

MARCH MEETING, 2003

*The University of Michigan
Ann Arbor
Thursday, March 20, 2003*

The Regents convened at 10:30 a.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Provost Courant, Interim Executive Vice President Greenfield, Vice President Harper, Vice President Krislov, Chancellor Little, Chancellor Mestas, Vice President Rudgers, Interim Chief Financial Officer Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks.

President Coleman called the meeting to order and announced that Public Comments would be the first order of business.

Public Comments

The Regents heard comments from David Boyle, alumnus, on lack of University support for student intervenors, and from Daniel Shoup (student), Inigo G. de la Cerda (faculty), and Lauren Heidtke (student), in support of non-tenure track faculty unionization efforts. Regent Taylor observed that Mr. Boyle's comments were extremely inappropriate.

A five minute break followed.

President's Opening Remarks

The meeting reconvened at 10:50 a.m. President Coleman noted that there is concern among faculty, staff, and students about the engagement in Iraq. She stressed the importance of the fundamental principle of freedom of expression, and expressed the hope that the University would become a national model for debate and respectful civility. She noted that work is being

done to ensure the safety and security of the campus, and that a website is being introduced to provide updates and information about campus preparedness. President Coleman then reported on faculty achievements and on recognition received by the University during the past month.

Regent Deitch noted that there was a recent incident at Duke University Medical Center in which incompatible heart and lungs were transplanted into an adolescent patient who subsequently died. He asked Interim Executive Vice President Greenfield to comment on whether there are safeguards in place at the University of Michigan that would reduce the chances of a similar incident occurring here. He also asked him to comment on issues of emergency preparedness within the Health System.

Interim Executive Vice President Greenfield stated that two recent incidents of patients receiving mismatched organ transplants had prompted the University to do an internal review of its own policies and procedures. He described the procedures used by the University to check and confirm that individual donors and recipients have compatible blood types, noting that the procedures vary as to whether the organs to be transplanted come from deceased or living donors. He also pointed out that a national system for organ procurement (“UNOS”) exists which has built-in safety checks, and this system was likely to have been compromised at Duke University. He said that with the University of Michigan, a careful analysis has revealed that despite the safeguards currently in place, several potential sources of error remain. A task force is being appointed to examine where opportunities exist to improve current practices and ensure the maximum possible safety for patients.

Interim Executive Vice President Greenfield then turned to the issue of emergency preparedness at the University of Michigan Health System. He noted that there are well-structured plans in place for dealing with bioterrorism. Training exercises and mock drills

have been undertaken to test the system, which is part of the state system of emergency preparedness.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of February 20, 2003.

Reports. Interim Chief Financial Officer Slottow submitted reports on investment and plant extension. 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, February 1 - February 28, 2003.

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

Division of Student Affairs. Vice President Harper reported that the annual student-sponsored dance marathon had raised \$197,000 for C.S. Mott Children's Hospital.

University of Michigan-Dearborn. Chancellor Little endorsed President Coleman's comments about issues of war and peace, civility, freedom of expression, and safety, and noted that the Dearborn campus is paying close attention to each of these issues.

University of Michigan-Flint. Chancellor Mestas observed that the Flint campus has been engaged in normal activities. However, uncertainty about the future has the potential to be a source of tension. He reported that the Flint campus is scheduling forums, panel discussions, and other events to allow members of the campus community to share their views and concerns. Efforts are also being made to assure the safety of the campus and preparedness of the community to deal with any emergencies that may arise.

Report of the Senate Advisory Community on University Affairs. President Coleman called attention to the re-election of Charles Koopman, Jr., to a second term as chair of SACUA.

Michigan Student Assembly Report. President Coleman announced that this would be the last meeting at which MSA President Sarah Boot would be reporting to the Regents as MSA president. Ms. Boot noted that MSA elections were underway, over 11,000 votes had been cast, and that the new president and assembly would take office the next day. She noted that MSA had allocated funds for hiring buses to take any students wishing to attend events in Washington for the Supreme Court hearing on April 1, and that all available seats have been reserved.

Ms. Boot commented that an important project still being pursued by MSA is the proposal to move Spring Break one week later in the academic calendar, from the last week in February to the first week in March. She noted that the proposal has been reviewed by the provost's office and the faculty senate, and that the faculty senate had voted to support it. As a next step, Provost Courant has agreed to present it to the deans for consideration by the school and college executive committees. She urged the Regents to support this proposal due to the overwhelming support it has among the student body.

In response to a question from Regent Newman, Ms. Boot stated that the main reason students want to change the date of Spring Break is to make it coincide with that of other schools within the state and nationally. It was noted that currently Spring Break occurs exactly at the midpoint of the semester, but if this proposal is adopted, there would be 8 weeks of classes prior to Spring Break, and 6 weeks after. Provost Courant commented that for this reason, there needs to be a full discussion of the issue among the faculty.

Ms. Boot thanked the executive officers and President Coleman for working collaboratively with her on so many projects during the past year. A round of applause followed.

Voluntary Support. Vice President May submitted the report of voluntary support for February 2003.

Personnel Actions/Personnel Reports. Provost Courant submitted a number of personnel actions and personnel reports.

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

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

Degrees. President Coleman submitted recommendations for honorary degrees to be awarded to the following individuals: Olga Grabar, art historian and professor emeritus of Islamic art, Harvard University, *Doctor of Humane Letters*; Jennifer M. Granholm, 47th governor of Michigan, *Doctor of Laws*; Judith Jamison, director of the Alvin Ailey Dance Theater, *Doctor of Fine Arts*; John J. H. Schwarz, physician and former Michigan state senator (1986-2002), *Doctor of Laws*; Hillel Shuval, public health scholar and Lunenfeld-Kunen Professor of Environmental Sciences, The Hebrew University of Jerusalem, *Doctor of Science*; Billy Taylor, jazz musician and educator, *Doctor of Music* (awarded at UM-Flint).

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

Alternative Asset Commitment

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved commitment of \$10.0 million from the Long Term Portfolio to Mineral Acquisition Partners 2003, L.P., (MAP), an energy fund.

Literature, Science and the Arts (LS&A) Building Renovation Project

Interim CFO Slottow commented that this project involves an upgrade of all of the major infrastructure elements of the LS&A Building, in addition to adding air conditioning and fire detection and suppression systems. Of the total budget of \$26 million, approximately \$15 million will be provided by the state, \$2 million from the College of LS&A, and the balance from central administration capital reserves. He said that Paul Urbanek, vice president of design at SmithGroup, would present an overview of the project and respond to questions.

Regent Newman asked President Coleman to address the relevance of undertaking this type of project in light of the current budget situation. President Coleman responded that this project was one of a number of building renovation projects for which funding was made available by the state in 1996. She observed that this particular building is in the worst shape of any she's seen, and it is critical that the project be undertaken. Other renovation projects are being funded either by private fundraising or debt. President Coleman commented that it would be shortsighted to delay undertaking capital projects at this time, as many are providing additional space or upgrades for research, which is a high-growth area. She pointed out that in addition to addressing critical needs, construction projects help the economy of the state by providing much needed employment in the construction industry. Finally, she noted that no projects are being undertaken without a secure funding stream being in place.

Regent Richner commented that the LS&A Building is one of the more unattractive buildings on the campus, and wondered if replacement, as opposed to renovation, had been considered. Mr. Slottow responded that our practice is always to look at the economics of new construction as opposed to infrastructure renovation. However, this project will allow the

building to continue to serve important academic functions, and it will be less expensive to renovate it than replace it.

Vice President Wilbanks commented that the state has a clear preference for renovation of existing facilities for capital outlay projects.

Regent Newman expressed her concern that the University remain vigilant in balancing the budget situation with the academic mission, and that a process is in place for evaluating every potential project in this light.

Regent Deitch concurred, and commented that the infrastructure renovation program begun under President Duderstadt was farsighted. He noted that although current economic conditions require that projects be viewed with “enhanced scrutiny,” it is important that capital expenditure be maintained as part of the overall budget.

Mr. Slottow commented that the state has been a great partner in all aspects of planning for this renovation project and that the final step is for the state to approve the minor change in the overall budget.

Mr. Urbanek then gave a presentation describing the LS&A Renovation Project, including a site plan, schematic designs for each floor, and renderings of the building exterior. It was noted that Michigan Radio has been relocated from the LS&A Building to the Argus Building, and its former space will be used by the LS&A Development Office. There was also discussion about the unsightliness of the proposed new mechanical penthouses being added to the roof. Mr. Slottow and Mr. Baier responded that the option of locating the mechanical items in the basement instead of the roof is being evaluated, and it is possible that this option would also be less expensive.

Regent Deitch moved approval of the revised budget and schematic design for the Literature, Science, and the Arts Building, with a request that consideration be given to relocating the mechanical penthouses from the roof to the basement if it can be done within the project budget. Regent Maynard seconded the motion, and it was approved unanimously.

Athletic Department Academic Success Center

Interim CFO Slottow noted that the Academic Success Center is the highest priority in the Athletic Department strategic capital plan. Regent Brandon moved approval of the Academic Success Center Project as described and authorization for commissioning Jickling Lyman Powell Associates for its design. Regent Newman seconded the motion.

It was noted that funding for the facility is to be derived from gifts to the Athletic Department. Regent White pointed out that the budget appears to be high for this type of facility; President Coleman responded that she has asked that this figure be very carefully evaluated. Vice President May commented that if the department is not able to raise the entire amount, it is assumed the building could be scaled back to meet the available budget while still serving its required purpose.

There was discussion about design guidelines in place for the athletic campus. Mr. Slottow suggested that these issues are addressed by the master plan, and this will be brought to the Regents for review.

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

Central Campus and Medical Center Electrical Substation and Underground Distribution System

It was noted that this system is designed to meet the electrical supply needs for both the Biomedical Science Research Building and the Cardiovascular Center. On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved the Central Campus

and Medical Center Electrical Substation and Underground Distribution System Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Medical School Medical Science Unit I Cyclotron Relocation/ Addition Project

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved the schematic design for the University of Michigan Medical Science Unit I Cyclotron Relocation/Addition Project.

University of Michigan Hospitals and Health Centers (UMHHC) University Hospital Operating Room Expansion Project

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the UMHHC University Hospital Operating Room Expansion Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Physical Medicine and Rehabilitation Department Relocation and Leasehold Improvements to Burlington #1 Building

On a motion by Regent Newman, seconded by Regent White, the Regents unanimously approved the University of Michigan Hospitals and Health Centers Physical Medicine and Rehabilitation Department Relocation and Leasehold Improvements Project as described in the Regents Communication.

Approval of Payment for Wolverine Fire Inspections

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a payment to Wolverine Fire Inspections for a fire licensing inspection on the Flint Campus. Because the owner of Wolverine Fire Inspections, Robert Patrick, is also a University

of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Flint Early Childhood Development Center, and Wolverine Fire Inspections.
2. The service provided was a fire licensing inspection conducted on August 28, 2002, for a total dollar amount of \$250.00.
3. The pecuniary interest arises from the fact that Robert Patrick, a University of Michigan employee, is the sole owner of Wolverine Fire Inspections.

Purchasing Contract with Arbor Networks

On a motion by Regent Newman, seconded by Regent Deitch, the Regents unanimously approved a purchasing contract with Arbor Networks. Because Farnam Jahanian, the board chair and a stockholder of Arbor Networks, and is also a University of Michigan employee, this purchasing contract falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Medical Center Information Technology Division, and Arbor Networks.
2. The product to be provided is Internet usage software, at a total cost of \$76,475.00.
3. The pecuniary interest arises from the fact that Farnam Jahanian, a University of Michigan employee, is board chair and stockholder of Arbor Networks.

Subcontract Agreement between the University of Michigan and Purdue University

On a motion by Regent Deitch, seconded by Regent Taylor, the Regents unanimously approved a subcontract agreement between the University of Michigan and Purdue University involving a subcontract with Purdue University to support the work of Purdue Professor Linda Katehi. Because Linda Katehi is also on a leave of absence from the University of Michigan with a 0% appointment, 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 Purdue University.
2. The NRL/DARPA grant contains standard terms and conditions. The proposed subcontract to Purdue University is for \$153,927 for the period covering December 1, 2002 through November 30, 2003. The University's standard subcontract provisions will apply.
3. Professor Katehi has no pecuniary interest in the agreement.

Research Agreement between the University of Michigan and the Institute for Materials Research and Engineering (IMRE)

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved a research agreement between the University of Michigan and the Institute for Materials Research and Engineering (IMRE). Because Dr. Albert Yee is both director of IMRE and a University of Michigan employee (currently on unpaid personal leave), this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and the Institute for Materials Research and Engineering (IMRE).
2. The terms of the agreement conform to University policy. The anticipated period of performance for the project will be from January 1, 2002 to February 29, 2004 at an estimated funding of \$297,308. If funded, a modification would be issued as an addendum to a current University negotiated agreement with IMRE.
3. Dr. Yee has no pecuniary interest in the agreement.

Research Agreement between the University of Michigan and EMAG Technologies, Inc.

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved a subcontract agreement between the University of Michigan and EMAG Technologies, Inc. Because the co-founder and co-owner of EMAG Technologies, Inc., Dr. Kamal Sarabandi, 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 EMAG Technologies, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is two (2) years and the amount of funding support is \$150,000.00.
3. Dr. Sarabandi's pecuniary interest arises from his co-ownership of EMAG Technologies, Inc.

Research Agreement between the University of Michigan and the University of California, Davis

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved a research agreement between the University of Michigan and the University of California, Davis, to support the work of Dr. Michael Savageau at the University of California, Davis. Because Dr. Savageau is also an emeritus professor (without compensation) at the University of Michigan, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and the University of California, Davis.
2. According to the agreement terms, the total award to the University will be \$1,177,800. A total subcontract of \$68,508 is planned for the University of California, Davis, covering the period January 1, 2003, through July 30, 2005. The University's standard subcontract provisions will apply.
3. Dr. Savageau has no pecuniary interest in the agreement.

Research Agreement between the University of Michigan and Critical Care Consultants, Inc.

On a motion by Regent Deitch, seconded by Regent Maynard, the Regents unanimously approved a research agreement between the University of Michigan and Critical Care Consultants, Inc. Because Dr. Robert Bartlett is both a University of Michigan employee and also part owner of Michigan Critical Care Consultants, 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 Michigan Critical Care Consultants, Inc.
2. The terms of the proposed agreement conform to University policy. The period of performance for the project is nine months at a total cost of \$30,000. The project will be directed by Mark Meyerhoff, professor of chemistry.
3. Dr. Bartlett has no pecuniary interest in the agreement.

Option Agreement between the University of Michigan and Xoran Technologies, Inc.

On a motion by Regent Newman, seconded by Regent White, the Regents unanimously approved an option agreement with Xoran Technologies, Inc. to obtain an exclusive license for the technologies, “Device for Dentomaxillofacial X-ray Computed Tomography” (UM File #2184), and “A Method for Extending the Dynamic Range of Flat Panel Detectors” (UM File #2210). The co-inventors for these technologies, Neal Clinthorne and Predrag Sukovic, are also the principal owners of Xoran Technologies, Inc., and Mr. Clinthorne is also a University of Michigan employee. 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 Xoran Technologies, Inc.
2. Terms of the agreement include:

Field of Use: All fields

Grant: Option to obtain an exclusive world-wide license, with a right to grant sublicenses to Technology as defined by UM File No. 2184 and 2210.

Option Fee: \$2,500

Option Period: 12 months; may be extended upon additional payment

Patent Costs: Reimbursement of costs incurred during option

Execution of License: Xoran may exercise the option by providing a business plan to UM describing its intention and ability to develop the technology for public use. At a minimum, the business plan will include: an identified and committed experienced and capable management team, an appropriate commercialization strategy, and a capitalization plan indicating sufficient access to capital to enable the commercialization plan to be executed.

The University will retain ownership of the optioned 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 Mr. Clinthorne arise from his ownership in the company. He will waive any personal participation in the sharing of funds received by the University from Xoran Technologies, Inc., as a result of any future License Agreement.

Research Agreements between the University of Michigan and Xoran Technologies, Inc.

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved research agreements with Xoran Technologies, Inc. (“Company”), for the funding of two projects in the School of Dentistry. Because one of the owners of the company, Mr. Neal Clinthorne, 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 Xoran Technologies, Inc.
2. The terms of the agreements conform to University policy. The period of performance for the SBIR Phase I grant is fifteen (15) months and the amount of funding support is \$3,900, including indirect costs of 9% (as is customary for SBIR Phase I subcontracts at the University). The period of performance for the SBIR Phase II grant is twenty-four (24) months and the amount of funding support is \$65,016, including indirect costs at standard federal rates. The total funding for the Phase I and Phase II SBIR agreements combined is \$68,916. Dr. Sharon Brooks will be directing both the SBIR Phase I and Phase II agreements.
3. Mr. Clinthorne’s pecuniary interest arises from his ownership interests in Xoran Technologies, Inc.

Research Agreement between the University of Michigan and DermaCo, Inc.

On a motion by Regent Newman, seconded by Regent Deitch, the Regents unanimously approved a research agreement with DermaCo, Inc. for funding of a project in the Department of Pathology. Because the owners of DermaCo, Inc., Dr. John Van Voorhees, Dr. Gary J. Fisher, and Dr. Sewon Kang, are also partial owners of DermaCo, Inc., this agreement falls under the State of Michigan Conflict of Interest Statute.

1. Parties to the Agreement are the University of Michigan and DermaCo, Inc.

2. The terms of the Agreement conform to University policy. The period of performance for the project is eleven (11) months and the amount of funding support is \$46,240, including indirect costs at 56/58%. The Agreement will be directed by Dr. James Varani.
3. The pecuniary interests of Drs. Voorhees, Fisher, and Kang arise from their ownership interests in DermaCo, Inc.

Regent Newman inquired as to whether conflict-of-interest contracts are audited following approval by the Board. Vice President Ulaby explained that for simple agreements there is no need to do any followup. However, as part of its oversight responsibility, for complicated arrangements the Conflict of Interest Committee requires either annual or semi-annual reports from the person assigned to oversee the agreement.

Interim CFO Slottow pointed out that the Conflict of Interest Committee was recently restructured to create tighter linkages between the Purchasing Department, the Office of the Vice President for Research, the Medical School, and the other schools and colleges involved in research. Vice President Ulaby noted that these agreements are taken very seriously.

Regent White commented that she has met with members of the Conflict of Interest Committee and is confident that they are doing an extremely good job. Regent Newman said that her concern is that the proper controls are in place to prevent any abuses from occurring. Regent White noted that the controls are in place and are currently being reviewed.

Vice President Ulaby also noted that a “Conflict of Interest Manual” has been developed that is used as part of the training for each member of the Conflict of Interest Committee.

Report of Finance, Audit and Investment Committee

Regent Brandon commended Interim CFO Slottow and his team for their having recently refinanced \$63 million worth of fixed-rate bonds with a “locked-in” interest rate of 2.8%. This will yield \$6.6 million in savings.

There being no further business, the meeting was adjourned at 12:00 noon. The next meeting will take place April 17, 2003.