

OCTOBER MEETING, 2004

*The University of Michigan
Ann Arbor
Thursday, October 21, 2004*

The Regents convened at 2:15 p.m. in the Michigan Rooms, University Center, on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Provost Courant, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Executive Vice President Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks.

Performance

Chancellor Mestas introduced a special performance of the University of Michigan-Flint Wind Symphony, conducted by Robert G. Southard. The first performance was “Lincoln Portrait,” by Aaron Copland, narrated by Regent Olivia Maynard, and the second performance was “Block ‘M’ March, by Jerry Bilik.

Call to Order and Opening Remarks

President Coleman called the meeting to order at 2:40 p.m. She thanked Chancellor Mestas for arranging the performance and commented on the hospitality of the campus and the community. She noted that she had attended an event last week on campus which marked the establishment of a new award for community service known as “The Libby,” in honor of Regent Maynard. The ceremony was notable for its recognition of how integral the University of Michigan-Flint is to Flint’s future.

President Coleman noted that there were residence hall update and renovation projects on the agenda that are part of the major residential life renewal initiative on the Ann Arbor campus. She commented that the Frieze Building site had been selected as the location for a new residence hall that would be co-located and interacting closely with new academic space.

President Coleman noted that a celebration in honor of the 40th anniversary of the Center for the Education of Women (CEW) had just been held, and called on Regent McGowan. Regent McGowan pointed out that CEW had been one of the “parents” of the Flint Center for Women, and noted that Regent Maynard had attended the celebration held the previous weekend.

Regent Maynard commented that at the celebration she had read letters in honor of the 40th anniversary from both the Regents and President Coleman. To her, the most remarkable testament was that in response to the question of how many people in the room had been helped by CEW, almost everyone stood up. This speaks to the value of CEW, not only to Ann Arbor and the other UM campuses, but around the country.

Committee Reports

Compensation and Personnel Committee. Regent Maynard reported that the committee had conducted an evaluation of President Coleman’s performance during the summer. She had received a solid evaluation and she will be working with the committee during the year to ensure that her goals and visions will come to fruition.

Regent Maynard noted that the committee had approved a proposed salary increase for President Coleman. She emphasized that the amount of the recommended increase would be independent of the evaluation, as prior to the evaluation President Coleman had requested that she receive no more than a two percent raise as a commitment to fiscal responsibility. For that reason, the committee is recommending to the full board only a two percent raise.

Regent Maynard reported that the remainder of the committee meeting was spent discussing proposed changes to the committee bylaw and charter.

President's Salary. Regent McGowan moved that President Coleman's salary be increased by two percent, effective September 1, 2004. Regent Taylor seconded the motion, and it was approved unanimously.

Finance, Audit, and Investment Committee. Regent Brandon reported that the committee had met that morning, and that both Regent White and Regent Taylor had been present. The committee reviewed the most recent draft of the proposed revised charter, which is almost complete.

Annual Report of Investments. The committee also received the Annual Report of Investments, presented by Erik Lundberg, chief investment officer. Mr. Lundberg reported that as of June 30, 2004, total endowment funds equaled nearly \$4.2 billion, and the University Investment Pool was just over \$1.5 billion. Combined with the University's other assets (Veritas, M-Care and subsidiaries, and others), the University's financial assets total just over \$6 billion. Regent Brandon reported that from 2003 to 2004 the endowment had increased by \$700 million. Compared to its one-year benchmark, the portfolio achieved a gain of 20.7%, exceeding the average benchmark performance by 4.6%. Compared with the three-year benchmark, the portfolio outperformed it by 3.8%, and compared with the five-year benchmark, the portfolio achieved a 5.8% better performance.

Regent Brandon reported that the University Investment Pool, consisting of shorter term funds, doubled the industry benchmark for one-year and also bettered the three-year and five-year benchmarks. He praised Mr. Lundberg and his colleagues for "a truly outstanding

performance.” Mr. Lundberg responded that the work is the result of a team effort, involving individuals in a number of offices across the University.

Regent Brandon reported that the committee had also met with Laura Patterson, associate vice president for administrative services, and Paul Howell, chief information technology security officer, regarding information technology security and disaster recovery.

The committee was also updated on internal audits, welcoming newly appointed executive director of internal audits Carol Sennef along with interim executive director Fred White. The auditors assured the committee that all interactions with University administration were open and transparent and there is a high level of cooperation. The last update was in the area of health benefits initiatives, from Laurita Thomas, associate vice president and chief human resource officer, and Tim Wood, director of benefits.

The Regents then turned to the regular agenda.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of September 23, 2004.

Reports. Executive Vice President Slottow submitted the Plant Extension Report and the Human Resources and Affirmative Action Report. Regarding the former, he announced that the Museum of Art addition had received a project award from the New York chapter of the American Institute of Architects, one of only four such awards given world-wide this year.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of projects established, September 30, 2004.

University of Michigan Health System. Executive Vice President Kelch reported that M-Care had undergone its recertification review with exceptional results. He also announced that three University faculty members had been elected into the Institute of Medicine.

Division of Student Affairs. No additional report was submitted.

University of Michigan-Dearborn. Chancellor Little announced that enrollment for Fall 2004 was down somewhat from that of Fall 2003. An analysis of the areas where enrollment had decreased has been done, and recruiting and marketing efforts are being enhanced to improve the situation.

University of Michigan-Flint. Chancellor Mestas introduced the following individuals who had recently been appointed to their positions: Douglas Moon, dean of the School of Management; Kimberly Buster Williams, director of admissions; and Mary Ann Gregor, director of the Urban Health and Wellness Center.

Michigan Student Assembly Report. Jason Mironov, president of MSA, reported on recent and upcoming activities on the Ann Arbor campus. He noted that 10,000 new voters had been registered by the Voice Your Vote commission. Christina Cecchin, president of the University of Michigan-Flint student government, welcomed the Regents to the campus and described some of the activities of the Flint student government.

Voluntary Support. Vice President May announced that the capital campaign has just passed the milestone of \$1.5 billion, thereby achieving 61% of its goal so far.

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

Retirement Memoirs. Vice President Tedesco submitted one faculty retirement memoir.

Memorials. No deaths of active faculty members were reported this month. However, President Coleman announced and commented upon the deaths of two individuals: Thomas M. Donahue, Edward H. White II Distinguished Professor Emeritus of Planetary Science, professor emeritus of physics, and professor emeritus of atmospheric, oceanic, and space sciences; and Gail W. Rector, president emeritus of the University Musical Society.

Degrees. Provost Courant submitted for approval final degree lists for April 2004 and August 2004 commencements, and approved changes to previously approved degree lists.

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

Annual Report of Investments

The Regents received the Annual Report of Investments as of June 30, 2004.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved commitment of up to \$25 million from the Long Term Portfolio to Graham Partners II L.P.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved commitment of \$20 million from the Long Term Portfolio to Elevation Partners, L.P.

Alternative Asset Commitment

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved commitment of up to \$50 million from the University Investment Pool to Canyon Capital Realty Advisors to manage a Mortgage Investment Account.

University of Michigan Financial Statements for the Year ended June 30, 2004

Executive Vice President Slottow noted that the Regents had received the comprehensive certified financial statements for fiscal year 2004 in September and had just received the report about the statements from the Finance, Audit and Investment Committee. He reported that the external auditors had issued an unqualified opinion, and praised the team that had compiled the financial statements.

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Financial Statements for the Year ended June 30, 2004.

Regent Richner inquired about whether there is a different rating system for the long term debt issued for the University of Michigan Health System as opposed to the rest of the campus. Executive Vice President Slottow explained the rating system, noting that each bond issue has its own specific rating. When bonds are issued to support hospital activities, they are generally backed only by hospital gross revenues, which receive their own rating. Regent Richner inquired whether hospital debt could be issued under general University debt to take advantage of lower interest rates. Executive Vice President Slottow responded that some institutions do operate in this manner, and that this is a policy issue with pros and cons that needs to be explored with the Finance, Audit and Investment Committee.

Executive Vice President Slottow called attention to the condensed version of the financial report that had been prepared in cooperation with the offices of the vice president for development and vice president for communications.

Athletic Department Junge Family Champions Center

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved the schematic design for the Junge Family Champions Center project and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Replacement of Jordan Hall Elevator in Mosher-Jordan Residence Hall

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved the Jordan Hall Elevator Replacement Project in Mosher-Jordan Hall as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Replacement of “Five Hall” Elevator in Stockwell Residence Hall

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Five Hall Elevator Replacement Project in Stockwell Residence Hall as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

West Quadrangle Residence Hall 2005 Infrastructure Updates

Executive Vice President Slottow commented that this project represents the first of the major “Residential Life Initiatives” projects and is meant to address infrastructure and life safety

needs in West Quad. It includes fire protection enhancements, information technology upgrades, and a new electrical substation to provide enhanced capacity and reliability.

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved the West Quadrangle Residence 2005 Infrastructure Updates Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Michigan Stadium 2005 Concrete Repairs

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the Michigan Stadium 2005 Concrete Repairs Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Conflict of Interest Items

President Coleman announced that the agenda includes 5 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent White, seconded by Regent Richner the Regents unanimously approved each of the following items:

Approval of Payment for Glenn P. Fischer LLC

The Regents approved a payment by the Stephen M. Ross School of Business for services provided by Glenn P. Fischer LLC. Because Glenn P. Fischer, owner of Glenn P. Fischer LLC, is also a University of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statue. 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 Stephen M. Ross School of Business and Glenn P. Fischer LLC.

2. The service provided was audio publishing at a cost of \$5,980.
3. The pecuniary interest arises from the fact that Glenn P. Fischer, a University of Michigan employee, is owner of Glenn P. Fischer LLC.

Approval of Amendment to a Purchasing Contract with Wright Medical Technology

The Regents approved an amendment to a purchasing contract between the Department of Orthopaedic Surgery and Wright Medical Technology. Because Dr. J. David Blaha, stockholder in Wright Medical Technology, is also a University of Michigan employee, this contract falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Department of Orthopaedic Surgery and Wright Medical Technology.
2. The goods provided are knee and hip implant systems. The systems are to be provided from July 1, 2003 to June 30, 2005 and will cost a total of \$2,500,000.
3. The pecuniary interest arises from the fact that Dr. J. David Blaha, a University of Michigan employee, is a stockholder in Wright Medical Technology.

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

The Regents approved a license agreement with Wright Medical Technology for the “Device for Dentomaxillofacial X-Ray Computed Tomography” (UM File No. 2184) and “A Method for Extending the Dynamic Range of Flat Panel Detectors” (UM File No. 2210). Because Neal Clinthorne, chair and vice president of Xoran Technologies, Inc., 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. The parties to the contract are the Regents of the University of Michigan and Xoran Technologies, Inc.
2. The licensing terms include use in all fields; an exclusive, world-wide license with a right to grant sublicenses to Technology as defined by UM File Nos. 2184 and 2210; minimum annual fees; royalty on net sales or set fee on per unit sales; and developmental

milestones. Xoran Technologies, Inc., will reimburse the University's patent expenses and pay patent expenses incurred during the license term.

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 interest arises from the fact that Neal Clinthorne, a University of Michigan employee, is chair and vice president of Xoran Technologies, Inc. Mr. Clinthorne waves any personal participation in the sharing of funds received by Xoran Technologies, Inc., as a result of this agreement.

License Agreement between the University of Michigan and OncoImmune

The Regents approved a license agreement with OncoImmune to patent and commercialize an invention developed by the University of Michigan, "Ras Mutants Control Oncogenic Transformation" (UM File No. 1769). Because Dr. Kunliang Guan holds an equity interest in OncoImmune 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. The parties to the contract are the Regents of the University of Michigan and OncoImmune.
2. The licensing terms are for the life of the patent and include upfront licensing fees, royalties paid to the University based on net sales, royalties paid on sublicense revenue, and minimum annual royalties beginning in 2007. OncoImmune has exclusive rights to practice and commercialize the technology, subject to certain rights reserved by the University.

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 interest arises from the fact that Dr. Kunliang Guan, a University of Michigan employee, holds equity interest in OncoImmune. Mr. Clinthorne waves any personal participation in the sharing of royalties received by the University from OncoImmune.

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

The Regents approved a license agreement with SensiGen, Inc., for the technology entitled “Early Detection of Hypertension by Non-Invasive RT-PCR of Urine Sediment Cells” (UM File No. 1758). Because Dr. David Kurnit, principal owner of SensiGen, Inc., 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. The parties to the contract are the Regents of the University of Michigan and SensiGen, Inc.
2. The licensing terms grant SensiGen, Inc., an exclusive license with a right to grant sublicenses to UM File No. 1758. SensiGen, Inc., will reimburse the University’s patent expenses and pay patent expenses incurred during the license term. The terms of the agreement also include a license fee, equity, royalties on net sales, minimum annual fees, and developmental milestones.

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

3. The pecuniary interest arises from the fact that Dr. David Kurnit, a University of Michigan employee, is principal owner of SensiGen, Inc. Dr. Kurnit has waived any personal participation in the sharing of funds received by the University from SensiGen, Inc., as a result of any license agreement with the University.

Subcontract Agreement between the University of Michigan and T/J Technologies, Inc.

The Regents approved a subcontract agreement with T/J Technologies, Inc., for funding of a project in the Department of Chemistry. Because Dr. Levi Thompson, Jr., part owner of T/J Technologies, Inc., 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. The parties to this agreement are the Regents of the University of Michigan and T/J Technologies, Inc.

2. The terms of the agreement conform to the University policy. The period of performance for the project is one year and the funding support is \$30,000. Since research agreements are often amended, the subcontract includes provisions for changes in time, amount, and scope. University of Michigan procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interest arises from the fact that Dr. Levi Thompson, Jr., a University of Michigan employee, is part owner of T/J Technologies, Inc.

As this concluded the regular agenda, the meeting recessed at 3:20 p.m. to meet in informal session, and reconvened in formal session at 4:30 p.m.

Public Comments

The Regents heard comments from David Sponseller, alumnus, on “sane dormitory policy,” and David Boyle, alumnus, on Regents’ Meeting access.

There being no further business, the meeting was adjourned at 4:40 p.m. The next meeting is scheduled for November 18, 2004.