

JANUARY MEETING, 2002

*The University of Michigan
Ann Arbor
Thursday, January 17, 2002*

The Regents convened at 1:45 p.m. in the Regents' Room. Present were Interim President White and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, and Taylor. 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. Regent White participated in the meeting by phone.

Interim President White called the meeting to order. He noted that he had previously stated he would dedicate his service as interim president to the memories of the University of Michigan alumni who died in the attacks of September 11, 2001, and read the names of the 17 alumni and two other individuals: David Alger (MBA 1968), Yeneny Betru (MD 1995), Brian Dale (JD 1991), Paul Friedman (MSE 1983), James Gartenberg (LSA 1987), Steven Goldstein (LSA 1988), Darya Lin (BSE, MSE 1991), Todd Ouida (LSA 1998), Laurence Polatsch (LSA 1990), Stephen Emanuel Poulos (BMUS 1977, MMUS 1978), Gregory Richards (LSA 1992), Josh Rosenthal (LSA 1979), Christina Ryook (LSA 1998), Meta Fuller Waller (BGS, UM-Dearborn, 1973), Scott Weingard (BBS 1993), Meredith Whalen (BBA 2000), and Marc Zeplin (LSA 1990 and MBA 1993). He also noted the deaths of Ted Adderley, son of Business School graduate and visiting committee member Terrence Adderley, and Brad Hoorn, son of Kathy and Denny Hoorn of Richland, Michigan. On behalf of the University of Michigan Board

of Regents, Interim President White extended “our heartfelt sympathy and the love of our community to the loved ones of these alumni and friends.”

As an example of how individuals are coping with their losses, Interim President White displayed a book sent to him by Kathy Hoorn, a third grade teacher in Richland, Michigan and mother of Brad Hoorn, comprised of letters written by her students to President Bush expressing their feelings about the events of September 11th.

Interim President White noted that he had received hundreds of emails in response to his University-wide email welcoming people back to campus following the winter break. He read passages from two of the emails, one from an undergraduate student describing how much she is benefiting from her University of Michigan experience and commending the University for its efforts in the life sciences, and another from a faculty member offering his view of what is important about the University of Michigan. He recommended that leaders should “keep [their] eye on the long-term, always the long-term. Remember our grandchildren.” Interim President White offered this advice as a theme for the Regents’ Meeting.

Resolution in Honor of Lisa A. Tedesco

Interim President White called on Regent McGowan, who called Vice President Tedesco to the podium. Regent McGowan observed that during her tenure as an executive officer, Lisa Tedesco has “exhibited all the passion and accomplishment of a scholar, the professionalism of an executive, and the sense of humor so necessary in an intense and significant institution.” Regents’ Resolutions, she noted, are reserved for individuals who have made “an utterly unique contribution to the people of the University, or in her case, the world,” through her academic work as a psychologist in the School of Dentistry. She then read the following resolution:

Regents' Resolution

The Regents of the University of Michigan commend and express their gratitude to Lisa A. Tedesco for her leadership as interim provost and executive vice president for academic affairs.

As the University's chief academic and budgetary officer, she skillfully applied her extensive knowledge of the University and excellent judgment to the broad range of responsibilities that come under the purview of the provost.

Dr. Tedesco worked with the deans to advance important academic initiatives, including the final report of the President's Commission on the Undergraduate Experience; continued support for the Life Sciences, Values, and Society Program; and departmental and curricular improvements in the College of Literature, Science, and the Arts. She also was instrumental in advising students on their campaign for the addition of a fall study break to the academic calendar. Following the September 11 terrorist attacks on the World Trade Center and the Pentagon, members of the University community benefited greatly from Dr. Tedesco's compassion, sensitivity, and insight.

Dr. Tedesco enthusiastically embraced the additional responsibilities of interim provost while simultaneously performing her duties as vice president and secretary of the University, including assisting the Regents with the presidential search.

With admiration and affection, the Regents thank Dr. Lisa A. Tedesco for her service as interim provost and executive vice president for academic affairs and look forward to continuing to benefit from her wisdom and leadership.

A round of applause followed. Vice President Tedesco commented that a Regents Resolution is the highest honor the University can bestow. She thanked the Regents and noted that she looks forward to continuing her service on behalf of the University.

Appointment of Interim Provost and Executive Vice President for Academic Affairs

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the appointment of Paul N. Courant as interim provost and executive vice president for academic affairs.

Interim President White also noted the appointment of Lester Monts, senior vice provost for academic affairs, as senior counselor for the arts, diversity, and undergraduate affairs to the interim president.

Annual Report on Research

Vice President Ulaby first presented a video titled “The Impact of Research on Society” which examined how the research training provided to University of Michigan students provides the foundation that may lead to great discoveries and innovative applications of technology; what basic research is and the fundamental knowledge it seeks to discover; how knowledge is used in the service of society through applied research; and what steps can be taken to facilitate the transfer of knowledge and discoveries into the private sector (i.e., technology transfer). The video presented a number of University of Michigan graduates who had gone on to illustrious careers, described the work of several current faculty members, and gave examples of companies that had been formed as a result of the University’s technology transfer initiatives.

Next, Vice President Ulaby presented details about research funding, including an overview of research expenditures and awards, academic units with large research programs, answers to the question of why the University of Michigan’s research program is so successful, and the costs and obligations of a successful research program. He noted that for 2001, research expenditures totaled \$591.7 million, an increase of 8.5% over the prior year. For the first five months of FY 2002, expenditures are up 10.4% over FY 2001. After accounting for inflation, the University’s research expenditures are increasing at an annual rate of about 5%.

In FY 2001, federal sources accounted for 68.6% of research expenditures and University funds accounted for 16.6%. The remainder of funding was provided from a variety of other sources, including industry, foundations, and trade and professional associations.

Vice President Ulaby reviewed the research expenditures of the academic units with large research programs, including the Medical School, the College of Literature, Science, and the Arts, and the College of Engineering. He also highlighted the academic units experiencing

exceptional growth in research expenditures from external sources in 2001, which include the Institute for Social Research (13.2% increase); the School of Public Health (16.5% increase); and the School of Education (30.5% increase).

Vice President Ulaby explored the question of why the University's research program is so successful, and noted that four factors contribute to this success: the University's interdisciplinary culture, infrastructure support and development, responsiveness to federal initiatives on the part of staff in Ann Arbor and Washington, and OVPR's organizational role in nurturing new research areas.

Vice President Ulaby concluded that sustaining such a comprehensive research program requires a significant amount of support from the institution, in the form of administrative support, facilities, and infrastructure.

Interim President White noted that he had recently visited the Kellogg Eye Center, and was impressed that it contained, under one roof, the highest quality of patient care, teaching, and leading-edge research laboratories.

Board of Regents Governance Structure

Regent Brandon commented that recently there had been informal discussion among the Regents regarding the structure of the board and its overall governance practices. The objective is to explore use of time-tested practices that might improve the Regents' overall effectiveness. He noted that the Regents have done research on how other institutions operate, including other Michigan universities, other Big Ten institutions, and other peer institutions across the country. Possibilities that are being explored, which are in place at the majority of other institutions, include the creation of a chair and vice chair who would be elected by the Board, and the implementation of a committee structure. He stated that although the details still need to be worked

out, “it would be my hope and expectation that at our February meeting we may be able to bring more specifics in the form of amendments to our bylaws” which would be necessary to implement the desired changes. He noted that the Regents would like to receive input on these notions from any interested individuals.

Regent McGowan commented that while she agrees that it is time for the Board to discuss how it might organize to improve the efficacy of its efforts, two commitments have been made over the interim period: the continuity of the University and the enormous effort required by the presidential search. She stated that although she supports beginning an exploration of this idea, she believes that because of the number of different proposals that have been suggested, she believes that a more appropriate time to consider them would be after a new president has assumed the presidency, given that some of the proposals would greatly impact the role of the president and the executive officers. She emphasized that changing the bylaws should be carefully considered and done at the appropriate time, after the selection of the new president.

Regent Deitch thanked Regent Brandon for taking a leadership role on this issue. He commented that Regent Brandon had brought to the board a talent for leadership and an understanding of process and how effective organizations work. Given that the Regents need to work as effectively as possible, he believes adding some structure to the process will be efficacious. He observed that the Regents are an anomaly in the corporate and non-profit worlds and in the world of University governing boards by not having the committee and leadership structures being proposed by Regent Brandon.

Presidential Search

Regent Deitch reported that the Presidential Search Committee (PSC) had met with the Presidential Search Advisory Committee (PSAC) earlier today to present a charge to the PSAC

and to establish Presidential Selection Criteria, and as chair of the PSC he was now submitting these documents to be made part of the Regents Proceedings. He commented about the high quality of the search committee membership, noting that they are a thoughtful group of individuals who are excited about having the opportunity to serve in this capacity.

Regent Horning thanked Regent Deitch for his efforts on behalf of the presidential search during the past several months.

Charge to the Presidential Search Advisory Committee

The Presidential Search Committee charges the Presidential Search Advisory Committee with the following responsibilities:

The Presidential Search Advisory Committee shall provide information and advice to the Presidential Search Committee and develop and recommend for consideration a pool of candidates to be considered for the presidency.

The Presidential Search Advisory Committee (PSAC) serves in a preliminary and advisory capacity for the Presidential Search Committee (PSC). As an advisory body, the Presidential Search Advisory Committee with the assistance of Ms. Shelly Weiss Storbeck, of A. T. Kearney, shall recruit candidates for the position.

Recruiting includes placing advertisements in relevant publications, inviting nominations from members of the University community and others, accepting applications, and examining these applications and nominations. Since experience indicates that most individuals who will be serious candidates for the position will not apply directly, much of this process will consist of the search consultant (Ms. Storbeck) and the committee conducting a wide prospect search, contacting prospects, discussing the opportunity with them, and attempting to interest them in the position.

In carrying out its responsibilities, the Presidential Search Advisory Committee shall be guided by the presidential selection criteria approved by the Presidential Search Committee on January 17, 2002.

The PSAC shall conduct a vigorous search for outstanding candidates. The PSAC shall review applications and nominations, meet with prospects if necessary, and develop a pool of recommended prospective candidates.

The PSAC shall conduct the recruiting and initial reviewing in such a manner to ensure that confidentiality is strictly observed in accordance with Michigan law. The PSAC shall comply with the University policies on equal opportunity and affirmative action.

The chair of the PSAC will keep the PSC informed of the progress of the search through a series of periodic reports. The PSAC and PSC may meet periodically as needed.

The PSAC shall present the PSC with candidates to be considered for the presidency with supporting documentation and comments provided for all candidates. Any member of the PSC at any time may add names of individuals to the pool of candidates.

As approved 1/17/02

**The University of Michigan
PRESIDENTIAL SELECTION CRITERIA**

POSITION: President of the University

INSTITUTION: University of Michigan

LOCATION: Ann Arbor, Dearborn, and Flint, Michigan

THE UNIVERSITY

Founded in 1817, the University of Michigan has been the national model for the large public university for more than a century. The University's mission is to serve the people of Michigan, the United States, and the world through preeminent teaching, research, and public service, and by developing leaders and citizens who challenge the present and enrich the future.

Recognized as one of the world's premiere research universities, the University is a leader in undergraduate and graduate education, offering challenging academic programs and diverse cultural and social opportunities in a stimulating intellectual environment.

Some facts about the University:

-- With a diverse campus population of more than 53,000 students and 5,200 faculty, it has nineteen schools, colleges, and divisions in Ann Arbor, four in Dearborn, and four in Flint. In addition to students and faculty, the University has 22,000 non-instructional staff.

-- With 424,000 living degree holders, the U-M has the largest alumni body of any college or university. The largest concentrations of alumni are in Michigan, California, Illinois, New York, Ohio, and Florida.

-- Eight regents elected at large in biennial state elections and the president, who serves as an *ex officio* member of the Board, govern the University. The regents serve without compensation for overlapping terms of eight years. According to the Michigan Constitution, the regents have "general supervision" of the institution, including election of the president, and "the control and direction of all expenditures from the institution's funds." The regents meet once a month in a public session.

-- The following senior officers report to the president: provost and executive vice president for academic affairs, executive vice president and chief financial officer, executive vice president for medical affairs, vice president for communications, vice president for development, vice president and general counsel, vice president for government relations, vice president for research, vice president and secretary of the University, vice president for student affairs, and chancellors of the Flint and Dearborn regional campuses.

-- The total 2001-2002 operating budget for all three campuses is \$3.8 billion. This includes the General Fund (teaching, research, library services, student aid, and the operation of the physical plant), the U-M Health System, and all other specialized funds. The state of Michigan provides approximately 11 percent of the University's total operating budget and 36 percent of the General Fund.

-- Research expenditures — more than \$545 million in fiscal year 2000 — are the highest among public universities in the United States. Annually, an estimated 2,000 U-M undergraduates enhance their studies through research partnerships with faculty mentors. The U-M is committed to conducting research for public benefit. In fiscal year 2001, U-M faculty and staff disclosed 182 new inventions, filed 128 patent applications and had 65 patents issued. The University licensed 64 technologies to companies, including 12 new start-ups.

-- The University operates the U-M Health System, one of the largest health care complexes in the world devoted to the training of health professionals, to medical research, and to health care delivery. The Health System, comprised of the U-M Medical School, three hospitals, community health centers, 120 outpatient clinics, M-CARE HMO, and the Michigan Health Corp., consistently ranks among the best health care institutions in the nation.

DUTIES AND RESPONSIBILITIES

The president, as the chief executive of the University, is expected to enhance the University's existing strengths, help develop new ones, and chart its future course in consultation with various University stakeholders and with the approval of the Board of Regents.

Strengths to be built upon include:

-- Comprehensive Diversity. The University is committed to policies and practices aimed at a comprehensive campus diversity, of which racial and ethnic diversity is an important part. With such diversity, the University is able to achieve its mission of educating students to participate fully in our heterogeneous democracy and our global economy.

-- Undergraduate Education. Eighty-two percent of undergraduate students on the Ann Arbor campus graduate within six years — the highest graduation rate in the state of Michigan. The U-M has been recognized by the Association of American Colleges and Universities for visionary campuswide innovations in undergraduate education and is reviewing recommendations resulting from the deliberations of the Commission on the Undergraduate Experience, which released its report in fall 2001.

-- The Life Sciences Initiative. Launched in 1999, the Life Sciences Initiative is a campuswide effort to coordinate and expand research and teaching in such rapidly advancing fields as genomics, chemical and structural biology, cognitive neuroscience, and bioinformatics. A new six-story Life Sciences Institute, the cornerstone of the Initiative, will serve as a hub for cross-disciplinary research and teaching in the life sciences. The 230,000-square-foot facility is scheduled to open in spring 2003.

-- Information Technology. The President's Information Revolution Commission report issued in April 2001 calls for dramatically upgrading infrastructure over the next five years, implementing an "across-the-curriculum" approach to educate students for life in an information technology-intensive world, developing a strongly interdisciplinary approach to information technology research, and experimenting aggressively with online learning.

-- Arts and Humanities Initiatives. The University's partnership with the Royal Shakespeare Company, as well as plans to build the Walgreen Drama Center and Arthur Miller Theatre and renovate major performance venues reflect the University's ongoing commitment to the arts and humanities.

-- Public Goods. The Ann Arbor campus alone has a dozen galleries and museums; several nature areas, including the 123-acre Nichols Arboretum; and 24 libraries containing more than 7.3 million volumes. The U-M is committed to sharing these cultural resources with the public.

As the University's principal spokesperson, the president communicates directly with each of its external constituencies, including government, education interest groups, the media, and the general public.

The president :

-- Leads the University community in the development and articulation of values and mission, and develops effective strategies for pursuing that mission;

-- Accepts ultimate responsibility for the quality of the educational and research programs;

-- Serves as a spokesperson for higher education, nationally and internationally;

-- Enhances public funding and private fundraising;

-- Represents the University to state governing authorities and other audiences. The University's significant stakeholders, in addition to students, faculty, and staff, include the people of Michigan and the state government, as well as the federal government, which provides major research funding, and the private/business sector;

-- Oversees the operations of the U-M Health System and planning for its future in a rapidly changing health care environment;

-- Oversees the University's athletic program;

- Supports the University's historical commitment to be a national and world academic leader linking academic excellence and diversity.
- Works with the provost and other appropriate University officers and faculty committees to prepare and implement multi-year academic and financial plans and insure that the institution is managed efficiently;
- Keeps the Board of Regents, the University's policy-making body, closely apprised of developments within the University, and carries out the Board's policies within the context of the University's tradition of collegial governance.

PROFESSIONAL QUALIFICATIONS

The president must have a distinguished record of accomplishment in higher education and/or other fields of professional endeavor, and must have demonstrated significant leadership skills. The president also must have significant academic and administrative experience, preferably at a senior management level in a research university or comparable institution in business or government, and an appreciation of the values and objectives of a large, public research university dedicated to quality teaching and scholarship. A proven ability to work successfully with the internal and external constituencies of a large, complex organization such as the University is essential. A doctorate or terminal professional degree is preferable; candidates must have strong academic credentials to validate their understanding of academic values.

A successful candidate for the presidency must be committed to undergraduate, graduate, and professional education, and to shared academic governance and be able to:

- Identify, recruit, and motivate executive leaders of the University;
- Work effectively with diverse populations, including faculty, staff, students, alumni, and regents, and share a strong commitment to diversity and affirmative action.
- Lead major fundraising activities.

PERSONAL QUALIFICATIONS

A successful candidate for the Presidency also should possess the highest degree of personal integrity and be able to:

- Communicate within and outside the University community, listen and respond in a thoughtful and considerate manner, and relate effectively to many different people;
- Formulate and communicate a clear academic and organizational vision for the University and its many programs;
- Take measured risks to ensure the achievement of academic excellence and make difficult and timely decisions;
- Listen to and motivate others, trust in the ability of others, and delegate authority;
- Articulate issues of diversity and equity.

COMPENSATION

Open and competitive

STARTING DATE

No later than the beginning of the 2002-2003 academic year

DEADLINE DATE

The Board of Regents' Presidential Search Advisory Committee is soliciting nominations and expressions of interest. The committee plans to complete its work within the next few months.

The University of Michigan, as an equal opportunity/affirmative action employer, complies with all applicable federal and state laws regarding nondiscrimination and affirmative action, including Title IX of the Education Amendments of 1972 and Section 504 of the Rehabilitation Act of 1973. The University of Michigan is committed to a policy of nondiscrimination and equal opportunity for all persons regardless of race, sex, color, religion, creed, national origin or ancestry, age, marital status, sexual orientation,

disability, or Vietnam-era veteran status in employment, educational programs and activities, and admissions. Inquiries or complaints may be addressed to the University's Director of Affirmative Action and Title IX/Section 504 Coordinator, 4005 Wolverine Tower, Ann Arbor, Michigan 48109-1281; (734) 763-0235; TTY (734) 647-1388. For other University of Michigan information, call (734) 764-1817.

CONTACT

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President's House

Regent Deitch noted that the President's House serves as a focal point for campus life, and the presidential transition period seems to be an appropriate time to do a survey of the physical condition of the President's House. He requested that Executive Vice President Kasdin conduct an evaluation of the house and provide the Regents with a description of the scope and budget for the work that needs to be done to keep it fresh and important in the life of the campus.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the December 13, 2001 meeting.

Reports. Executive Vice President Kasdin submitted reports of Investment, Plant Extension, Human Resources and Affirmative Action, and the Regents Quarterly Report on Non-Competitive Purchases over \$5,000 from Single Sources, September 22, 2001 through December 14, 2001.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the Report of Projects Established for November 29 - December 31, 2001.

University of Michigan Health System. Executive Vice President Omenn reported that the state and national economic conditions are having an impact on the health system, creating stress for health insurance, Medicaid, and Medicare programs. He noted that the Biomedical Science Research Building site is about to be cleared in preparation for the start of construction.

Division of Student Affairs. Vice President Harper stated that she had nothing to report.

University of Michigan-Dearborn. Chancellor Little noted that the Dearborn campus was embarking on a project to update the campus' comprehensive master plan. He also commented on recent achievements by faculty members and students. Interim President White reported that he had had a wonderful visit to the campus and would be returning soon to learn more about the master planning process and to meet with Dearborn-area Arab-American community leaders.

UM-Flint. Chancellor Mestas noted that Interim President White had been extremely well received during his visit to the Flint campus in December.

MSA Report. MSA president Matt Nolan reported that MSA members have been advocating expansion of the hours that the Central Campus Recreation Building is open. He reported that for the first two evenings the building stayed open until 1:30 a.m., it had been

heavily used by students. He also noted that MSA is conducting its biannual review of the Statement of Student Rights and Responsibilities and would be proposing amendments. Finally, Mr. Nolan reported that MSA is experimenting with changing the way it allocates funds to student organizations from providing funds once per semester to setting up three separate funding cycles throughout the semester.

Interim President White commented that he will be holding monthly meetings with the MSA president and vice president and that he also is planning to host a dinner for student leaders.

Voluntary Support. Vice President Feagin submitted the Report of Voluntary Support for December 2001.

Personnel Actions/Personnel Reports. Interim Provost Courant submitted personnel actions and personnel reports. He noted that the Personnel Actions include the appointment of five department chairs and interim chairs and commented on their essential roles within the University.

Retirement Memoirs. Vice President Tedesco submitted two faculty retirement memoirs.

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

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

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

State Building Authority Financing of University of Michigan-Ann Arbor Mason Hall and Haven Hall Project

Executive Vice President Kasdin commented that the Mason Hall and Haven Hall Project is attractive and elegant and has enhanced the appearance of the Diag. He also noted that this project has come in significantly below budget. On a motion by Regent Horning, seconded by Regent Maynard, the Regents approved the following resolution and authorized the appropriate officers to: a) On or prior to the SBA's issuance of commercial paper notes, execute the Construction and Completion Assurance Agreement and Bill of Sale for the project; b) At or near completion of the project and prior to the issuance of the SBA's bonds, execute the respective Lease, convey title to the property, and execute any necessary easement agreements; and c) Execute any other documentation required for the financing of the project by the SBA.

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN APPROVING A CONSTRUCTION AND COMPLETION ASSURANCE AGREEMENT, A CONVEYANCE OF PROPERTY, A LEASE AND AN EASEMENT AGREEMENT, IF NECESSARY, FOR THE UNIVERSITY OF MICHIGAN - ANN ARBOR CENTRAL CAMPUS RENOVATION PHASE II MASON HALL AND HAVEN HALL

A RESOLUTION of the Regents of the University of Michigan (i) approving (a) a form of construction and completion assurance agreement (the "Construction and Completion Assurance Agreement"), by and among the State Building Authority (the "Authority"), the State of Michigan (the "State") and the Regents of the University of Michigan, a Michigan constitutional body corporate (the "Educational Institution"), providing for the rights, duties and obligations of the Authority, the State and the Educational Institution with respect to the Educational Institution's Ann Arbor Central Campus Renovation Phase II Mason Hall and Haven Hall and the site therefor (the "Facility") during the construction, renovation and/or equipping of the Facility and prior to the conveyance of the Facility to the Authority, (b) the conveyance of the Facility to the Authority, (c) a lease (the "Lease"), by and among the Authority, the Educational Institution and the State, for the purpose of leasing the Facility to the State and the Educational Institution and (d) an easement and/or other agreement (the "Easement Agreement") between the Authority and the Educational Institution, if necessary and/or desirable in connection with access, parking, utilities, pedestrians, encroachments, and/or other matters pertaining to the interactions between the Facility and real property owned by the Educational Institution, and (ii) providing for other matters related thereto.

WHEREAS, the Authority has been incorporated under and pursuant to the provisions of Act No. 183, Public Acts of Michigan, 1964, as amended ("Act 183"), for the purpose of acquiring, constructing, furnishing, equipping, owning, improving, enlarging, operating, mortgaging and maintaining buildings, necessary parking structures or lots and facilities, and sites therefor, for the use of the State, including institutions of higher education created pursuant to Section 4, 5, 6 or 7 of Article 8 of the Michigan Constitution of 1963 (the "State Constitution"), or any of its agencies; and

WHEREAS, the Educational Institution has been maintained and created pursuant to Sections 4 and 5 of Article 8 of the State Constitution; and

WHEREAS, the State and the Educational Institution desire that the Authority finance the acquisition, construction, renovation and/or equipping of the Facility in consideration of (i) the Educational Institution granting a license to the Authority to enter upon the site of the Facility (the "Site") in order to undertake such construction, renovation and/or equipping, (ii) the Educational Institution undertaking on behalf of the Authority the oversight of such construction, renovation and/or equipping and (iii) the Educational Institution conveying the Facility to the Authority on or prior to the date of its completion, and the Authority is willing to provide such financing in consideration of the items described above; and

WHEREAS, in accordance with the Construction and Completion Assurance Agreement, the State and the Educational Institution desire that the Authority acquire the Facility on or prior to the date of its completion, and lease the same to the State and the Educational Institution, and the Authority is willing to acquire the Facility and lease the same to the State and the Educational Institution; and

WHEREAS, the Site is presently owned by the Educational Institution, the Facility will be constructed by the Educational Institution on behalf of the Authority, and it is intended that the Site and the Facility be conveyed to the Authority by the Educational Institution; and

WHEREAS, the acquisition of the Facility by the Authority for use by and lease to the Educational Institution and the State is necessary in order for the State and the Educational Institution to carry out necessary governmental functions and to provide necessary services to the people of the State as mandated or permitted by constitution and law, and the use of Act 183 to accomplish such acquisition represents the most practical means to that end at the lowest cost to the State and the Educational Institution; and

WHEREAS, Section 7 of Act 183 provides that the Lease shall be approved by the Authority, by the State Administrative Board of the State and by concurrent resolution of the Legislature of the State concurred in by a majority of the members elected to and serving in each house and if the Lease is for an institution of higher education existing or created pursuant to Section 4, 5, 6 or 7 of Article 8 of the State Constitution, then in addition, the Lease shall be authorized by the institution of higher education and signed by its authorized officer and, accordingly, it is necessary that the Educational Institution authorize and approve the Lease; and

WHEREAS, if it is determined that (i) the Authority will require an easement from a public road to the Facility over real property owned by the Educational Institution so that the Authority has access to the Facility, (ii) the Educational Institution will require for future use certain easements through the Facility, (iii) the Authority and the Educational Institution will require an agreement to share a common structural wall, (iv) the Authority will require an easement over real property owned by the Educational Institution so that the Authority has sufficient parking available in connection with the reasonable use of the Facility, and/or (v) the Authority and/or the Educational Institution will require other easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then in order to meet any such requirement, it may be necessary for an authorized officer of the Educational Institution to approve an Easement Agreement or Easement Agreements to provide for such easements and/or agreements;

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN THAT:

1. The plans for the Facility, as filed with the Educational Institution, are hereby approved.
2. The Educational Institution hereby authorizes and approves the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A, and the Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to execute and deliver, at the appropriate time, the Construction and Completion Assurance Agreement in substantially the form attached as Exhibit A for and on behalf of the Educational Institution. Such officer is hereby authorized to approve such changes in and modifications to the Construction and Completion Assurance Agreement as do not materially adversely affect the Educational Institution.
3. The conveyance of the Site and the Facility to the Authority in accordance with the Construction and Completion Assurance Agreement is hereby approved, and the then seated President and the Executive Vice President and Chief Financial Officer of the Educational Institution are hereby authorized and directed to execute and

deliver a warranty deed in substantially the form attached as Exhibit B and bills of sale to accomplish such conveyance in such form as may be from time to time approved by such officers.

4. The Educational Institution hereby authorizes and approves the Lease in substantially the form attached as Exhibit C, and the Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to execute and deliver the Lease in accordance with the Construction and Completion Assurance Agreement and in substantially the form attached as Exhibit C for and on behalf of the Educational Institution and such officer is hereby designated as an authorized officer of the Educational Institution for purposes of Section 7 of Act 183. Such officer is hereby authorized to approve such changes in and modifications to the Lease as do not materially alter the substance and intent thereof as expressed in the Lease and the request for action submitted to the Regents in connection therewith; provided such officer is not hereby authorized to approve a change in the Lease with respect to the range of rental, the description of the Facility or the material financial obligations of the Educational Institution contained in the Lease approved herein. The Educational Institution hereby determines that the maximum rental in the amount described below is reasonable and the authorized officer is hereby authorized to approve in the Lease, as executed, rental in annual amounts determined by the final appraisal of "True Rental," but not exceeding \$2,770,000 in any 12-month period and a lease term of not exceeding 40 years.

5. If in connection with the entering into of the Lease, and if the Executive Vice President and Chief Financial Officer of the Educational Institution determines that (i) the Authority will require an easement from a public road to the Facility over real property owned by the Educational Institution so that the Authority has access to the Facility, (ii) the Educational Institution will require for future use certain easements through the Facility, (iii) the Authority and the Educational Institution will require an agreement to share a common structural wall, (iv) the Authority will require an easement over real property owned by the Educational Institution so that the Authority has sufficient parking available in connection with the reasonable use of the Facility, and/or (v) the Authority and/or the Educational Institution will require other easements and/or agreements pertaining to the Facility and/or real property owned by the Educational Institution (such as, but without limitation, easements and/or agreements pertaining to pedestrian traffic, utility lines, and/or encroachments), then such officer is hereby authorized and directed to execute and deliver an Easement Agreement or Easement Agreements if necessary in order to meet any such requirement.

6. The Executive Vice President and Chief Financial Officer of the Educational Institution is hereby authorized and directed to take or cause to be taken all other actions, including, without limitation, making requests of and approving requests from the Authority and the State and signing certificates, documents or other instruments, on behalf of the Educational Institution, as he deems necessary or desirable under the circumstances to accomplish the purposes of the transactions authorized in this Resolution.

7. The Educational Institution further confirms its obligations to perform the duties and obligations specified in the Construction and Completion Assurance Agreement (only upon its execution by the authorized officer of the Educational Institution) and the Lease (only upon its execution by the authorized officer of the Educational Institution) and acknowledges that such obligations do not depend upon passage of title to the Facility to the Educational Institution without consideration upon termination of the Lease. The Educational Institution hereby recognizes that it would execute and deliver the Lease even if title to the Facility would not pass upon termination of the Lease.

8. The Educational Institution recognizes that the Authority shall pay for costs of the Facility in an amount not in excess of \$26,250,000.

9. All ordinances, resolutions and orders or parts thereof in conflict with the provisions of this Resolution are, to the extent of such conflict, hereby repealed.

10. This Resolution shall be effective immediately upon its adoption.

Bentley Historical Library Addition

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved the Bentley Historical Library Addition Project as described in the Regents Communication, and authorized the appointment of Jickling Lyman Powell Associates, Inc. as the architect.

Computer and Executive Education Building John R. and Georgene M. Tozzi Electronic Business and Finance Center

Executive Vice President Kasdin pointed out that the cost of this project is now estimated to be significantly less than had originally been anticipated. On a motion by Regent White, seconded by Regent Taylor, the Regents authorized issuing the Computer and Executive Education Building John R. and Georgene M. Tozzi Electronic Business and Finance Center project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Hospital Dentistry Clinic Expansion Project

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved the UMHHC Hospital Dentistry Clinic Expansion Project as described in the Regents Communication, and authorized issuing the project for bids and awarding construction contracts providing the bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Acute Dialysis Program Expansion

On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved the UMHHC Acute Dialysis Program Expansion Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Payment for Services of JDC Promotions

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved payment for the services of JDC Solutions. Because the owner of JDC Solutions, Julie Cushman, is also a University of Michigan employee, this purchase falls under

the State of Michigan Conflict of Interest Contract. 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 Edward Ginsburg Center for Community Services and Learning, and JDC Solutions.
2. The service provided was consulting service for evaluators, between May 1, 2001 and September 30, 2001, at a total cost of \$1,600.00.
3. The pecuniary interest arises from the fact that Julie Cushman, a University of Michigan employee, is owner of JDC Solutions.

License Agreement between the University of Michigan and Molecular Therapeutics, Inc.

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved a license agreement between the University of Michigan and Molecular Therapeutics, Inc. Because the principal owners of Molecular Therapeutics, Inc., Brian D. Ross and Alnawaz Rehemtulla, are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and Molecular Therapeutics, Inc.
2. Licensing terms include:

Field of Use: Molecular reporter technology for the *in vitro* and *in vivo* detection of protein stabilization.

Grant: Exclusive world-wide license, with a right to grant sublicenses to Technology as defined by UM File No. 2133.

License Fee: \$20,000.00. Initial payment of \$5,000.00 due upon license execution; \$5,000.00 due upon the first anniversary of signing. \$10,000.00 due upon the second anniversary of signing.

Maintenance Fees: \$5,000.00 per year to be credited against all cumulative research funds related to p53 for a period of 5 years. Subsequent annual fees can then be offset by royalties.

Equity: No equity will be taken for this license. The University of Michigan has taken a 3% equity position on the first 12,000 shares issued by Molecular Therapeutics under a prior license for UM File No. 1835.

Patent Costs: All remaining current and future U.S. and foreign patent costs will be paid by Molecular Therapeutics, Inc.

Royalties: 3% on Net Sales of Products and 1% on Net Sales of all Services using this technology. The first ~\$100,000 in royalties would be offset by patent costs. Sublicensing royalties will be 3% of Net Sublicense Revenue provided Molecular Therapeutics can make available a Net Sublicense Revenue Justification.

Performance criteria: Specified milestones must be met in order to maintain the rights granted by the license.

The University will retain ownership of the licensed technology and may continue to further develop it and use it as a research tool. No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. The pecuniary interests of Drs. Ross and Rehemtulla arise from their ownership in the company. They have both waived any personal participation in the sharing of funds received by the University from Molecular Therapeutics, Inc. as a result of this License Agreement.

Membership Agreement between the Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and Integrated Sensing Systems (ISSYS)

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved an agreement between the Center for Wireless Integrated Microsystems and Integrated Sensing Systems for renewal of ISSYS membership in the WIMS Center Industrial Partnership Program. Because Professors Kensall D. Wise and Khalil Najafi are both University of Michigan employees and founders, board members, and stock holders in ISSYS, 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's Center for Wireless Integrated Microsystems and Integrated Sensing Systems.
2. The terms of the proposed agreement are acceptable and conform to University policy. The membership fee to be paid by ISSYS is \$10,000 and covers a membership period of one year from September 1, 2001 to August 31, 2002. The Agreement involves no specific deliverables unique to ISSYS.
3. Professor Wise's and Professor Najafi's pecuniary interest arises from their status as founders, board members, and stock holders in ISSYS.

Research Agreements for University of Michigan Research Sponsored by Attenuon, L.L.C.

On a motion by Regent Newman, seconded by Regent White, the Regents unanimously approved research agreements between the University of Michigan and Attenuon, L.L.C. Because Sofia Merajver, George Brewer, Dimitri Coucouvanis, and Robert Dick are all University of Michigan employees who have equity interests in Attenuon, L.L.C., these agreements fall under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreements are the University of Michigan and Attenuon, L.L.C.
2. The terms of the proposed agreements conform to University policy. Dr. George Brewer will direct the project in the Department of Human Genetics with assistance from Dr. Merajver in the Department of Internal Medicine and Dr. Coucouvanis in the Department of Chemistry. The project is expected to continue over a four-year period. The estimated first year cost is \$200,000 including indirect cost at the applicable industry rate. All appropriate animal use approvals have been obtained for these studies. No human studies are proposed at this time.
3. Dr. Brewer's, Dr. Merajver's, and Dr. Coucouvanis' pecuniary interest arises from their status as having an equity interest in Attenuon, L.L.C.

Subcontract Agreement from the University of Michigan to EMAG Technologies, Inc.

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved a subcontract agreement from the University of Michigan to EMAG Technologies, Inc. to enable a faculty member, John Whitaker, to assist in the performance of funded research. Because the co-founders and co-owners of EMAG Technologies, Inc., Kamal Sarabandi and Linda Katehi, are also University of Michigan employees, 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 EMAG Technologies, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is six (6) months and the amount of funding support is \$40,000.

3. Kamal Sarabandi's and Linda Katehi's pecuniary interest arises from their co-ownership of EMAG Technologies, Inc.

Henry Russel Lecturer for 2002

Interim President White informed the Regents of the selection of Gérard A. Mourou, A.D. Moore Distinguished University Professor of Electrical Engineering and Computer Science and professor of electrical engineering and computer science, as the Henry Russel Lecturer for 2002.

Announcements

Interim President White called attention to a number of upcoming events, and of notable faculty, staff, and institutional accomplishments and recognition. He also commented on the recent deaths in automobile accidents of two students, Rebecca Hilger and Matthew Ryan Schwarz-Smith, and on the deaths of Professor Emerita Marie Dorothy Hartwig and Elizabeth O. Yhouse, an alumna and strong supporter of the University.

Informal Session Motion

Regent Taylor moved that the Regents adjourn this formal session of the Board of Regents and begin a nonformal session for the purpose of consulting with the Board's attorney regarding trial or settlement strategy in connection with specific pending litigation. Regent Brandon seconded the motion, and it was approved unanimously.

A five-minute break followed, after which the Regents met in informal session from 3:15-4:00 p.m.

Public Comments

The Regents reconvened in formal session at 4:00 and heard comments from the following individuals on the topics indicated: Stephen L. Raissi, student, Rev. Charles Booker-Hirsch,

pastor of Northside Presbyterian Church, Rev. Matthew Lawrence, chaplain of Canterbury House Episcopal Center, and Glenn M. Klipp, alumnus, on the inclusion of the Boy Scouts of America in the United Way and the University's participation in this campaign; and Peri Stone-Palmquist, student, on her residency status.

There being no further business, the meeting was adjourned at 4:25 p.m. The next meeting will take place February 14-15, 2002.