

FEBRUARY MEETING, 2002

*The University of Michigan
Ann Arbor
Thursday, February 14, 2002*

The Regents convened at 1:35 p.m. in the Regents' Room. Present were Interim President White and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Interim Provost Courant, Vice President Feagin, Vice President Harper, Executive Vice President Kasdin, Vice President and General Counsel Krislov, Chancellor Little, Chancellor Mestas, Executive Vice President Omenn, Vice President Rudgers, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks.

President's Opening Remarks

Interim President White called the meeting to order, and commented on the accomplishments and awards of a number of University faculty, staff, and alumni. He noted that Regent White has been recommended for tenure in her position at Wayne State University, that Vice President Wilbanks would be receiving two awards from community groups, and that Vice President Tedesco had received the Sarah Goddard Power Award from the University's Academic Women's Caucus.

Interim President White also called attention to the recent deaths of two University staff members and Regent White commented on the recent death of Professor Emeritus Murray Jackson.

Regents' Resolution in Honor of Vice President Feagin

Regent Newman called Vice President Feagin to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan congratulate and express their appreciation to Vice President for Development Susan Kay Feagin as she leaves the University on February 28, 2002, to return to Columbia University, her alma mater, to become vice president for development and alumni relations.

One of the nation's foremost academic development professionals, Vice President Feagin enjoys the respect of donors and of her colleagues at Michigan and throughout the country. The University has benefited enormously from the almost twenty-five years of experience Vice President Feagin brought to Michigan when she joined the University in May 1998.

The Regents are grateful for Vice President Feagin's strong leadership and her commitment to enhancing Michigan's nationally recognized development program. Under her direction, the University enjoyed its most successful levels of fundraising, raising a record \$230.6 million in 2000 and \$218 million in 2001. She also recruited a talented team of fundraising professionals to work with the schools and colleges on the University's next capital campaign.

With admiration and appreciation, the Regents congratulate and extend best wishes to Vice President Susan Kay Feagin as she leaves to become vice president for development and alumni relations at Columbia University.

A round of applause followed.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the January 17, 2002 meeting.

Reports. Executive Vice President Kasdin submitted reports of Investment, Plant Extension, and Human Resources and Affirmative Action. With respect to the latter, he noted that the report should have included the fact that the University has been in negotiations with the Graduate Employees Union (GEO) since October 2001, and that the contract is now under continuation.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the Report of Projects Established for January 1 - January 31, 2002.

Report on state budget situation. Interim President White called on Vice President Wilbanks to comment on the state budget situation. Vice President Wilbanks observed that the

University had been fortunate to escape any budget cuts in the fall of 2001, but is now preparing for possible recommendations concerning the 2003 budget. She noted that the governor had indicated that he would be receptive to recommending a continuation budget for 2003, and that the universities, in recognition of that budget, have voluntarily agreed to limit tuition increases for 2002-03 to 8.5% or \$425, whichever is higher. It is anticipated that the whole process could possibly be completed and a higher education budget in place by the end of March.

Interim Provost Courant observed that the University is grateful to the governor and legislature for continuing to spare higher education from cuts during this difficult period, and to Vice President Wilbanks for her efforts on the University's behalf. He noted that the overall inflation rate in the state is predicted to be about 2.9%, that medical care costs are rising substantially, and these facts, combined with a 0% increase from the state, create significant challenges for the University. At the same time, he pointed out that the University has an obligation to students, their parents, and taxpayers to keep tuition as low as possible and the University expects to restrain tuition increases to below the 8.5% mentioned by Vice President Wilbanks. He pointed out, however, that the likelihood remains that the state may be forced by fiscal exigency to make cuts or recisions in its appropriation to the University. These realities will require the University to engage in even more cost reduction and reallocation than it would in a normal year. For this reason, he has asked the deans, executive officers, and major directors to indicate how they would absorb a 2.5% cut in General Fund expenditures.

Interim Provost Courant commented that it is incumbent upon the University to meet the expectations of students and taxpayers, and he is confident that the current budgeting strategy will enable it to do so. He observed also that based on past history, after the state emerges from its current period of fiscal constraints, the University should not expect to regain its most recent

level of state funding of 37% of the General Fund, thereby increasing the importance of its other sources of revenue, from tuition and philanthropy.

University of Michigan Health System. Executive Vice President Omenn reported on items of interest with respect to the health system. He noted that negotiations continue with the House Officers Association, and that the health system is reviewing ambulatory care operations in order to improve efficiencies and enhance patients' experiences. Finally, he noted that increasing health insurance costs for the health system of about \$5 million for the coming year would add additional budgetary pressures.

Regent Newman requested that the board receive a presentation on health system financial matters, and it was agreed this would be scheduled for an upcoming Regents' Meeting.

Vice President Wilbanks noted that the Medicaid budget would also be flat for the coming year, and the future for that budget account is even more acute, since some of its funding will be derived from "one-time" sources of revenue.

Division of Student Affairs. Vice President Harper called attention to a briefing document on residence hall safety and security that had been distributed at the meeting. She noted that student safety was the highest priority in the day-to-day management of the residence hall communities. Achieving the high degree of safety and security is done in a variety of ways, including the presence of a professionally-trained, full-time housing security staff that is under the jurisdiction of the Department of Public Safety, complimented by full-time housing staff. A wide range of communications is provided about residence hall safety, including publications, informal meetings, and security alerts. She said that the Office of the Vice President for Student affairs will continue to explore additional approaches for providing security in the residence

halls. She also called attention to the listing of specific measures taken in response to a recent incident that had occurred in East Quad.

Regent Newman requested that the Regents be updated on residence hall security issues, including the analysis that is done to reach the conclusion that the residence halls are secure. She requested that the opinions of any outside consultants that have been hired also be shared with the Regents. Interim President White responded that a report on residence hall security would be presented at the next month's meeting, including an analysis of the next set of steps that might be taken to improve the situation.

University of Michigan-Dearborn. Chancellor Little reported on a a gospel music event, produced by a University of Michigan-Dearborn faculty member, that had recently been produced at the Detroit Opera House. He also called attention to awards that had been received by pre-service teachers in the Dearborn campus' School of Education. Interim President White noted that Chancellor Little had convened a very successful evening event in Dearborn with leaders of the Arab-American community and of the University of Michigan.

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

MSA Report. MSA president Matt Nolan commented that students would view the Regents' establishment of a committee structure as a positive move, as it would create more channels for communication with the Regents.

Mr. Nolan also raised concerns about a report that student football ticket sales would be capped at 20,000 for the coming season. He noted that for the three years previous to the past season, more than 22,000 student ticket sales had been sold, and that a shortage of student tickets would be seen as a big problem by the student body.

Mr. Nolan also noted that MSA had recently hosted the Big Ten Students Conference, and that he and MSA Vice President Jessica Cash are in charge of organizing next year's conference.

Regent White asked for further information about the situation regarding student football tickets for fall 2002. She stated she would be opposed to a cap like the one described by Mr. Nolan.

Voluntary Support. Vice President Feagin submitted the Report of Voluntary Support for January 2002.

Personnel Actions/Personnel Reports. Interim Provost Courant submitted personnel actions and personnel reports. He noted that the Personnel Actions include recommendations for the appointment of seven Arthur F. Thurnau professors, which recognize the best undergraduate teachers, chosen following a rigorous selection process.

Interim President White called attention to the appointment of Cynthia Wilbanks as interim vice president for development. This appointment is in addition to her status as vice president for government relations.

Retirement Memoirs. Vice President Tedesco submitted memoirs for 13 retiring faculty members.

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

Degrees. Interim Provost Courant submitted final degree lists for the December 2001 commencements and changes for previously approved degree lists.

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

Proposed Changes in Regents' Bylaws Sections 1.01, 1.04, 1.06, 1.07, and 1.09

Regent Brandon commented that at the last meeting he had invited community input on his proposed amendments to the Regents' Bylaws, which called for a board chair to be elected by the board, serving two-year terms coinciding with the academic year. The chair would preside at meetings when the president cannot attend; would consult with the president in the preparation of meeting agendas; and would make committee assignments and appoint committee chairs. The proposed bylaw amendments also established the position of vice chair of the board, which would be an elected position serving a two-year term coincidental with the chair. The vice chair would complete the term of chair if the chair was removed, resigned, or was not re-elected to the board.

Regent Brandon also noted that he had proposed the creation of two committees: a finance, audit, and investment committee, as well as a compensation and personnel committee. The president would be an ex-officio member of each committee. There would be three Regents on each committee, and the chair of the board would appoint the chair of each of these standing committees. The terms of the committees would coincide with the term of the chair, and the Regents would have the prerogative to add additional committees as they deem appropriate. Other proposed changes include deleting references to the term "senior Regent," as well as minor revisions relating to updates in methods of communication.

In the interim, Regent Brandon commented that Regent Maynard had made some suggestions to his original proposal, and he has changed his original proposal to reflect three of these suggestions. These dealt with the methods by which the Regents call a special meeting, the way a deadlock would be broken in the event of a tie vote for election of the chair, and the method by which the meeting agenda would be prepared.

Regent Brandon noted that since the last meeting he had received comments from four individuals, including a former Regent, about the proposed bylaw changes, and all were supportive. There was one letter from a faculty member who was against the proposal. He noted that nobody had signed up to address the board at Public Comments about this issue, and recommended adoption of his proposed Bylaws revisions.

Regent Taylor moved adoption of Regent Brandon's proposed bylaw amendments; Regent White seconded the motion. (Additions are in italics; deletions are crossed out.)

Sec. 1.01. Meetings of the Board

Meetings of the Board of Regents (hereinafter sometimes referred to in these bylaws as the Board) shall be held monthly at times determined by the Board unless eliminated in advance by consent of the Board.

Special meetings may be called by the president of the university, when necessary, or at the request of three or more Regents.

Emergency action may be taken by the Board between meetings if and when any matter arises which, in the opinion of the president, or any three members of the Board, requires official action by the Board prior to the next meeting. An affirmative vote by ~~telegraph~~, telephone, email facsimile, or *electronic* mail from five members is required for action.

Sec. 1.04. Quorum

A quorum for business shall be five voting members of the Board, *participating in person or by conference telephone or video conference.*

Sec. 1.06. ~~President and Secretary Officers of the Board~~

A. *President and Secretary of the Board*

The president of the university shall preside at meetings of the Board, without the right to vote. The *vice president and* secretary of the university shall act as secretary of the Board.

~~If during any meeting of the Board, the president is obliged to be absent therefrom for any reason, the Regent then present who is senior in service as a member of the Board shall assume the duties of presiding officer of the meeting and shall act as such until the president returns to the meeting and assumes the role of presiding officer. (See also Secs. 2.01 and 2.10.)~~

B. *Chair and Vice Chair of the Board*

1. *Selection:*

Members of the Board of Regents shall elect a chair and vice-chair for two-year terms to begin on July 1 of every even-numbered year and to end on June 30 of the next even-numbered year, except that the initial elections for chair and vice chair shall be for terms beginning at the time of the election and ending on June 30, 2004. No less than sixty days before the expiration of terms of the current chair and vice chair, the Board shall elect a new chair and vice chair. The chair and vice chair may be removed by vote of at least six members of the Board of Regents.

Nominations shall be made and seconded for the offices of chair and vice chair. Votes shall be cast in public by all voting members of the Board. The candidate receiving a simple majority of those votes cast by members of the Board shall be elected to the position. For each position, if no nominee receives a simple majority of those votes cast on the first ballot, a second ballot shall be held to include only those two candidates receiving the greatest number of votes cast on the first ballot. If no candidate receives a simple majority of votes cast on the second ballot, for either chair or vice chair, the person currently

...serving as chair (or vice chair) will continue to serve in that office until a candidate receives a majority of votes cast for that office. If the current chair is unwilling or unavailable to continue in that position until a new chair is elected, the current vice chair will assume that position.

Should the chair resign or be removed as chair or otherwise be unavailable to serve as chair during the remainder of the term, the vice chair will automatically assume that position for the remainder of the term and a new vice chair will be selected at the next meeting of the Board of Regents.

Should the vice chair resign or be removed as vice chair or otherwise be unavailable to serve out the remainder of his or her term, a new vice chair will be selected at the next meeting of the Board of Regents.

2. Duties.

If during any meeting of the Board the president is obliged to be absent therefrom for any reason, the chair shall assume the duties of the presiding officer of the meeting and shall act as such until the president returns to the meeting and assumes the role of presiding officer.

The chair and vice chair shall perform such additional duties as prescribed by the Board from time to time.

In the event the chair is temporarily unavailable to perform his or her duties at any time, the vice chair shall assume the chair's responsibilities.

Sec. 1.07. Committees of the Whole

A. Committee of the Whole

When the Board shall resolve itself into a committee of the whole, the chair of the Board shall serve as chair of the committee. ~~president, unless an election is ordered by a majority vote of the Regents who are present, shall designate a Regent who shall be chair of said committee. The election of a chair shall be by written ballot cast by the Regents who are present.~~

B. Committees

The chair may appoint committees of the Board and the Board shall prescribe their duties and functions. The president of the University or the president's designee shall serve as an ex officio member without vote of all such committees. Board membership on any committee shall consist of less than a quorum of the membership of the Board.

C. Standing Committees

There shall be two standing committees of the Board of Regents, each composed of three members of the Board selected by the chair. These committees shall advise the Board of Regents on matters pertaining to their subject areas and shall present periodic reports and recommendations, but shall not have the power to bind the Board of Regents on any matter. These committees shall determine the frequency, time and place of their meetings, in consultation with other members of the Board.

1. The Finance, Audit and Investment Committee

This committee shall provide assistance to the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the University's internal controls and financial reporting and investment policies and practices. This committee shall review, at its discretion, matters that may include the annual audit, financial statements and reporting, investments, and compliance with applicable laws and regulations.

2. The Compensation and Personnel Committee

This committee shall provide assistance to the Board in evaluating the performance of and determining the appropriate level of compensation for the president. It also shall advise the president on the performance of and compensation for the executive officers. The committee shall, at its discretion, review performance goals and evaluations, market data, salary studies, and other relevant information.

Sec. 1.09 Order of Business Meeting Agenda

The program for business shall be prepared by the president, in consultation with the chair of the Board. It shall be sent by mail to each Regent seven days before the next stated meeting of the Board, provided that further items on the program for any meeting or to which the Regents have not had such notice may be

considered and acted upon by the Board. At any time any Regent may propose any subject or subjects for consideration and action.

The program announcement shall also include a printed copy of the minutes of the previous meeting.

Regent Taylor commented that he had been shocked to discover when he joined the board that it operated as a committee of the whole, without committees or subcommittees. There had been much talk about this over the years among the Regents, he noted, and he believes this is a “good governance” move. He pointed out that the proposed governance system is the norm among governing boards, while the University’s current system is an anomaly. Regarding the notion that a reorganization of the Board’s governing structure might shift the current balance of power or authority, he said he does not believe this proposal would shift power or authority to or from the president or the Regents. He believes it will make the president’s job easier and will facilitate the lines of communication between the president and the Regents. He also said he believes that the proposed structure would assist the Regents in carrying out their fiduciary responsibility, and would not result in micromanaging of University affairs by the Regents. He urged adoption of the proposal.

Regent Maynard moved a substitute set of bylaws revisions, as noted below. Regent McGowan seconded the motion.

Sec. 1.01. Meetings of the Board

Meetings of the Board of Regents (hereinafter sometimes referred to in these bylaws as the Board) shall be held monthly at times determined by the Board unless eliminated in advance by consent of the Board.

Special meetings may be called by the president of the university, when necessary, or at the request of three or more Regents.

Emergency action may be taken by the Board between meetings if and when any matter arises which, in the opinion of the president, or any three members of the Board, requires official action by the Board prior to the next meeting. An affirmative vote by telegraph, telephone, email facsimile, or *electronic* mail from five members is required for action.

Sec. 1.04. Quorum

A quorum for business shall be five voting members of the Board. *A member may participate by conference telephone or video conference provided there is a quorum of the board present.*

Sec. 1.06. President and Secretary Officers of the Board

1. President and Secretary of the Board

The president of the university shall preside at meetings of the Board, without the right to vote. The *vice president and* secretary of the university shall act as secretary of the Board.

~~If during any meeting of the Board, the president is obliged to be absent therefrom for any reason, the Regent then present who is senior in service as a member of the Board shall assume the duties of presiding officer of the meeting and shall act as such until the president returns to the meeting and assumes the role of presiding officer. (See also Secs. 2.01 and 2.10.)~~

2. Chairperson:

Commencing on the first day in January immediately following each biennial fall election, the office of chair of the board for the two following years shall be filled by the two members of the board who were elected six years earlier or appointed to fill an unexpired term of a member elected six years earlier. Each such member shall serve as chair for one of the two following years, with the order of service determined alphabetically by last name, provided, however, that in the year 2002, the Board may select any individuals from among its members to serve as chair and vice chair for that year only.

3. Vice Chairperson:

The office of vice chairperson of the board shall be filled each year, for a one-year term, by the member of the board who, in accordance with these bylaws, is due to fill the office of the chairperson in the succeeding year.

4. Duties of Chair and Vice Chair:

If during any meeting of the Board the president is obliged to be absent therefrom for any reason, the chair shall assume the duties of the presiding officer of the meeting and shall act as such until the president returns to the meeting and assumes the role of presiding officer.

In the event the chair is temporarily unavailable to perform his or her duties at any time, the vice chair shall assume the chair's responsibilities.

The chair and vice chair shall perform such additional duties as prescribed by the Board in these bylaws.

Sec. 1.07. Committees of the Whole

~~When the Board shall resolve itself into a committee of the whole, the president, unless an election is ordered by a majority vote of the Regents who are present, shall designate a Regent who shall be chair of said committee. The election of a chair shall be by written ballot cast by the Regents who are present.~~

The board may establish by majority vote such advisory committees as may be deemed appropriate from time to time and shall prescribe their composition, duties and functions. The president or his designee shall serve ex-officio on all such committees.

Sec. 1.09 Order of Business Meeting Agenda

The program for business shall be prepared by the president, *in consultation with the chair of the Board*. It shall be sent by mail to each Regent seven days before the next stated meeting of the Board, provided that further items on the program for any meeting or to which the Regents have not had such notice may be considered and acted upon by the Board. At any time any Regent may propose any subject or subjects for consideration and action.

The program announcement shall also include a printed copy of the minutes of the previous meeting.

Regent Maynard noted that during an informal session, the Regents had discussed the proposed Regents' bylaws changes in depth, and had been unable to come to consensus. She expressed her view that the best course would be to delay any bylaws amendments until the new president is in place, although she was aware that the majority did not share this view. Due to her concerns about the detrimental nature of the changes offered by Regent Brandon to the best

interests of the University, she had decided to proffer her own bylaws amendments. She commented that her proposals would keep the quorum requirement of five board members being physically present at a meeting in order for official business to be conducted. Only after that would others be allowed to participate by teleconference or other means. She proposes election of the board chair and vice chair on a nonpolitical rotation, to occur in the January following each biennial election, as is the practice at Michigan State University. The Board would be permitted to establish committees “as and when needed,” and the Board would be encouraged to thoroughly research the charge to any committees that would be established. The president would continue to have the responsibility to prepare the agenda.

Regent Maynard described the discrepancies between her proposal and that of Regent Brandon. First, the issue of a quorum, in which Regent Brandon proposes that a quorum consist of five members of the Board who need not be present to participate. She pointed out the appearance that would be presented by the current discussion taking place by telephone, with members of the public present to observe the meeting and no board members physically present. She stated that “teleconferencing by five or more on a regular basis keeps the public from participating in and observing meetings.” The public meeting notice implies that it is the obligation of at least five members of the Board to be physically present.

Regarding the chair and vice chair, Regent Maynard commented that Regent Brandon’s proposal “seems to anticipate the formation of a political agenda for the election of the chair and the vice chair” of the Board. It provides for the removal of the chair and vice chair from office, and includes specific provisions in the event the nominee is unable to win majority support. Yet, she noted, “this University has achieved its unique and outstanding reputation without any chairs. The history of the Regents has been their ability to place the University first on their

agendas, without any place for politics. My proposal seeks to provide predictability without individual political agendas, and to preserve the foremost position of the president.” She noted that it is part of the president’s job description to “establish a good working relationship with all eight of the Regents.”

Regarding committees, Regent Maynard questioned why the decision on what committees are needed should rest with the chair, and also, why the chair should have the power to appoint committees. She commented, “This is not a private corporation. This is a public institution where the power to run the University and its board meetings is granted to the president.” She said that she agrees that committees are necessary, but that “their need, function, duties, and composition should be arrived at and recommended by the president in consultation with the chair, and only after full consideration by all of the Regents.” Finally, she urged that all committees be advisory to the board and report periodically to the full board, in recognition of the fact that the board does not operate in secret. “Not to do so,” she stated, “would be to violate our responsibility as a public university.” For these reasons, she explained, her revisions would give the board the power to establish advisory committees as appropriate, and to actually form the committees at a later time, after input and discussion.

Regent Maynard concluded: “For the University to continue to change and grow in its vision, we do not need a Board of Regents focused on its own control and power. We need a board that works with the president to address the many challenges we face as a leader in higher education.”

Regent McGowan made the following comments:

“This morning the members of the Board discussed two very different proposed revisions to the Regents’ bylaws. The first proposal, authored by Regent Brandon, would significantly change the way we do business. This plan would, for the first time in the University’s history, have the Regents elect a chair and vice chair of the Board. Both would be elected for two-year terms, but could be re-elected for an unlimited number of terms. Election would be by simple majority, but once elected, the chair or vice chair could

only be removed by a supermajority vote. The role of these new officers are not fully specified--but clearly the positions are designed to confer power and administrative authority on their incumbents--and in the process create a new, diminished relationship between each of the other Regents and the president and other members of the University community.

Regent Brandon's proposal would immediately create standing committees composed of less than a quorum of the Board, which Regent Brandon assures us are not intended to operate in closed sessions out of the public view. That assurance brings one measure of comfort--but too little is understood at this junction on how they will operate. I believe the devil remains in the details. I have concerns that the activity of the committees will certainly restrict the amount of information which is shared generally among all the Regents currently and with the public.

Additionally, this proposal will permit the Board to conduct its regular monthly meetings with every member participating by telephone or video-conferencing, thereby diminishing the interpersonal dynamics of the meetings themselves--as well as limiting public access to Board members.

The other plan, authored by Regent Maynard, offers more gradual change, and change which is intended to avoid political skirmishing over the way the Board itself is organized and operates. Regent Maynard's proposal offers more opportunity for input from the person who will be Michigan's next president, as well as the University's executive officers. This plan would call for a chair and vice chair who rotate annually based on seniority--so that each Regent would serve as chair for one year during their eight-year term. This is the system which Michigan State University has worked out, and it seems to work well.

Regent Maynard calls for the creation of standing committees, but suggests that their creation should follow a period of time during which the Regents and the new president can discuss their role and method of operation. Her plan permits attendance at Regents' meetings to be by telephone or videoconference, but only if a quorum already is present in person. A quorum, after all, is only 5 of our 8 publicly elected members.

As you know, I believe the Board is getting ahead of itself by acting now to revise its relationship with the University's president. We should wait until we have selected a new president so we can hear his or her voice. But it is clear to me that a majority of the Board has decided that it will act immediately. Therefore, I will support Regent Maynard's well considered plan. It has much to recommend it. First, it takes politics out of the choice of who will serve as chair and vice chair. We have more than enough to handle doing the University's business without adding a new layer of Regental politics. Creating a rotating chair will help assure that the voice of each of the 8 Regents is heard with equal clarity by the administration and the larger University community.

The utility, role, and method of operation of Board committees will be the subject of careful consideration by the Regents--and meaningful input from the new president. This is vitally important if we are to discharge, but not overstep, our proper role, which is to determine policy and provide oversight, but not to dip in and try to manage certain aspects of the University's daily activities.

And finally, Regent Maynard's proposal has a theme of openness and accessibility in the way we hold our meetings and conduct our business. We are the publicly elected members of the governing board of a great public university. It is a large, highly complex institution with many constituencies. To build and maintain trust we need the public and our many other stakeholders to know how and why we make decisions--and indeed just to see that we are on the job and doing the business of the University.

For these reasons, I will support Regent Maynard's proposed revision of the Bylaws and I urge each of you to join me in doing so."

Regent Deitch commented that the Board's internal organization has been discussed informally for years. He thanked Regent Brandon for bringing the proposal forward and Regent Maynard for offering interesting alternatives to that proposal, and stated that he supports Regent

Taylor's proposal. With respect to the issues raised by Regent Maynard, he noted that of the other two Michigan public universities with elected, constitutionally autonomous boards, Michigan State follows the rotational model of selecting its chair and Wayne State follows the model proposed by Regent Brandon. Regarding the notion of taking politics out of an organization, he suggested that the term "politics" means the relationships built by people who work together. For an organization to function together, he noted, "people have to build trust and to work collaboratively." This, he commented, has been the tradition of this board, and will continue to be its tradition. He said that Regent Brandon's proposal brings continuity and emphasizes collaboration among the Regents.

Regent Deitch commented that the committees proposed by Regents Brandon and Taylor make sense, and that to be functioning in 2002 without an audit committee and without oversight of the University's investment policies is, "flat out," a breach of the Board's fiduciary responsibilities and one of the responsibilities of governance. With respect to compensation, he commented that "this needs to be constantly thought about, monitored, and worked on collaboratively."

Regarding whether these changes should be made to the bylaws before or after a new president is on board, Regent Deitch commented that "this is a matter of internal organization, and the time to do it is now." The new president will come into office understanding the structure, which, he pointed out, is similar to that of most other similar boards.

Regent Deitch noted that Interim President White has a Ph.D. in organizational behavior with an academic specialty in corporate governance, and this provides a unique opportunity for the Board to receive guidance from an academic expert in these matters. He said he would therefore support the Taylor/Brandon/White proposal.

The vote was then taken on Regent Maynard's substitute amendment, and it was defeated on a vote of 6 to 2, with Regents Maynard and McGowan in favor, and the other Regents opposed.

The vote was then taken on Regent Taylor's original motion, and it was approved by a vote of 6 to 2, with Regents Maynard and McGowan opposed.

Regent Taylor moved the election of Regent Deitch as chair of the Board of Regents. He suggested that the position of vice chair be left open for the time being, to give Regent Deitch an opportunity to consult with the rest of the board on their individual interests with respect to the vice chair position and committee service. Regent Horning seconded the motion, and it was approved, with Regents Brandon, Deitch, Horning, Newman, Taylor, and White in favor and Regents Maynard and McGowan abstaining.

Regent Deitch thanked the other Regents for the vote of confidence, and expressed the deep affection he has felt for the University for the past 37 years. He pointed out factors that speak to the uniqueness and greatness of the University of Michigan as a public university, especially its constitutional autonomy, and noted that each Regent is independent and has equal power and status. The job of chair, he noted, is "to facilitate, collaborate, consult, and move the business of the University forward in partnership with the president and his or her colleagues in a way that enhances the greatness of this leading institution."

Interim President White thanked the Regents for their thoughtful, conscientious work on this issue.

PricewaterhouseCoopers LLP Management Reports for the University of Michigan Office of Student Publications and the University of Michigan Press, with Management Responses

The Regents received PricewaterhouseCoopers LLP Management Reports with management responses for the Office of Student Publications and the University of Michigan Press.

Supplemental Policies for Charitable Gift Annuities

Executive Vice President Kasdin informed the Regents that supplemental policies for charitable gift annuities were adopted in December 2001 for the purpose of realigning responsibilities for the University's gift annuity program.

Alternative Asset Commitment

Executive Vice President Kasdin informed the Regents of the University's recent commitment of \$20.0 million from the Long Term Portfolio to EnCap Energy Capital Fund IV, L.P., a follow-on energy fund.

Fixed Income Management

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the appointment of Bridgewater Asset Management for Treasury Inflation Protection Securities (TIPS) and Wellington Management Company as a fixed income manager.

Central Heating Plant Tunnels Repair Tunnel Chamber

On a motion by Regent White, seconded by Regent Brandon, the Regent unanimously approved the Central Heating Plant Tunnels - Repair Tunnel Chamber project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Regent Horning left the meeting at this point.

University of Michigan Hospitals and Health Centers (UMHHC) Taubman Health Center Level B1 Renovation Project

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the University of Michigan Hospitals and Health Centers' Taubman Health Center Level B1 Renovation Project as described in the Regents Communication, and authorized

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

Purchasing Contract with Results Based Leadership Group, Inc.

On a motion by Regent White, seconded by Regent Brandon, all seven Regents present unanimously approved a purchasing contract with Results Based Leadership Group, Inc. Because David Ulrich is both a shareholder in the company and 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 Business School's Executive Education Center, and Results Based Leadership Group, Inc.
2. The service to be provided is a series of seminars, to be conducted from August 13, 2001 through August 15, 2002, at a total cost of \$103,000.
3. The pecuniary interest arises from the fact that David Ulrich, a University of Michigan employee, is a shareholder, and co-author of work on which the seminar is based.

Payment for Services of Grantshire Farm

On a motion by Regent White, seconded by Regent Maynard, all seven Regents present unanimously approved a purchasing contract with Grantshire Farm. Because the sole proprietor of Grantshire Farm 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 Department of Epidemiology, and Grantshire Farm.
2. The product provided was antibody for research, provided in January 2002, at a total cost of \$4,500.
3. The pecuniary interest arises from the fact that Barry G. England, a University of Michigan employee, is the sole proprietor of Grantshire Farm.

Agreement to Accept Research Support from Alan Krisch

On a motion by Regent White, seconded by Regent Maynard, all seven Regents present unanimously approved an agreement with Professor Alan Krisch to provide a research award of \$20,000 to the University from personal funds to help fulfill the external cost-sharing requirement of a federally-sponsored research project. Because Professor Krisch is both a University of Michigan employee and a sponsor of the 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 University of Michigan and Alan Krisch.
2. Agreement terms are that Professor Krisch will provide cost-sharing funds of \$20,000 over a three-year period to assist in support of a research project on spin physics.
3. Professor Krisch's pecuniary interest is involves his donation of personal funds to this project.

Subcontract Research Agreement from the University of Michigan to KidsCare, Inc.

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved a subcontract agreement with KidsCare, Inc. ("Company") to fund a research project at the University of Michigan Medical School. The project will be implemented by a contract with the Regents of the University of Michigan to perform the research under a grant the Company has received from the Michigan Department of Community Health. Because Jean Robillard, M.D., and Patricia Warner are both University of Michigan employees and members of the board of directors of KidsCare, 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 will be the University of Michigan and KidsCare, Inc.
2. The terms of the proposed Agreement conform to University policy. Neither Dr. Robillard nor Ms. Warner have played any role in the negotiation of the Agreement. The period of performance for the project is three (3) years at a total cost of \$4,883,999

including indirect cost at applicable State of Michigan rates. The University's effort will be directed by Dr. Susan Bratton, clinical associate professor, Pediatrics Intensive Care.

3. Dr. Robillard and Ms. Warner have no pecuniary interest in the agreement.

Subcontract Research Agreement from the University of Michigan to Michigan Critical Care Consultants, Inc.

On a motion by Regent White, seconded by Regent Maynard, all seven Regents present unanimously approved a subcontract research agreement from the University of Michigan to Michigan Critical Care Consultants, Inc. ("Company"), under which research will be performed at the University of Michigan Department of Surgery under the Company's grant. Because Robert Bartlett, M.D. is both part owner of the Company and 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 Michigan Critical Care Consultants, Inc.
2. The terms of the proposed agreement conform to University policy. The period of performance for the project is six (6) months at a total cost of \$83,643. The University's effort in this project will be directed by Dr. Ronald Hirschl.
3. Robert Bartlett has no pecuniary interest in the agreement.

Subcontract Research Agreement from the University of Michigan to Michigan Critical Care Consultants, Inc.

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved a subcontract to Michigan Critical Care Consultants, Inc. to allow Michigan Critical Care Consultants, Inc. to participate in a research project funded by the National Institutes of Health for development of a total artificial lung. Because Dr. Robert Bartlett is both part owner of Michigan Critical Care Consultants, Inc. and a University of Michigan employee who is principal investigator for the project, 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 Michigan Critical Care Consultants, Inc.
2. Under the project a total subcontract of \$1,606,717 is anticipated to cover the period February 1, 2002, through December 31, 2006. The University's standard subcontract provisions will apply.
3. Dr. Bartlett's pecuniary interest arises from his ownership interest in Michigan Critical Care Consultants, Inc.

Regent Newman left the meeting at this point.

Subcontract Research Agreement from Xeotron Corporation to University of Michigan

On a motion by Regent White, seconded by Regent Maynard, all six Regents present unanimously approved a subcontract research agreement from Xeotron Corporation ("Company") to the University of Michigan that will allow research to be conducted at the University under a grant received by the Company. Because Erdogan Gulari is both part owner of the Company and 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 Xeotron Corporation.
2. The terms of the proposed Agreement conform to University policy. Dr. Gulari will be the principal investigator for the project at the University to be conducted over a three-year period at an estimated total cost of \$522,711 including indirect cost at full federal rates. Dr. Gulari will not participate in the project in his capacity as an owner of the Company.
3. Dr. Gulari's pecuniary interest in the agreement arises from his ownership of Xeotron Corporation.

712 Oakland Avenue

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved acquisition of the property at 712 Oakland Avenue at the negotiated price of \$1,235,000, subject to the University satisfying itself with the environmental conditions of the site.

President's Residence Infrastructure Renovation Project

Executive Vice President Kasdin commented that the infrastructure renovation project is being submitted in response to a request from Regent Deitch at the last meeting. He noted that the President's House is one of the most historically significant buildings on campus, and it is also the focal point of important University functions for students, faculty, staff, and guests. Three separate renovation projects are included in the action request: internal infrastructure, external infrastructure, and internal elements.

Regent Deitch moved authorization for the internal and exterior infrastructure improvements ("mechanical and electrical and exterior elements") as denoted in the Regents Communication. He recommended reserving a decision on interior renovations until a permanent president has been selected. Regent Deitch noted the importance of the house as the last-standing original building on the Ann Arbor campus, and as a visible symbol of the leadership of the University. He believes the University needs to do what is necessary to "keep this jewel polished."

Regent White seconded the motion and it was approved unanimously.

Motion to Meet in Informal Session

Regent Maynard moved that the Regents adjourn this formal session of the Regents and begin a nonformal session, the purpose of which is to consult with their attorney regarding potential litigation. Regent Brandon seconded the motion, and it was approved unanimously.

Following a ten-minute recess, the meeting continued in informal session from 3:05 to 4:00 p.m.

Public Comments

The Regents reconvened in formal session at 4:00 p.m., and heard comments from the following individuals on the topics indicated: James Wilson, student, on political bias at the University; James D'Amour, Northeast Area Plan Citizens Committee, Parma Yarkin, citizen, Mike Garfield, Urban Environment Alliance, and Ray Detter, member of Citizens Committee for the Downtown Development Authority, all on the Lower Town Plan; Cedric de Leon, president of the Graduate Employees Union, on the status of GEO negotiations; Kenneth Reiter, student, on residency classification and marital status; Kermit Schlansker, citizen, on sustainability; Rabbi Jonathan Brown, citizen, Rev. Dr. Nile Harper, citizen, and Jessica Barber, student, on the University's participation in United Way; and Alex Bates, student, on child care.

There being no further business, the meeting was adjourned at 5:00 p.m. The next meeting will take place March 14-15, 2002.