

JANUARY MEETING, 2008

*The University of Michigan
Ann Arbor
January 17, 2008*

The Regents convened at 3:20 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Interim Chancellor Kay, Executive Vice President Kelch, Interim Vice President Hage, Vice President Lampe, Chancellor Little, Vice President May, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks.

Call to Order

President Coleman called the meeting to order. She commented on the retirement of Coach Lloyd Carr and the hiring of Coach Rich Rodriguez. She noted that because of the ongoing construction project at Michigan Stadium, it was necessary to find a new location for the spring 2008 commencement. The alternate, off-campus site that was chosen had been selected primarily because it was large enough to accommodate as many guests as allowed in previous years. However, now that students have made it clear that their first priority is to graduate on the UM campus, the issue is being revisited and all possible options are being explored.

President Coleman announced that on January 21 and throughout the month, lectures, performances, films, and panel discussions will take place to commemorate the life and legacy of the Rev. Martin Luther King Jr. She thanked those responsible for planning and coordinating these activities.

President Coleman then called on Vice President Forrest to present the annual report on research and scholarship for 2007.

Annual Report on Research

Vice President Forrest reported that in FY 2007, research spending at the University totaled \$823 million. Federal funding comprised about 72% of this amount, which is about the same percentage as the previous year. University support accounted for 16%, and 4.7% of the total was provided by industry. He noted that support from industry was up 15% from the previous year, and this sector represents a significant opportunity for growth.

Vice President Forrest noted that the University supports social sciences research and arts and humanities projects through the Faculty Grants and Awards Program. He highlighted some of the programs established by the Office of the Vice President for Research (OVPR), including the Michigan Memorial Phoenix Energy Institute, established in 2006, which is helping to meet the challenge of satisfying energy requirements with renewable resources, and the Institute for Research on Labor, Employment, and the Economy, which will analyze and have an impact on the future of the state's changing regional economies and labor force.

Vice President Forrest commented that a major focus of the Office of the Vice President for Research (OVPR) is encouraging engagement by the University research community with the business and industrial sector. Improved incentives for inventors to establish companies to license their inventions have been put into place, and the indirect cost rate for industrial contracts has been reduced. Furthermore, all of the administration's share of licensing revenue has been targeted toward furthering interactions with the industrial sector in an effort to grow relationships with and funding by this sector. Vice President Forrest also pointed out that an important step in improving the University's relationship with the corporate and business communities will

be to encourage and recognize faculty for their work in these areas, including recognition in the tenure process. As an initial step, the OVPR has established the Distinguished University Innovator Award recognizing faculty entrepreneurs.

Vice President Forrest also commented on the establishment of the Business Engagement Center which will provide a single point of entry for business and industry to learn about opportunities for working with the University. The University is also participating in the Michigan Innovation and Entrepreneurship Initiative, a partnership between all Michigan public universities and philanthropic foundations which will contribute to the state's economic revival by providing support for new technology companies emerging from the universities.

Annual Report of Senate Advisory Committee on University Affairs (SACUA)

Professor Charles Smith, chair of SACUA, spoke on the theme of academic freedom and shared governance. He described the structure of the central faculty governance system and reviewed some recent activities of the Senate Assembly and its committees. He reviewed some of the major concerns of SACUA and the Senate Assembly, which include improving communication and consultation between the faculty, the Regents, and the executive officers. He noted that the Regents are each being invited to meet individually with SACUA and these meetings have been very productive. Other concerns include documenting the importance of shared governance in the paper "Principles of Faculty Involvement in Institutional & Academic Unit Governance at the University of Michigan," revision of faculty grievance procedures, increased participation by elected faculty in the design and redesign of benefits programs, and improved evaluation by the Committee on the Economic Status of the Faculty (CESF) of faculty salaries and benefits programs.

Regent Maynard requested that the faculty continue to work to integrate the annual reports of each campus's Committee on the Economic Status of the Faculty so that they use the same methodology and reporting methods. Professor Smith responded that faculty are aware that improvements are needed in this area and have been working to make them.

Committee Reports

It was noted that the committees had not met that day so there would be no committee reports.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of December 13, 2007.

Reports. Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, the University Human Resources Report, and the Regents Report on non-competitive purchases over \$5,000 from single sources, October 16, 2007 - December 15, 2007.

Litigation Report. Interim Vice President Hage submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, December 1 - December 30, 2007.

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-Dearborn. Chancellor Little called attention to the recommended appointment of Kim E. Schatzel as dean of the School of Management.

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

Michigan Student Assembly Report. Mr. Mohammad Dar, president of Michigan Student Assembly, noted that he has been working with students and administrators to try to come up with an alternate venue for commencement for the class of 2008, due to the unavailability of the traditional venue, Michigan Stadium. He updated the Regents on recent activities of MSA. He then introduced Abdullateef Muhiuddin, president of the UM-Dearborn student government organization, who gave an update of student activities on the Dearborn campus.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for December 2007. He reported that there were almost 600 gifts of \$10,000 and above, and that over \$90 million in cash had been received in December compared to the normal receipts of about \$60 million that month, making December 2007 the best December ever. The campaign currently stands at \$2.8 billion. He noted that the first phase of the President's Challenge had leveraged over \$120 million in donations, and that the campaign's endowment goal of \$800 million had been reached. He also announced that \$360,000 had been raised to fund an endowment for a need-based scholarship for students from Detroit in honor of retiring Associate Vice President for Development Chacona Johnson.

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

Services for students who are veterans. Provost Sullivan announced that the Office of New Student Programs would function as the student services hub for student veterans at the University. The office would provide advocacy, leadership to a newly-created Council on

Student Veterans, a transition specialist who will serve as a student veterans services coordinator, a mentoring program, and a virtual office website that will be accessible anywhere in the world.

Regent Deitch commented that two students had recently addressed the Regents at public comments about the need for such services, and he commended the provost had acted promptly to address their concerns.

Retirement Memoirs. No faculty retirements were reported this month.

Memorials. Vice President Churchill submitted a memorial statement for Juha Heinonen, professor of mathematics.

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

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

The Regents then turned to consideration of the regular agenda.

Report of University Internal Audits, October 2007-November 2007

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period October 1, 2007 through November 30, 2007.

Alternative Asset Commitments

Executive Vice President Slottow informed the Regents of the following follow-on investments with previously approved partnerships: \$40 million to Blum Strategic Partners V, L.P.; £15 million to Moorfield Real Estate Fund II, L.P.; and \$35 million to TCV VII, L.P.

Alternative Asset Commitment

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved commitment of up to \$20 million from the Long Term Portfolio to Matrix Partners China, L.P.

Cash Overlay and Transition Manager

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved Standish Mellon as a manager to implement overlay and transition management strategies on the University's behalf.

Refinancing of a Portion of the Commercial Paper and Financing of New Projects

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved adoption of a resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or the treasurer to develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel; obtain and approve a final proposal for the bonds; and obtain and accept a final proposal for any "swaps," and any liquidity requirements for the University's variable rate debt, and execute and deliver the required documentation for the transaction. The resolution is included as an appendix to these proceedings. INSERT RESOLUTION IN APPENDIX.

Martha Cook Building Roof Replacement

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved the Martha Cook Building Roof Replacement Project as described, and

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

Molecular and Behavioral Neuroscience Institute Building First Level Laboratory Renovations

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved the Molecular and Behavioral Neuroscience Institute First Level Laboratory Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Central Campus Area 2008 Utility Tunnel Replacements

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Central Campus Area 2008 Utility Tunnel Replacements project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Ford Nuclear Reactor Decommissioning Project

Executive Vice President Slottow reported that this project, which began in 2004, is nearly complete. However, the total costs will exceed the approved budget by \$4.6 million, due mostly to the concrete cutting and removal operations requiring far more effort and equipment than had originally been anticipated, and the fact that there is only one approved facility in the country for disposal of low-level radioactive waste. These factors, along with higher than anticipated costs for rigging, shipping, and disposal of this waste, increased the total project cost.

Executive Vice President pointed out that projects coming in over budget is a very rare occurrence: of the 734 capital projects completed during the last five years, only 8 of these have been over budget and the remaining were on budget or under budget, returning \$51 million back

to capital project budgets. On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the revised budget for the Ford Nuclear Reactor Decommissioning Project, as described in the Regents Communication.

32.47 Acres of Vacant Land Located in Livingston County, Brighton, Michigan

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved acquisition of 32.47 acres of vacant land located at Karl Greimel Drive and Challis Road in Livingston County, Brighton, Michigan, at the price of \$6,986,250, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

300 North Ingalls Building Geriatric Center Relocation Renovations

On a motion by Regent Newman, seconded by Regent Taylor, the Regents unanimously approved the 300 North Ingalls Building Geriatric Center Relocation Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Conflict of Interest Items

President Coleman announced that the agenda includes 5 conflict of interest items, each of which requires 5 votes for approval. These would be considered as a block, in one vote.

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the following agreements.

Approval of Purchase from The Big Picture Partners

The Regents approved a purchase by the School of Social Work of strategic planning services from The Big Picture Partners. Because Christie Nordhielm, founding member and

partner of The Big Picture Partners, is also a University of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its School of Social Work and The Big Picture Partners.
2. The purchase is strategic planning services to develop an actionable strategy that can be implemented over the next five years. The plan will include assessment of core skills, identifying organizational objectives, resource allocation rules, buy-in from stakeholders and metrics. The estimated overall cost of these services is \$20,000.
3. The pecuniary interest arises from the fact that Christie Nordhielm, a University of Michigan Ross School of Business employee as a clinical associate professor of marketing, is a founding member and partner of The Big Picture Partners.

Approval of Purchase from M1DTW LLC

The Regents approved purchase of design services by the Taubman College of Architecture + Urban Planning from M1DTW LLC. Because Christian Unverzagt, a University of Michigan employee, is also a member of M1DTW, this purchase falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Taubman College of Architecture + Urban Planning and M1DTW.
2. The purchase is of design services of various Michigan Architecture Papers books, UMA marketing materials and website construction, and research and redesign of three issues of the alumni newsletter, Portico. The estimated overall cost of these services is \$58,928.47.
3. The pecuniary interest arises from the fact that Christian Unverzagt, a University of Michigan employee in the Taubman College of Architecture + Urban Planning, as a lecturer II, is a member of M1DTW.

Non-Disclosure Agreement between the University of Michigan and Mayaterials Inc.

The Regents approved a non-disclosure agreement with Mayaterials Inc. (“Mayaterials”) involving maintaining as confidential the terms of an existing license agreement, a capitalization table, and other business materials. Because Dr. Richard Laine, partial owner of Mayaterials, is

also a University of Michigan employee, 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 Mayaterials.
2. The agreement limits the parties' ability to disclose the information to others for a period of five years.
3. The pecuniary interest of Dr. Laine arises from his ownership interest in Mayaterials.

Subcontract Agreement between the University of Michigan and the Detroit Regional Chamber of Commerce

The Regents approved a subcontract agreement with the Detroit Regional Chamber of Commerce ("DRCC") for pursuing a research project, "Workforce Innovation in Regional Economic Development for Southeast Michigan (WIRED): Adults with a College Degree," to be conducted under the direction of Ray Metz, a University of Michigan-Dearborn employee. Because Daniel Little, a University of Michigan-Dearborn employee as chancellor and professor, is also a member of the board of directors of the DRCC, 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 the Detroit Regional Chamber of Commerce.
2. The terms of the agreement conform to University policy. Mr. Metz will be principal investigator for the project at the University. The period of performance is three years at an estimated cost of \$756,000. The agreement contains a provision allowing amendment by mutual agreement by the parties. University procedures for approval of these amendments will be followed and additional conflict of interest review will be done as appropriate.
3. Daniel Little's pecuniary interest arises from his membership on the board of directors of the DRCC.

Subcontract Agreement between the University of Michigan and the Detroit Regional Chamber of Commerce

The Regents approved a subcontract agreement with the Detroit Regional Chamber of Commerce ("DRCC") for pursuing a research project, "Entrepreneur Workshops: Workforce

Innovation in Regional Economic Development for Southeast Michigan (WIRED),” to be conducted under the direction of Professor William Lekse, a University of Michigan-Dearborn employee. Because Daniel Little, a University of Michigan-Dearborn employee as chancellor and professor, is also a member of the board of directors of the DRCC, 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 the Detroit Regional Chamber of Commerce.
2. The terms of the agreement conform to University policy. Professor Lekse will be principal investigator for the project at the University. The period of performance is three years at an estimated cost of \$275,000. The agreement contains a provision allowing amendment by mutual agreement by the parties. University procedures for approval of these amendments will be followed and additional conflict of interest review will be done as appropriate.
3. Daniel Little’s pecuniary interest arises from his membership on the board of directors of the DRCC.

There being no further business, the Regents turned to Public Comments.

Public Comments

The Regents heard comments from the following people, on the topics indicated: Thomas Partridge, citizen, on expanding opportunities and programs within the University for senior citizens and disabled people; Greg Thrasher, citizen and director of Plane Ideas, on failed leadership at UM; and Justin Benson, Eric Mandell Victorson, and Juhi Aggarwal, students, on plans to relocate Spring Commencement to an off-campus location.

There being no further business, the meeting was adjourned at 4:55 p.m. The next meeting is scheduled for February 14, 2008.