

OCTOBER MEETING, 2005

*The University of Michigan
Ann Arbor
October 21, 2005*

The Regents convened at 2:10 p.m. in the Happenings Rooms, Harding Mott University Center Building, on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Brandon, Deitch, Maynard, Newman, Richner, Taylor, and White. Also present were Vice President Churchill, Interim Provost Gramlich, Executive Vice President Kelch, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, and Vice President Wilbanks. Regent McGowan and Vice Presidents Harper, Krislov, and Ulaby were absent.

Call to Order

President Coleman called the meeting to order and thanked Chancellor Mestas and the Flint Campus community for their warm welcome.

President's Opening Remarks

President Coleman noted that during the past week the University had hosted a number of dignitaries: Bill Gates, of Microsoft Corporation; Paul Rusesabagina, who saved more than 1200 people from genocide in Rwanda in 1994 and was awarded the University's 2005 Wallenberg Medal; the soprano, Renee Fleming, who performed Strauss's "Daphne" at Hill Auditorium; and the actress Joan Copeland and producer Robert Miller, sister and son, respectively, of alumnus and playwright Arthur Miller, who attended a ceremony naming the Charles R. Walgreen Drama Center and Arthur Miller Theatre. She also noted that former vice president Al Gore would be delivering a lecture on campus on Monday.

President Coleman noted that the Flint Campus is celebrating its “Golden anniversary”, and she commended the campus for its contributions to Genesee County, the state, and the nation. She noted that the strong bonds with the community that are the hallmark of the campus would continue under the new strategic plan to be presented by Chancellor Mestas.

Finally, President Coleman called attention to the plans for the Stephen M. Ross School of Business that were to be presented that day to the Board. The new facility is designed to support the action-based learning curriculum that is the hallmark of the school.

Flint Campus Strategic Plan

Chancellor Mestas welcomed the Regents and executive officers to the campus, and noted also that a number of leaders from the greater Flint community were in attendance. He then gave a presentation on the University of Michigan-Flint strategic plan for 2005-2010, entitled “Engaging Minds, Preparing Leaders.” He noted that the plan sets an enrollment goal of 8,000 students by 2010, which is a challenging goal given the current enrollment of about 6,300.

Chancellor Mestas presented the campus’s mission statement:

“The Flint campus of the University of Michigan is a community of diverse learners and scholars, where students from this region and beyond prepare for leadership, achievement, and service through interactive instruction in the arts, sciences, humanities, and professions. Our mission rests on three pillars: excellence in teaching, learning, and scholarship; student-centeredness; and engaged citizenship. Our students become leaders in their fields, in their professions, and in their communities.”

Chancellor Mestas expounded on how the strategic plan will fulfill the campus’s mission. He noted that the campus has been a crucial element in the city of Flint since its founding, providing hope for the future and vitality to the downtown area.

President Coleman complimented Chancellor Mestas on the Flint Campus’ successful efforts at increasing enrollment.

Committee Reports

Finance, Audit and Investment Committee. Regent Brandon reported that the committee had met that morning with Erik Lundberg, chief investment officer, to review the outcomes of the University's investments through June 30, 2005. He reported that the University Investment Pool currently totals \$7 billion. The endowment fund portion of that pool exceeds \$4.9 billion, and the working capital fund is nearly \$1.5 billion. For the year ending June 30, 2005, the Long Term Portfolio exceeded the University's custom benchmark (14.1%) and the top quartile of University endowments (13.6%), having achieved a 19.1% annual return. For three years, the University achieved nearly 15% annualized return compared to the custom benchmark of 10.5% and 11.7% for the top quartile of university endowments. The University also beat other benchmarks in its investment performance. Regent Brandon praised Mr. Lundberg and his staff for their achievements; and a round of applause followed.

Regent Brandon reported that the committee had also met with Associate Vice President Peggy Norgren, University Controller Cheryl Soper, and Carol Senneff, executive director of University Audits regarding progress on implementation of Sarbanes-Oxley compliant audit procedures. The committee then met with Ms. Senneff to receive the regular bimonthly internal audit update, and met privately with her to ensure she is receiving the proper level of institutional commitment and support from management, and she confirmed that this was the case. Finally, the committee received the Hospitals and Health Centers quarterly report and learned that the HHC is ahead of budget for the first quarter. The committee also worked on finalizing its schedule and work plan for 2006.

Personnel, Compensation and Governance Committee. Regent Taylor reported that the committee had been updated by the provost and president on all of the ongoing searches for

deans and directors and were updated on the status of the various collective bargaining agreements that are underway. They were updated by Associate Vice President Laurita Thomas about the University's new classification initiative. He said that because the new system represents a huge change in the classification system, it would be advisable that this topic be presented to the whole board at some point. The committee received a draft calendar for the remainder of 2005 and calendar year 2006, and plans to discuss it at the next meeting.

The Regents then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of September 15, 2005.

Reports. Executive Vice President Slottow submitted the Plant Extension Report, the Human Resources and Affirmative Action Report, and the Regents' Report on Non-competitive Purchases over \$5,000 from Single Sources, June 16 through September 15, 2005.

Litigation Report. The Regents received the Litigation Report.

Research Report. The Regents received the report of projects established, September 1 - August 31, 2005.

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

Division of Student Affairs. There was no report from the Division of Student Affairs.

University of Michigan-Dearborn. Chancellor Little reported that construction of the Greenways Trail has been completed and there would be a formal opening on October 29, 2005. He said that the trail provides access to the campus on foot or by bicycle as well as access to nature areas that are not normally accessible. Chancellor Little also described a recent initiative

of the campus's Institute for Local Government, to provide a training program on hate crime for local elected officials.

University of Michigan-Flint. Chancellor Mestas introduced Mr. Tim Herman, president and CEO of the Genesee Area Focus Council, and Mr. Ridgeway White, who gave a presentation on economic development activities in downtown Flint.

Michigan Student Assembly Report. Jesse Levine, president of MSA, reported on activities of MSA. He noted that the Ann Arbor City Council had recently created a new committee, the "University of Michigan Student Assembly-City Council Joint Committee." The purpose of this committee is to generate ideas that will improve conditions for students, particularly with respect to off-campus housing. He also reported that MSA would be contacting over 600 former MSA leaders to develop a relationship with them as alumni. He then introduced Benjamin Hoffman, president of the UM-Flint Student Government Council. Mr. Hoffman described recent activities of the Student Government Council and noted that they would be hosting the statewide student government organization meeting in February 2006.

Voluntary Support. Vice President May submitted Reports of Voluntary Support for September 2005.

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

Retirement Memoirs. Vice President Churchill submitted memoirs for 3 retiring faculty members.

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

Degrees. Provost Gramlich submitted for approval final degree lists for August 2005 commencements and changes to previously approved degree lists.

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

The Regents then turned to consideration of the regular agenda.

Annual Report of Investments, Fiscal Year Ended June 30, 2005

Executive Vice President Slottow commented that in January the University had been upgraded by Standard & Poors to its highest credit rating, due in part to long-term, consistent, investment results as well as consistently demonstrated budget discipline.

Absolute Return Investments (GSO Special Situations Overseas Fund, Ltd.); Alternative Asset Commitments (Newbridge Asia IV, L.P., and NCH New Europe Property Fund, L.P.)

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved the following investments: initial funding of \$50 million from the Long Term Portfolio to GSO Special Situations Overseas Fund Ltd.; commitment of \$25 million from the Long Term Portfolio to Newbridge Asia IV, L.P.; and commitment of \$20 million to NCH New Europe Property Fund, L.P.

The University of Michigan Financial Statements for the Year ended June 30, 2005

Executive Vice President Slottow noted that the Board had received and discussed the financial statements at the September meeting, and formal adoption was now required. He praised staff in the Office of the Vice President for Communications for their work in producing the financial statements. He acknowledged the work of Associate Vice President Peggy

Norgren, Controller Cheryl Soper, and manager of financial reporting, Russel Fleming. He noted that the external auditors were present.

On a motion by Regent Newman, seconded by Regent White, the Regents unanimously approved adoption of the University of Michigan Financial Statements for the Year ended June 30, 2005.

Naming of the University of Michigan-Dearborn's Engineering Complex in honor of Heinz C. Prechter

Executive Vice President Slottow and Chancellor Little commented on the generous support of Heinz C. and Wally Prechter on the Dearborn campus. On a motion by Regent Newman, seconded by Regent Richner, the Regents unanimously approved naming the Engineering Complex at the University of Michigan Dearborn the Heinz C. Prechter Engineering Complex.

Naming of the Student Publications Building in honor of Stanford Lipsey

Executive Vice President Slottow noted that Stanford Lipsey, a former Michigan Daily photographer, had given a generous gift of \$3 million to support improvements to the Student Publications Building that will preserve its historic features while upgrading the building's infrastructure. On a motion by Regent Newman, seconded by Regent White, the Regents unanimously approved formally designating the Student Publications Building as the Stanford Lipsey Student Publications Building.

Naming of the Academic Center in honor of Stephen M. Ross

It was noted that Stephen M. Ross had contributed \$5 million to support construction of the new Academic Center for the Department of Intercollegiate Athletics. On a motion by

Regent Newman, seconded by Regent White, the Regents unanimously approved designating the new building the Stephen M. Ross Academic Center.

Cancer and Geriatrics Center and Medical Sciences Unit I Chiller Replacement

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the Cancer and Geriatrics Centers and Medical Sciences Unit I Chiller Replacement project as described, and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

Stephen M. Ross School of Business Facilities Enhancement Project

Executive Vice President Slottow commented that Bill Pedersen, of Kohn Pedersen Fox Associates, would be presenting the proposed schematic design for this project, and Dean Robert Dolan was also present. Executive Vice President Slottow noted that the construction schedule will depend on achievement of the fundraising goal that has been set for this project and expressed confidence that this goal will be achieved as planned. He then called on Mr. Pedersen.

Mr. Pedersen displayed a site map indicating the location of the project, noting that the new construction would total 270,000 square feet. About 180,000 square feet of existing space, comprising the Business Administration Assembly Hall, William Davidson Hall, and the William A. Paton Center for Accounting Education and Research would be demolished and replaced by the new facility. He said that the manner in which the new building is integrated into the rest of the campus is very important, and the building also needs to be able to establish linkages between the existing structures and new structures and create a strong sense of community for the Business School.

Mr. Pedersen displayed a model of the new facility, noting that it would create a “winter quadrangle” at the heart of the business school campus equivalent to a town square. He described various features of the structure and noted that it would consist of different heights along the various streets surrounding the school. There will be a glass-covered portico at the entrance to the structure and into the atrium, and all of the remaining buildings of the existing campus, such as the Kresge Library, will be integrated into the new structure. He displayed a number of renderings of the exterior and interior of the building, noting that it would be faced with sandstone and terra cotta and would incorporate a large amount of glass, an auditorium, and a number of other elements, including a sky gallery.

Regent Richner commented that it is a “spectacular design,” and inquired whether the extensive use of glass would affect operational costs. Mr. Pedersen noted that all of the energy costs have been carefully considered, and that the natural light provided by the glass is fundamental to the issues of sustainability and quality of life provided by the facility. It is also recognized as efficient from the standpoint of energy usage.

Dean Dolan commented that the building is not only exciting from an architectural standpoint, but is most exciting in the way it meets the school’s unique programmatic requirements in a very integrated fashion.

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved the schematic design for the Stephen M. Ross School of Business Facilities Enhancement project as presented.

Towsley Center for Continuing Medical Education Fire Alarm System Upgrade and Fire Suppression System Installation

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the Towsley Center for Continuing Medical Education Fire Alarm System Upgrade and Fire Suppression System Installation Project as described, and authorized issuing the project for bids and awarding construction contracts, providing that bids are within the approved budget.

1009 and 1013 Cornwell Place, Ann Arbor, Michigan

Executive Vice President Slottow noted that these two properties are strategically located across from the School of Nursing and contiguous to other University property. He said that if purchased, the properties will continue their current use as leased apartment buildings until an appropriate programmatic need arises for them. On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved acquisition of the properties at 1009 and 1013 Cornwell Place, Ann Arbor, Michigan at the negotiated price of \$1,500,000 subject to the University satisfying itself with the environmental condition of the sites and otherwise completing due diligence.

Conflict of Interest Items

President Coleman announced that the agenda includes nine conflict of interest items, each of which requires six votes for approval. On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved the following items.

Approval of Payment to Joe Braun Photography

The Regents approved a payment to Joe Braun Photography for a variety of framed and matted photographs in the Office of the General Counsel. Because Joseph B. Braun, sole owner of Joe Braun Photography, 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 its Office of the General Counsel and Joe Braun Photography.
2. The product to be provided is framed and matted photographs at a total cost of \$1,200.
3. The pecuniary interest arises from the fact that Mr. Braun, a University of Michigan employee, is sole owner of Joe Braun Photography.

Contract Agreement with NeuroNexus Technologies

The Regents approved a contract agreement with NeuroNexus Technologies for the purchase of multi-channel recording probes. Because Daryl Kipke and Jamille Hetke have ownership interest in NeuroNexus Technologies and 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 and Otolaryngology Laboratory and NeuroNexus Technologies.
2. The products provided are multi-channel recording probes at a total cost of \$1,015.
3. The pecuniary interest arises from the fact that Mr. Kipke and Mr. Hetke, University of Michigan employees, have ownership interest in NeuroNexus Technologies.

Approval of Payment to Media Farrago Studios, LLC

The Regents approved a payment to Media Farrago Studios, LLC, for the filming, editing, and production of an educational DVD. Because Charles V. Brown, a partner in Media Farrago Studios, LLC, 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 its School of Music and Media Farrago Studios, LLC.

2. The service provided is filming, editing, and production of an education DVD at a total cost of \$3,850.
3. The pecuniary interest arises from the fact that Mr. Brown, a University of Michigan employee, is a partner of Media Farrago Studios, LLC.

Approval of a Payment to Woolly Acres Nursery

The Regents approved a payment to Woolly Acres Nursery for plants for the annual spring plant sale at the Matthaei Botanical Gardens. Because Jeffrey Walters, owner of Woolly Acres Nursery, 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 its Matthei Botanical Gardens and Woolly Acres Nursery.
2. The products provided were plants at a total cost of \$329.
3. The pecuniary interest arises from the fact that Mr. Walters, a University of Michigan employee, is owner of Woolly Acres Nursery.

Approval of a Payment to Ply LLC

The Regents approved a payment to Ply LLC for minor renovations to the International Institute gallery space. Because M. Craig Borum, sole proprietor of Ply LLC, 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 Ply LLC.
2. The service provided was minor renovations of gallery space at a total cost of \$1,862.01.
3. The pecuniary interest arises from the fact that Mr. Borum, a University of Michigan employee, is sole proprietor of Ply LLC.

License Agreement with Zattoo, Inc.

The Regents approved a license agreement with Zattoo, Inc., for “Host Multicast” (UM File No. 3217). Because Dr. Sugih Jamin, partial owner of Zattoo, 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 Zattoo, Inc.
2. The license terms include giving Zattoo an exclusive license with the right to grant sub-licenses. Zattoo will pay a license fee, and the University will retain ownership of the licensed technology and may continue to further develop it.

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. University procedures for approval of these changes can be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.

3. The pecuniary interest arises from the fact that Dr. Jamin, a University of Michigan employee, is partial owner of Zattoo, Inc. Dr. Jamin has waived any personal participation in the sharing of revenue received by the University

Option Agreement with BioAvrion

The Regents approved an option agreement with BioAvrion for “Method of Evaluating the Metabolism of the Eye” (UM File No. 2573) and “Anti-Metastatic Ability of Mibedfradil and Gadolinium” (UM File No. 2667). Because Drs. Victor Elner, Howard Petter, and Paul Lichter, partial owners of BioAvrion, 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 BioAvrion.
2. The option terms include giving BioAvrion an exclusive option for an option period where the company will evaluate the technology and market potential. The University will retain ownership of the optional technology and may continue to further develop it and use it internally.

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. University procedures for approval of these changes can be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.

3. The pecuniary interest arises from the fact that Drs. Elner, Petty, and Lichter, University of Michigan employees, are partial owner of BioAvrion. Drs. Elner and Petty have waived any personal participation in the sharing of revenue received by the University.

Subcontract Agreement with Soar Technology, Inc.

The Regents approved a subcontract agreement with Soar Technology, Inc., to provide analysis, technical interchange, and design to the University for a contract from Wright-Patterson Air Force Base (FA8650-05-C-7235). Because Dr. John Laird, part-owner and officer of Soar Technology, 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 Soar Technology, Inc.
2. The agreement terms conform to University Policy. Dr. Laird will be the principal investigator for the project at the University, to be conducted over an initial one-year period at an estimated total cost of \$1,106,553, including indirect cost at 53%.
3. The pecuniary interest arises from the fact that Dr. Laird, a University of Michigan employee, has ownership interest in Soar Technology, Inc.

Research Agreement between the University of Michigan and Omni Sciences

The Regents approved a research agreement between the University of Michigan and Omni Sciences, Inc. (“Company”) in the form of a subcontract between the Company and the Regents of the University of Michigan to perform research under a prime contract between the Company and the Army under the Small Business Technology Transfer Program Phase I. 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 an eight month period at an estimated total cost of \$37,077. 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. Dr. Islam's pecuniary interest arises from his status as the sole owner of Omni Sciences, Inc. He will not participate in the project in his capacity as a University employee.

Public Comments

The Public Comments session began at 3:25 p.m. The Regents heard comments from Jan Worth-Nelson, faculty and Flint Grievance Chair of the Lecturer's Employee Organization (LEO), on the topic of LEO contract implementation problems.

There being no further business, the meeting was adjourned at 3:35 p.m. The next meeting is scheduled for November 17, 2005.