary interests of Drs. Ross and Rehemtulla arise from their ownership in the company. They have both waived any personal participation in the sharing of funds received by the University from MIRROR, Inc. as a result of this license agreement, and will also waive any personal participation in the sharing of funds received by the University from ImBio, LLC as a result of this agreement.

Patent Option Agreement between the University of Michigan and Biotectix, LLC

The Regents approved an option agreement with Biotectix, LLC for commercialization of the following University of Michigan technology: UM File NO. 3016: "Cytopolymer or CytoPEDOT, Sitopolymer or SituPEDOT, Gelpolymer or Gel PEDOT." Because David Martin, Sarah Richardson-Burns, and Jeffrey Hendricks, University of Michigan faculty member, post-doctoral student, and Ph.D. student, respectively, are also partial owners of Biotectix, LLC, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and Biotectix, LLC.
2. Patent option terms include giving Biotectix, LLC an option to obtain an exclusive license with the right to grant sublicenses. Biotectix, LLC will pay for ongoing patent expenses, perform technical diligence, and provide a business plan that describes Biotectix's intention and ability to develop and commercialize the licensed technology. Terms of the subsequent license agreement would include a royalty on sales and reimbursement of patent costs. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. The pecuniary interests of Dr. Martin, Dr. Richardson-Burns, and Mr. Hendricks arise from their ownership interest in Biotectix, LLC.

Subcontract Agreement between the University of Michigan and Vortex Hydro Energy, LLC

The Regents approved a subcontract agreement with Vortex Hydro Energy, LLC (“Vortex”) for funding of a project in the College of Engineering under the direction of Dr. Michael Bernitsas. Because Dr. Bernitsas is also an owner, CEO, and CTO of Vortex, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Vortex Hydro Energy, LLC.
2. Vortex has issued a check to fund the research and will not require the University to sign a research agreement. The period of performance for the project is one (1) year and the amount of funding support is \$11,490.
3. Dr. Bernitsas' pecuniary interest arises from his status as an owner, CEO and CTO of Vortex.

Changes to Intellectual Properties Policy

Vice President Forrest submitted for approval modifications to the Intellectual Properties Policy, as described in the Regents Communication, as well as changing the name of the policy to the “Technology Transfer Policy.” Future changes to the policy will be reported to the Regents as information items. On a motion by Regent White, seconded by Regent Maynard, the

Regents unanimously approved revisions to the Intellectual Properties Policy, changing the name of this policy to the Technology Transfer Policy, and procedures for future modifications of the policy, as described in the Regents Communication. The text of the policy is included in the Appendix, on page X. (INCLUDE POLICY AS APPENDIX IN PROCEEDINGS.)

UM-Flint Academic Calendar for 2006-2007

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved changes to the UM-Flint academic calendar for 2006-2007, as described in the Regents Communication.

A ten-minute break followed.

Public Comments

The Public Comments session began at 10:55 a.m. The Regents heard comments from the following individuals, on the topics indicated: Audrey L. Jackson, alumna, on affirmative action; David Boyle, alumnus, on post Proposal 2 and other issues; Bill Higgins, citizen, on Roles and values of the University; Jim Mogensen, citizen, on the town/gown relationship; Richard Chang, student, and Paul Chitoiu, staff, on the West Quad Community Learning Center; Alex Moffett, student, on diversity at Michigan; Gervis A. Menzies, Jr., student, on Residential Life Initiatives; Shaquitta Stanley and Staci Daniels, students, on Proposal 2; and Jamie Ruth, student, on diversity and affirmative action.

There being no further business, the meeting was adjourned at 11:40 a.m. p.m. The next meeting is scheduled for January 18, 2007.