

JUNE MEETING, 2005

*The University of Michigan
Ann Arbor
Thursday, June 16, 2005*

The Regents convened at 2:20 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Vice President Churchill, Provost Courant, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Vice President Ulaby, and Vice President Wilbanks.

Call to Order

President Coleman called the meeting to order.

Softball Team National Championship. President Coleman congratulated the Michigan Softball Team and Coach Carol Hutchins for winning the University's first-ever NCAA national championship. She said that watching them and hearing them express such pride in wearing the Michigan uniform reminded her of how special Michigan's athletic tradition is.

Regent Brandon pointed to the class and confidence the team members displayed, smiling and remaining unfazed even when the team was behind. Regent McGowan also pointed to the exuberant smiles and joy that characterized the team throughout the game. Regent Deitch commented that the true excitement expressed by the players was rare in sports teams and it is evidence that the University's commitment to excellence in the full range of sports is the correct one. Regent White noted that she had watched Coach Hutchins coach as she was growing up in

Ann Arbor, and since then, the program has undergone an amazing transformation under her leadership. The other Regents also expressed pride in the team's accomplishments.

President Coleman noted that the Regents would officially honor the team at the September meeting.

President Coleman commented on the Health System master plan to be presented at this meeting. She also announced that she would be leaving the next day for China, leading a University of Michigan delegation to Beijing and Shanghai. The trip has two goals: establishing more academic ties with leading Chinese universities, and extending Michigan's many long-standing relationships in China. She also took note of the successful launch of Spark, the new public/private coalition of which the University is a part, whose purpose is to encourage regional economic development.

Committee Reports

Finance, Audit and Investment Committee. Regent Brandon reported that the committee had met with University of Michigan Hospitals and Health System leaders to review the Fiscal Year 2006 budget. He congratulated Dr. Kelch, UMHHC chief financial officer Doug Strong, Larry Warren, UMHHC executive director, and other leaders for being on target to achieve an operating margin in excess of 5% for Fiscal Year 2005.

The committee also reviewed the Athletics Department budget for FY2006, in conjunction with Bill Martin, athletic director, and Jason Winters, the department's chief financial officer. Overall, he reported that the committee was pleased with the department's continued progress and for Mr. Martin's continued commitment to ensure the availability of sufficient resources to address all of the department's needs.

Personnel, Compensation and Governance Committee. Regent Maynard reported that the committee had conducted its first annual meeting with the chairs of each campus's Committee on the Economic Status of the Faculty. The ability to have a dialog and ask questions had afforded the committee an appreciation of the issues of concern to the faculty of each of the three campuses. Regent Maynard noted that the committee chairs would be presenting summaries of their written reports later in the meeting

University of Michigan Health System Master Plan

Executive Vice President Slottow commented that the master plan had been developed through the cooperative efforts of staff in the Health System and in the office of the associate vice president for facilities and operations. He noted that long term land use planning must be done prior to consideration of major building projects. The development of a master plan assures the responsible and efficient use of land over a long period of time, reduces the pressure for land acquisition, and encourages responsible environmental stewardship over existing land holdings.

Executive Vice President Kelch commented that when he assumed his position he felt that a comprehensive, cohesive master plan was needed for the medical campuses, one that would balance the demand for clinical, research, and educational facilities, and promote excellence in all three areas. The master plan, based on the strategic plan for the Health System, was developed by a large, interdisciplinary group to address how resources can best be utilized for the long term.

One of the basic principles the plan addresses is growth and investment. He noted that the Health System plans to grow and to invest its productivity gains back into the health system. He noted that the demand for the Health System's services is growing and this trend is expected

to continue for the foreseeable future. The master plan will serve as a long-term guide (at least 15 years into the future) for decision-making about how to best utilize the medical campus resources.

Ms. Sue Gott, University Planner, gave a presentation on the Medical Center and East Medical Campus Master Plan Update. She noted that the plan uses a variety of strategies for promoting improved mobility; it promotes increased density for both new development and redevelopment of existing land and is capable of providing an additional 3.1-3.2 million gross square feet of new space; it reaffirms the University's commitment to environmental stewardship; and it encourages a regional approach to utilities planning.

Ms. Gott commented that the plan provides flexibility, fosters collaboration and connectivity among all of the campuses, will create a pleasing environment, and recommends the best uses for each available site. She displayed an image of existing functional use zones and proposed zones for educational and administrative use, clinical areas, research zones, and parking areas. The master plan includes mixed use opportunities.

Ms. Gott described the overall vision for the entire medical center campus, including land use, pedestrian systems, vehicular systems, open spaces, and utilities. The vehicular system vision includes a shift in emphasis to transit stations, especially for staff. She pointed out that the plan calls for redevelopment of a portion of the western side of the core campus, which would require demolition of the Kresge complex over time. This would provide for an additional 300,000-400,000 gross square feet beyond what currently exists in this complex.

Ms. Gott called attention to the plan's introduction of transit centers, which would offer important pedestrian amenities and enhanced services provided by medical center shuttles, the University bus system, and the M-Ride program.

One of the important aspects of the plan is to strengthen and enhance the linkage between the Medical Center core and the Wall Street district. Ms. Gott described the vision and development plan for the Wall Street district, which is meant to strengthen the connections between the neighborhood, Lower Town, and Riverside Park. The plan also identifies opportunities to strengthen pedestrian amenities.

The plan identifies development zones for two potential parking structures which could provide 1,000-1,200 parking spaces, the majority of which are intended for patients and visitors in the Wall Street district. A third transit center for transporting people between and within the medical and central campuses would also be provided.

Ms. Gott next described the vision and development plan for the East Medical Campus, which would involve integrating the campus into the park-like setting of the property and strengthening environmental stewardship by taking advantage of the wetlands and woodlands. The plan identifies 700,000-800,000 gross square feet of additional development zones and opportunities for about 3,000 new parking spaces. The plan shows opportunities for regional storm water retention, and pedestrian trails and boardwalks.

In summary, Ms. Gott reported that the plan promotes enhanced mobility, helps to increase density for new development and redevelopment, emphasizes the University's commitment to environmental stewardship, and encourages regional utilities planning. It was noted that the master plan is intended to cover a period of about 15 years, although it will be revisited periodically during that time.

CESF Report - Ann Arbor Campus

Professor Fred Askari reviewed the major components of the CESF report. He noted that CESF applauds the president's initiative to expand childcare options on campus. He pointed out

that the committee is proposing establishment of competitive tuition scholarships for faculty children. He expressed concerns about the University's continuing ability to provide health benefits for retirees, and expressed faculty concern about the funding mechanism used for these benefits. He called attention to faculty compensation issues, including the need for growth in faculty compensation; wage compression; the need for transparent pay; optimal and equitable pay; and the adoption of compensation guidelines.

CESF Report - Dearborn Campus

Professor James Gruber reported that salaries are the primary concern for faculty on the Dearborn campus. While assistant professor salaries are generally competitive, salaries for associate and full professors are subject to compression since there are few salary increases for faculty after they are initially hired. This salary stagnation is encouraging some of the best faculty to go elsewhere after a few years, and creates a situation in which long-term tenured faculty who remain are becoming discouraged and demoralized. He reported that the cost for rectifying this situation would be about \$600,000.

CESF Report - Flint Campus

Mr. Vince Prygoski reported that the committee had focused on four issues: the effect that inflation has had on faculty salaries; salary compression; how UM-Flint faculty salaries compare with those at peer institutions; and the continuing effect of the lack of a salary increase in 2003-04.

Regents' Resolution in Honor of Fawwaz Ulaby

Regent Taylor called Vice President Ulaby to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan salute and express their appreciation to Fawwaz T. Ulaby, vice president for research, as he completes his administrative duties on August 31, 2005, to focus full-time on scholarly pursuits.

Vice President Ulaby has provided outstanding and effective leadership for the University of Michigan's research enterprise, which consistently ranks among the top of the nation's research universities. During his nearly seven-year tenure as vice president, the University's research expenditures nearly doubled, from about \$400 million in 1998 to nearly \$800 million in 2005. In an era of increasing federal regulation involving the conduct of research, Vice President Ulaby spearheaded the development of a research compliance infrastructure for the campus that has become a model for other institutions. He established campus-wide research initiatives in geosciences, material sciences, humanities, music technology, nanoscience and engineering, and Great Lakes environmental sciences, and served as the driving force in forging a new era of cooperation and joint research efforts with Michigan State University and Wayne State University.

Under Vice President Ulaby's stewardship, the University's technology transfer operation has been transformed into one of the top five such university entities in the country. He played the role of chief architect in creating, developing and launching Ann Arbor Spark, a new enterprise focused on stimulating the economy of the Ann Arbor region through technology innovation.

While serving as vice president for research, Vice President Ulaby continued in his faculty role, serving as Ph.D. thesis advisor to 9 students, which raised the total number of graduate students he has supervised over his academic career to an astonishing 115. One of his 9 books, an undergraduate textbook on electromagnetics, is now the leading textbook in its subject matter, used at some 150 institutions around the globe.

With respect and gratitude, the Regents commend Fawwaz T. Ulaby for his exemplary service as vice president for research and look forward to his continued contributions as a scholar and adviser.

A round of applause followed, after which Vice President Ulaby responded, giving an overview of his experiences since arriving in the United States as a foreign graduate student at the University of Texas. He recounted his ensuing academic career at other U.S. Institutions, culminating in his 21 years at the University of Michigan.

A round of applause followed. Regent Taylor commented that in addition to his academic roles and responsibilities, Vice President Ulaby is a major presence among the Arab-American community in southeastern Michigan.

The Regents then turned to the remainder of the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of May 19, 2005.

Reports. Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, and 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, May 1-May 31, 2005.

University of Michigan Health System. Executive Vice President Kelch had no additional report.

Division of Student Affairs. Vice President Harper announced that the University had received a federal grant of nearly \$100,000 to support alcohol education efforts.

University of Michigan-Dearborn. Chancellor Little highlighted the recommended appointment of Paul N. Zions as dean of the School of Education. He also described the Jimmy and Roslyn Carter Award Ceremony that would be taking place on the Dearborn campus. The award recognizes collaboration between a university group and a community group.

University of Michigan-Flint. Chancellor Mestas thanked the UM-Flint Committee on the Economic Status of the Faculty for their efforts in highlighting faculty salary concerns on the

Flint campus. He noted that he shared the concerns that had been expressed in the report, especially in the area of salary compression.

Michigan Student Assembly Report. Jesse Levine, president of MSA, distributed a report on MSA financial priorities for 2005-06.

Mr. Levine reported that MSA had passed a resolution that supports including “gender identity or gender expression” in the nondiscrimination section of the Regents’ Bylaws.

Mr. Levine noted that MSA’s financial priorities include support of a fee increase to fund a Student Legal Services housing attorney, provide additional funding for student organizations, and to fund a Student Legal Services immigration attorney. He reported that MSA had recently upgraded its financial accounting system to ensure a high degree of accountability in its funding distribution methods. He gave descriptions and rationales of each funding priority and reported that in winter of 2005 students had approved a referendum supporting increased student fees for student organizations.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for April 2005. He reported that private support is up and it appears that this will be a record year for voluntary support.

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

Retirement Memoirs. Vice President Churchill submitted memoirs for 9 retiring faculty members.

Memorials. Vice President Churchill reported the death of Stella Raudenbush, a faculty member in the School of Education. Provost Courant commented on how shocked her colleagues were by Ms. Raudenbush’s death and noted that this was an extraordinary loss.

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

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

The Regents then turned to consideration of the regular agenda.

Semi-Annual Report on University Internal Audits

Executive Vice President Slottow submitted the semi-annual report of the Office of University Audits activities for the period October 1, 2004 through April 30, 2005. He stated that the Finance, Audit and Investment Committee has reviewed all of the reports and has determined that future reports would be provided to the board every other month, rather than every six months.

Supplemental Information to the Certified Audited Financial Report of the Advisory Board on Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2004

Executive Vice President Slottow submitted for information supplemental information to the certified audited financial report of the Advisory Board on Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2004.

President's Residence Exterior Painting Project

Executive Vice President Slottow informed the Regents that the President's Residence would be painted during July and August, 2005.

Alternative Asset Commitment (*Moorfield Real Estate Fund, L.P.*)

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved commitment of up to £15 million to Moorfield Real Estate Fund, L.P.

Alternative Asset Commitment (*Thackeray Partners Realty Fund, L.P.*)

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved commitment of \$20 million to Thackeray Partners Realty Fund, L.P.

Alternative Asset Commitment (*Telegraph Hill Partners II, L.P.*)

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved commitment of \$15 million from the Long Term Portfolio to Telegraph Hill Partners II, L.P..

Authorization for Expenditures in Fiscal Year 2005-2006 for University Operations

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved temporary expenditure authorization for continuing University operations in the 2005-2006 fiscal year, beginning July 1, 2005, until the 2005-2006 budgets are approved in July 2005.

Authorization for Expenditures in Fiscal Year 2005-2006 for the University Health System

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved temporary expenditure authorization for continuing University Health System operations in the 2005-2006 fiscal year, beginning July 1, 2005, until the 2005-2006 budget is approved in July 2005.

James B. Angell Hall Office of Student Academic Affairs Renovations

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the James B. Angell Hall Office of Student Academic Affairs Renovations Project as described in the Regents Communication, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Observatory Lodge Renovation

Executive Vice President Slottow introduced Tom Birdsey, president and chief executive officer of Einhorn Yaffee Prescott, to describe the proposed plans for renovation of Observatory Lodge to fit the needs of the Division of Kinesiology. He noted that this is also a historic renovation project that will include restoration of many of the building's character-defining features.

Mr. Birdsey displayed a photograph of the building and a map indicating its location. He noted that the project calls for adapting the interior of the building for a completely new use. He displayed schematics of the interior, and noted that although the interior will be completely reconfigured, there will be no dramatic changes to the exterior of the building.

Following some discussion, Regent McGowan moved approval of the schematic design for the Observatory Lodge Renovation Project as presented at the meeting. Regent White seconded the motion, and it was approved unanimously.

Material Transfer Agreement between the University of Michigan and Innovative Biotherapies, Inc.

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved a material transfer agreement between the University of Michigan and Innovative Biotherapies, Inc. Regent Richner abstained from voting due to a conflict of interest. Because Professor H. David Humes is both a University of Michigan employee and a founder, partial owner, director and officer of Innovative Biotherapies, Ind. ("InnoBio"), 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 Innovative Biotherapies, Inc.
2. Material transfer agreement terms include giving InnoBio a non-exclusive license to use the materials solely for internal research purposes. The University will retain ownership

of the materials and may continue to further develop and license them. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.

3. Dr. Humes' pecuniary interests arise from his ownership interest in InnoBio. He has waived any personal participation in the sharing of revenue received by the University.

Conflict of Interest Items

President Coleman announced that the agenda includes eight additional conflict of interest items, each of which requires six votes for approval.

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved the following eight items.

Approval of Payment for Trillium Ventures

The Regents approved a payment for Trillium Ventures to fund a portion of compensation for an MBA intern in the Marcel Gani Internship Program. Because the founder of Trillium Ventures, Thomas Porter, is also a University of Michigan employee, this payment 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 Institute for Entrepreneurial Studies and Trillium Ventures.
2. The service provided is placement of a student intern. The cost for the service is \$6,600.00.
3. The pecuniary interest arises from the fact that Thomas Porter, a University of Michigan employee, is a founder of Trillium Ventures.

Approval of Payment for NanoBio

The Regents approved a payment by the Institute for Entrepreneurial Studies to NanoBio to fund a portion of compensation for an MBA intern in the Marcel Gani Internship Program. Because the founder of NanoBio, James Baker, 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. Parties to the contract are the Regents of the University of Michigan and its Institute for Entrepreneurial Studies and NanoBio.
2. The service provided is placement of a student intern. The cost for the service is \$6,600.00.
3. The pecuniary interest arises from the fact that James Baker, a University of Michigan employee, is a founder of NanoBio.

Approval of Payment for Ann Arbor IT Zone

The Regents approved payment by the Office of Technology Transfer to Ann Arbor IT Zone for services associated with the use of their Launch Pad facility for a group of student interns. Because Kenneth Nisbet, chairman of the board of directors of Ann Arbor IT Zone, 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 Office of Technology Transfer and Ann Arbor IT Zone.
2. The service provided is space and access for graduate students. The cost for the service for one year is \$25,000.00.
3. The pecuniary interest arises from the fact that Kenneth Nisbet, a University of Michigan employee, is chairman of the board of directors of Ann Arbor IT Zone.

Approval of Payment for and Proposed Contract with NeuroNexus Technologies

The Regents approved a payment to and contract with NeuroNexus Technologies for the purchase of multi-channel recording probes. Because Daryl Kipke, CEO of NeuroNexus Technologies, and Jamille Hetke, director of research at NeuroNexus Technologies, are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of

Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Kresge Hearing Research Institute Otolaryngology Laboratory and NeuroNexus Technologies.
2. The product provided is multi-channel recording probes. The cost for the product is \$4,576.00 for product already received and \$40,463.00 for product needed for fiscal year 2006.
3. The pecuniary interest arises from the fact that Daryl Kipke and Jamille Hetke, University of Michigan employees, are CEO and director of research, respectively, of NeuroNexus Technologies.

Research Agreement between the University of Michigan and Omni Sciences, Inc.

The Regents approved an agreement between the University of Michigan and Omni Sciences, Inc. Because Dr. Mohammed N. Islam, sole owner of Omni Sciences, 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. Parties to the agreement are the University of Michigan and Omni Sciences, Inc.
2. The terms of the proposed agreement conform to University policy and will be conducted over a two-year period at an estimated total cost of \$229,000. The subcontract includes a provision for extensions of the time period and scope of work. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.
3. Mohammed N. Islam's pecuniary interest arises from his status as an owner of Omni Sciences, Inc.

Permission to Install Agreement between the University of Michigan and Patmos FEA Consulting Corporation

The Regents approved a "permission to install software agreement ("Agreement") between the University of Michigan and Patmos FEA Consulting Corporation ("Patmos"), which will enable Patmos to install its proprietary software in the laboratory supervised by Dr. John Faulkner. Because Dr. Mark L. Palmer is both a University of Michigan employee and a partial

owner, director and officer of Patmos, 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 Patmos.
2. Under the terms of the agreement, Dr. Faulkner will oversee the use of the software by Dr. Palmer in his postdoctoral research. There is no charge to the University for the use of the software and no payments to be made to Patmos. The initial period of the agreement is six months and will include a provision for extensions of the time period.
3. Mark L. Palmer's pecuniary interest arises from his status as partial owner, director and officer of Patmos.

Subcontract Agreement between the University of Michigan and NeuroNexus (“Revolutionizing Prosthetics” project)

The Regents approved a subcontract agreement between the University of Michigan and NeuroNexus for the conduct of animal studies in conjunction with a grant received by NeuroNexus to carry out the project “Revolutionizing Prosthetics.”

Because the co-founder and acting president of NeuroNexus, Daryl Kipke, and co-founders David J. Anderson and Jamille Hetke are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and NeuroNexus.
2. It is anticipated that the normal contract terms and conditions will be set forth in the award from DARPA to NeuroNexus. The project at the University is anticipated to cover the period June , 2005 through May 31, 2006. The University's standard subcontract provisions will apply to the University's part of the project. Since research agreements are often amended, the subcontract will include provisions for changes in time, amount, and scope of the research. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.
3. The pecuniary interests of Drs. Kipke and Anderson and Ms. Hetke arise from their status as co-founders of NeuroNexus. Dr. Kipke will serve as principal investigator on the UM project and Dr. Anderson will serve as principal investigator for NeuroNexus. Dr. Kipke will only participate in the project in his capacity as a University employee and Dr. Anderson will not participate in this project as a University employee.

Subcontract Agreement between the University of Michigan and NeuroNexus (“Specialized Training in Passive Probe Processing” project)

The Regents approved a subcontract agreement between the University of Michigan and NeuroNexus to enable the University to provide specialized training in passive probe processing.

Because the co-founder and acting president of NeuroNexus, Daryl Kipke, and co-founders David J. Anderson and Jamille Hetke are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and NeuroNexus.
2. The project at the University is anticipated to cover the period June 1, 2005 through July 31, 2005. The University’s standard contract provisions will apply to the University’s part of the project. Since agreements are often amended, the contract will include provisions for changes in time, amount, and scope of the project. University 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 interests of Drs. Kipke and Anderson and Ms. Hetke’s arise from their status as co-founders of NeuroNexus. No conflicted University employees will participate in this project in their capacity as a University employee.

Material Transfer Agreement between the University of Michigan and Innovative Biotherapies, Inc.

The Regents approved a material transfer agreement between the University of Michigan and Innovative Biotherapies, Inc. (“InnoBio”) to enable InnoBio to obtain certain materials from the laboratory of Dr. Gregory Dressler, an associate professor in the Department of Pathology. Because Professor H. David Humes is both an employee of the University of Michigan and a founder, partial owner, director and officer of InnoBio, 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 Innovative Biotherapies, Inc.

2. Material transfer agreement terms include giving InnoBio a non-exclusive license to use the materials solely for internal research purposes. The University will retain ownership of the materials and may continue to further develop and license them. NO use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.
3. Dr. Humes' pecuniary interests arise from his ownership interest in InnoBio. He has waived any personal participation in the sharing of revenue received by the University.

Transfer of the Center for Information Technology Integration ("CITI") from the Provost's Office to the School of Information

Provost Courant informed the Regents that effective July 1, 2005, the Center for Information Technology Integration (CITI) will be transferred organizationally from the provost's office to the School of Information, as described in the Regents Communication.

Ann Arbor Campus Academic Calendar for 2007-2008

Provost Courant requested approval of the Ann Arbor Campus Academic Calendar for 2007-2008. He pointed out that due to the fact that Winter Commencement in 2008 will occur during the last two days of Passover, accommodations will be made to provide Kosher meals for observant Jewish families, as has occurred in the past.

Provost Courant reported that while the Ann Arbor Public Schools winter break may coincide with the University's winter break, the scheduling of the public schools' winter break is subject to collective bargaining and is not set as far in advance as the University's calendar. Provost Courant said he has provided the dates of the University's winter break to the school district and has urged the district to adopt the same dates.

Regent Brandon moved approval of the Ann Arbor Campus Academic Calendar for 2007-2008. Regent Maynard seconded the motion and it was approved unanimously.

Procedure for Handling Potential Conflicts of Interest Involving a Regent

Regent McGowan pointed out that this procedure is a supplement to Regents' Bylaw 1.14 ("Regental and Executive/Senior Officer Conflict of Interest Policy"). She noted that the Regents had requested development of these procedures in order to provide greater specificity on how potential conflicts would be handled, should they occur. The Regents also requested that the procedures specify that potential conflicts must be disclosed even if they involve a transaction that does not require Regental approval.

Vice President Krislov thanked the Board for its leadership on this issue, which is an important one for the University, as a public body, to address. He thanked Assistant General Counsel Tom Blessing for his efforts in developing this procedure. He noted that the goal was to reflect both state laws and the University's own high standards in drafting these procedures.

Regent Brandon moved approval of the "Supplemental Procedure to Bylaw 1.14 for Handling Potential Conflicts of Interest Involving a Regent." Regent Taylor seconded the motion, and it was approved unanimously. Regents' Bylaw 1.14 will be updated to include a reference to the supplemental procedure.

Supplemental Procedure to Bylaw 1.14 for Handling Potential Conflicts of Interest Involving a Regent

One of the fundamental fiduciary duties of a Regent is the "duty of loyalty," which is defined as having a mandate to be faithful to an organization's best interest, and not to use the position or knowledge gained as a Regent for personal advantage at the organization's expense. Obligations under the duty of loyalty include disclosure of real and potential conflicts of interest. State law defines what constitutes a real conflict of interest for a Regent and prohibits the University of Michigan from entering into any transaction where such a conflict exists. Under the applicable statute (MCL 15.301 et seq.) the University may not contract with a vendor with which a Regent has a pecuniary interest of such substance that it would induce the Regent to promote the contract for the Regent's own personal benefit.

Regents' Bylaw Section 1.14 further requires management of those situations where there exists even the appearance of a potential conflict that might affect the independence of a Regent's judgment.

To ensure that the high standards expected of the Regents are met, each Regent must disclose to the vice president and secretary of the University, with updates as needed, those activities and financial interests that are or could potentially constitute situations where the independence of the Regent's judgment could

be affected. A Regent may consult with the vice president and general counsel as to which matters should be submitted to the vice president and secretary for analysis and management.

The vice president and secretary will review these disclosures and, with advice and consultation from the president, the chair of the Board of Regents and the chair of the Personnel, Compensation and Governance Committee of the Board of Regents, will consult with the Office of the General Counsel and the executive vice president and chief financial officer as to which matters may constitute an actual conflict. The Regent may request an opinion on the matter from the vice president and general counsel. After consultation and advice, the president will determine if the University administration should treat the situation as one involving a real conflict of interest as defined by the applicable statute. If the affected Regent does not concur, the matter will be referred to the full Board for action.

In situations where a real conflict of interest is identified, the vice president and secretary will notify the president. The president will take all necessary steps to ensure that the University of Michigan does not enter into any transaction prohibited by statute with the organization from which the conflict arises.

In situations where a potential effect on the independence of the judgment of a Regent is identified, the vice president and secretary will consult with the chair of the Board of Regents and with the Office of the Vice President and General Counsel. The vice president and general counsel will also provide advice, on request, as to options available to manage situations to avoid even the appearance of a potential conflict. The vice president and general counsel will inform the chair of the Board of Regents, the president, and the vice president and secretary of his or her recommendations.

Options that the vice president and general counsel will consider include requiring the president to manage such items so that the Regent is not involved, and requesting the Regent to refrain from any participation or discussion of the matter and to abstain from voting on the matter unless the Regent is required for a quorum and the matter at hand requires timely adoption to allow for orderly administration of University affairs. At any meeting of the Regents where a Regent intends to abstain, the Regent will announce that there is a potential for the appearance of a conflict and therefore he or she will not be participating in either the discussion or vote on the matter.

Board Officers for 2005-2006

Regent McGowan announced that in accordance with Regents' Bylaw 1.06, Regent Andrea Fischer Newman will serve as chair of the Board of Regents from July 1, 2005-June 30, 2006, and Regent Olivia Maynard will serve as vice chair during this period. Since Regent Maynard and Regent Taylor have equal seniority, it was mutually decided that Regent Taylor will serve as vice chair during 2006-2007.

Regent McGowan moved confirmation of Regent Andrea Fischer Newman as chair, and Olivia Maynard as vice chair, of the Board of Regents, for the period July 1, 2005 through June 30, 2006. Regent Taylor seconded the motion, and it was approved unanimously.

President Coleman thanked Regent McGowan for her unwavering service during her term as chair, and thanked Regent Newman for her service as vice chair.

Regent Maynard thanked Regent McGowan for her year of superb leadership as chair of the Board of Regents. She noted that Regent McGowan had given much care, energy, and wisdom in guiding the Board through the challenges it faced during her service as chair, and said, “We are all better because of your service, and you present a model that all of us can emulate in the years ahead.”

Regent White associated herself with Regent Maynard’s comments. She commented that Regent McGowan had done an outstanding job and she had looked up to her as a leader during the past year.

A round of applause followed, after which there was a five-minute break.

Public Comments

The Regents heard comments from the following people on the topic of amending the Regents Bylaws to include a nondiscrimination statement regarding gender identity and expression: Lynn Conway, faculty member; Brett Beemyn, director of GLBT Student Services at The Ohio State University; Stephen Rassi, student and member of Wolverine Coalition for Human Rights, the Rainbow Network, and the Queer Visibility Caucus; Megan Biddinger, student and president of the Graduate Employees Organization; Fredda Clisham, citizen; and Andre Wilson, Student and co-chair of Transforum. The following individuals also commented on the topics indicated: Jim Mogensen, citizen, on the town-gown relationship; Rama Salhi, student and president of Students Allied for Freedom and Equality, on formation of a committee to investigate investments in military companies in Israel; Gregory McMillin, citizen and principal of Corporate Studio, on recognition systems for the Michigan Difference campaign; David Boyle,

alumnus, on University divestment from Sudan; and Fatima Makhzoum, student and member of Students Allied for Freedom and Equality, on human rights.

There being no further business, the meeting was adjourned at 5:10 p.m. The next meeting is scheduled for July 21, 2005.