

SEPTEMBER MEETING, 2002

*The University of Michigan
Ann Arbor
Thursday, September 19, 2002*

The Regents convened at 2:00 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Interim Provost Courant, Interim Executive Vice President Greenfield, Vice President Harper, Vice President and General Counsel Krislov, Chancellor Mestas, Vice President Rudgers, Interim Chief Financial Officer Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks.

President's Opening Remarks

President Coleman called the meeting to order. She noted the extraordinary academic and extracurricular achievements of the incoming class of first year students. She also cited a number of recent accomplishments of students, faculty, and alumni.

Regents' Resolution in Honor of Michigan Academic Competitions Team

Regent Taylor presented the following resolution in honor of the Michigan Academic Competitions Team:

Regents' Resolution

The Regents of the University of Michigan commend the Michigan Academic Competitions (MAC) team for capturing three national titles in one of its most outstanding seasons ever.

The string of successes was capped by winning the 2002 College Bowl National Championship Tournament at California State University-Los Angeles in April. This victory marks the team's third straight College Bowl title and the fifth in seven years, making Michigan the most successful team in the tournament's history.

Competing against fifteen teams, Michigan dropped just one game in the round-robin tournament. Also in April, the team won its second straight

Academic Competition Federation National Championship and claimed top honors in the Division I finals of the National Academic Quiz Tournaments Inter-collegiate Championship Tournament.

The Regents applaud all members of the Michigan Academic Competitions team for their excellent teamwork and rigorous preparation, and for the intellectual energy they inject into the University of Michigan.

A round of applause followed, and team members were introduced.

Regents' Resolution in Honor of the Compulsive Lyres

Regent Maynard noted that the Compulsive Lyres student a cappella group was in attendance and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan congratulate The Compulsive Lyres for winning first place in the 2002 International Championship of Collegiate A Cappella, held Sunday, April 28, at Lincoln Center in New York City.

A choral form of singing without musical accompaniment, a cappella is one of the most popular art forms on college campuses today. The Compulsive Lyres' national title – and their subsequent televised performance on The Today Show – underscores Michigan's distinction as an a cappella epicenter.

The Regents also applaud the Lyres' music director, Mark Surprenant, who won top honors at the competition for musical arrangement, and Jesse Nager, who won the best soloist prize. Made up of sixteen men and women, freshmen to seniors of all majors, the Compulsive Lyres are a driving force for a cappella activity on campus. This fall, they will host the second annual Michigan A Cappella Festival, a sellout showcase for the University's many talented groups.

The Regents salute the Compulsive Lyres for their vocal accomplishments, for bringing distinction to their school, and for enriching the artistic life of the University of Michigan.

Following a round of applause and introduction of the members of the Compulsive Lyres, the group performed "The Star Spangled Banner."

Director of the Life Sciences Institute

President Coleman announced that she was recommending the appointment of Alan Saltiel, John Jacob Abel Collegiate Professor in the Life Sciences, professor of internal

medicine, and professor of physiology, as director of the Life Sciences Institute, effective September 1, 2002. She introduced Professor Saltiel and he commented that he is “honored by this exciting challenge and especially thrilled about the core faculty group” that has been assembled. He thanked President Coleman for her “extraordinary support,” both for him and for the core faculty group. A round of applause followed.

College of Engineering Presentation

Interim Chief Financial Officer Slottow commented that three College of Engineering projects would be presented for the first step of formal approval in October involving project approval and appointment of architects. He noted that construction will not be initiated until funding is in hand.

Interim Provost Courant noted that the College of Engineering is the second largest college in the University, and has the second largest volume of sponsored research. He also pointed out that the college collaborates with the other schools and colleges and across the full spectrum of activities at the University. He called on Stephen Director, dean of the College of Engineering.

Dean Director commented that the College of Engineering has rigorously pursued excellence in both its educational and research activities over the past decade, and it has solidified its position as one of the nation’s finest colleges of engineering, with undergraduate and graduate programs consistently being ranked among the top ten nationally. He noted that the college has the third largest number of faculty (310) in the University and the second largest research program. Its undergraduate enrollment is nearly 4,800 students, and it has the University’s largest graduate program, with nearly one-third of all Ph.D.s being awarded to engineering students.

Dean Director noted that the demand for engineering degrees will continue to grow for a number of reasons, including its burgeoning status as “the liberal arts degree of the twenty-first century.” Several years ago, he reported, the college began a planning process to ensure that it would be in a position to seize the opportunities created by the growth in demand for its programs, and the decision was made to focus research and education efforts in three emerging areas: computer science and information technology, nanotechnology and microsystems, and cellular and molecular biotechnology. These areas were chosen because of their importance to society, their strategic relevance to national needs, because they build on a foundation of already established expertise, and because they mesh with the broader intellectual directions of the University as a whole, such as the life sciences initiatives and the recommendations of the President’s Information Revolution Commission.

Dean Director observed that the college has been actively pursuing this plan through faculty recruiting, restructuring of degree programs, and renovation of facilities. It has also worked on developing concepts for the additional space necessary for support of these activities, which has resulted in a proposal for three, tightly-linked, capital projects: a new computer science and engineering building, a new building for cellular and molecular biotechnology, and a renovated and expanded solid state electronics laboratory. Dean Director noted that the three projects are interdependent; as each is completed, it will create space for housing departments that need to be vacated for construction of the other space.

Dean Director commented that when viewed in its entirety, the plan achieves important benefits from physical adjacency of related activities. By creating space for faculty and student groups to work together, synergies will be realized cannot be captured when groups in related areas are dispersed among multiple locations. The plan also will result in greatly improved and

modernized laboratory facilities that will allow the pursuit of the next generation of engineering research in the three critical areas highlighted by the college. The estimated cost of the capital improvement plan is \$88 million, to be funded by a variety of sources within the College of Engineering, including external gifts. He displayed a diagram of the proposed building and parking sites for the new facilities, noting that more detail will be provided at the October meeting. Interim CFO Slottow noted that care is being taken to ensure that the facilities will fit into the overall master plan for the North Campus.

Regent McGowan asked what plans are being made with respect to parking. Mr. Slottow noted that the net incremental parking need will be 50 additional spaces; however, the overarching issue of parking will be addressed in conjunction with the master plan. It was noted that the goal for completion of all three building projects is 2006.

With respect to Dean Director's statement that engineering degrees are the liberal arts degrees of the twenty-first century, Regent Deitch asked if collaboration was occurring with the College of Literature, Science, and the Arts. Dean Director responded that there are a number of ongoing collaborations between the two colleges. He also commented that the engineering degree is the most liberal in terms of breadth of any of the degree programs, due to its technology, humanities, and social sciences components. He pointed out that students increasingly are enrolling in engineering degree programs to pursue a number of career opportunities in addition to engineering. The college also needs to explore opportunities for technology literacy programs with the College of LS&A.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the special meeting of July 15, 2002 and the regular meeting of July 18, 2002.

Reports. Interim Chief Financial Officer Slottow submitted reports of investment and plant extension.

Interim Provost Courant submitted the Human Resources and Affirmative Action Report.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of Projects Established, July 1 - August 31, 2002. He announced that research expenditures in FY 2002 were the highest on record, both in terms of total expenditures and percentage of increase over previous years. Vice President Ulaby noted that the research funding allows the University to have first rate facilities and attract top-notch graduate students and faculty, and this combination of factors allows for the creation of new knowledge and new discoveries. He highlighted the areas of endeavor that received the largest awards: funding from the Highway Safety Administration to the University of Michigan Transportation Research Institute (UMTRI) for the development of intelligent vehicle systems (\$27 million); funding from the National Science Foundation to the physics department in the College of Literature, Science, and the Arts for development of laser technology; funding from the Michigan Economic Development Corporation for proteomics and bioinformatics (\$24 million); funding from the National Institutes of Health (NIH) for a number of projects, primarily in the Medical School, in lung disease, genomics, brain tumor therapy, and other areas; and funding from NIH to the School of Dentistry.

University of Michigan Health System. No additional report was submitted.

Division of Student Affairs. Vice President Harper noted that the Division of Student Affairs is “off to an invigorating start of the new year,” with 100% occupancy in the residence halls. Staff is providing a wealth of experiences to new students to help integrate them into the University. She thanked MSA president Sarah Boot and her team for their leadership in these

areas as well. Finally, Vice President Harper called attention to the appointments of Edward Willis as dean of students and Stephanie Pender-Amaker as associate dean of students.

Regent Maynard asked for an update on residence hall safety and security initiatives that were undertaken in the spring. Vice President Harper responded that the installation of new door locks and video monitors is expected to begin in mid-October. It was noted that the time lag was due to the time-consuming bidding and ordering process, and the fact that a funding source had to be identified for the new systems. Vice President Harper said that additional staff would be hired to shorten the installation time for the new equipment.

Mr. Bill Bess, director of the Department of Public Safety, commented that an implementation team had been working on residence hall safety and security issues throughout the summer, and there will be changes in procedures in addition to installation of new equipment. He noted that the housing security and police personnel had been making extra patrols in the residence halls, which have already led to significant reductions in criminal activity in the halls.

University of Michigan-Dearborn. Chancellor Little commented that the Dearborn campus has a record number of students. Of the over 8,600 students, about 23 percent are graduate students. He described the accomplishments of Professor Sidney Bolkosky, notably his Holocaust Archive Project and associated publications. He also gave an update on the Greenways Initiative, noting that the details have been finalized and implementation will soon get underway. Lastly, he noted that the September 11 commemoration on the Dearborn campus, located in the midst of a prominent Arab-American community, had been conducted in an extremely civil, peaceful, and moving fashion.

University of Michigan-Flint. Chancellor Mestas called attention to a gift included with the Report of Voluntary Support for August 2002 from the Frances Frazier estate for the Frances

A. Frazier Student Travel Fund at the University of Michigan-Flint. He noted that Ms. Frazier had been a secretary on the Flint campus for 30 years. She had no children, husband, or other family, and considered the students to be her family. After she died, it was learned that she had left nearly her entire estate to the University and had created a student travel fund. He reported that a flower garden on the Flint campus was to be created in her memory.

Chancellor Mestas also noted that President Coleman had recently visited the Flint campus and had been extremely well-received.

Michigan Student Assembly Report. MSA President Sarah Boot reported on some of the activities of the Michigan Student Assembly since the beginning of the school year, including the September 11 vigil, student organization funding allocations, establishment of an on-line book exchange, and voter registration. Other on-going work involves implementing recommendations of the GSI task force. She observed that students are very excited to have President Coleman on board. She noted that MSA has joined a coalition of other groups to advocate against the state-wide ballot initiative that would result in the dissolution of the Michigan Merit Awards scholarship program.

Voluntary Support. Interim Vice President Wilbanks submitted reports of voluntary support for June, July, and August, 2002, as well as a year-end summary of voluntary support for FY 2002. She commented that during the interim period that she has been serving in the Office of Development, the focus has been primarily on maintaining momentum. The message being stressed is that the work of development is an every day activity, and this every day work provides an important opportunity to continue to build capacity on campus so as to be prepared for the launch of a public campaign in the future.

Interim Vice President Wilbanks noted that a volunteer convocation was currently underway on campus to give volunteers an opportunity to meet President Coleman and to become more involved and meaningfully engaged in the upcoming campaign.

She referred to graphs contained in a handout illustrating the current year end gifts total of \$166,107,250, which is less than that of the previous year. Reasons for this include the national economic situation, the events of September 11, and the transitional year in the University's leadership. She pointed out that during the years of the last campaign, average annual gifts totaled \$118 million, as opposed to an average of \$195 million per year since 1998. She also referred to graphs illustrating the growth in giving by source; growth in number of donors; and new planned giving options that are attracting donors, including bequests and charitable gift annuities. Finally, she reported that the University of Michigan ranked 17th overall and 7th among private institutions in fundraising for 2000-01, and ranked first among public universities in terms of alumni giving for the past two years.

Personnel Actions/Personnel Reports. President Coleman highlighted the appointment of Lazar Greenfield as interim executive vice president for medical affairs. She also announced that she will be recommending the appointment of Paul Courant as permanent provost at the October meeting.

Interim Provost Courant submitted personnel actions and personnel reports. He called attention to the appointment of Alan Saltiel as director of the Life Sciences Institute.

Vice President Ulaby highlighted the reappointment of Robert Todd as associate vice president for research.

Retirement Memoirs. Vice President Tedesco submitted memoirs for 5 retiring faculty members. She highlighted the retirement of Patricia Y. Gurin, the Nancy Cantor Distinguished

University Professor of Psychology and Women’s Studies. Regent McGowan observed that “Pat Gurin is one of the giants of the story of the University of Michigan,” as demonstrated by her repeat service as chair of the Department of Psychology, service as interim dean of the College of Literature, Science, and the Arts, service on the last Presidential Search Advisory Committee, and her status as a person whose research and commitment has been central to the University’s defense of the affirmative action lawsuits. She noted that scores of Professor Gurin’s former graduate students had returned to Ann Arbor for her retirement dinner to demonstrate their enormous regard and affection for her. Regent McGowan encouraged the University community to call upon Professor Gurin to continue to serve from time to time during her retirement, noting that she expects Professor Gurin “would respond with the same generosity and brilliance that she has to every other task she’s been asked to undertake.”

Interim Provost Courant also commented on the impact that Professor Gurin has had on his career at the University over the course of 30 years. He noted that he has been consulting with Professor Gurin regularly during this time, and given his pending appointment as provost and executive vice president for academic affairs, intends to continue to do so.

Memorials. Vice President Tedesco submitted memorial statements for four active faculty members.

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

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

Purchasing Contract with Vaassen Sheep Farm

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved a purchasing contract with Vaassen Sheep Farm. Because the co-owner of Vaassen

Sheep Farm, Sharon Vaassen, 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. Parties to the contract are the Regents of the University of Michigan and its UMHS Orthopaedic Research Laboratories, and Vaassen Sheep Farm.
2. The service to be provided is the boarding and transport of sheep for the purposes of research study, from July 1, 2002 through June 30, 2003, with the dollar amount of \$6,500.00.
3. The pecuniary interest arises from the fact that Sharon Vaassen, a University of Michigan employee, is the co-owner of Vaassen Sheep Farm.

Lease Agreement with Dong-Soo Kim, M.D.

On a motion by Regent Taylor, seconded by Regent Deitch, the Regents unanimously approved a lease agreement for property located at 711 Byron Road, Howell, Michigan. Because the owner of the property, Dong-Soo Kim, M.D., is also a University of Michigan employee, the 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 contract are the Regents of the University of Michigan and Dong-Soo Kim, M.D.
2. The current lease between Dr. Kim and the University of Michigan is set to expire on April 30, 2002. The University now wishes to extend the square footage leased and extend the term of the lease by an additional year until April 30, 2004. The University shall pay \$20.00 per square foot for the remainder of the original lease term (April 30, 2003), which is a monthly rate of \$4,961.25 and \$22.00 per square foot for the additional year added to the term, which is a monthly rate of \$5,197.50. Under the lease, any desired minor leasehold improvements are constructed directly by the landlord and reimbursed by the University.
3. The pecuniary interest arises from Dr. Kim's 100% ownership of the building being leased. Dr. Kim will receive revenues generated by the leasing of the property to the University.

Lease Agreement with First Martin Corporation for 2401 L.L.C.

On a motion by Regent Brandon, seconded by Regent Horning, the Regents unanimously approved a lease with 2401 L.L.C. through its agent, First Martin Corporation. Because the president of First Martin Corporation, William C. Martin, is also a University of Michigan employee, this lease agreement falls under the State of Michigan Conflict of Interest Statute.

The following information is provided in compliance with statutory requirements:

1. The parties to the lease are the Regents of the University of Michigan and 2401, L.L.C., successor in interest to William C. Martin.
2. The service to be provided is the lease of a building at 2401 Plymouth Road, Suite C, for five years, beginning November 1, 2002 through October 31, 2007, at a monthly rate of \$20,167.00. Under the lease, any desired minor leasehold improvements are constructed directly by the landlord and reimbursed by the University.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is the president of First Martin Corporation, agent for 2401 L.L.C.

Lease Agreement with C-3 Partners

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved a lease agreement with C-3 Partners. Interim CFO Slottow explained that this agreement covers both a lease and capital improvements totaling \$1.6 million, approved in December 2001. Because William C. Martin is both a partner in C-3 Partners 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 lease are the Regents of the University of Michigan and C-3 Partners.
2. The service to be provided is the lease of a building at 517-519-535 W. William for five years, beginning September 1, 2002 through August 31, 2007, at a monthly rate of \$47,128.00. Under the lease, any desired minor leasehold improvements are constructed directly by the landlord and reimbursed by the University. At the December 2001 meeting, the Regents approved a \$1,600,000 project to accommodate the WUOM facility. This major leasehold improvement will be reimbursed by the University.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner in C-3 Partners.

Amendment to License Agreement with Learner-Centered Technologies, LLC (doing business as [dba] GoKnow)

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved an amendment to a license agreement with Learner-Centered Technologies (dba GoKnow) . Because Elliot Soloway, Ronald Marx, Joseph Krajcik, and Phyllis Blumenfeld hold equity interest in Learner-Centered Technologies (LCT), 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 Learner Centered Technologies, LLC (dba GoKnow).

2. License Terms:

Addition of File No.'s 2325, 2356, 2368, 2369, 2370, 2371, 2422, 2423, and 2424 to the existing license agreement. Also, addition of a termination clause for failure to adhere to University Conflict of Interest policies. All other terms of the license will remain unchanged. Such terms include a royalty of 8% on net sales, 12% of sublicense income and certain business and technology development milestones.

The University will retain ownership of the licensed technology and may continue to further develop it and use it for research and academic purposes.

No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. The pecuniary interests of Professors Soloway, Marx, Krajcik, and Blumenfeld arise from ownership interest in LCT. All have waived any personal participation in the sharing of revenue received by the University from the company.

Membership Agreement between the Center for Wireless Integrated Microsystems (WIMS) and EDF Ventures

On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved a membership agreement between the Center for Wireless Integrated Microsystems (WIMS) and EDF Ventures. Because Kensall D. Wise is a member of the EDF Ventures Scientific Advisory Board and is also a University of Michigan employee, this agreement falls under

the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan's Center for Wireless Information Integrated Microsystems (WIMS) and EDF Ventures.
2. The partnership agreement conforms to University policy. It has no specific deliverables unique to EDF Ventures.
3. Dr. Wise has no pecuniary interest in the agreement.

Membership Agreement between the Center for Wireless Integrated Microsystems (WIMS) and Ardesta

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved an agreement between the Center for Wireless Integrated Microsystems (WIMS) and Ardesta to enter into a consortium agreement with the WIMS Center. Kensall D. Wise, Khalil Najafi, Richard B. Brown, and Clark Nguyen are all University of Michigan employees who own a minority amount of Ardesta founders stock, and Drs. Brown and Nguyen have companies formed with Ardesta funding. Therefore, 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 Center for Wireless Integrated Microsystems (WIMS) and Ardesta.
2. The partnership agreement conforms to University policy. It has no specific deliverables unique to Ardesta.
3. Professors Wise, Najafi, Brown, and Nguyen have no pecuniary interest in the agreement.

Membership Agreement between the Center for Wireless Integrated Microsystems (WIMS) and Mobius Microsystems, Inc.

On a motion by Regent Brandon, seconded by Regent Horning, the Regents unanimously approved a membership agreement with Mobius Microsystems for consortium membership in the WIMS Center. Because Richard B. Brown is both a University of Michigan employee and a

member of the Mobius Microsystems Board of Directors, 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 Center for Wireless Integrated Microsystems (WIMS) and Mobius Microsystems, Inc.
2. The partnership agreement conforms to University policy. It has no specific deliverables unique to Mobius Microsystems.
3. Richard Brown has no pecuniary interest in the agreement.

Research Agreement between the University of Michigan and T/J Technologies, Inc. (Department of Chemistry)

On a motion by Regent Horning, seconded by Regent Taylor, the Regents unanimously approved a research agreement between the University of Michigan and T/J Technologies, Inc. (“Company”) for funding of a proposed project in the Department of Chemistry. Because Levi Thompson, Jr., is a both a University of Michigan employee and majority shareholder in T/J Technologies and his wife, Maria A. Thompson, is president and a shareholder, 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 T/J Technologies, Inc.
2. Under terms of the agreement, Dr. Paul Rasmussen, professor of chemistry and associate dean for research and graduate studies in the College of Literature, Science, and the Arts, will direct the project, funded by the Small Business Technology Transfer Program (STTR), Phase I, in the Department of Chemistry over a six-month period at an estimated cost of \$33,287. Indirect costs have been waived under the STTR Phase I program. There are no animal or human use approvals required for this study.
3. Dr. Thompson has no pecuniary interest in the agreement.

Research Agreement between the University of Michigan and T/J Technologies, Inc. (Department of Chemical Engineering)

On a motion by Regent Horning, seconded by Regent Deitch, the Regents unanimously approved a research agreement between the University of Michigan and T/J Technologies, Inc.

(“Company”) for funding of a proposed project in the Department of Chemical Engineering. Because Levi Thompson, Jr., is both a University of Michigan employee and a majority shareholder in T/J Technologies and his wife, Maria A. Thompson, is president and a shareholder, 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 T/J Technologies, Inc.
2. Under terms of the agreement, Dr. Thompson will direct the project, funded by the Small Business Technology Transfer Program (STTR), Phase I, in the Department of Chemical Engineering in the College of Engineering over a five-month period at an estimated cost of \$16,500. Indirect costs have been waived under the STTR Phase I program. There are no animal or human use approvals required for this study.
3. Dr. Thompson has no pecuniary interest in this project.

License Agreement with RML Associates

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved a license agreement between the University of Michigan and RML Associates, for evaluation of the commercial potential of an invention developed and owned by the University of Michigan, known as “Well-defined nanosized building blocks for organic/inorganic nanocomposites” (Office of Technology Transfer File # 1995).

Because Richard Laine is both a University of Michigan employee and partial owner of RML Associates, 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 RML Associates.
2. License terms include
Field of Use: All fields
Grant: Exclusive for one year only. No sublicensing rights.
License Fee: \$400.00
Royalties: 5% on net sales
Performance criteria: This license is intended for development purposes only and terminates after one year.

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

3. The pecuniary interest of Dr. Laine arises from his ownership interest in RML Associates. He has waived any personal participation in the sharing of revenue received by the University from the company.

License Agreement between the University of Michigan and Zenasis Technologies, Inc.

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved a license agreement between the University of Michigan and Zenasis Technologies, Inc. for the technology “Method of Synthesizing Digital Circuits with Unateness Properties” (Office of Technology Transfer file #1969). Because Dr. John P. Hayes has an ownership interest in Zenasis Technologies, Inc., and is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the Agreement are the University of Michigan and Zenasis Technologies, Inc.
2. Licensing Terms:

Field of Use: VLSI design products and software

Grant: Exclusive, U.S. rights in the field of use

Patent Costs: Zenasis will reimburse the University for patent costs incurred during the license. Historic patent costs will be paid by Zenasis as an upfront fee.

Equity: 34,483 warrants on Zenasis stock, to be exercised on or after 5 years. UM has the option of taking an \$80,000 cash payment at year 5, or keeping the warrants.

Royalties: No royalty on net sales. 50% of sublicense income.

Performance criteria: Specific 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 for research and academic purposes. Term of the agreement is for the life of the patent. No use of University services or facilities is obligated under the license agreement.

3. The pecuniary interests of Dr. Hayes arise from his ownership interest in Zenasis Technologies, Inc. Dr. Hayes has waived any personal participation in the sharing of revenue received by the University from the company.

License Agreement with Xtera Communications Inc. (formerly Bandwidth Solutions)

On a motion by Regent Deitch, seconded by Regent Horning, the Regents unanimously approved a license agreement between the University of Michigan and Xtera Communications Inc. (formerly Bandwidth Solutions). Because Dr. Mohammed N. Islam is both an owner of Xtera Communications 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 Regents of the University of Michigan and Xtera Communications, Inc.
2. Contract terms include: Additional 125,000 shares in Xtera. After Xtera has received a cumulative amount of \$15 million of sublicensing revenues, UM receives between 5-30% of sublicensing revenues depending on the patented technology sublicensed. If Xtera forms a separate spinout company to commercialize a portion of the portfolio of patent rights, UM receives a 5% equity stake in the spinout at the time of formation. Xtera is required to have a first commercial sale of one or more licensed products within five years of execution of this new license agreement.
3. The pecuniary interests of Dr. Islam arise from his ownership interest in Xtera. He has waived any personal participation in the sharing of revenue received by the University from the company.

Subcontract Agreement with ISSYS, Inc.

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved a subcontract agreement between the University of Michigan and ISSYS, Inc. for funding of a project in the Department of Pharmacology in the Medical School. Because Kensall Wise and Khalil Najafi are both University of Michigan employees and co-founders and co-owners of ISSYS, Inc., this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements.

1. Parties to the agreement are the University of Michigan and ISSYS, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is twenty-four (24) months and the amount of funding support is \$12,564.

3. Drs. Wise and Najafi have no pecuniary interest in the agreement.

Research Agreement with Tal Materials, Inc.

On a motion by Regent Taylor, seconded by Regent Deitch, the Regents unanimously approved an agreement with Tal Materials, Inc. (“Tal”) for funding of a project to be directed by Dr. John Kieffer in the Department of Materials Science and Engineering. Dr. Richard Laine is a University of Michigan employee who will be participating in the project under the direction of Dr. Kieffer. He is also the chief financial officer of Tal who holds an 80% interest in the company. Therefore, 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 Tal Materials, Inc.
2. The terms of the proposed agreement are acceptable and conform to University policy. This project will provide support for two students over the term of the agreement. The total award under this agreement will not exceed \$40,000 over a two-year period. The initial award is in the amount of \$25,000.
3. Dr. Laine has no pecuniary interest in the agreement.

513 S. Division, Ann Arbor, Michigan

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved purchase of the property at 513 S. Division, Ann Arbor, Michigan at the negotiated price of \$475,000.00 subject to the University completing due diligence, including environmental, to the University’s satisfaction and successfully negotiating a purchase agreement.

Regents McGowan and Newman left the meeting at this point.

University of Michigan Financial Statements for the Year Ended June 30, 2002

Interim Chief Financial Officer Slottow noted that the University of Michigan Financial Statements for the Year Ended June 30, 2002 had been distributed and would be presented for approval at the October Regents’ Meeting.

2002-2003 All Campus Budget Book

The Regents received the University's All Campus Budget Book for Fiscal Year 2002-2003.

Alternative Asset Commitment

The Regents were informed that a follow-on investment had been made in Halpern Denny II, L.P., a previously approved alternative asset partnership.

Alternative Asset Commitment (*Sankaty Credit Opportunities Fund*)

On a motion by Regent Horning, seconded by Regent Maynard, the Regents approved commitment of \$40 million to Sankaty Credit Opportunities Fund. Regent Brandon abstained from voting due to a conflict of interest.

Alternative Asset Commitments (*Patron Capital, L.P. I*)

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved commitment of \$15 million to Patron Capital, L.P. I., contingent on completion of the University's due diligence and satisfactory review of the legal documents and fund structure.

Alternative Asset Commitments (*Lime Rock Partners II, L.P.*)

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents approved commitment of \$10 million from the Long Term Portfolio to Lime Rock Partners II, L.P.

Alternative Asset Commitment (*Bennett Restructuring Fund, L.P.*)

On a motion by Regent Deitch, seconded by Regent Taylor, the Regents approved commitment of \$15 million from the Long Term Portfolio to Bennett Restructuring Fund, L.P.

Absolute Return Investments

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents approved the appointment of Standard Pacific Capital as an absolute return investment manager, with initial funding of up to \$40 million.

Herbert H. Dow and G.G. Brown Buildings Laboratory and Office Renovations

On a motion by Regent Brandon, seconded by Regent White, the Regents approved the Herbert H. Dow and G.G. Brown Buildings Laboratory and Office Renovations project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

The 300 North Ingalls Building Mass Spectrometer Laboratory in Rooms 1100-01 and 1105-06

On a motion by Regent Horning, seconded by Regent Deitch, the Regents unanimously approved the 300 North Ingalls Building Mass Spectrometer Laboratory in Rooms 1100-01 and 1105-06 project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

1041 Wall Street, Ann Arbor, Michigan

Regent Horning moved approval of acquisition of the property at 1041 Wall Street, Ann Arbor, Michigan, at the negotiated price of \$250,000 subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence. Regent Maynard inquired whether the city of Ann Arbor agreed with the University's assessment that the house has no historical significance, due to its location on Wall Street, one of the oldest areas of the city. Interim CFO Slottow responded that the University has received no indication from the city that there is any disagreement with this transaction. Associate Vice President Henry

Baier commented that the city's Historic District Commission would have developed information about the historical significance of this building if it was of concern, and no information has been forthcoming that this is the case.

The vote was then taken and the motion was approved.

University of Michigan Hospitals and Health Centers (UMHHC) Linear Accelerator Replacement Project

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved the University of Michigan Hospitals and Health Centers' Linear Accelerator Replacement Project as described, and authorized issuing the project for bids and awarding construction contracts providing that the bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Adult Magnetic Resonance Imaging Scanner Expansion Project

On a motion by Regent Deitch, seconded by Regent Brandon, the Regents unanimously approved the University of Michigan Hospitals and Health Centers' Adult Magnetic Resonance Imaging Scanner Expansion Project as described, and authorized issuing the project for bids and awarding construction contracts providing that the bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Pediatric Cardio/Thoracic Unit Expansion Project

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Pediatric Cardio/Thoracic Unit Expansion Project as described, and authorized issuing the project for bids and awarding construction contracts providing that the bids are within the approved budget.

Regent Newman returned to the meeting at this point.

University of Michigan Hospitals and Health Centers (UMHHC) Cardiovascular Center Project - Phase I

Interim Executive Vice President for Medical Affairs Greenfield introduced physicians and administrators from the UMHHC that had been involved in the development of the Cardiovascular Center Project (CVC). He commented that cardiovascular disease is the number one cause of death in the United States and that Michigan has the sixth highest coronary death rate in the nation. He noted that projections for the next ten years indicate growth in outpatient and inpatient activity areas in the range of 50% to 80%, with the largest growth occurring in invasive procedures.

Program objectives for the CVC call for bringing together all of the disciplines currently involved in this type of patient care, which will improve patient care while enhancing teaching and training experiences and research. The vacated space in various Health System facilities will be used to accommodate future growth.

Interim Executive Vice President Greenfield noted that the Cardiovascular Center Project will be done in two phases: a clinical care facility (Phase I) and a research facility (Phase II). He displayed a chart summarizing the components of the project and noting the gross square feet to be allotted to by each component. Seventy-one percent of the total space will be devoted to the patient care component, with clinical faculty and support offices requiring 18%. Building support will require 6%, education (classrooms and an auditorium) will use 3%, and building connectors will consume 2% of the space.

A 400-space parking deck is incorporated into the project proposal. This will replace the 250-space existing surface parking lot on the site of the new facility and provide an additional 150 spaces. Opportunities for expanded parking capability will also be examined during the

architectural design phase of the project to coincide with development of a long-term parking strategy for future Health System and University requirements.

Interim Executive Vice President Greenfield displayed a photograph of the proposed site, which is the site of the former University (“Old Main”) Hospital, on the corner of Observatory and Ann Streets. He also displayed a diagram of the facility concept for the project, noting that the entrance would create a new gateway to the medical center with high visibility and attractiveness. He noted that the total cost estimate for the Cardiovascular Center Project is \$196 million.

He noted that the proposed architectural firm of Shepley Bulfinch Richardson and Abbott was selected on the basis of competitive bidding. Dr. Greenfield noted that the Health System has worked with this firm previously, and that it had assisted with programming for the project during the past year.

Regent Horning moved approval of the University of Michigan Hospitals and Health Centers’ Cardiovascular Center Project as described and authorization for commissioning Shepley Bulfinch Richardson and Abbott for its design, with the proviso that at the time of schematic design approval a revised budget would be provided to accommodate additional parking capability if feasible. Regent White seconded the motion.

Regent Newman asked whether the design would be driven by programming or budget. Interim Executive Vice President Greenfield responded that the design would be primarily driven by the program, but that budget projections are believed to be realistic and the project is expected to come in under budget. President Coleman commented that she and Health System officials will be asking hard questions about the budget and will ensure that it remains within reasonable constraints.

Interim CFO Slottow noted that the budget estimate does not include needed utility infrastructure work because this will also benefit the rest of the medical center and central campus. A separate project will be brought forth for a substation that will support the CVC and the rest of the campus. Regent Newman asked whether all other infrastructure needs associated with the project are included in the budget. Interim CFO Slottow noted that, for example, the budget does not include the substation, but does include an estimate for the necessary known infrastructure and site work. He noted that the design firm will evaluate whether additional parking can be accommodated in addition to the spaces that have already been identified.

It was noted that the project is expected to be completed in the fall of 2006. Regent Deitch commented that the sooner the facility is activated, the better. The vote was then taken, and the motion was approved unanimously. Regent McGowan was absent for this and the succeeding votes.

Creation of a Subsidiary Corporation to M-Care

Interim Executive Vice President Greenfield requested approval of creation of a subsidiary corporation to M-Care devoted to Medicaid patients, as described in detail in the Regents Communication. He noted that the state has determined that additional federal funding could be obtained by providing local funds on the basis of taxation of the revenue that comes into the M-Care organization. This situation would be disadvantageous if the taxation is spread across the entire M-Care organization. However, separating the Medicare business into a separate corporation would generate approximately \$1.7 million in additional revenue.

Regent Horning moved approval to create a wholly owned, not for profit, subsidiary corporation to M-Care to contract with the state of Michigan to provide Medicaid services, and that the subsidiary be activated as needed for the Quality Assurance Assessment program and

remain in effect for the duration of the program. Additionally, he moved that M-Care be authorized to provide startup funding for the new corporation in the form of an equity transfer, up to an amount of \$1.7 million. Regent Taylor seconded the motion.

Regent Maynard commented that although she intended to vote in favor of the proposal, she was troubled by it, due to the risks it creates. Interim Executive Vice President Greenfield noted that the corporation would have a life only for the duration of the availability of these funds. Should it prove not to have future relevance, it would be dissolved.

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

Change in Credit Load Structure at University of Michigan-Flint

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved a change in the credit-load structure for full-time undergraduate students at the University of Michigan-Flint, as described in the Regents Communication.

Regents' Meeting Schedule for 2003

On a motion by Regent Brandon, seconded by Regent Horning, the Regents unanimously approved the following schedule of Regents' Meetings for 2003:

January 16
February 20
March 20
April 17
May 15 (Held at UM-Dearborn)
June 19
July 17
September 18
October 16 (Held at UM-Flint)
November 20
December 18

A 15-minute recess followed, after which the Regents reconvened at 4:00 p.m.

Public Comments

The Regents heard comments from the following individuals, on the topics indicated: Malvern L. Crawford, faculty member, on minority faculty on the Dearborn Campus; Matt Petering, student, on his campaign for Regent of the University of Michigan; Karen Sipos, citizen, on the state of University Housing facilities; Audrey Jackson, alumna, on student financial aid; David Coleman and Stephanie Steele, students, on funding and support for Reach Out!; David Boyle, alumnus, on new University directions; and Mark Wasserman, alumnus, on civil rights violations at the University of Michigan.

There being no further business, the meeting was adjourned at 4:45 p.m. The next meeting will take place October 17, 2002.

There being no further business, the meeting was adjourned at 4:45 p.m.