

JUNE MEETING, 2008

*The University of Michigan
Ann Arbor
June 19, 2008*

The Regents convened at 3:05 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, Vice President Lampe, Chancellor Little, Vice President May, Vice President Scarnecchia, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Taylor left the meeting at 3:15 p.m.

Call to Order

President Coleman called the meeting to order. She welcomed Suellyn Scarnecchia to the table as vice president and general counsel. She noted that Associate Vice President and Deputy General Counsel Gloria Hage had served ably as interim vice president and general counsel and called on Regent McGowan.

Resolution in Honor of Gloria Hage

Regent McGowan called Ms. Hage to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan commend Gloria A. Hage on the completion of her service as interim vice president and general counsel on May 31, 2008.

Ms. Hage, who received her undergraduate and law degrees from the University of Michigan in 1983 and 1986, respectively, joined the general counsel's office in 1991 after spending five years in private practice. Ms. Hage has become a highly regarded expert in the areas of labor, employment, and

employee benefits, successfully representing the University in state and federal court, before civil rights agencies, and in arbitration.

In 2002, Ms. Hage was promoted to associate vice president and deputy general counsel. In December 2003 she was appointed by Executive Vice President Slottow as the University's interim associate vice president and chief human resource officer, a position she held until April 2004. She began her current service as interim vice president and general counsel on August 1, 2007. In all of her leadership roles, Ms. Hage has continued to maintain her full legal portfolio in addition to carrying out her considerable administrative responsibilities.

Whether it be litigation, negotiation, arbitration, or administrative matters, Ms. Hage has always fulfilled all of her duties with steadfastness, good judgment, integrity, and aplomb. An accomplished and highly respected colleague and mentor, she has provided wise counsel to the regents, president, executive officers, deans, and other University leaders, and we look forward to continuing to work with her as she resumes her position as associate vice president and deputy general counsel.

The Regents now salute Gloria A. Hage and express deep appreciation for her loyal, dedicated service as interim vice president and general counsel.

A round of applause followed. Ms. Hage thanked the Regents and President Coleman for giving her the opportunity to serve as interim vice president and general counsel.

President's Remarks

President Coleman noted that the agenda includes review and approval of the 2008-09 budgets, including tuition rates and financial aid. She recognized the contribution of those in the University community who have worked diligently to identify nearly \$20 million in savings. She pointed out that the proposed budget includes an increase of nearly 11% in the financial aid budget, which is critical to maintaining one of the University's top priorities of student access.

President Coleman also noted that Paula Allen-Meares, dean of the School of the Social Work, had just been appointed chancellor of the University of Illinois at Chicago, continuing the University's rich tradition of providing leaders for America's colleges and universities.

Regent Maynard noted that she had served on the search committee that led to the appointment of Paula Allen-Meares as dean, and wished her well on her new appointment.

Election of Board Officers

Regent Taylor apologized for the fact that he had to leave the meeting early. He noted that his term as chair of the Board of Regents would expire on June 30, and thanked the regents, President Coleman, and the executive officers for their support. He moved the nomination of Regent Katherine White as chair and Andrew Richner as vice chair of the board effective July 1, 2008 through June 30, 2009. Regent Deitch seconded the motion and it was approved unanimously.

Comments from Regent Taylor

Regent Taylor commented that although he had to leave before the budget and tuition discussion and vote, he had studied all of the budget materials and is thoroughly familiar with them and supports the budgets fully. He said, "I'm convinced that the recommendations you are going to hear later are good ones. They are what we have to do to maintain this university, and it's in our best interests. If I were here, I would vote in support of it, ... and I wanted it to be on the record that I am in support of the administration's budget proposals."

Committee Reports

Finance, Audit and Investment Committee. Regent McGowan, chair of this committee, reported that she and fellow committee member Regent Maynard, as well as Regent White, had attended this meeting. The committee's agenda items included a report from Carol Senneff, executive director of university audits, about university risk assessment and the FY09 audit plan.

Ms. Senneff also submitted the report of an external review team that had conducted a review of the Office of University Audits, which was described by Regent McGowan as “sterling.”

Another agenda item was the annual review, with Associate Vice President Peggy Norgren, of the president’s travel and hosting expenses, which Regent McGowan noted were modest. Ms. Norgren, Vice President Forrest, and University Controller Cheryl Soper then joined the committee for a discussion of research compliance and indirect cost negotiation strategies. The last item was an update on the investment office.

Personnel, Compensation and Governance Committee. Regent Richner, chair of this committee, reported that he and fellow committee members Regent Darlow and Regent Newman attended the meeting, as did Regent Taylor. The agenda included a report from representatives of each campus’s Committee on the Economic Status of the Faculty (CESF). Other agenda items were a review of governance issues and laws that apply to governing boards.

Annual Report of the Chief Financial Officer

Executive Vice President Slottow said that his report would provide context to the budget presentations by focusing on the University’s balance sheet and describing the characteristic trends and threats that affect the major assets, liabilities, and the University’s overall financial health. He pointed out that two factors affect the strength of the balance sheet: strong financial policies and strong internal controls. He noted that significant progress had been made over the past few years in strengthening internal controls in accordance with best practices.

Executive Vice President Slottow displayed a chart illustrating the balance sheet (assets versus liabilities). He reported that beginning in FY 08, the University will be required to book the liability of “other post-employment retirement benefits.” As of June 30, 2007, this liability totaled \$1.47 billion. Threats to the balance sheet include this and other liabilities, such as

deferred maintenance and future debt liability, and other major threats that are more difficult to control, such as capital market volatility, the Michigan economy, and rising health care and energy costs. He gave examples of how over \$1 million in cost savings has been achieved by pursuing best practices in cash management.

Turning to the endowment, Executive Vice President Slottow reported that the University's endowment is the 8th largest nationally, but 116th largest on a per-student basis. He said that the large endowment is split up into thousands of separate endowments whose use is restricted for core essential operating expenses of the educational mission, such as instruction, scholarships, and research. In FY 2007 the endowment provided over \$200 million in support of University-wide operating budgets and over \$150 million to support general fund/education budgets.

Executive Vice President Slottow displayed a chart illustrating how the endowment spending rule affects the actual distribution of endowment earnings. He noted that the "endowment spending rule" is equal to 5% of a 7-year average market value of the endowment, so that in years with strong investment returns, the percentage of the endowment that is withdrawn decreases. The health system uses strategic withdrawals from its portion of the endowment to fund critical capital initiatives. Taken as a whole, endowment spending averages about 6.7% per year, supporting both ongoing operations for such things as faculty salaries and financial aid, and strategic capital investments.

Executive Vice President Slottow reviewed the status of the initiative to endow the General Fund, noting that \$250 million in new money has been received in the last three years to endow General Fund operations. He also illustrated the University's commitment to renewal of the physical plant, as illustrated by the favorable facilities condition ratio for General Fund

buildings on the Ann Arbor campus, which indicates that the appropriate mix of renovation to new construction is being achieved.

Executive Vice President Slottow reviewed initiatives being pursued across the University to invest in human capital. He then highlighted the University's liability management strategy, noting that it has achieved the highest possible credit ratings from Standard & Poor's and Moody's and that it practices a prudent debt management policy and pursues aggressive interest expense management. He concluded by stating that the proposed budget is consistent with maintaining the University's overall financial health. He thanked all of the budget and finance staff for their efforts in compiling these budgets.

Ann Arbor General Fund Operating Budget and Student Tuition and Fee Rates

Provost Sullivan commended members of the provost's budget team for their work on the budgets. She reported that the budget maintains and enhances the excellence of the University while still providing access, making it affordable for all Michigan students to attend. The all funds revenue budget will total about \$5.283 billion, and total expenditures will equal \$5.248 billion. Turning to the General Fund, she said that its primary sources of revenue are tuition and fees, state appropriations, and indirect cost recovery on sponsored research activity, and it is this fund that is used to fund the academic enterprise. Major elements of the FY09 budget are that it will decrease the student-faculty ratio by providing funding for new faculty while limiting enrollment growth; allow the University to remain nationally competitive for faculty by supporting a competitive faculty salary program; and will significantly enhance funding for undergraduate financial aid.

Provost Sullivan also noted that the FY09 budget provides increased funding for the University Library, maintaining its excellence as a resource for both the University patrons and

Michigan citizens. It also provides increased funding for the arts and for the Ethics in Public Life initiative, as well as information technology investments. At the same time, she emphasized that consistent with past years, the FY2009 budget incorporates an additional 1.5% reduction and reallocation, and that cost containment measures will continue to be aggressively pursued.

Provost Sullivan noted that the University's cost containment efforts are focused in seven key areas: leveraging the University's size and scale in purchasing, energy efficiency, health benefit strategies, leveraging information technology, utilization of other revenue sources, greater productivity of staff, and more efficient utilization of space and facilities. She pointed out that while the University's enrollment is up by 5% and the volume of research has risen by 25%, the number of full-time equivalent employees paid by the General Fund has grown by less than 1%.

Provost Sullivan reported that the portion of the General Fund derived from state appropriations has been steadily dropping and is now 23%, while the portion funded from tuition and fees has increased to 64%, and that from indirect cost recovery has remained at about 13% for the past decade. The current inflation-adjusted gap in state funding based on the FY 2002 state appropriation is about \$97 million. The recommended FY09 undergraduate tuition increase for the Ann Arbor campus is 5.6% for both residents and nonresidents (\$590 for residents and \$1,768 for nonresidents, per year). Graduate student tuition will increase by 5.0%, with a limited number of differential increases for specific graduate programs. For FY 2008-09, Michigan tuition and fee rates are third among Big Ten public institutions and are well below almost all of Michigan's private peer institutions for both residents and nonresidents. The budget also calls for a total increase in centrally-awarded, need-based financial aid of 8.6%.

The FY09 budget includes total revenues and expenditures of \$1,408,794,000, an increase of 4.5%. Regent Newman inquired about how the current troubling nation-wide student loan situation affects the University of Michigan. Provost Sullivan responded that Michigan students who obtain loans through the University's financial aid office are not impacted by the problems facing private lenders.

Regent McGowan moved approval of the 2008-2009 revenue and expenditure operating budgets, the proposed 2008-2009 Ann Arbor General Fund operating budget, and the proposed Ann Arbor 2008-2009 student tuition and fee rates. Regent White seconded the motion, and the motion was approved unanimously.

Proposed Dearborn Campus FY2008-09 General Fund Operating Budget and Student Tuition and Fee Rates

Chancellor Little described the priorities of the budget as maintaining academic quality, ensuring student access, and sustaining and maintaining a competitive work environment for faculty and staff. He noted that the campus continues to work toward increasing its enrollment. The budget assumes a state appropriation increase of 2%, with a salary program of 4% and a tuition increase of 6.5% for undergraduate students and 5% for graduate students. The financial aid budget will increase by 17.3%.

Regent White moved approval of the proposed Dearborn campus FY2008-09 General Fund operating budget and student tuition and fee rates. Regent Maynard seconded the motion, and it was approved unanimously.

Proposed Flint Campus FY2008-09 General Fund Operating Budget and Student Tuition and Fee Rates

Interim Chancellor Kay reported that the key principle used in formulating the Flint budget is preserving and enhancing academic quality. At the same time, keeping tuition

increases as low as possible is essential in maintaining affordability and access for Flint-area residents. The proposed budget of \$75.8 million assumes a 2% increase in state funding, a 5.9% tuition and fee increase for resident undergraduate students, a 4.9% increase for graduate students, a 4% merit program for faculty and staff, and a 7.9% increase in institutional financial aid.

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved the proposed Flint campus FY2008-09 General Fund operating budget and student tuition and fee rates.

2008-2009 Fee Assessments for Michigan Student Assembly, Student Legal Services, and School/College Governments

Vice President Harper reported that the current fee structure is believed to be adequate to meet the needs of Michigan Student Assembly and the school and college governments for 2008-2009. With some additional support from the Office of the Provost and Executive Vice President for Academic Affairs, the current fee rate for Student Legal Services will also provide sufficient resources for 2008-2009. Therefore, no increase in student fees is being requested.

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the following fees for 2008-2009: \$7.19 per student per term for Michigan Student Assembly, \$6.00 per student per term for Student Legal Services, and \$1.50 per student per term for school and college governments.

2008-2009 University Health Service Fee

Vice President Harper reported that a 4.9% increase (\$7.97) is being requested for the University Health Service fee, for a new fee of \$168.50 per student per term for 2008-2009. In addition to funding salary and non-salary expense increases, the fee supports base funding for a

health promotion program, “U-Mix,” aimed at reducing harmful alcohol consumption among students. It will also fund an electronic health record and patient management system and an increase in activities in the allergy, immunization and travel health clinic.

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a 4.9% increase in the University Health Service fee for 2008-2009.

FY 2009 University of Michigan Hospitals and Health Centers Operating Budget

Mr. Doug Strong, CEO of the University of Michigan Hospitals and Health Centers (UMHHC), gave a presentation on the UMHHC FY 2009 budget. He reported that the UMHHC is doing very well overall, although the operating margin has slipped somewhat. The HHC’s “balance of excellence” requires that it be a leader in quality and safety, a provider of choice, an employer of choice, prepared for the future, and financially successful. He highlighted the institution’s achievements in these areas and also pointed out some areas of concern in such categories as staff satisfaction and operating performance. He pointed out that the UMHHC is the only hospital in Michigan that had at least one inpatient discharge from each county in the state in FY 2007.

Mr. Strong observed that the HHC strategic plan anticipates an average operating margin of 3.0% over a ten-year period, and over the past five years, the margin has averaged 4.1%. However, there are concerns about the recent decline in operating margin in FY 2008. He noted that the occupancy rate is very high, and that in keeping with national trends, the outpatient business is growing at a much higher rate than inpatient business, which will continue to be the case for FY 2009.

The FY 2009 operating revenue budget is \$1.885 billion, a 9.5% increase over the previous year, and the expense budget is \$1.828 billion, a 7.8% increase, yielding an operating margin

of \$57 million, or 3.0%. Mr. Strong concluded by listing the challenges for FY 2009, which include long-term trends of declining margins from government payers, potential large cuts in government payers in the current year, the potentially adverse impact of the Michigan economy on activity projections, the fact that transfer demand continues to exceed capacity, and the increased focus on expense management and productivity enhancement. For the next fiscal year, the focus will be on improvements in patient care quality and safety, patient satisfaction, faculty and staff satisfaction, and financial performance.

On a motion by Regent McGowan, seconded by Regent Deitch, the Regents unanimously approved the proposed FY 2009 University of Michigan Hospitals and Health Centers Operating Budget.

FY 2009 Athletic Department Operating Budget

Mr. Bill Martin, William R. Shepherd Director of Athletics, presented the FY 2009 Athletic Department operating budget. He noted that Michigan finished second of 321 schools in the Director's Cup this year, the best year athletically in its history.

Mr. Martin noted that the department has had budget surpluses for the past 8 years, due to the success of the priority seating program and added revenues from long term conference media contracts and corporate sponsorships. The Michigan Stadium expansion and renovation project is on track in all respects, and effective fundraising efforts continue for all capital projects. He listed completed projects, projects in process, and projects pending, which include a basketball practice facility, Crisler Arena infrastructure renovation, and phase 2 of a soccer facility. He reviewed the status of the preferred seating program ("PSD") at Michigan Stadium, noting that there are 13,290 accounts subject to the PSD and a wait list of 13,600 accounts. For FY 2008, the PSD will have yielded more than \$12 million in donations.

For FY 2007-2008, there is a projected budget surplus of \$14.2 million. For FY 2008-2009, the revenue budget is \$90.461 million and the expense budget is \$80.191 million, for a projected surplus of \$10.2 million.

Regent Newman inquired about the student football ticket allocation for the coming 2008 season. Mr. Martin responded that the allocation of 22,000 tickets will accommodate every student from the Ann Arbor, Flint, and Dearborn campuses who has requested a ticket, and that talks have been scheduled with representatives of all parties to discuss the situation going forward.

Mr. Martin commented that 41 athletes from Ann Arbor's elite Club Wolverine swimming training program, which trains in the University's Canham Natatorium, will be attending the Olympic trials this summer. It is projected that 12-15 of the Olympic medals won for swimming, or about 15% of the total number of Olympic medals won by American teams, will be won by swimmers that have trained in Ann Arbor, and this is a major contribution from the University to the Olympic movement.

Executive Vice President Slottow pointed out that some of the surplus achieved by the Athletic Department is transferred to the General Fund for use in furthering the University's academic mission.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of May 15, 2008.

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

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, May 1 - May 31, 2008.

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. There was no additional report from the Dearborn campus.

University of Michigan-Flint. Interim Chancellor Kay reported on the renaming of Third Avenue to University Avenue, which will further the efforts to promote Flint as a college town. He also reported on the opening of the Urban Alternatives House, which will be a demonstration facility for an environmentally friendly, “green,” urban alternative home.

Michigan Student Assembly Report. Ms. Sabrina Shingwani, president of MSA, noted that the student-organized Airbus service is to be expanded. She reported that a fundraiser is being planned to aid victims of the recent earthquake in China, and reported on other initiatives underway by MSA. She thanked the Regents for their approval of financial support of MSA.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for May 2008.

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

Faculty promotions. Provost Sullivan highlighted the cases of a representative sample of the faculty promotions with tenure that were approved at the last meeting, including Sandro Galea, promoted to professor of epidemiology, Hashim M. Al-Hashimi, promoted to associate

professor of chemistry, Nancy Ambrose King, promoted to professor of music, Heidi Kumao, promoted to associate professor of art and design, Ramaswami Mahalingam, promoted to associate professor of psychology, and Thomas Zurbuchen, promoted to professor of atmospheric, oceanic, and space sciences and professor of aerospace engineering.

Executive Vice President Kelch discussed the promotions of Michele S. Swanson to professor of microbiology and immunology, John V. Moran to professor of human genetics and professor of internal medicine, Susan E. Shore to research professor, and Sandro K. Cinti to clinical associate professor of internal medicine.

Chancellor Little commented on the work of Martha Adler, promoted to associate professor of education, Scott DeGregorio, promoted to associate professor of English, and Gloria House, promoted to professor of humanities and professor of African and African American studies.

Interim Chancellor Kay highlighted the cases of Fatenah Taghaboni-Dutta, promoted to professor of management, and Ananthakrishnan Aiyer, promoted to associate professor of anthropology.

Retirement Memoirs. Vice President Churchill submitted 8 faculty retirement memoirs.

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

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

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

The Regents then turned to consideration of the regular agenda.

Report of University Internal Audits, March and April 2008

The Regents received the report of University internal audits for March and April 2008.

Alternative Asset Commitments

The Regents were informed of the following follow-on investments that have been made in previously approved partnerships: \$15 million to Cabot Industrial Value Fund III, L.P.; £12.5 million to Highcross Regional U.K. Partners III, L.P.; \$30 million to Graham Partners III, L.P.; €15 million to CVC European Equity Partners V, L.P.; \$10 million to Summit Partners Subordinated Debt Fund IV, L.P.; and \$30 million to Madison Dearborn Capital Partners VI, L.P.

Alternative Asset Commitments and Absolute Return Investment

On a motion by Regent Richner, seconded by Regent White, the Regents unanimously approved commitment of \$15 million to IndoSpace Logistics Parks Limited; a combined commitment of up to \$25 million to Flexpoint Ford Fund II, L.P. and Flexpoint Ford Overage Fund II, L.P.; and commitment of up to \$75 million to Selene Residential Mortgage Opportunity Fund L.P.

Earl V. Moore Building Infrastructure Improvements

On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved the Earl V. Moore Building Infrastructure Improvements Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Thomas Francis, Jr., Public Health Building Elevator Replacement

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the Thomas Francis, Jr., Public Health Building Elevator Replacement Project as

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

Michigan Wrestling Center

Executive Vice President Slottow introduced Dave Larson, senior vice president of Jickling Lyman Powell Associates, Inc.. Mr. Larson displayed an area map and site plan, and reviewed the schematic designs of the first floor and the second floor. It was noted that this facility is to be used for practice only; matches are held in Cliff Keen Arena or Crisler Arena. Mr. Larson concluded by displaying a three-dimensional rendering of the exterior, noting that the look will be similar to the other buildings in that area of campus, but consistent with those buildings, it will have its own unique entryway.

On a motion by Regent Richner, seconded by Regent Deitch, the Regents unanimously approved the schematic design for the Michigan Wrestling Center Project as presented at the meeting.

210 Glen Avenue, Ann Arbor, Michigan

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved acquisition of the property at 210 Glen Avenue, Ann Arbor, Michigan at the negotiated price of \$495,000, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

990 Broadway Street, Ann Arbor, Michigan

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved acquisition of the property at 990 Broadway Street, Ann Arbor, Michigan at the

negotiated price of \$800,000, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

KMS Building Medical School Faculty Group Practice Billing Leasehold Improvements

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the KMS Building Medical School Faculty Group Practice Billing Leasehold Improvements Project as described.

Conflict of Interest Items

President Coleman announced that the agenda includes 20 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 White, seconded by Regent Maynard, the Regents unanimously approved the following agreements:

Lease Agreement with First Properties Associates Limited Partnership

The Regents approved a lease agreement for 63,920 square feet of property located at 2301 Commonwealth Boulevard, Ann Arbor, Michigan, to be leased from First Properties Associates Limited Partnership. Because William C. Martin, a University of Michigan employee, is also a partner of First Properties Associates Limited Partnership, 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 First Properties Associates Limited Partnership.
2. The service to be provided is the lease of 63,920 square feet in a building at 2301 Commonwealth Boulevard, Ann Arbor, Michigan, for three years, beginning July 1, 2008 through June 30, 2011, at a monthly rate of \$101,207.00 for the first year, \$105,202.00 for the second year, and \$109,197.00 for the third year. Tenant will be responsible for gas and electric usage plus janitorial service.

3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner of First Properties Associates Limited partnership.

License Agreement with the Michigan Information Technology Center Foundation

The Regents approved a license agreement with Michigan Information Technology Center Foundation involving installation of a fiber optic cable within an existing University system. Because John L. King, Douglas E. Van Houweling, Donald J. Welch, Barbara S. Nanzig, and Betty J. Burke, University of Michigan employees, are also board members and facilities manager of MITC, 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 license agreement are the Regents of the University of Michigan and its Information Technology Communications Services Department and the Michigan Information Technology Center Foundation.
2. The service to be provided is a license agreement for fiber optic cable installation within a University tunnel, telecommunications manhole and duct system for 25 years.
3. The pecuniary interest arises from the fact that John L. King, Douglas E. Van Houweling, Donald J. Welch, Barbara S. Nanzig, and Betty J. Burke, University of Michigan employees, are members of the board of directors and facilities manager of Michigan Information Technology Center Foundation.

Authorization for Payment to Studio Works Partnership

The Regents approved a payment by the A. Alfred Taubman College of Architecture and Urban Planning to Studio Works Partnership (Studio Works) for rental fees and on-site services required for a credit course offering in Beijing, China from May through June 2008. Because Mary-Ann Ray, a University of Michigan employee, is also a partner in Studio Works, this payment falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties involved in the transaction are the Regents of the University of Michigan and its A. Alfred Taubman College of Architecture and Urban Planning (TCAUP) and Studio Works.

2. The payment is for two months of rental fee (\$6,000) and on-site, 24-hour services (\$6,000) from May through June, 2008, at Studio Work's B.A.S.E. (Beijing Architecture Studio Enterprise) facility. The total cost in rental and service fees is \$12,000.
3. The pecuniary interest arises from the fact that Mary-Ann Ray, University of Michigan employee as professor in practice within TCAUP, is a partner of Studio Works.

Contract with Optiprise, Inc.

The Regents approved a contract between the College of Engineering's Center for Professional Development Interdisciplinary and Professional Engineering (InterPro) and Optiprise, Inc. (Optiprise). Because Jeffrey Liker, a University of Michigan employee, is also a minority partner in Optiprise, this contract falls under 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 College of Engineering's InterPro and Optiprise.
2. The two-year contract is for lead instruction of professional short courses on Lean Product Process Development by Dr. John Drogosz, senior lean consultant with Optiprise. This non-credit program offering through InterPro is generally offered over five days, publicly or customized in Ann Arbor or on location. Compensation rate for instruction is \$2,500 per day and this course will not be offered more than ten times per year or 50 days of instruction. Travel reimbursement is not to exceed \$1,500 per course offering. Total compensation for two years is not to exceed \$250,000 and total travel reimbursement is not to exceed \$30,000.
3. The pecuniary interest arises from the fact that Jeffrey Liker, University of Michigan employee, is a minority partner in Optiprise.

Authorization for Purchase from Cedar Creek Farms

The Regents approved a 3-year contract for the purchase of eggs by the University of Michigan Biological Station (UMBS) from Cedar Creek Farms for the next three years. Because Sharon Armock, a University of Michigan employee, is also co-owner of Cedar Creek Farms, this transaction falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties involved in the transaction are the Regents of the University of Michigan and its Biological Station and Cedar Creek Farms.

2. Total payment to Cedar Creek Farms is not to exceed \$5,000 per year. The price per dozen for their cage free eggs this season is \$3.00 per dozen. For three years through 2010, overall payment may not exceed \$15,000.
3. The pecuniary interest arises from the fact that Sharon Armock, University of Michigan temporary employee, is a co-owner of Cedar Creek Farms.

License Agreement between the University of Michigan and ACSI, Inc.

The Regents approved a license agreement with ACSI, Inc., for licensing from the University of Michigan the rights associated with the following trademark: UM OTT File No. 2058, the ACSI trademark. Because Claes Fornell, a University of Michigan employee, is also partial owner of ACSI, Inc. (“Company”), this agreement 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 agreement are the Regents of the University of Michigan and ACSI, Inc.
2. License terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay for the use of the ACSI trademark owned by the University. The University will retain ownership of the licensed trademark. 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. The pecuniary interests of Dr. Claes Fornell arise from his ownership interest in ACSI, Inc.

License Agreement between the University of Michigan and Arbor Photonics, Inc.

The Regents approved a license agreement between the University of Michigan and Arbor Photonics, Inc. (the “Company”) for licensing of the rights associated with the technology UM OTT File No. 2859, “Mode Scalable Optical Fibers for High Power Fiber Lasers.” Because Almantas Galvanauskas, a University of Michigan employee, is also owner of Arbor Photonics, 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 University of Michigan and Arbor Photonics, Inc.
2. License terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse 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 this 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. The pecuniary interests of Dr. Almantas Galvanauskas arise from his ownership interest in Arbor Photonics, Inc.

Research Agreement between the University of Michigan and Armune Bioscience, Inc.

The Regents approved a research agreement with Armune Bioscience, Inc. (“Company”) for support of research at the University related to technology that was previously licensed to the Company. Because David Beer and Arul Chinnaiyan, University of Michigan employees, are also partial owners of the Company, 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 Armune Bioscience, Inc.
2. The terms of the proposed agreement conform to University policy. The project will be directed by Dr. Xiaoju “George” Wang, research investigator, pathology department, over an initial one-year period at an estimated cost of \$269,290. Since research projects are often amended, these agreements include provisions for changes in time, amount, and scope of each supported project. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate. Medical School IRB approval has been obtained for this project.
3. David Beer’s and Arul Chinnaiyan’s pecuniary interest arises from their status as partial owners of Armune Bioscience, Inc.

Patent Option Agreement between the University of Michigan and Eng XT

The Regents approved a patent option agreement with ENG XT for licensing of the technology “A Miniature Sensor for Electric Field Measurements in Dusty Environments” (UM File No. 3545). Because Nilton Renno and Steven Rogacki, University of Michigan employees, are also partial owners of Eng XT, 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 Eng XT.
2. Option terms include giving Eng XT (“the Company”) a one-year option, with the ability to extend another year. The Company will be on a payment plan for ongoing patent expenses, perform technical diligence, and have provided a business plan that describes the Company’s intention and ability to develop and commercialize the licensed technology prior to exercising its option to obtain a license. The University will retain ownership of the optioned 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 interest of Nilton Renno and Steven Rogacki arise from their ownership interest in Eng XT.

License Agreement between the University of Michigan and ePack

The Regents approved a license agreement with ePack for licensing the University technology “Generic Environment-Resistant Package for MEMS” (UM File No. 3620). Because Khalil Najafi, Jay Mitchell, Sang Woo Lee, and Joseph Giachino, University of Michigan employees, are also partial owners of ePack (“the Company”), 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 ePack.
2. License terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse 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 Khalil Najafi, Jay Mitchell, Sang Woo Lee, and Joseph Giachino arise from their ownership interests in ePack.

Subcontract Agreement between the University of Michigan and GeneVivo, LLC

The Regents approved a subcontract agreement with GeneVivo, LLC to fund a project in the Medical School. Because Michael Welsh, a University of Michigan employee, is also partial owner and chief scientific officer of GeneVivo, LLC, and will also assist in the performance of the funded research, 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 GeneVivo, LLC.
2. The terms of the agreement conform to University policy. The period of performance for the project is ten (10) months and the amount of funding support is \$41,399.
3. Michael Welsh's pecuniary interest arises from his status as partial owner and chief scientific officer of GeneVivo, LLC.

Subcontract Agreement between the University of Michigan and Nico Technologies Corporation

The Regents approved a subcontract agreement with Nico Technologies Corporation ("Company") enabling the Company to fund a project at the University and for Nicholas Kotov to assist in the performance of the project. Because Nicholas Kotov, a University of Michigan employee, is also partial owner and member of the board of directors of the company, 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 Nico Technologies Corporation.
2. The terms of the agreement conform to University policy. The period of performance for the project is twenty-four (24) months and the amount of funding support is \$50,300.
3. Nicholas Kotov's pecuniary interest arises from his status as partial owner and member of the board of directors of Nico Technologies Corporation.

Permission to Install Agreement between the University of Michigan and Reveal Technologies Group

The Regents approved an agreement with Reveal Technologies Group ("Company") that will enable the Company to install its proprietary software on computers at the University

assigned to University of Michigan employee Mark L. Palmer. Because Mark Palmer is also an owner of the Company, 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 Reveal Technologies Group.
2. Under the terms of the agreement, Dr. Beverly Ulrich will oversee the use of the software by Dr. Palmer. There is no charge to the University for the use of the software and no payments to be made to the Company. The initial period of the agreement is six months and will include a provision for extensions of the time period.
3. Mark Palmer's pecuniary interest arises from his status as an owner of the Company.

Master Research Agreement between the University of Michigan and Sense Biosystems, Inc.

The Regents approved a master research agreement with Seventh Sense Biosystems, Inc. to enable it to use University facilities for projects that will be described from time to time which are related to research and development of technologies that have previously been licensed to it. Because Joerg Lahann, a University of Michigan employee, is also partial owner of Seventh Sense Biosystems, Inc. ("Company"), 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 will be the University of Michigan and Seventh Sense Biosystems, Inc.
2. The University will enter into a master agreement with the Company that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The master agreement will cover an initial five-year period with a total authorization not to exceed \$1,000,000. The University will use standard sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The master agreement will allow the University and the Company to specify projects that the University will conduct under the terms of the Master Agreement. Since research projects are often amended, the master agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional review by the OVPR Conflict of Interest Review Committee or Medical School Conflict of Interest Board will be done on a project-by-project basis.
3. Joerg Lahann's pecuniary interest arises from his partial ownership of Seventh Sense Biosystems, Inc.

Subcontract Agreement between the University of Michigan and Soar Technology, Inc.

The Regents approved a subcontract agreement with Soar Technology, Inc. (“SoarTech”) to enable Hemant Sardar and David LeBlanc, of the University of Michigan Transportation Research Institute, to assist in the performance of the funded research. Because John Laird, a University of Michigan employee, is also an owner of SoarTech, 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 Soar Technology, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is anticipated to be eight months and the amount of funding support is anticipated to be \$49,500.
3. John Laird’s pecuniary interest arises from his status as an owner of Soar Technology, Inc.

Subcontract Agreement between the University of Michigan and Sarcoma Alliance for Research through Collaboration (SARC Trial 003)

The Regents approved a subcontract agreement with Sarcoma Alliance for Research through Collaboration (“SARC”) to provide financial support and the pharmaceutical drugs gemcitabine and docataxel (SARC Trial 003) to support clinical trials funded by SARC and conducted at the University of Michigan. The agreement also includes database management services from the University in the form of a database management agreement. Because Lawrence Baker, a University of Michigan employee, is also co-founder, executive director, president, and director of SARC, 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 Sarcoma Alliance for Research through Collaboration (SARC).
2. The terms of the agreement conform to University policy. Under the project, total funding of \$22,849 is anticipated to cover a period of thirty-three months. IRB approval

will be obtained prior to the commencement of the work. Dr. Baker plays no role with regard to the University's performance of this agreement and receives no remuneration from it.

3. Lawrence Baker has no pecuniary interest in SARC.

Subcontract agreement between the University of Michigan and Sarcoma Alliance for Research through Collaboration (SARC Trial 005)

The Regents approved a subcontract agreement with Sarcoma Alliance for Research through Collaboration ("SARC") to provide financial support and the pharmaceutical drugs gemcitabine and docataxel (SARC Trial 005) to support clinical trials funded by SARC and conducted at the University of Michigan. The agreement also includes database management services from the University in the form of a database management agreement. Because Lawrence Baker, a University of Michigan employee, is also co-founder, executive director, president, and director of SARC, 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 Sarcoma Alliance for Research through Collaboration (SARC).
2. The terms of the agreement conform to University policy. Under the project, total funding of \$22,612 is anticipated to cover a period of three years. IRB approval will be obtained prior to the commencement of the work. Dr. Baker plays no role with regard to the University's performance of this agreement and receives no remuneration from it.
3. Lawrence Baker has no pecuniary interest in SARC.

Subcontract agreement between the University of Michigan and Sarcoma Alliance for Research through Collaboration (SARC Trial 006)

The Regents approved a subcontract agreement with Sarcoma Alliance for Research through Collaboration ("SARC") to provide financial support and the pharmaceutical drugs gemcitabine and docataxel (SARC Trial 006) to support clinical trials funded by SARC and conducted at the University of Michigan. The agreement also includes database management services from the University in the form of a database management agreement. Because

Lawrence Baker, a University of Michigan employee, is also co-founder, executive director, president, and director of SARC, 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 Sarcoma Alliance for Research through Collaboration (SARC).
2. The terms of the agreement conform to University policy. Under the project, total funding of \$51,669 is anticipated to cover a period of five years. IRB approval will be obtained prior to the commencement of the work. Dr. Baker plays no role with regard to the University's performance of this agreement and receives no remuneration from it.
3. Lawrence Baker has no pecuniary interest in SARC.

License Agreement between the University of Michigan and Armune BioScience, Inc.

The Regents approved a license agreement with Armune BioScience for the rights associated with the technologies "Phage Microarray Profiling of the Humoral Response to Disease" (M OTT File No. 2791) and "Methods and Compositions for Diagnosing Lung Cancer" (UM OTT File No. 3650). Because David Beer, Arul Chinnaiyan, and Gil Omenn, University of Michigan employees, are also partial owners of Armune BioScience, 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 Armune BioScience, Inc. ("Armune").
2. Agreement terms include granting Armune an exclusive license to the patent rights with the right to grant sublicenses. Armune will pay royalties, milestone payments and reimburse patent costs. In addition, the University will receive equity in Armune. 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. The pecuniary interests of Drs. Beer, Omenn and Chinnaiyan arise from their ownership interest in Armune.

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

The Regents approved a license agreement with Vortex Hydro Energy, LLC (“Company”) for licensing the rights associated with the following technologies: UM OTT File No. 2973, “Fluid Motion Energy Converter,” UM OTT File #3737, “Enhancement of Vortex Induced Forces and Motion through Surface Roughness Control,” and UM OTT File #3906, “Appendages for Enhancement of Vortex Induced Forces and Motion for Hydrokinetic Energy Conversion.” Because Michael Bernitsas, a University of Michigan employee, is also a partial owner of the Company, 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 Vortex Hydro Energy, LLC.
2. License terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse 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 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. Michael Bernitsas’ pecuniary interest arises from his ownership interest in Vortex Hydro Energy, LLC.

Implementation of the Regents’ Policy on Openness in Research Grants, Contracts, and Agreements, FY07

Vice President Forrest submitted the annual report on implementation of the Regents’ Policy on Openness in Research Grants, Contracts, and Agreements, FY07.

Approval of Academic Calendar for 2010-2011

On a motion by Regent Richner, seconded by Regent Maynard, the Regents unanimously approved the Ann Arbor campus academic calendar for 2010-2011.

Michigan Health Corporation (MHC) Annual Business Plan

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved the Michigan Health Corporation annual business plan and budget.

New Undergraduate Certificate Program in Department of Natural Sciences, College of Arts, Sciences, and Letters, University of Michigan-Dearborn

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a new undergraduate certificate program, “Spatial Analysis and Geographic Information System,” in the Department of Natural Sciences, College of Arts, Sciences, and Letters, at the University of Michigan-Dearborn.

Chancellor, University of Michigan-Flint

President Coleman highlighted the appointment of Ruth Person as chancellor of the University of Michigan-Flint, effective August 1, 2008.

Public Comments

The Regents heard comments from Hollis Smith, staff member, on disposal of no-longer needed vehicles used by the Department of Public Safety.

There being no further business, the meeting was adjourned at 5:00 p.m. The next meeting is scheduled for July 17, 2008.