

JANUARY MEETING, 2007

*The University of Michigan
Ann Arbor
January 18, 2007*

The Regents convened at 3:20 p.m. in the Regents Room. Present were President Coleman and Regents Darlow, Deitch, Maynard, McGowan, Newman, Richner, 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, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Taylor and Chancellor Mestas were absent; Provost Jack Kay attended for Chancellor Mestas.

Call to Order

President Coleman called the meeting to order. She welcomed Regent Julia Donovan Darlow to her first board meeting.

President Coleman announced that the Biomedical Sciences Research Building (“BSRB”), designed by Polshek Partnership, had received the Institute Honor Award from the American Institute of Architects (AIA). This is the highest honor that the AIA bestows. President Coleman also pointed out that the BSRB had come in under budget and ahead of schedule, and offered congratulations to all involved.

President Coleman commented on wide array of activities taking place as part of the University’s annual commemoration of Martin Luther King Day, and noted that this marks the start of the year-long “Arts on Earth” celebration, which is a series of events examining the relationship between humans and the arts throughout the world.

President Coleman noted that this would be the final Regents' Meeting for Vice President Lisa Rudgers, who is stepping down from her position as vice president for communications as of February 1, 2007. She called on Regent Maynard.

Resolution in Honor of Lisa Rudgers

Regent Maynard read the following resolution:

Regents' Resolution

The Regents of the University of Michigan salute Lisa M. Rudgers as she steps down from her position as vice president for communications to establish her own communications practice.

Appointed in May 2000 as the University's first vice president for communications, Vice President Rudgers bounded into the role with her trademark energy and enthusiasm. She assembled a talented communications team, developed a creative, ambitious communications strategy, and built a communications operation that is the envy of our peers.

Vice President Rudgers played a crucial role in developing the public outreach messaging and related strategies surrounding the University's defense of the admissions lawsuits as they wound their way to the U.S. Supreme Court. Other efforts included revamping the UM web gateway and developing the "En Español" portion of the website, and helping to develop the "Michigan Difference" campaign communications strategy and expanding it to apply to all elements of the University. Under her direction, the University's radio and television stations were brought under one umbrella with a more unified identity, as were the University's two independent marketing and design units. Lisa's impact will also be felt in her successful efforts at creating a new wordmark and fostering a more unified look for the myriad of materials emanating from the hundreds of units in this highly decentralized institution.

With her creative, bold, and proactive approach, Vice President Rudgers has been a crucial force both in advancing the University's presence and reputation, and in knitting together diverse elements from within the University. The Regents express their gratitude and respect for Vice President Lisa M. Rudgers and wish her well as she moves on to this new phase of her career.

A round of applause followed, after which Vice President Rudgers thanked the Regents for their support, noting that it had been an honor to work on behalf of the University, and especially alongside President Coleman and the executive officers. She also thanked the entire

communications staff and the senior managers in the Office of the Vice President for Communications, and noted that Associate Vice President Julie Peterson would be serving as interim vice president for communications.

President Coleman then introduced Douglas Kelbaugh, dean of the A. Alfred Taubman College of Architecture & Urban Planning.

Presentation: A. Alfred Taubman College of Architecture & Urban Planning

Dean Kelbaugh played a portion of a video that had been put together to commemorate the college's 100th anniversary. He reported that the college consists of about 700 people, including 83 faculty members. About 25% of the faculty are involved in urban planning and the remainder are in architecture. Among those in the architecture discipline, about half are designers and the remainder are engineers and other technicians. This makes for a very diverse group of faculty.

Dean Kelbaugh described the college's student body, faculty, and degree programs, pointing out that the college has established one of the nation's first doctoral programs in architecture. He described the college's main themes that have characterized it during the past few years: creating sustainable buildings and cities, the information revolution, developing the American city, with special emphasis on Detroit, widening the international experience, and developing the real estate program. He said that the college has a vibrant, but small, research program.

Dean Kelbaugh noted that during his tenure, the college has been improving in the national rankings and the endowment has seen significant growth, from \$8 million to \$64 million. He said that one of the school's most pressing challenges is the need for additional

space for offices, studios, classrooms, and other uses. He also reviewed some of the intellectual challenges facing the college and the campus in general, and announced that the college has established an “Arts on Earth” program, along with the School of Music, Theatre and Dance and the College of Art & Design.

President Coleman then introduced Vice President Forrest to present the Annual Report on Research.

Annual Report on Research

Vice President Forrest commented that his report would focus on three areas: research numbers, the Michigan Memorial Phoenix Energy Institute initiative, and the challenge of developing partnerships with industry.

Vice President Forrest observed that in terms of research expenditures, the University ranks among the top five nationally, with annual expenditures of nearly \$800 million. However, he expressed concern over the long term prospects for growth in federally-funded research. He reviewed breakdowns of research expenditures by sponsor and by unit, noting that he plans to focus his efforts on increasing the industry sponsorship proportion from the current 4.2% to as much as 10%.

Vice President Forrest distributed an issue of *Search and Discovery*, a new publication meant to communicate the University’s research accomplishments to the outside world. Other accomplishments of the Office of the Vice President for Research in 2006 included promoting and strengthening research in arts and humanities by establishing the position of associate vice president for social sciences and humanities, and establishing an arts and humanities funding group.

Vice President Forrest reviewed the goals and purpose of the newly established Michigan Memorial Phoenix Energy Institute (MMPEI), which was formed to support and grow research and education for a clean, affordable energy future. He said that the University's established strengths, in automotive, nuclear, and other engineering disciplines, constitute the core of the institute. Priority areas for growth and coordination include focusing on the policy, economic, and societal impact of the energy challenge. He also described a number of initiatives currently underway in the institute.

Regarding the need to develop industry partnerships, Vice President Forrest said that this not only comports with the University's academic mission, but it provides resources that supplement and enable other sources of funding, while also helping to create new jobs in a changing economy.

Vice President Forrest provided an update on technology transfer performance, noting that while licensing income has increased during the past year, this is not a clear indicator of success with industry partnerships. He pointed out that industry research as a percent of total research at the University has been declining, and this trend needs to be reversed. The OVPR has been focusing on alleviating barriers and taking advantage of opportunities in this area. To that end, the division will focus on changing the internal culture, making long term strategic investments, becoming more entrepreneurial, measuring success, and managing resources.

He concluded by recognizing that solutions to the challenges he described require a multifaceted, long-term effort, aimed at defining how the research enterprise exemplifies the "Michigan Difference."

Regent Maynard commented that she and the other Regents are pleased that the University plans to enhance its efforts at working with industry to support and grow the economy in the state. Regent McGowan concurred, noting that during a conversation with Vice President Forrest that morning, the Board had expressed its full support of his effort to emphasize industry-funded research as a means of reducing the reliance on the federal government for funding.

Annual Parking and Transportation Services Update

Executive Vice President Slottow introduced Mr. Dave Miller, director of Parking and Transportation Services.

Mr. Miller stated that the department strives to provide mobility and transportation options for faculty, staff, students, and visitors, and not just to add parking capacity. Key elements of the department's success are its partnership with the Ann Arbor Transportation Authority (AATA), developing alternative transportation options, and maintaining existing parking structures.

Mr. Miller reported that in 2006, University buses had carried 5.6 million passengers, a 36% increase since 2000. The UM/AATA program, "MRide," along with other partnership programs, have led to significant increases in AATA passengers and University passengers since it was introduced in 2005. He noted that utilization of the vanpool program has more than doubled since 2004, and reported that the University had recently engaged Zipcar, a private company that rents cars by the hour, for use by University personnel and community residents.

Mr. Miller reported on recently completed and renovated parking structures and on structures planned for the future. He described a proposed addition to the Thompson Street structure that is planned for completion in 2008 and displayed a map indicating the proposed general

vicinity for construction of a parking structure on North Campus. It was noted that the structure would be situated close to the Walgreen Drama Center, although the exact siting has not yet been determined. The structure would service special events at the Walgreen Drama Center, Arthur Miller Theatre, and other School of Music, Theatre & Dance venues, as well as general faculty and staff parking for a variety of North Campus facilities. He pointed out that visitor parking for events would be of key importance in making North Campus a vital destination for visitors. Current plans call for this structure to be constructed in 2008 and opened in 2009. He said that his staff is working with staff from University Productions and the School of Music, Theatre & Dance to ensure that adequate parking will be provided for special events until the new structure opens.

A discussion then followed about where the new North Campus parking structure would be situated on the site. Regents White and McGowan expressed concern that the structure not be placed at a location that would be better suited for an academic facility. Associate Vice President Hank Baier commented that planners had been guided by previous discussions which urged that the structure be situated as conveniently as possible for patrons of the Arthur Miller Theatre and North Campus Auditorium. He pointed out that the area highlighted on the diagram is large enough to accommodate two large buildings in addition to a parking structure. Regents White and McGowan asked that consideration be given to placing the structure in a spot that would be unsuitable for any other kind of building, perhaps built into a hillside.

Executive Vice President Slottow said that thought is also being given to possibly combining a parking structure with some other needs. He pointed out that last year the Regental feedback on this issue had been that the structure should be located as close as possible to the

performance facilities and that construction of the structure should be a high priority. Mr. Baier reported that there is a process in place under which potential development sites for parking and other facilities are discussed with all interested academic stakeholders, and North Campus deans have been involved in site planning discussions. Mr. Baier said that the next discussion of this issue would indicate potential locations for a parking structure, along with other development zone opportunities. It was suggested that space might be provided for valet drop-off of theatre patrons.

Mr. Miller then displayed diagrams indicating the potential site for a parking structure on Wall Street to serve the needs of the expansion of Kellogg Eye Center. The plans also provide for an additional structure, as well as a “transportation hub” in that area. Regent McGowan observed that Wall Street development plans have not been fully vetted with the board, and requested that plans not be solidified until further discussion has occurred.

Mr. Miller noted that the parking system is financed primarily by the purchase of annual parking permits, and the financial model indicates that a 5% increase per year will be required for the next 3 years. He concluded by giving a demonstration of the “Magic Bus” real-time, on-line tracking system for bus routes.

The Regents then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of December 14, 2006.

Reports. Executive Vice President Slottow submitted the Investment Report, 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, September 16, 2006 - December 15, 2006.

Litigation Report. Vice President Krislov submitted the Litigation Report.

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

University of Michigan Health System. There was no report from the University of Michigan Health System.

Division of Student Affairs. Vice President Harper reported that Associate Vice President Frank Cianciola would be retiring on February 2. She called attention to the recommended appointments of Anjali Anturkar as associate vice president for student affairs for finance and human resources and Loren J. Rullman as associate vice president for student affairs. Both appointments would be effective February 1, 2007.

University of Michigan-Dearborn. There was no additional report from the Dearborn campus.

University of Michigan-Flint. President Coleman announced that Provost Jack Kay has been appointed acting chancellor while Chancellor Mestas is recovering from an illness. There was no additional report from the Flint Campus.

Michigan Student Assembly Report. Vice President Harper announced that MSA President Nicole Stallings had to leave the meeting to attend a class so she would be unable to give her report.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for December 31, 2006.

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

Retirement Memoirs. Vice President Churchill submitted retirement memoirs for seven faculty members. Provost Sullivan commented on the retirements of Karen L. Wolff, former dean of the School of Music, and Takeshi Takahara, professor of art.

Memorials. Vice President Churchill submitted memorial statements for Professor Martha L. Ludwig and Professor Gary R. Saxonhouse.

Degrees. President Coleman submitted a recommendation for awarding an honorary *Doctor of Laws* degree to William J. Clinton, forty-second President of the United States. She said that he is scheduled to speak at the Spring 2007 commencement.

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

The Regents then turned to consideration of the regular agenda.

Report of University Internal Audits, October 2006 - November 2006

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period October 1, 2006 through November 30, 2006.

Supplemental Information to the Audited Financial Statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2006

Executive Vice President Slottow submitted supplemental information to the audited financial statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2006.

Alternative Asset Commitment (*EI Fund III, L.P.*)

Executive Vice President Slottow informed the Regents that a follow-on investment of \$30 million had been made in EI Fund III, L.P.

Alternative Asset Commitments (*Arminius Real Estate Opportunity Fund, L.P., Europa Emerging Europe Fund, CDH China Fund III, L.P., SAIF Partners III, L.P.*)

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the following alternative asset commitments: 1) up to €15 million from the Long Term Portfolio to Arminius Real Estate Opportunity Fund, L.P.; 2) up to €10 million from the Long Term Portfolio to Europa Emerging Europe Fund; 3) up to \$20 million to CDH China Fund III, L.P.; and 4) up to \$20 million to SAIF Partners III, L.P.

Matthaei Botanical Gardens Exhibition Greenhouse Infrastructure Renewal

On a motion by Regent McGowan, seconded by Regent White, the Regents unanimously approved the Matthaei Botanical Gardens Exhibition Greenhouse Infrastructure Renewal Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Thompson Street Parking Structure Addition

Executive Vice President Slottow commented that this project would result in 400 new parking spaces, along with 10,000 square feet of office space. On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the Thompson Street Parking Structure Addition Project as described, and authorized commissioning Carl Walker Inc. for its design.

University of Michigan Hospitals and Health Centers C.S. Mott Children’s Hospital Infant Security System Upgrade

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the University of Michigan Hospitals and Health Centers C.S. Mott Children’s Hospital Infant Security System Upgrade 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 Roof Replacement

On a motion by Regent Deitch, seconded by Regent McGowan, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Roof 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 Burlington Office Building Pain Clinic Relocation Leasehold Improvements

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the University of Michigan Hospitals and Health Centers Burlington Office Building Pain Clinic Relocation Leasehold Improvements project as described.

Conflict of Interest Items

President Coleman announced that the agenda includes 8 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved each of the following items:

Lease Agreement between the University of Michigan and C-3 Partners

The Regents approved a lease agreement with C-3 Partners for space at 517-535 W. William Street, to be occupied by Michigan Radio and Michigan Marketing and Design.

Because William C. Martin is a partner of C-3 Partners and is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Michigan 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 C-3 Partners.
2. The service to be provided is the lease of 21,432 square feet in a building at 517-535 West William Street, for 66 months. Rent commences on issuance of a certificate of occupancy, at a monthly rate of: \$28,844.00 for the first thirty months; \$29,709.00 for months 31 through 42; \$30,600.00 for months 43 through 54; and \$31,518.00 for months 55 through 66. The Tenant will be responsible for gas and electric usage. In addition, approximately \$75,000 of leasehold improvements will be needed, to be constructed by the landlord and reimbursed by the University.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner in C-3 Partners.

Contract between the University of Michigan and NeuroNexus Technologies

The Regents approved a contract between the University's Kresge Hearing Research Institute Otolaryngology Laboratory and NeuroNexus Technologies for the purchase of multi-channel recording probes. Because Daryl Kipke and Jamille Hetke, CEO and director of research, respectively, for NeuroNexus Technologies, are also University of Michigan employees, 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 Kresge Hearing Research Institute Otolaryngology Laboratory and NeuroNexus Technologies.
2. The product provided is multi-channel recording probes. The cost for the product is \$102,000.00.
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.

Approval of Payment for W.C. Burgard Illustration & Design

The Regents approved a payment to W.C. Burgard Illustration & Design for the design of the donor wall at the Depression Center. Because William Burgard is a University employee and

also the sole proprietor of W.C. Burgard Illustration & Design, 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 Depression Center and W.C. Burgard Illustration & Design.
2. The service provided was graphic design. The cost for the service is \$9,775.00.
3. The pecuniary interest arises from the fact that William Burgard, a University of Michigan employee, is sole proprietor of W.C. Burgard Illustration & Design.

Approval of Payment for Singing Winds Music Company

The Regents approved payment by the School of Music, Theatre & Dance to Singing Winds Music Company for the purchase of booklets of carillon music. Because the sole owner of Singing Winds Music Company, Richard Giszczak, 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 School of Music, Theatre & Dance and Singing Winds Music Company.
2. The product provided is booklets of carillon music. The cost for the product is \$62.00.
3. The pecuniary interest arises from the fact that Richard Giszczak, a University of Michigan employee, is the sole owner of Singing Winds Music Company.

Option Agreement between the University of Michigan and Space Weather Forecasting Technologies

The Regents approved an option agreement with Space Weather Forecasting Technologies (“SWFT”) for licensing the technology “Space Weather Modeling Framework” (UM File No. 3386). Because Alex Glocer, Daniel Welling, and Jared Bell, partial owners of SWFT, 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 Regents of the University of Michigan and SWFT.
2. Option terms include giving SWFT a one-year option to an exclusive license with the right to grant sublicenses. During the option period, SWFT will perform technical diligence and provide a business plan that describes SWFT's intention and ability to develop and commercialize the licensed technology, which will include: 1) an identified, committed, experienced and capable management team; 2) an appropriate commercialization strategy; and 3) a capitalization plan indicating sufficient access to capital to enable the commercialization plan to be executed. SWFT is expected to be a service company, and terms of the subsequent license will include a royalty on sales and services provided to customers. The University will retain ownership of the licensed 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 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 the changes will be followed and additional conflict of interest review will be done as appropriate.
3. The pecuniary interests of Mr. Glocer, Mr. Welling, and Mr. Bell arise from their ownership interest in SWFT.

Research Transfer Agreement between the University of Michigan and NanoBio Corporation

The Regents approved a basic research agreement between NanoBio Corporation (the "Company") that allows the Company and the University to mutually define projects from time to time that will be conducted by University employees. Because the part owner, president, chief operating officer, chairman of the board, and chief science officer of the Company, James R. Baker, Jr., 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 NanoBio Corporation.
2. The terms of the proposed master agreement conform to University policy and will be for a 5-year period. The agreement anticipates that additional projects will be described and added to the work statement from time to time subject to review and approval of the relevant conflict of interest committee. The initial project will be directed by Dr. Alexander Chepurinov of the Department of Internal Medicine over a 12-month period at an estimated

cost of \$242,798. Provisions in the research agreement are consistent with University policy.

3. James Baker's pecuniary interest arises from his position as part owner, president, chief operating officer, chairman of the board, and chief science officer of NanoBio Corporation.

Materials Transfer Agreement between the University of Michigan and NanoBio Corporation

The Regents approved a materials transfer agreement with NanoBio Corporation (the "Company") involving provision of proprietary nanoemulsions made by the Company to the University for use in various projects to be mutually approved from time to time. No transfer of funds is involved. Because the part owner, president, chief operating officer, chairman of the board, and chief science officer of the Company, James R. Baker, Jr., 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 NanoBio Corporation.
2. The terms of the proposed master agreement conform to University policy and will be for a 5-year period. The agreement anticipates that additional projects will be described and added to the work statement from time to time subject to review and approval of the relevant conflict of interest committee. The initial project will be directed by Dr. Nicholas Lukacs, associate professor in the Department of Pathology, over a 12-month period using internal discretionary funds. Provisions in the research agreement are consistent with University policy.
3. James Baker's pecuniary interest arises from his position as part owner, president, chief operating officer, chairman of the board, and chief science officer of NanoBio Corporation.

Research Agreement between the University of Michigan and Biotectix, LLC

The Regents approved a research agreement between the University of Michigan and Biotectix, LLC that allows Biotectix, LLC and the University to mutually define projects from time to time that will be conducted by University employees. Because David Martin (faculty member), Sarah Richardson-Burns (post-doctoral student), and Jeffrey Hendricks (Ph.D. student) are also

partial owners of Biotectix, LLC, 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 Biotectix, LLC.
2. The terms of the proposed master agreement conform to University policy and will be for a 5-year period. The agreement anticipates that additional related projects will be described and added to the work statement from time to time subject to review and approval of the relevant conflict of interest committee. The initial project will be directed by Dr. Yahoash Raphael of the Department of Otolaryngology over a 12-month period at an estimated cost of \$220,215. Provisions in the research agreement are consistent with University policy.
3. The pecuniary interest of David Martin, Sarah Richardson-Burns, and Jeffrey Hendricks arise from their status as partial owners of Biotectix, LLC.

Change in Name of Joel D. Tauber Manufacturing Institute

On a motion by Regent Deitch, seconded by Regent White, the Regents unanimously approved changing the name of the Joel D. Tauber Manufacturing Institute to the Joel D. Tauber Institute for Global Operations.

A ten-minute break followed.

Public Comments

The Public Comments session began at 5:05 p.m. The Regents heard comments from the following individuals, on the topics indicated: Audrey L. Jackson, alumna, on confronting racism; and from Shanta Driver, citizen and attorney for BAMN, Luke Massie, citizen and co-chair of BAMN, Maricruz Lopez, student and UM Co-Chair of BAMN, and Alejandra Cruz, law school applicant, regarding litigation surrounding Proposition 2.

There being no further business, the meeting was adjourned at 5:30 p.m. The next meeting is scheduled for February 15, 2007.