

JANUARY MEETING, 1998

*The University of Michigan
Ann Arbor
Thursday, January 15, 1998*

The Regents convened at 1:45 p.m. in the Regents' Room. Present were Regents Horning, Maynard, McFee, McGowan, Newman, and Power. Also present were Executive Vice President Kasdin, Provost Cantor, Vice President Harrison, and Interim General Counsel Barry. Regent Taylor, Vice President Hartford, Vice President Neidhardt, Chancellor Nelms, and Chancellor Renick were absent. Associate Vice President Julie Ellison attended in the place of Vice President Neidhardt. Regent Deitch arrived at about 2:00 p.m.; President Bollinger arrived at 2:20 p.m.

Regent Power called the meeting to order at 1:45 p.m. Vice President Harrison announced that President Bollinger's plane had been delayed and was due to arrive in Detroit from Boston shortly; the president had requested that the meeting be convened with Regent Power presiding until he arrived.

Medical School Sesquicentennial

Regent Power called on Regent McFee, who noted that she was very pleased to be able to read the following resolution:

Regents' Resolution

One hundred and fifty years ago, on January 19, 1848, the Regents of the University of Michigan officially established the University of Michigan Medical School. In so doing, our predecessors not only acknowledged the University's developing strength in the biomedical sciences, they anticipated the broader community's future needs for excellence in medical education and research and for outstanding medical care.

The University of Michigan Medical School and its parent, the University of Michigan Health System, are today among the nation's finest. We congratulate the Medical School for its rich heritage and note with pleasure its prospects for future excellence.

There followed a round of applause, after which Executive Vice President Omenn noted that he had invited some leaders of the Medical Center to attend the meeting. He introduced former Medical School deans William Hubbard (1959-70) and Giles Bole (1990-96), and former vice provost for health affairs Rhetaugh Dumas (1994-97). He noted that Dr. James Neel had planned to attend, but was ill. He noted that Dr. Neel had begun his tenure as a Medical School faculty member during the school's centennial, 50 years ago, and that he personally considered Dr. Neel's career to have been one of the most distinguished in American medicine, and especially in the field of human genetics.

Executive Vice President Omenn read the following remarks that Dr. Neel had prepared:

It is an extraordinary privilege to say a few words concerning the upcoming 150th anniversary celebration of our medical school during the academic year 1999-2000. I suspect my presence as a faculty spokesperson stems from the fact that I am one of the few medical school faculty who has been active here during the 50 years since we celebrated the centennial, and so have personally witnessed the developments during this period. We carried a proud tradition of excellence and innovation into the 150th celebration, and I believe you'll find that tradition alive and well for the 150th.

Executive Vice President Omenn noted that he will keep the Regents informed of plans for celebration of the sesquicentennial as they materialize. He also reviewed some of the history of the Medical School, noting that one of the original members of the Board of Regents, Dr. Zina Pitcher, had been a leader in its founding.

Consent Agenda

Minutes. The minutes of the November 1997 meeting were submitted for approval.

Reports. Executive Vice President Kasdin submitted reports on investment and plant extension. Interim Co-General Counsel Barry submitted the Litigation Report. Vice President

Kasdin submitted the Human Resources and Affirmative Action Report and the Regents Report on Noncompetitive Purchases over \$5,000 from Single Sources for September 1 - December 31, 1997. Associate Vice President Ellison submitted the report on Projects Established for December 1997.

Associate Vice President Ellison called the Regents' attention to the public premiere on January 25, 1998, of the Public Broadcasting Service documentary, "Porgy and Bess: An American Voice," the project director of which is Professor James Standifer of the School of Music. She also announced the upcoming conference on campus entitled "Managing Integrity in Research," as well as the upcoming exhibit of early works of Claude Monet at the Museum of Art, "Monet at Vétheuil: The Turning Point."

Voluntary Support. The Report on Voluntary Support for December 1997 was submitted.

Personnel Actions/Personnel Reports. Provost Cantor submitted a number of Personnel Actions and Personnel Reports, noting especially the proposed appointment of Douglas S. Kelbaugh as dean of the College of Architecture and Urban Planning, the proposed extension of the appointment of Colin Day as director of the University of Michigan Press, and the proposed appointment of Frederick Neidhardt as vice president for research.

Retirement Memoirs. Provost Cantor submitted four retirement memoirs.

There were no memorials and no actions with respect to degrees this month.

Regent McGowan called attention to the reappointment of Dorothy Russell as Vice Chancellor for Administration at the University of Michigan-Flint.

On a motion by Regent McFee, seconded by Regent Horning, the Regents unanimously approved the Consent Agenda.

Alternative Asset Investments

On a motion by Regent Maynard, seconded by Regent Horning, the Regents unanimously approved commitment of up to \$40.0 million of the Long Term Portfolio to Brookdale Investors Three, L.P., as described in the Regents Communication, with the understanding that the actual commitment will be \$25.0 million plus fees.

Real Estate Investment Trust Manager

On a motion by Regent Deitch, seconded by Regent McFee, the Regents unanimously approved John McStay Investment Counsel as investment manager, as described in the Regents Communication.

Commitment of up to \$20 million from Long Term Portfolio to Thomas H. Lee Equity Fund IV, L.P.

Executive Vice President Kasdin informed the Regents of a follow-on investment of up to \$20 million that has been made to Thomas H. Lee Equity Fund IV, L.P., as described in the Regents Communication.

Energy Common Stock Manager

On a motion by Regent Horning, seconded by Regent Deitch, the Regents unanimously approved State Street Research Energy and Natural Resources Hedge Fund, LLC, for an investment of up to \$25.0 million, as described in the Regents Communication.

Sale of Tax Exempt Commercial Paper to Finance University's Projects

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously authorized an increase of up to \$55.5 million in the amount outstanding of the commercial paper supported by a pledge of General Revenues.

Refunding of Hospital Revenue and Medical Service Plan Revenue Bonds

Executive Vice President Kasdin pointed out that the projected savings to be realized by refinancing the Hospital Revenue and Medical Service Plan Revenue Bonds described in the Regents Communication should be considered only as illustrative of the magnitude of savings being sought. The actual savings will be dependent on the market conditions at the time of refinancing.

Regent McFee moved that:

The Regents adopt the following resolution authorizing the executive vice president and chief financial officer to issue Hospital Revenue or Medical Service Plan Revenue Refunding Bonds to refinance all or a portion of the Hospital 1986A, Hospital 1990, or the MSP 1991 Bonds, or a combination of them, and:

1. Develop the terms and legal documentation for the refinancing with the assistance of the Underwriter and outside legal counsel.
2. Complete and distribute preliminary and final Official Statements describing the University, the activities of the Hospital and the Medical Service Plan, the revenue flow providing the security for the refunding bonds, and the structure of the bonds.
3. Solicit the rating of the bonds from Moody's Investors Service and Standard & Poor's Corporation.
4. Obtain a final proposal for the bonds and any derivatives.
5. Negotiate, execute, and deliver the Bond Purchase Agreements with the Underwriters, Derivative agreements with counterparties to be selected, Trust Indentures with Trustees to be selected, Escrow Agreements with Escrow Agents to be selected, any agreements required for the remarketing and liquidity of any variable rate bonds issued, and execute and deliver the Bonds, all within the limitations of the attached resolution.

Regent Horning seconded the motion. Regent McFee observed that it is very gratifying to note that people are watching the University's finances and the opportunities to enhance them as closely as is evidenced by this proposal.

The vote was then taken, and the motion was approved unanimously.

INSERT RESOLUTION HERE

Report of Sale of University Owned Real Estate

Executive Vice President Kasdin reported that the University had accepted an offer of \$250,000 for University-owned real estate located at 5631 Sugarbush, Flint, Michigan, and that the transaction had been completed in December 1997.

Vacant Lot Located in Harbor Springs, Emmet County, Michigan

Executive Vice President Kasdin presented this request to accept and sell a vacant lot in Harbor Springs, Emmet County, Michigan. Following some discussion, Regent McGowan moved, Regent Horning seconded, and the Regents unanimously approved, acceptance of a gift of real estate located in Harbor Springs, Michigan, and authorized the sale of the property, as described in the Regents Communication.

President Bollinger arrived at this point, at 2:20 p.m.

Secretary of the University

President Bollinger described a recommendation to expand the duties of Walter L. Harrison, vice president for university relations, to include the function of secretary of the university, and to change his title accordingly. He noted that Roberta Palmer has been serving as secretary since 1995 and had served admirably in that role, and said that she would be assuming a new role as special advisor to him. President Bollinger observed that the position had been constructed to include both roles prior to Ms. Palmer's appointment, and this would be a return to the former structure.

Regent McFee moved that the position of secretary of the university be combined with the position of vice president for university relations, and that Walter L. Harrison be appointed

vice president for university relations and secretary of the university, effective January 1, 1998. Regent Power seconded the motion, and it was approved unanimously.

Public Comments

There were no speakers wishing to address the Regents.

Closed Session

President Bollinger stated that the Regents would now meet in closed session to consider the periodic personnel evaluations of two employees pursuant to their request under section 8(a) of the Open Meetings Act. The meeting then continued in executive session from 2:25-6:30 p.m.

Friday, January 16, 1998

The meeting convened at 9:45 a.m. in the Regents' Room. Present were Regents Horning, Maynard, McFee, McGowan, Newman, and Power. Also present were Executive Vice President Kasdin, Executive Vice President Omenn, Provost Cantor, Vice President and Secretary Harrison, Chancellor Nelms, Chancellor Renick, and Interim Co-General Counsel Barry. Regent Taylor, Regent Deitch, Vice President Hartford, Vice President Neidhardt, and Vice President Kinnear were absent.

Resolution in Honor of 1997 Michigan Wolverine Football Team

President Bollinger called the meeting to order and called on Regent Horning. Regent Horning introduced Coach Lloyd Carr and Co-Captain Jon Jansen to the assembly. He observed that in the locker room following the Rose Bowl victory, Coach Carr and the others who spoke

to the team had stressed their pride in representing the University, rather than emphasizing their own individual achievements. He then offered the following resolution:

Regents' Resolution

The Regents of the University of Michigan commend the 1997 Michigan Wolverine football team for its perfect 12-0 season, which culminated in a 21-16 Rose Bowl victory over Washington State University.

In their come-from-behind win in Pasadena, players and coaches again displayed the tenacity, discipline, and resiliency they had shown throughout the season. Ranked number one during the final month of the regular season, the Wolverines were named national champions in the Associated Press Top 25 poll, resulting in the University's first national football championship in 50 years and the Big Ten's first such title since 1968.

All-American junior Charles Woodson also made history when he became the first primarily defensive player to win the Heisman Trophy. With his agility, speed, and personal drive, Charles Woodson, also the winner of the Walter Camp Football Foundation's Player of the Year Award, left no doubt that he is college football's most outstanding player.

Demonstrating the qualities of perseverance, determination, and poise that he has exhibited all season, quarterback Brian Griese earned the Rose Bowl's Most Valuable Player Award. An exemplary student athlete, he also received an NCAA Today's Top VIII Award, recognizing his achievements in athletics, academics, character, and leadership, and was one of six team members to garner Academic All Big Ten honors.

Finally, the Regents commend Coach Lloyd Carr, winner of five coach-of-the-year awards, including those from the Walter Camp Football Foundation and the American Football Coaches Association. In the best tradition of Michigan football, he stressed the importance of acting with integrity and setting and achieving goals on and off the field, while also continually emphasizing the importance of the team over individual players. A gifted motivator, he inspired players and fans alike and made believers out of skeptics across the nation.

Following the Rose Bowl game, Coach Carr stated, "I don't think anyone could ask any more of a team than what they gave." The Regents express their wholehearted agreement and salute the entire football team: the coaches; the captains, Jon Jansen and Eric Mayes; and each and every one of the players, all of whom have contributed so vitally to the hallowed tradition of Michigan football. Hail to the victors!

There followed a standing ovation, after which Coach Carr responded that it was important to him to have a football team the Regents, alumni, and Michigan residents can be proud of.

Co-Captain Jon Jansen thanked people for their continued support and noted that the support had been very important to the players, both this year and in previous seasons.

University of Michigan-Dearborn Environmental Interpretive Center

Chancellor Renick noted that the environmental interpretive center is an important component of the campus' academic program and institutional strategy. He called on Mr. Doug Hanna, University architect.

Mr. Hanna noted that the Regents had previously approved the project, architect, and site, and that approval was now being requested for the proposed design and a revised budget. He gave a presentation including a site plan, renderings of the exterior and interior, and an architectural model.

Following some discussion, Regent Horning moved approval of the proposed design and revised budget for the UM-Dearborn Environmental Interpretive Center. Regent McFee seconded the motion. The vote was then taken, and the motion was approved unanimously.

University of Michigan-Dearborn Field House Addition

Mr. Hanna gave a presentation describing the proposed design of an addition to the University of Michigan-Dearborn Field House, including a computer-generated rendering of the proposed design.

Following some discussion, Regent McGowan moved approval of the proposed design for the UM-Dearborn Field House Addition. Regent McFee seconded the motion, and it was approved unanimously.

University of Michigan-Dearborn General Campus Renovation Project Phase III: College of Arts, Sciences, and Letters (CASL) Building Component

Chancellor Renick informed the Regents of the principal design objectives that have been identified for the College of Arts, Sciences, and Letters (CASL) building component.

University of Michigan-Flint Campus Master Plan

Chancellor Nelms stated that the Regents are being asked to approve the incorporation of the 25-acre parcel on the north side of the Flint River (previously known as the AutoWorld property) into the University of Michigan-Flint Master Plan.

He noted that input had been received from faculty, staff, and members of the community. The goal is for the University of Michigan-Flint to have one campus, as opposed to a north campus and south campus or any other type of separate campus arrangement. He said that development of the site will be driven by the academic needs of the campus and the region over a 20 to 25-year period of time. He called on Mr. Fred Mayer, University planner, to present the proposed plan.

Mr. Mayer reviewed the University's general approach to planning, noting that the current approach evolved during the 1960s and involves developing a master plan that provides a broad conceptual framework for the physical growth of the campus while incorporating the flexibility needed to make changes based on fluctuating enrollments, changing academic programming needs, and technological developments. Decisions on individual building projects are made on a specific, project-by-project, basis. As academic programming needs become identified, these are compared to potential developable sites, and recommendations are then made for specific sites for particular projects. Architectural details are brought to the board once an architect has been identified and has consulted with those who will be using the building and developing the program.

Mr. Mayer displayed diagrams of the original plan, developed in the 1970s, along with the 1983 and 1992 updates. The purpose of the current discussion is to incorporate the recently acquired AutoWorld property into the plan, making it into one cohesive campus. He introduced Richard Rigterink, of Johnson Johnson & Roy, Inc., the Flint Campus' planning consultant, to review the proposed master plan update.

Mr. Rigterink observed that the master plan needs to incorporate flexibility, as well as a physical framework within which that flexibility can occur. He noted that until now, the campus has grown in an east-west configuration. Incorporating the property north of the Flint River provides an opportunity to make the river a focal point.

Mr. Rigterink displayed a map of the proposed 1998 Master Plan that incorporates the AutoWorld site. He pointed out that land adjacent to the river is not owned by the University; it is a flood plain managed by the U.S. Army Corps of Engineers, and cannot be built upon. He noted that the plan would include changing both the type and direction of traffic on the three existing city streets and bridges that cross the campus, including changing Harrison Street from a one-way to a two-way street in the campus area and possibly transferring ownership of this street to the University.

Mr. Rigterink stressed that a major emphasis of the plan is to bring the community to campus. He displayed a map indicating future development sites, pointing out that there are underground utilities corridors underneath the AutoWorld property that cannot be built upon but that could be used for roads and open spaces. It was emphasized that the building zones indicate areas within which buildings can be placed, not actual buildings or building footprints. The plan also indicates three possible areas that could be used for parking.

Following some discussion, Regent Newman moved approval of incorporation of the AutoWorld property into the existing campus master plan, to be known as the 1998 Master Plan Update, according to the presentation at the meeting. Regent Horning seconded the motion. There was further discussion about the area on the north shore of the river that constitutes the flood plain maintained by the Army Corps of Engineers. Regent Newman stated that she fully supports the plan and that her questions were meant not as criticism, but rather as a means for gaining a better understanding of all of the issues.

The vote was then taken, and the motion was approved unanimously.

University of Michigan-Flint Professional Studies and Classroom Building (PS&CB) Project

Chancellor Nelms presented exterior design objectives for the PS&CB project. This project, which had been approved by the Board in April 1997, involves construction of a new building on the Flint campus. Regent Power urged that closer attention be paid to the program characteristics prior to discussion of exterior design elements and elevation in future projects.

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved an increase in scope of the Professional Studies and Classroom Building to incorporate a multi-media instructional center.

Michigan Health Corporation (MHC)/Annual Business Plan

Executive Vice President Omenn announced that the MHC board had unanimously approved a 1997-98 Business Plan, and submitted it for approval by the Board. Regent McFee requested that as the plan is implemented, the Board continue to be apprised of MHC's activities. Regent Power noted that it would be helpful if future plans would address the objectives the MHC is trying to reach and how it plans to achieve these objectives.

There being no further discussion, on a motion by Regent Power, seconded by Regent McFee, the Regents unanimously approved the Michigan Health Corporation's 1997-98 Business Plan and authorized MHC to take all action necessary and appropriate to operate MHC.

Henry Russel Awards for 1998

On a motion by Regent Power, seconded by Regent Maynard, the Regents unanimously approved the selection of Susan E. Alcock, associate professor of classical archaeology and classics, and Trevor D. Wooley, associate professor of mathematics, as 1998 Henry Russel Award recipients.

Recommendation for Appointments to Medical Staff Membership

On a motion by Regent Newman, seconded by Regent Horning, and on the recommendation of the University of Michigan Hospitals Executive Board, the Regents unanimously approved certain specified appointments to medical staff membership.

Presidential Salary

Regent Power made the following motion:

Lee C. Bollinger became president of the University of Michigan on February 1, 1997. The letter of engagement between the Regents and President Bollinger called for annual performance reviews. The Regents have now undertaken this review.

The results were unanimous and outstanding. President Bollinger's performance in office has met, and in all instances, exceeded our expectations.

Consequently, I move that his annual base salary be increased by 4.5%, from \$275,000 per year to \$287,375, effective February 1, 1998 and running through August 31, 1998, at which time another performance review will take place so as to put any adjustments in the president's salary on the same cycle as for other University of Michigan employees.

I understand that the consolidated salary schedules of all other University of Michigan employees will also be released to the public today.

Regent McFee seconded the motion.

Regent Power observed that Regent Deitch had participated in yesterday's performance review session and could not be present at today's meeting, but had asked him to read into the record his views:

I regret not being here this morning; I've had a client commitment arise which I could not rearrange. I enthusiastically support the decision on President Bollinger's salary. He has done a superlative job this past year.

Regent McFee commented that the evaluation had concluded that the president had not only lived up to the Board's expectation, but had exceeded them in all respects.

Regent McGowan observed that one of the paramount requirements and expectations of the new president was in the area of his personnel appointments. She pointed to the newly appointed executive officers at the table as evidence of his skills in the area, and noted that the evaluation of the president's performance had taken into account the exceptional appointments he had made.

Regent Newman stated that she concurs in the evaluation and commends President Bollinger for his leadership, his appointments, and his vision. However, she disagrees with the percentage increase that had been decided upon, and stressed that her plan to vote against the salary increase in no way reflects her admiration for his performance over the past year.

Regent Horning expressed agreement with the others' opinions of the president's performance. He noted that one of the factors in his selection as president had been that he would be able to "hit the ground running," and that the president had indeed done that. He said that he intended to support the salary increase, although he would like to have these kept more in line with inflation.

Regent Maynard observed that even though she and Regent Taylor had not been members of the board when President Bollinger had been selected, they were very pleased with the decision. His vision and energy have been most valuable to the University community.

President Bollinger thanked the Regents for their comments, and expressed how wonderful his experience as president had been so far.

The vote was then taken, and the motion was approved, with Regents Horning, Maynard, McFee, McGowan, and Power voting in favor, and Regent Newman opposed.

There being no further business, the meeting was adjourned at about 10:45 a.m. Regents' expenses for December 1997 totaled \$868.66. The next meeting will take place February 19-20, 1998.