

JUNE MEETING, 2006

*The University of Michigan
Ann Arbor
June 16, 2006*

The Regents convened at 9:20 a.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Deitch was absent.

Call to Order

President Coleman called the meeting to order. She welcomed Provost Teresa Sullivan to her first Regents' Meeting, noting that she was concluding her third week in the position and has already become highly engaged in University affairs.

President Coleman observed that the nation's new poet laureate, Donald Hall, had served on the University of Michigan faculty for 18 years, and pointed out that he is the fourth former Michigan faculty member to have become the poet laureate of the United States.

President Coleman also announced that a website had been established to provide information about the recently approved renovations to the Michigan Stadium.

Presentation: School of Social Work

President Coleman introduced Dean Paula Allen-Meares, the Norma Radin Collegiate Professor of Social Work, noting that for more than a decade, and during her entire tenure as

dean, the School of Social work has been ranked as the number one school of social work in the nation.

Dean Allen-Meares commented that the University of Michigan School of Social Work is one of the largest social work schools in the United States. It moved into its state-of-the-art building in 1998. The school offers masters and joint doctoral programs and also involves large numbers of undergraduates in its research programs. She reported that there is a continuing shortage of professionally trained social workers and a critical need for social work researchers to continue to develop the evidence-based knowledge of the profession.

Dean Allen-Meares commented that several factors contribute to the distinctive nature of the University of Michigan School of Social Work: the depth and breadth of its research programs, which receive funding from a number of federal agencies, including the National Institutes of Health, and its interdisciplinary collaborations with life sciences programs, including medicine and psychiatry. She pointed out that the school has affiliations with more than 24 schools and units within the University. It offers a number of dual degree programs, including law, public policy, business, public health, dentistry, and urban and regional planning, as well as partnerships with numerous organizations within the state and throughout the world. She described the Sol Drachler Program in Jewish Communal Leadership, noting that it prepares students for professional leadership positions in the Jewish community and is the only program of its kind at a public university.

Dean Allen-Meares described the MSW program and the joint doctoral program, noting that Michigan is the only highly-regarded school of social work to award joint Ph.D. degrees and is acknowledged as offering one of the finest interdisciplinary programs in the world. She noted that faculty body includes clusters of experts in specific areas, and that research is collaborative

and cross-disciplinary, involving partnerships with community and private organizations and with key foundations. Although external research funding has increased substantially during the past two decades, the endowments of the second and third highest ranking schools of social work in the nation far exceed that of the University of Michigan's. The school has thus far achieved 94% of its \$16.5 million goal in the Michigan Difference campaign.

Dean Allen-Meares gave examples of some of the school's current research projects and reviewed its plans for the future. These include increased global focus and internationalization, continued presence in the University's Life Sciences Initiative, and development of interdisciplinary centers of research and training excellence. In keeping with this, she reported that the school had recently submitted a major proposal to establish an "Advanced Center for Intervention and Services Research on Poverty, Risk, and Mental Health" that would focus on mood and anxiety disorders among poor individuals.

Dean Allen-Meares concluded by listing the school's challenges, which include recruitment and retention of faculty, space renovation, providing competitive financial assistance for students, and increasing external funding and endowment.

CESF Report - Ann Arbor Campus

Professor Fred Askari, chair of the Ann Arbor Campus Committee on the Economic Status of the Faculty (CESF), presented the committee's report. He reported that the committee's primary goal is transparency in compensation. He said that the committee's major concerns are the unfunded liability of retiree health care expenses, the University's decision to no longer fund Medicare B reimbursement for retirees, and ensuring that health care remain affordable for current and retired employees. He praised the University's cooperative efforts to improve employee health and thereby reduce health care costs.

Regarding compensation, he stated that the committee would like it to be more equitable and transparent, incorporate gender equity, and maintain competitiveness among all of its academic competitors. Other issues include the “loyalty tax” on the salaries of long-term employees, development of a tuition scholarship program for dependents of faculty members, and adoption of compensation guidelines.

CESF Report - Dearborn Campus

Professor Brooks Hull, chair of the Dearborn Campus Committee on the Academic Status of the Faculty, presented that committee’s report. The report focused on two issues, market equity and salary compression, and concluded that salary compression experienced by UM-Dearborn faculty is significantly worse than at comparable universities. To address this disparity, the committee recommends raising the entire salary distribution of associate professors and of full professors so that their position relative to comparison universities is the same as that of assistant professors.

Professor Hull also reported that the UM-Dearborn CESF strongly opposes the University’s announced plans to discontinue the Medicare Part B reimbursement program for retired employees.

CESF Report - Flint Campus

Professor Steve Turner, chair of the Flint Campus Committee on the Economic Status of the Faculty, presented that committee’s report. He stated that the report focused on salary compression within faculty ranks and UM-Flint faculty salaries compared with salaries at peer institutions, especially the University of Michigan-Dearborn. He noted that the lack of a salary increase for Flint faculty in 2003-04 led to a worsening of the effects of inflation and

compression on UM-Flint faculty salaries, and of the rankings of UM-Flint faculty salaries relative to those at peer institutions. He noted that at every professorial level, the compound annual faculty salary growth rate on the Flint campus has been less than those on the Ann Arbor and Flint campuses.

Recommendations include annual faculty raises in excess of new hire starting salaries as well as targeted faculty equity adjustments to address salary compression, especially at the full professor level. The committee also recommended that the campus maintain a high percentage of tenure-track faculty.

Benefits Update

President Coleman introduced Associate Vice President Laurita Thomas. Ms. Thomas reported that benefits strategies include offering quality, affordable programs that are market-competitive and that support recruitment and retention of faculty and staff; serving as a responsible fiscal agent and resource steward; enabling informed decision-making in decisions around plan choices; and leveraging internal and external expertise in developing innovative new programs to promote health and a healthy environment.

She reviewed initiatives and policy decisions that had effected benefits offerings for calendar year 2006 and noted that during the past year, the University had implemented an additional tax-deferred retirement vehicle (a 457(b) plan), expanded the use of technology to improve service and reduce administrative expense, expanded the use of on-line benefit enrollments, and launched the Michigan Healthy Community Initiative. She reported that the University's health rate increase in 2006 was significantly lower than the national trend. She reviewed enrollment numbers by health plan, noting that the M-Care HMO and PPO plans account for the

highest percentages of enrollment among employees at the expense of the Blue Cross/Blue Shield traditional plans.

Ms. Thomas discussed measures that the University had undertaken with respect to the Medicare Part D subsidy and the Medicare Part B premium reimbursement, which reduced its post-retirement benefit liability by 11.7% and 13.6%, respectively. She reviewed retirement savings plan enhancements that had been introduced in 2006 and described changes that have been made in vendor contracts for the prescription drug plan, the life insurance program, and the flexible spending account program. She also described recent technology and service enhancements that had been implemented in 2005 and 2006.

Ms. Thomas described the Michigan Healthy Community Initiative (MHCI) program undertaken during FY 2006, noting that far more employees than expected had participated in the “Active U” component of the program. She also described plans for 2007, which will include new MHCI projects, continued technology enhancements, a review of dental and long term disability programs, consideration of additional cost savings and risk mitigation strategies, and transitioning to GASB 45 accounting rules. She cautioned that the University’s health care rate increases will begin to approach national rates by 2008, creating pressure on University resources.

Executive Vice President Slottow pointed out that the importance of the work being done by Associate Vice President Thomas and her staff, along with staff from the Health System, provost’s office, the CESF groups, and others, studying ways to manage costs without sacrificing quality or choice. If management actions such as these are not taken, he noted, these costs will continue to escalate and will impact the University’s ability to use its resources towards enhancing its mission.

Committee Reports

Finance, Audit and Investment Committee. Regent Brandon reported on the three agenda items the committee had considered the previous day. Along with key staff members from each area, the committee reviewed the proposed FY07 Athletic Department operating budget and the FY07 Hospitals and Health Centers (HHC) budget. He reported that the HHC had achieved a 5.5% operating margin, which is significantly beyond the budget expectation for FY06, and congratulated the team for this result. The committee had also had a followup session about the Michigan Health Corporation.

Personnel, Compensation and Governance Committee. Regent Taylor reported that the committee's main focus at its meeting had been to meet with the chairs of each campus's Committee on the Economic Status of the Faculty regarding their annual reports. The committee had also received a report from Provost Sullivan on the status of dean searches and reappointments.

Reappointment of the President

Regent Taylor made the following statement:

As chair of the Personnel, Compensation and Governance Committee, I would like to report to the University community, the general public, and for our Regental records that over the past several months the Regents have completed an extremely thorough review of President Coleman's performance since assuming office in 2002. We, the Regents, have had numerous and extensive discussions among ourselves on this subject. We retained the services of an expert consultant to assist us. Our consultant conducted an in-depth interview with over 20 individuals, representing faculty, staff, students, and various stakeholders of the University of Michigan.

Questions were asked about her accomplishments, missed opportunities, the challenges faced, and the future direction of this great university. The results were overwhelmingly positive. In fact, I think someone might challenge that words like "overwhelmingly positive" could be an understatement. And, very importantly, the views were consistent with the views of the Regents. President Coleman has been exemplary; she has established a track record of outstanding accomplishments, of which I will highlight a few:

She has led the University of Michigan through a very turbulent period of deep budget cuts, disruptive transition in the region's traditional economic base, and increased demands on University services. At the same time, she has enhanced the University's financial stability, its affordability for low-income families, and its overall academic stature. She has achieved these things in a number of ways.

For example, she has assembled, as we just heard in the prior committee report, a highly effective senior leadership team. She has overseen the spectacular success of the Michigan Difference fundraising campaign through her personal involvement and relationship-building with alumni and major donors. We have now exceeded \$2 billion in this campaign, ahead of schedule. She led the affirmative action cases before the Supreme Court, and managed their aftermath with the goal of enhancing our stature and reputation for valuing all people.

We had a very unfortunate situation with NCAA basketball sanctions. She led the resolution of that in a highly successful manner. The University's global influence has been enhanced by her building of institutional partnerships with China. She introduced the M-Pact program of extra grant aid to thousands of students each year. She has provided outstanding leadership in building the physical campus of this university for the 21st century. She has maintained and enhanced the University's academic strength and reputation through the state's budget crisis, including the loss of \$50 million in state support to the University's General Fund. She has done that by leading her team to more effective business operations, cost-cutting, and lower health care costs.

Since President Coleman took office in 2002, enrollment is up and total research expenditures have grown from \$655 million in 2002 to \$753 million 2005. Annual private giving is up by over \$100 million. From 2002-2005, cumulative private giving has reached \$652 million and the endowment is up from \$3.4 billion to \$4.9 billion.

Finally, when a president recruits executive officers and world class scholars, which is an ongoing process at a university like Michigan, a key ingredient to the success is the perception of a stable leadership. It is analogous to the sports culture of recruiting class athletes. They will not commit if the tenure of the leadership is in doubt. Being president of this great University is a complex and difficult undertaking, and we have been fortunate to have Mary Sue Coleman.

Based on the forgoing, I move that President Mary Sue Coleman be appointed for a second five-year term, commencing in August of 2007, based on the term sheet which is before you, and by reference to this term sheet, I request that it be made part of our record today. [See Appendix]. This term sheet in essence gives Mary Sue Coleman the same benefits and responsibilities as the first contract, with one notable difference and one technical change due to IRS rules and regulations. The difference of note is that the first contract has a \$500,000 retention bonus which is payable after the completion of five full years on the job. She will, of course, have to serve the remaining year of her current term, which begins in fall 2006, to receive that. But you also know that Mary Sue and Ken have given that amount of money to the University as a gift. The second contract contains an annual retention bonus of \$100,000 for each year completed. But in this contract, the \$100,000 will vest every year instead of vesting at the end of five years. Under the second five-year contract, her base salary will be whatever her base salary is at the end of the first five-year contract.

The technical change is minor, and is related to IRS rules increasing the base for matching with respect to savings.

Regent Newman seconded the motion, and thanked Regent Taylor for all of his hard work on this process during the year. She noted that Regent Taylor had led the evaluation process, using the invaluable experience of his background in human resources, and that the Regents are indebted to him for this work. She associated herself with Regent Taylor's remarks regarding President Coleman.

Regent Maynard commented that she has been very pleased with President Coleman's performance and is pleased at the renewal of the president's contract. She said that the Regents would work with her to face the challenges that lie ahead.

Regent Richner also associated himself with Regent Taylor's remarks, and thanked President Coleman for her generous contributions to the University, in all senses of the word.

Regent Brandon commented, "It was a great honor for me to vote for you to become president of this University, and it is an equal honor for me to vote in favor of having you extend your stay here and continue to provide great leadership."

President Coleman stated:

Before you take the formal vote, let me assure you that I am very grateful for this vote of confidence by the Board. I have the best job in higher education, period. The University of Michigan is just unparalleled, and I have to tell you that the past four years have been the most satisfying of my entire professional career.

This institution has historically played a critical and pivotal role in higher education, and it is going to assume even greater leadership responsibilities as we move forward. I am really proud of the fact that we have moved forward even in a state with a troubled economy. This has been a very difficult four years, but we have managed through it, and everybody has worked hard to do well on all of our campuses. I have to salute Flint and Dearborn, as well as Ann Arbor, for getting through a very, very tough time and moving forward.

I appreciate everything that Regent Taylor said. I will tell you a couple of things that I am absolutely committed to; rather than talking about the past, I would rather talk about the future. The Michigan faculty and students and staff are the greatest resources that we have, and one of my jobs is to provide the resources to let them do what they do so well. That is why I am so committed to the Michigan Difference campaign, and that is why I will continue to work so hard to make absolutely sure that they will have the tools for wonderful academic leadership, to have the learning opportunities, and for the staff to have the tools that they need to propel this institution forward. So I will continue to work hard at it, and I want to make sure that you understand that.

I am also looking forward to working with our new provost, as well as key leaders in the University, faculty, and deans, to sharpen the definition of the University of Michigan as THE great public research university for the 21st century. That is going to be a global century, and it is going to be different from the one that we've seen in the past.

Our commitment always has to be to our public mission. Our tools are going to be what we do so well: interdisciplinarity, teamwork, and innovation. The University of Michigan is going to be there, and it's going to be absolutely wonderful to be able to put those tools together with our core commitment to learning--with our living/learning experience at Michigan that we want to revitalize with new facilities, new curriculum opportunities, and continued emphasis on building a diverse university community. Because we believe that is one of the essences of creating a great institution: having that diversity so well ingrained on our campus.

Finally, as a public institution we have a public trust. That trust entails a commitment to help transform the economy of Michigan. We are shaping a new model in which the knowledge economy is going to build on the achievements of this state's renowned past.

I look forward to working with all of you, and again, I appreciate what I hope you will vote for when you take the formal vote. This has been spectacular, and I look forward to a spectacular future.

Regent McGowan called the question. The vote was then taken, and the motion to appoint Mary Sue Coleman for a second five-year term as president of the University of Michigan was approved unanimously. A round of applause followed.

The Regents then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of May 19, 2006.

Reports. Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, and the Human Resources and Affirmative Action (HRAA) Report. He announced that the National Association of Higher Education Facility Officers has awarded the University of Michigan's Plant Operations Department its highest award for excellence in facility management. He thanked Associate Vice President Baier, Richard Robben, director of plant operations, and all staff who manage and maintain the University's physical plant. He also called attention to the report of the Voices of the Staff, which had been distributed to the Regents.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, May 1-31, 2006.

University of Michigan Health System. No report was submitted.

Division of Student Affairs. No report was submitted.

University of Michigan-Dearborn. Chancellor Little described the importance of faculty governance on the Dearborn campus.

University of Michigan-Flint. No additional report was submitted.

Michigan Student Assembly Report. No report was submitted by Michigan Student Assembly.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for May 2006. He reported that private support continues to be very strong, and the campaign had recently reached \$2.152 billion.

Personnel Actions and Personnel Reports. Provost Sullivan highlighted the appointments of five faculty to Distinguished University Professorships, which recognize faculty for exceptional achievement and reputation in their fields and for superior teaching skills. She also called attention to the recommendations for Richard Redman as interim dean of the School of Nursing, and Brenda Johnson and John Wilkin as interim co-University librarians. She also recognized the proposed appointment of Dean Rebecca Blank as the Joan and Sanford Weill Dean of Public Policy, noting that this was made possible by the generosity of the Weills.

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

Memorials. Vice President Churchill submitted a memorial statement for Jeanne Raisler, clinical associate professor in nursing.

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

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

The Regents then turned to consideration of the regular agenda.

Report on University Internal Audits, March 2006 - April 2006

Executive Vice President Slottow submitted the regular bimonthly report of the Office of University Audits for March and April 2006.

Alternative Asset Commitments (Lubert-Adler Real Estate Fund V, L.P.; Highcross Regional U.K. Partners; HEI Hospitality Fund II, L.P.; Bain Capital Fund IX, L.P.; Lotus China Fund II, L.P.; Madison Dearborn Capital Partners V, L.P.; ATA Ventures II, L.P.)

Executive Vice President Slottow informed the Regents about the following follow-on investments that had been made with previously-approved partnerships: \$50 million to Lubert-Adler Real Estate Fund V, L.P.; £25.0 million to Highcross Regional U.K. Partners II; \$25 million to HEI Hospitality Fund II, L.P.; \$40 million to Bain Capital IX, L.P.; \$25 million to Lotus China II; \$30 million to Madison Dearborn Capital Partners V, L.P.; and \$10 million to ATA Ventures II, L.P.

University Endowment Fund Distribution Policy

Executive Vice President Slottow described this recommendation for making an adjustment in the endowment distribution policy. He noted that the original total return based distribution policy was adopted in 1986, and provided for a distribution of 5.5 percent of the one quarter lagged twelve quarter (three-year) average market value. This had been changed in 1995 to a 5.0 percent distribution rate of the one quarter lagged, twelve quarter average market value, with limited distributions to protect the value of the endowment in down markets. At that time, it was recommended that the Board reexamine the issue once the 5.0 percent rate had been achieved to decide whether to continue to lower the distribution rate to 4.5 percent.

He noted that use of the three-year average for the market value has not adequately insulated the budget from the volatility in the markets, so the current recommendation calls for extending the period for calculating the average market value from twelve quarters (three years)

to twenty-eight quarters (seven years) to further reduce the volatility in the stream of distributions and better facilitate budgeting and planning. This change would be implemented gradually over the next three years, as noted in the Regents Communication.

Executive Vice President Slottow also commented that periodically over the next two years the Regents will be asked to evaluate the advisability of further reducing the distribution rate to 4.5 percent in the future, to take effect once the seven-year average has been achieved.

Regent Brandon reported that the Finance, Audit and Investment Committee has studied this issue thoroughly and the committee enthusiastically supports this proposal. He moved to change the distribution rate so that it would be based on a one-quarter lagged, 28 quarters moving average market value, with the change to be implemented gradually over the next three years by immediately (as of July 1, 2006) extending the period for calculating the average market value from the current three years to four years and then adding one more quarter each subsequent quarter until the period reaches 28 quarters. Regent White seconded the motion and it was approved unanimously.

Authorization for Expenditures in Fiscal Year 2006-2007 for University Operations

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved temporary expenditure authorization for University operations for Fiscal Year 2006-2007 at current levels until the 2006-2007 budgets are approved by the Regents.

Authorization for Expenditures in Fiscal Year 2006-2007 for University Health System

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved temporary expenditure authorization for the University Health System for Fiscal Year 2006-2007 at current levels until the 2006-2007 budgets are approved by the Regents.

202 Glen Avenue, Ann Arbor, Michigan

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved acquisition of the property at 202 Glen Avenue, Ann Arbor, Michigan at the negotiated price of \$475,000, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

Central Power Plant Replacement Steam Replacement Steam Turbine

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved the Central Power Plant Replacement Steam Turbine Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Edward Henry Kraus Building Renovation of Rooms 4003-4013

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved renovation of Rooms 4003-4013 in the Edward Henry Kraus Building to provide laboratory space for the Department of Molecular, Cellular and Developmental Biology.

Medical Science Unit I Pathology Research Laboratory Renovations

On a motion by Regent Taylor, seconded by Regent McGowan, the Regents unanimously approved the Medical Science Unit I Pathology Research Laboratory Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Medical Science Units I and II Renovations

Executive Vice President Slottow introduced Mr. Terry Sargent, principal with Lord Aeck & Sargent, Inc. to review the schematic design for the Medical Science Units I and II

renovations. He noted that the renovation of Unit I will be minor, but the Unit II renovations will constitute a major redesign of the space as a state of the art laboratory for the departments of radiation oncology and otolaryngology. He displayed schematic designs for each level of the building.

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the schematic design for the Medical Science Units I and II Renovations Project as presented at the meeting, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Central Campus Area Utility Tunnel Replacement

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved the Central Campus Tunnel Replacement 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 University Hospital Pharmacy Services Renovation

On a motion by Regent White, seconded by Regent Richner, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Pharmacy Services Renovation Project and revised budget as described, authorized commissioning Ann Arbor Architects Collaborative for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are with the approved budget.

Conflict of Interest Items

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

Lease Amendment Agreement between the University of Michigan and Milcom, Inc.

The Regents authorized a lease amendment agreement with Milcom, Inc. Because the owner of Milcom, Inc., Robert C. Arends, 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 lease amendment agreement will be the Regents of the University of Michigan and Milcom, Inc.
2. The service to be provided is the renewal of a lease agreement for 2,523 square feet of space in a building at 320 W. Commerce Road, Milford, Michigan, for 36 months, beginning February 1, 2006 through January 31, 2009, at a monthly rental rate of \$4,968.72 for the first year. Annual rent will increase by 3% for the remainder of the term. Tenant will be responsible for gas, water, sewer and electric usage.
3. The pecuniary interest arises from the fact that Robert C. Arends, a University of Michigan employee, is the owner of Milcom, Inc.

Approval of Payment for Professor Ellwood Derr

The Regents approved a payment from the Music Library to Professor Ellwood Derr for 8 books and 23 musical scores, all out of print, from his private collection. Because Professor Derr is both the owner of the collection and a University of Michigan employee, this contract falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the contract are the Regents of the University of Michigan and its Music Library and Professor Ellwood Derr.

2. The product provided is rare musical books and scores. The cost for the product is \$811.00.
3. The pecuniary interest arises from the fact that Ellwood Derr, a University of Michigan employee, is also the collection owner from whom the product is being purchased.

Lease Amendment Agreement with 520 East Liberty LLC

The Regents approved a lease amendment agreement with 520 East Liberty LLC, renewing for 36 months the existing lease agreement for space located at Suite 310, 520 E. Liberty Street, Ann Arbor, Michigan. Because the owner of 520 East Liberty LLC, William C. Martin, 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 lease amendment will be the Regents of the University of Michigan and 520 East Liberty LLC.
2. The service to be provided is the renewal of a lease agreement for 2,736 square feet of space in a building at 520 East Liberty Street, Suite 310, Ann Arbor, Michigan for thirty-six months, beginning May 1, 2006 through April 30, 2009, at a monthly rental rate of \$4,560.00 for the first year, \$4,651.00 monthly for the second year, and \$4,744.00 per month for the remainder of the term. The tenant will be responsible for gas and electric usage. In addition, the tenant will be responsible for the costs in excess of \$10,000.00 to replace the carpet and repaint in the space.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is the owner of 520 East Liberty LLC.

Subcontract Agreement between the University of Michigan and ElectroDynamic Applications, Inc.

The Regents approved a subcontract agreement with ElectroDynamic Applications, Inc., (“Company”), under which the Company would fund a project in the College of Engineering. Because Professors Brian Gilchrist and Alec Gallimore are both University of Michigan employees and partial owners of the Company, 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 ElectroDynamic Applications, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is two years and the amount of funding support is \$345,203.
3. Brian Gilchrist's and Alec Gallimore's pecuniary interest arises from their partial ownership of ElectroDynamic Applications.

Research Agreement between the University of Michigan and RenaMed Biologics, Inc.

The Regents approved a research agreement between the University of Michigan and RenaMed Biologics, Inc. (formerly Nephros Therapeutics, Inc.). Because Professor H. David Humes is a University of Michigan employee and a director and partial owner of RenaMed Biologics, 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 RenaMed Biologics, Inc.
2. The terms of the proposed agreement conform to University policy. RenaMed Biologics will support a sponsored project entitled *Supplemental Funding for Adult Stem Cell Therapy for Patients with End-Stage Renal Disease* which will be directed by Dr. Brosius over a 21-month period at an estimated cost of \$300,000.00.

This project will be reviewed and approved by the Institutional Review Board prior to enrollment of subjects.

3. Professor Humes' pecuniary interest arises from his status as director and partial owner of RenaMed Biologics, Inc.

Amendment to Option Agreement between the University of Michigan and NeuroNexus Technologies

The Regents approved an amendment to an option agreement with NeuroNexus Technologies ("NeuroNexus") to extend the original option and to add an additional technology (UM File No. 3298, entitled "Polymer-based Neural Probes for Extended Recording Lifetime"). Because Daryl Kipke, David Anderson, and Jammie Hetke are all University of Michigan employees and also partial owners and officers of NeuroNexus, 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 NeuroNexus.
2. Amendment terms include giving NeuroNexus an exclusive option to obtain a license with the right to grant sublicenses. NeuroNexus will reimburse patent costs. The University will retain ownership of the optioned 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 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, Anderson and Hetke arise from their ownership interest in NeuroNexus. They have waived any personal participation in the sharing of revenue received by the University.

Alumni Memorial Hall Museum of Art Addition and Renovation

Executive Vice President Slottow commented that all of the funding for the entire project budget is now in place, including all necessary signed gift agreements. He congratulated Vice President May and James Steward, director of the Museum of Art, for their efforts in securing the funding for this project within a relatively short period of time.

Several Regents commended Mr. Steward on this accomplishment. Regent McGowan requested that the record reflect that this is project is the second major project in a row which had been brought to the Board as a supplemental agenda item involving a major capital expense. She requested that in the future, capital projects be brought forward in a more timely fashion.

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved issuing the Alumni Memorial Hall Museum of Art Addition and Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget.

Henry Russel Awards for 2007

President Coleman informed the Regents that the Henry Russel Awards Faculty Advisory Committee had selected two faculty members to receive Henry Russel Awards for 2007: Anne Curzan, associate professor of English Language and Literature, and Jerome Lynch, associate professor of civil and environmental engineering.

Henry Russel Lecturer for 2007

President Coleman informed the Regents that the Henry Russel Awards Faculty Advisory Committee had selected Kensall D. Wise, William Gould Dow Distinguished University Professor of Electrical Engineering and Computer Science, as the Henry Russel Lecturer for 2007.

Approval of Academic Calendar for 2008-2009

Provost Sullivan pointed out that the normal practice of scheduling spring break on the eighth week of winter term in order to accommodate the schedule of seven-week mini classes has been altered for 2008-2009 in order to make the calendar coincide with the Ann Arbor Public School's spring break. The schools and colleges have agreed to work around this schedule in 2009.

On a motion by Regent Maynard, seconded by Regent Newman, the Regents unanimously approved the Ann Arbor campus academic calendar for 2008-2009, as described in the Regents Communication.

Election of Board Chair and Vice Chair for 2006-2007

Regent Newman commented that under the structure enacted by the Regents, as of July 1, 2006, she would be completing her term as chair of the Board. The position would be assumed by the current vice chair, Regent Maynard, and Regent Taylor would serve as vice chair. She

stated that she had very much enjoyed her service as chair, and pointed out that all Regents have equal authority and responsibility within this structure.

Regent Newman nominated Regent Olivia Maynard as chair and Regent S. Martin Taylor as vice chair of the Board of Regents for the period July 1, 2006 to June 30, 2007. Regent McGowan seconded the motion, and it was approved unanimously.

Regent Maynard thanked Regent Newman for her service as chair, acknowledging the large amount of effort she had put into it. She said she recognizes the responsibility inherent in this position and takes it seriously, but stressed the importance of the fact that “we are eight equal colleagues.” She said that she and Regent Taylor look forward to working with the president and executive officers.

Regent Newman noted that the committee system provides a means for the committee chairs to conduct in-depth analyses of issues, as was the case during the past year when Regent Brandon chaired the review of the Michigan Stadium project and Regent Taylor chaired the presidential reappointment review process. She thanked them for their service in these endeavors.

Regent Brandon praised Regent Newman’s service as chair, noting that she had become deeply involved in some of the more challenging issues the University has faced during the past year, in addition to pursuing a number of challenges in her career outside of the University. There was a round of applause.

A ten-minute break followed.

Public Comments

The Public Comments session began at 11:40 a.m. The Regents heard comments from the following individuals, on the topics indicated: Helen Santiz, faculty, on problems on the

Dearborn Campus; Amy Hammock, student, Andre Wilson, alumnus, Stephen Rassi, student, Patricia Edwards, alumnae, and Perry Silverschanz, alumna, on effective implementation of the Provost's TBLG Task Force recommendations; Jim Mogensen, citizen, on perishable partnerships at the University; Ashwindi Hardikar, alumnus, on the student campaign to cut contracts with Coke; David Boyle, alumnus, on Regent/administration fairness issues; Brooks Hull, faculty, Medicare Part B resolution; and Alice J. Ralph, alumnae, on the Gordon Hall Historic District.

There being no further business, the meeting was adjourned at 12:25 p.m. The next meeting is scheduled for July 21, 2006.

PRESIDENT COLEMAN'S TERM SHEET TO BE INSERTED AS APPENDIX