

MARCH MEETING, 2000

*The University of Michigan
Ann Arbor
Monday, March 20, 2000*

The Regents convened at 1:45 p.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, and White. Also present were Provost Cantor, Vice President Feagin, Interim Vice President Harper, Executive Vice President Kasdin, Interim Chancellor Klein, Vice President and General Counsel Krislov, Chancellor Mestas, Executive Vice President Omenn, Vice President Ulaby, Vice President and Secretary Tedesco, and Vice President Wilbanks. Regent Taylor was absent.

President Bollinger called the meeting to order and called on Vice President Wilbanks.

Michigan Road Scholars

Vice President Wilbanks noted that the Road Scholars Program was inaugurated in May 1999. Under this program, 30 faculty members traveled to various communities around the state for a period of 5 days to get acquainted with areas where many students come from, but with which they were unfamiliar. She noted that Provost Cantor had agreed to fund this program on a pilot basis for a two-year period, in conjunction with the offices of state outreach and government relations. Vice President Wilbanks observed that all of the objectives of the program had been met during the inaugural trip, and she was confident that the coming trip in May 2000 would be equally successful. She then introduced Dean Earl Lewis.

Dean Lewis reported that the goals of the program are to:

- Develop among faculty an awareness of the state's distinctive geography, economy, culture, government and politics, history, educational systems, health and social issues;

- Learn about the communities that a majority of students call home;
- Encourage service to the public and research to address state problems;
- Show how the University of Michigan is connected to the entire state;
- Introduce faculty to areas of the state some of them might otherwise never see;
- Promote interaction among faculty across the disciplines.

Dean Lewis noted that as chair of the tour's advisory committee, he had responded to Provost Cantor's charge of building on the University's history of connecting with the state and its communities, and enhancing the University's academic mission by creating new opportunities and possibilities for collaboration among faculty and between faculty and Michigan communities. This goal was met and would become apparent in the videotape of the 1999 trip. Dean Lewis observed that a unique feature of the Road Scholars program was that faculty members departed from their roles as teachers and assumed roles as students, listening to and learning from state residents.

A videotape describing the 1999 Road Scholars Tour was then shown. Following presentation of the videotape, some of the faculty who had participated in the tour were introduced and commented on the trip. Dean Lewis announced that as a result of this trip, the Horace H. Rackham School of Graduate Studies has provided seed funding for five collaborative projects involving teams of faculty and communities around the state.

President Bollinger commented that this is a terrific program, and thanked the faculty for their participation.

Comments from President Bollinger

President Bollinger commented on a number of recent awards and accolades received by faculty, and called attention to several upcoming campus events.

Consent Agenda

Minutes. Vice President and Secretary Tedesco submitted for approval the minutes of the February 17, 2000 meeting.

Reports. Executive Vice President Kasdin submitted Reports of Investment, Plant Extension, and Human Resources and Affirmative Action. Vice President Krislov submitted the Litigation Report. Vice President Ulaby submitted the report of Projects Established for February 2000.

Michigan Student Assembly Report. Mr. Bram Elias, president of Michigan Student Assembly, noted that his tenure as MSA president would be ending this month, and reviewed the progress that had been made in improving communications between MSA and the Regents under his administration. (A complete report is included in the agenda materials.) Whereas previously, MSA issued a biannual report to the Regents and made all other presentations during public comments, under the current system, MSA issues a written monthly report in the Regents agenda and reports regularly to the board as part of the consent agenda. He reviewed the topics that had been covered each month since he took office in April 1999 and then reflected on how communications, input, and information gathering might have been improved.

Mr. Elias commented that the notion of a student Regent was originally brought forth because it was important to MSA that students have an opportunity to comment on issues that affect them that might be coming up for a vote by the Regents. However, conversations with several executive officers convinced them that this is already possible under the current system.

To help institutionalize the process for MSA/Board of Regents interaction, Mr. Elias presented some general principles for maximizing the effectiveness of student input to the Board of Regents that he planned to pass on to the person who succeeds him as president. These

include providing frequent written reports to the Regents regarding student issues via email; maintaining close contact with the administration so that students become aware of upcoming issues with as much advance notice as possible; and improving communications with the Regents outside of Regents' meetings so that Regents understand the context of an issue before it is presented at a meeting.

Regarding the notion of whether there should be a student Regent, Mr. Elias noted that students within MSA understand the arguments against it, although they and many other students do not agree and still believe having a student Regent would be preferred. He explained that it is difficult to make the student body understand the level of interaction between the administration and Regents that has been achieved to date under the current system, and he pointed out that many other institutions do have student representatives on their board.

University of Michigan Health System Report. Executive Vice President Omenn distributed copies of the *University Record* that highlighted articles about the Health System that had recently been published in the *Journal of the American Medical Association*. He also noted that the website WebMD had recently featured a live surgery performed at the University of Michigan Hospital.

In response to a comment about a recent newspaper article highlighting the long wait for routine mammograms at the University of Michigan Health System, Executive Vice President Omenn said that the high demand for mammograms and other factors related to the current managed care environment have led to this situation. He noted that a new mammography facility has been approved for the East Ann Arbor Health Center, and that officials are also working very hard on a number of fronts to alleviate the situation.

Student Affairs Report. Vice President Harper reported that the students who had been occupying the Michigan Union Tower had ended their occupation on Monday, March 13, and that the University is continuing to work on many of the broader issues that were raised during the protest. She also noted that staff continues to address the issues raised by Mr. Elias during the MSA report.

University of Michigan-Dearborn. Interim Chancellor Klein stated that things were going well on the Dearborn campus.

University of Michigan-Flint. Chancellor Mestas observed that his inauguration would be celebrated on April 5.

Voluntary Support. Vice President Feagin submitted the report of voluntary support for February 2000.

Personnel Actions/Personnel Reports. Provost Cantor submitted personnel actions and personnel reports.

Retirement Memoirs. Vice President and Secretary Tedesco submitted retirement memoirs for five faculty members.

Memorial Statements. Vice President and Secretary Tedesco submitted a memorial statement for Professor Clarence Chrisp.

Degrees. President Bollinger submitted the following recommendations for recipients of honorary degrees at the Spring 2000 Commencement: William Ferris, Doctor of Humane Letters; David Halberstam, Doctor of Humane Letters; David Hermelin, Doctor of Laws; Bernice Johnson Reagon, Doctor of Music; Lawrence Kasdan, Doctor of Humane Letters; Martinus Veltman, Doctor of Science. He noted that David Halberstam would be the speaker at

the undergraduate exercises and that Bernice Johnson Reagon would speak at the University Graduate Exercises.

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved the Consent Agenda.

Alternative Asset Commitments

Executive Vice President Kasdin reported that up to \$33 million from the Long Term Portfolio had been committed to follow-on funds of three previously-approved alternative asset partnerships: Worldview Technology Partners III, L.P.; Matrix Partners VI, L.P.; and TA Subordinated Debt Fund, L.P.

Existing Property Leases between the University of Michigan and Martin and Affiliates

Executive Vice President Kasdin noted that prior to the appointment of William C. Martin as interim athletic director, multiple lease agreements had been entered into between the University of Michigan and Martin and Affiliates, resulting in a pre-existing business relationship. He stated that any leases negotiated during Mr. Martin's tenure as interim athletic director will be processed under the State of Michigan Conflict of Interest Law.

Financial Statements and Reports Pursuant to Federal Office of Management and Budget (OMB) Circular A-133

Executive Vice President Kasdin submitted the financial statements and reports to OMB Circular A-133 for the year ended June 30, 1999.

Status of Action Plans in Response to PricewaterhouseCoopers LLP Management Letter for FY99

Executive Vice President Kasdin submitted a description and status of current action plans in response to the FY99 external financial audit and management letter.

University of Michigan-Dearborn Fiscal Year 2001 Capital Outlay Submission

Interim Chancellor Klein submitted the Fiscal Year 2001 Capital Outlay request for the Dearborn Campus.

University of Michigan-Flint 2000-2001 Capital Outlay Submission

Chancellor Mestas submitted the Fiscal Year 2000-2001 Capital Outlay request for the Flint Campus.

WFUM-TV and WUOM/WVGR/WFUM-FM Statements of Support, Revenue and Expenditures (Operating Fund) for the Years Ended June 30, 1999 and 1998

Executive Vice President Kasdin submitted Statements of Support, Revenue and Expenditures (Operating Fund) for the Years Ended June 30, 1999 and 1998. He noted that WFUM-TV has financial issues, including a negative balance situation, that Chancellor Mestas is addressing.

Audited Financial Reports for WUOM/WVGR/WFUM-FM and WFUM-TV for the Fiscal Year Ended June 30, 1999

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved adoption of the public broadcasting audits for the fiscal year ended June 30, 1999 as submitted.

Central Heating Plant 480 Volt Station Power System Upgrade

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved proceeding with the Central Heating Plant 480 Volt Station Power System Project as described in the Regents Communication.

Dennison Building Fire Protection Sprinklers and Classroom Renewal

On a motion by Regent Maynard, seconded by Regent Horning, the Regents unanimously approved the Dennison Building Fire Protection Sprinkler Project as described in the Regents Communication.

East University Plaza Area/Palmer Drive Correction of Flooding Problem

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved proceeding with a project for construction of a pump storage basin under the proposed Palmer Drive Parking Structure to alleviate flooding problems in the Palmer Drive and East University Plaza areas.

Kraus Natural Sciences Building Second Floor Lab Renovation

On a motion by Regent McGowan, seconded by Regent Newman, the Regents unanimously approved proceeding with the Kraus Natural Sciences Building Second Floor Lab Renovation Project, as described in the Regents Communication.

Renovation of Hutchins Hall Classroom 220 in the Law School

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the renovation of Hutchins Hall Classroom 220, as described in the Regents Communication.

Mason and Haven Hall Renovation Project

On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved issuance of three early bid packages, for demolition, foundations, and structural steel, for the Mason and Haven Hall Renovation Project. Executive Vice President Kasdin observed that this procedure would only be used on a selected basis, as appropriate.

S.T. Dana Building - School of Natural Resources and Environment Phase II Renovation Project

On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved the budget for the S.T. Dana Building Phase II Renovation Project, and authorized issuing the project for bids and awarding construction contracts provided that bids are within the approved budget.

Parking Rate Increase

Executive Vice President Kasdin observed that there continues to be a pressing need for parking on the University of Michigan campus. Now that all but one structure have been renovated and are in good repair, efforts will focus on the construction of new parking structures. He noted that in Spring 2001, 277 spaces will be coming on line in the Forest Street Structure, and a new structure holding 1,100 spaces, is being planned for Palmer Drive.

Executive Vice President Kasdin noted that as a result of recent legislation, employees can pay for their parking permits with pretax dollars. The proposed schedule of rate increases for the next three years will provide the funding for construction of the Forest Street and Palmer Drive spaces, in addition to several hundred more spaces in a yet to be determined location.

Regent Deitch moved approval of parking rate increases of 1.5 percent, 5 percent, and 4.5 percent, respectively, for the next three years. Regent McGowan seconded the motion.

There was discussion of the cards that are required for admission to some “Gold” parking lots. It was explained that these are necessary in some locations as a means of access control to assure that people who have gold permits will find parking spots. In addition, monitors have been put in place in most structures to assure that they are only used by people who possess parking permits.

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

Medical Science II and Buhl Center for Human Genetics Buildings Renovation Project Phase II

On a motion by Regent Horning, seconded by Regent White, the Regents unanimously approved putting out for bid the Medical Science II and Buhl Center for Human Genetics Buildings Renovation Project Phase II.

Contract between the University of Michigan and Architecture Buro

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a contract between the University of Michigan and Architecture Buro. Because the sole proprietor of Architecture Buro, Christian Unverzagt, is also a University of Michigan employee, this contract 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 A. Alfred Taubman College of Architecture and Urban Planning, and Architecture Buro.
2. The service provided is design work for college functions and lecture series, to be provided for the calendar year ending February 28, 2001, on two purchase orders, each with a total cost of \$2,250.00.
3. The pecuniary interest arises from the fact that Christian Unverzagt, a University of Michigan employee, is the sole proprietor of Architecture Buro.

Payment for Services of Denison Consulting LLC

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved payment for services of Denison Consulting LLC. Because Dan Denison was a University of Michigan employee at the time the service was provided and also is joint owner of Denison Consulting LLC, 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 Business School's Executive Education Center and Denison Consulting LLC.

2. The service provided was a leadership development survey used as part of the teaching materials for executive education programs. The service was provided in May of 1999, at a total cost of \$1,948.00.
3. The pecuniary interest arises from the fact that Dan Denison, a University of Michigan employee, is a joint owner of Denison Consulting LLC.

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

Regent White moved approval of a license agreement between the University of Michigan and Djinesys, Inc. Regent Maynard seconded the motion. Regent Deitch announced that he would be recusing himself from consideration of this issue due to a conflict of interest. The vote was then taken, and the motion was approved unanimously by a vote of six in favor, none opposed, and one abstention.

The owner of Djinesys, Inc., Susan Hares, is also a University of Michigan employee by virtue of her employment with Merit Network, Inc. ("Merit"). In addition, the following individuals currently employed by Merit will be relinquishing their University of Michigan positions by March 31, 2000, and will be employees at Djinesys: Andy Adams, Christopher Ahn, Nicholas Amato, Eileen Aveni, David Barnett, Michael Bartz, Chris Brown, Chris Hopps, Chris Richardson, Matt Richardson, Steve Siadak, William Siadak, Robert Sills, Mariella Wells, and Shane Wright. Therefore, this license 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 Djinesys, Inc., a company owned by Ms. Hares.
2. Contract terms include:
 - 8% equity for the University on the same terms as the investors, nondilutable until there has been \$1,500,000 cash investment by third parties;
 - 8% royalties on gross sales, to decline over a 5 year period, reaching 0 in the 6th year.
 - \$100,000 minimum royalty payments to the University are guaranteed for years 1 and 2.

Milestones include getting \$600,000 within 12 months of signing the Agreement and being in full operation within 6 months with a full time staff, offices and equipment.

The University retains all rights necessary to continue to use and modify the programs, and to meet obligations under existing licenses.

No use of University facilities nor assignment of University employees is obligated under this agreement.

3. Susan Hare's and her colleagues' pecuniary interests arise from ownership or employment in the company.

License Agreement between the University of Michigan and Therapeutic Systems Research Laboratories, Inc. (TSRL)

On a motion by Regent Brandon, seconded by Regent Horning, the Regents unanimously approved a license agreement between the University of Michigan and Therapeutic Systems Research Laboratories, Inc. (TSRL). Because the owner of TSRL, Dr. Gordon Amidon, 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 University of Michigan and TSRL, a company owned by Gordon Amidon.
2. Terms of the agreement include:
 - Non-exclusive right to further develop and commercialize the programs;
 - A one-time royalty payment of \$5,000.
 - A royalty-free license for internal academic use by the University to the new product developed by TSRL based on UM's program;
 - The University retains ownership of the program and may continue to further develop it and use it as an educational tool and to license it to others.
 - No use of University services or facilities, nor any assignment of University employees is obligated under the agreement.
3. Gordon Amidon's pecuniary interest arises from his ownership in the company.

Research Agreement between the University of Michigan and the University of California at Berkeley

On a motion by Regent Horning, seconded by Regent Deitch, the Regents unanimously approved an agreement between the University of Michigan and the University of California at Berkeley. The agreement involves a subcontract to the University of California at Berkeley to support collaborative activities with Dr. Liwei Lin. Because Dr. Lin is an assistant professor at the University of Michigan who is on a leave of absence and also holds the position of assistant professor with the University of California at Berkeley, 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 University of California at Berkeley.
2. Terms of the agreement include a total subcontract of approximately \$911,129 to cover the period September 1, 1999 through June 30, 2001. The University's standard subcontract provisions will apply.
3. Dr. Lin's appointment at the University of Michigan is without compensation and is unrelated to his involvement with this research project.

Research Agreement between the University of Michigan and Oak Ridge National Laboratory

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved a research agreement between the University of Michigan and Oak Ridge National Laboratory, involving collaboration with Dr. Steve Lindberg of Oak Ridge National Laboratory. Because Dr. Lindberg also holds an adjunct professor appointment at the University of Michigan, 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 Oak Ridge National Laboratory.

2. Under the project, a total subcontract of approximately \$247,880 is anticipated to cover the period of September 1, 1999 through August 31, 2002. The terms of the proposed agreement are acceptable and conform to University policy.
3. Dr. Lindberg's appointment at the University of Michigan runs through August 31, 2000, and is without compensation.

Research Agreement between the University of Michigan and Western Michigan University

On a motion by Regent White, seconded by Regent Horning, the Regents unanimously approved a research agreement between the University of Michigan and Western Michigan University that involves a subcontract to Western Michigan University to support the collaborative activities of Drs. David Karowe and Steve Bertman of Western Michigan University. Because Drs. Karowe and Bertman also have adjunct appointments at the University of Michigan, 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 Western Michigan University.
2. Under the project a total subcontract of approximately \$972,842 is anticipated to cover the period of July 1, 1999 to June 30, 2001. The terms of the proposed agreement are acceptable and conform to University policy.
3. The adjunct appointments of Drs. Karowe and Bertman at the University of Michigan are unrelated to their involvement with this subcontract.

License Agreement between the University of Michigan and Rubicon Genomics, Inc.

Regent Maynard moved approval of a license agreement between the University of Michigan and Rubicon Genomics, Inc. Regent White seconded the motion. Regent Deitch stated that he would recuse himself from voting due to a conflict of interest. The vote was then taken and the motion was approved, with six in favor, none opposed, and one abstention.

Because John Langmore (a current University of Michigan employee) and Vladimir Makarov (a former University of Michigan employee) are also owners of Rubicon Genomics,

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 Rubicon Genomics, Inc.

2. Contract Terms:

The contracts to be completed between the University and Rubicon Genomics Inc. include the license to be executed as well as documents covering stock transfers and related matters.

The license will provide Rubicon Genomics, Inc. with worldwide, exclusive rights to the technology for all relevant fields of use. The University will retain ownership of the technology, internal research use rights, and the right to convey the standard governmental license.

The University will receive 2.0% of all net sales of products of Rubicon Genomics, Inc.; 2% to 15% of royalties Rubicon Genomics, Inc. receives from sublicensees, depending upon Rubicon's financial performance; 50% of amounts Rubicon receives from "passive" sublicensing activities, a minimum annual royalty of \$50,000 beginning in 2001; a requirement that Rubicon Genomics, Inc. secure at least \$1,750,000 in outside funding for the company's development activities by March 31, 2002; once that funding has been obtained, receipt by the University of equity equal to a number of shares which, after such receipt, will equal approximately 3.85% of the total number of shares issued to or reserved for all parties in any way, including all options, warrants and convertible securities exercisable therefore, and all shares reserved for future issuance.

Rubicon Genomics, Inc. will be obligated to use its best efforts to develop products based upon the technology, and will give primary consideration to the maintenance of business offices in the State of Michigan.

No use of University services or facilities, nor any assignment of University employees, will be obligated under the license and agreements related thereto.

3. Dr. Langmore's and Dr. Makarov's pecuniary interests arise from their equity ownership interest in Rubicon Genomics, Inc. They will, to the extent necessary to comport with the University Policy on Intellectual Property, waive personal participation in the sharing of revenues received by the University from Rubicon Genomics, Inc.

2000-2001 University Housing Residence Hall and Family Housing Rates

Regent Maynard moved approval of proposed average rate increases of 3 percent for residence hall room and board and 2.9 percent for family housing apartment rentals, as described in the Regents Communication. Regent Brandon seconded the motion, and it was approved unanimously.

It was noted that discussion is ongoing within the Housing Division and the Information Technology Division about negotiating more competitive long distance telephone rates. Vice President Harper also noted that future planning for residence hall facilities is being encompassed within the broader context of issues being studied by the Commission on Undergraduate Education, which is chaired by Provost Cantor.

Regent Newman commented that she believes a study should be undertaken of whether there is a need for additional student housing, apart from other issues under review by the commission. Provost Cantor pointed out that the commission will be studying all aspects of student life at the University. Its work will include an analysis of the local rental housing market, determining whether the number of miles away from campus that students are living has increased, parking issues, and residence hall population mixes. She noted that Interim Vice President Harper is a member of the commission, and that Housing Director William Zeller and many others will be contributing to the commission's work.

“Michigan Greats”

Vice President Ulaby introduced Philip Gingerich, director and curator of the Museum of Paleontology, professor of geological sciences, professor of biological sciences, and professor of anthropology. Professor Gingerich described his research in paleontology and anthropology at the University of Michigan.

Public Comments

The Regents heard comments from the following people, on the topics indicated: Robert Alarie, alumnus, regarding a petition to enroll in the College of Engineering; Louisa Pieper, alumna, regarding preservation and adaptation of the Frieze Building; Joe Reilly, student and

member of the Students of Color Coalition, regarding Michigamua; and Audrey Jackson, alumna, regarding Michigamua.

There being no further business, the meeting was adjourned at 4:20 p.m. The next meeting will be held April 13-14, 2000.