

FEBRUARY MEETING, 2008

*The University of Michigan
Ann Arbor
February 14, 2008*

The Regents convened at 3:20 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Maynard, McGowan, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Interim Chancellor Kay, Executive Vice President Kelch, Interim Vice President Hage, Vice President Lampe, Chancellor Little, Vice President May, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regents Deitch and Newman were absent.

Call to Order

President Coleman called the meeting to order. She reported that earlier in the day, legislation had been approved in the state legislature to allow students and others who are non-citizens to obtain driver's licenses. She also commented on concerns that have been raised in Congress about the size and uses of its endowment. She pointed out that 20% of the total endowment is committed to a variety of forms of student financial aid, and the University welcomes the opportunity to respond to questions that have been raised.

President Coleman also announced that she would be leading a delegation of University faculty to Ghana and South Africa in the coming weeks that will visit eight university campuses. She also noted that on February 28, 2008, the University Symphony Orchestra will be performing at Carnegie Hall in New York.

Regarding commencement, President Coleman said that, based on feedback and suggestions received from graduating seniors, the 2008 spring commencement will be held on the Diag.

President Coleman called attention to the recommended appointment of Suellyn Scarnecchia as vice president and general counsel, effective July 1, 2008.

President Coleman then called on Regent Taylor

Regents' Resolution in Honor of Lloyd Carr

Regent Taylor read the following resolution:

Regents' Resolution

The Regents of the University of Michigan extend warm and heartfelt congratulations to Lloyd Carr upon his retirement as head coach of the Michigan football team.

Coach Carr joined the University of Michigan staff in 1980. He served 15 years as an assistant coach under Bo Schembechler and Gary Moeller before being appointed head coach in 1995. During his 13 years as head coach, Coach Carr's teams compiled an impressive 122-40 win-loss record and won five Big Ten championships. After his undefeated 1997 team brought the University its first national championship in 49 years, Coach Carr was named national coach of the year by six different organizations in 1998.

Coach Carr is also an exemplary leader and University citizen off the field. An active supporter of women's athletics, he has endowed a full scholarship that is presented annually to a female student-athlete. The annual Women's Football Academy and "Carr's Wash for Kids," community events initiated by Coach Carr, have raised tens of thousands of dollars for the Comprehensive Cancer Center and Mott Children's Hospital. Coach Carr and his wife, Laurie, also serve as co-chairs of the "Champions for Children" campaign, which to date has raised \$50 million for the new C.S. Mott Children's and Women's Hospital.

Shortly before leading the Wolverines to a thrilling victory in the final game of his career at the Capital One Bowl on January 1, 2008, Coach Carr was named the 2007 Bobby Dodd Coach of the Year. This award honors a coach who is successful not only on the field, but who also emphasizes that winning isn't everything, and that the game of football is more important for building character and shaping lives than winning trophies and setting records. It is difficult to imagine a more deserving recipient of this prestigious honor than Coach Carr, a former teacher, who has shown his players through words and deeds the importance of learning, philanthropy, and community service. Coach Carr exemplifies the principle: Extraordinary performance comes only to individuals who are devoted to something larger than themselves.

The Regents wish Lloyd Carr, a Michigan Man of the highest order, all the best as he and Laurie embark on this new phase of their lives.

There was a standing ovation as Coach Carr came to the podium to accept the resolution.

Coach Carr thanked the Board, recalling that he had received a previous resolution ten years ago, in 1998, after his team won the 1997 national championship. He expressed appreciation to the Regents and President Coleman for never having put pressure on him during the intervening ten years, noting that “it isn’t that way everywhere.” He thanked everyone for all the support they had provided during his tenure.

Another round of applause followed.

Regent White thanked Coach Carr and emphasized how much he has meant to the University of Michigan as a role model, coach, and educator who has always realized the importance of making the student athlete a better person. She also commented on the example and precedent set by his and Laurie’s philanthropy. Regent White also thanked Laurie Carr, who was in the audience, for her role in supporting Coach Carr and in pursuing philanthropic and other projects in her own right.

Dean’s Report: School of Art and Design

President Coleman introduced Dean Bryan Rogers of the School of Art and Design.

Dean Rogers observed that within the school, the focus has evolved from “art and design” to “creative work.” He noted that the school, founded in 1974, is nearly unique in being a freestanding art and design school within a major research university. The school’s creative work serves as a public interface for the University, and is ultimately judged in a public, rather than academic context.

Dean Rogers reported highlighted the “Arts on Earth” project, a collaborative effort of all of the academic units on North Campus (School of Music, Theatre & Dance, College of Architecture and Urban Planning, School of Art and Design, and the College of Engineering). He

noted that that during the past 8 years, the School of Art and Design has been completely restructured and has become more integrated, with three primary objectives: education, making creative work, and bringing creative work into the world at large. The school's reaccreditation review, completed in November 2007, was extremely positive, with the accreditors finding that "if there was an option to start over from scratch, this is the program that would be built.

Dean Rogers described the newly reconstituted B.F.A. program, in which students have individual majors and complete a senior integrative project during the last year. There are several new and innovative interdisciplinary or joint B.F.A., M.F.A., and Ph.D. programs. He noted that the school has 475 undergraduate students, 30 graduate students, and 40 faculty members. A number of the school's faculty members have joint appointments in other University units, and some faculty from outside the school have joint appointments in art and design. Eventually, plans call for an international experience to be a required element of the B.F.A. program.

Dean Rogers described the school's facilities, which include faculty studios, graduate student studios, galleries in Ann Arbor and Detroit, and a virtual gallery. He noted that the school is working to increase its endowment, increase its undergraduate enrollment, and eventually to secure a new facility more suitable to its current programs.

Committee Reports

Finance, Audit and Investment Committee. Regent McGowan, chair of this committee, reported that she and Regent Maynard had covered three agenda items with Executive Vice President Slottow and others. Carol Senneff, executive director of University audits, and Associate Vice President Peggy Norgren, gave the regular bi-monthly audit update. Executive Vice President Kelch and UMHHC administrators Doug Strong, Dave Morlock, and Tony Denton

reviewed the UMHHC 10-year strategic capital plan update, and Provost Sullivan and Associate Provost Phil Hanlon presented the FY09 General Fund Budget overview and outlook.

Personnel, Compensation and Governance Committee. Regent Richner, chair of this committee, reported that he, Regent Darlow, and Regent Taylor covered three agenda items: Athletic Department compensation issues, with Athletic Director Bill Martin and CFO Jason Winters; laws applicable to governing boards, with Interim Vice President and General Counsel Gloria Hage and Assistant General Counsel Tom Blessing; and draft IRS good governance practices for non-profits, with Peggy Norgren, Ed Jennings (tax manager), and Gloria Hage.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of January 17, 2008.

Reports. Executive Vice President Slottow submitted the Investment Report, the Plant Extension Report, and the University Human Resources Report. He announced that Erik Lundberg and his investment team received a 2007 award for excellence in investment management in the endowment category from *Institutional Investor*, a highly respected investment industry magazine.

Litigation Report. Interim Vice President Hage submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, January 1 - January 31, 2008.

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

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

University of Michigan-Flint. Interim Chancellor Kay announced that the Flint campus has been named to the 2007 President's Higher Education Community Service Honor Roll, which recognizes the commitment of the Flint campus to a culture of service and civic engagement. He also noted UM-Flint students and staff had recently won a number of Addy Awards presented by the Flint Area Advertising Federation.

University of Michigan-Dearborn. Chancellor Little reported that Detroit has been designated as a destination for "alternative spring break" and that the Dearborn campus would be providing accommodations for students who are participating in this activity.

Michigan Student Assembly Report. Mr. Mohammad Dar, president of Michigan Student Assembly, reported on recent activities of MSA as well as issues of concern among students. Ms. Rezarta Haxhillari, vice president of the UM-Dearborn student government, updated the Regents on recent and upcoming student activities and events on the Dearborn campus.

Voluntary Support. Vice President May submitted the Report of Voluntary Support for January 2008. He noted that support continues to be strong. He also highlighted the recommended promotion of Christine Rawak as assistant vice president for development, talent management, finance and administration.

Personnel Actions/Personnel Reports. Provost Sullivan submitted a number of personnel actions and personnel reports. She highlighted the recommended appointments of six faculty members as Arthur F. Thurnau professors, noting that these professorships are the highest honor the University bestows on faculty.

Retirement Memoirs. Vice President Churchill submitted a memoir for George E. Johnson, professor of economics.

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

Degrees. President Coleman submitted a recommendation for an honorary doctor of laws degree to be awarded to Njabulo Ndebele, vice-chancellor of the University of Cape Town, South Africa.

Provost Sullivan submitted for approval the December 2007 doctoral degree list, final degree lists for December 2007 commencements, and approval of changes to previously approved degree list.

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.

Financial Statements and Reports Pursuant to Federal Office of Management and Budget (OMB) Circular A-133

Executive Vice President Slottow submitted Reports on Federal Awards in accordance with OMB Circular A-133 for the year ended June 30, 2007, prepared by the University's independent auditors, PricewaterhouseCoopers.

Alternative Asset Commitments

Executive Vice President Slottow informed the Regents about follow-on investments that had been made with the following, previously approved funds: \$15 million to Cadent Energy Partners II, L.P.; \$30 million to Bain Capital X, L.P.; \$25 million to Russia Partners III, L.P.; and \$7.5 million to Accel X, L.P.

State Building Authority Financing of Student Activities Building on Ann Arbor Campus

On a motion by Regent Richner, seconded by Regent Maynard, the Regents unanimously approved a resolution for the Student Activities Building to be financed by the State Building Authority, and authorized the appropriate officers to:

- On or prior to the SBA's issuance of commercial paper notes, execute the Construction and Completion Assurance Agreement and Bill of Sale;
- At or near completion of the project and prior to the issuance of the SBA's bonds, execute the respective lease, convey title to the property, and execute any necessary easement agreements required for the financing of the project;
- Execute any other documentation required for the financing of the project by the SBA.

The resolution can be found in the Appendix, on p. XX.

INSERT RESOLUTION IN APPENDIX.

David M. Dennison Building Auditoria Renovations

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the David M. Dennison Building Auditoria Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Madelon Louisa Stockwell Hall Renovations

On a motion by Regent Richner, seconded by Regent White, the Regents unanimously approved issuing the Madelon Louisa Stockwell Hall Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget. Regent Richner commented that his mother had lived in this residence hall for two years when she was a student.

School of Nursing Building Interior Upgrades

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the School of Nursing Building Interior Upgrades Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

W.K. Kellogg Institute and Dental Building 2008 Exterior Repairs

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the W.K. Kellogg Institute and Dental Building 2008 Exterior Repairs 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 Data Center Project

Executive Vice President Slottow called on Sue Gott, University planner. Ms. Gott displayed a site plan illustrating the structure's placement on the designated site on North Campus, noting that its location is within the area designated for such purposes on the master plan and that it fits well into the existing topography. She introduced Ed Koplín, principal, Xnth, Inc., and Jan K. Culbertson, AIA, principal, A3C-Collaborative Architecture.

Mr. Koplín discussed the physical characteristics of the building, noting that it is highly energy efficient and is "future-proof" for new technology. The structure will accommodate multiple capacity expansions within its existing footprint, and contains a highly redundant mechanical electrical system. Ms. Culbertson gave the architectural presentation, displaying and describing floor plans for its two stories, along with a rendering of the exterior. She noted the building exceeds regional seismic requirements and is designed to withstand 200 mile/hour wind

loads and resist tornadoes. It is self-sustaining for 24 hours and could be sustained for long periods with water and fuel deliveries. It has been designed to be a highly efficient, secure, yet aesthetically pleasing facility.

Regent White moved approval of the schematic design for the University of Michigan Hospitals and Health Centers Data Center Project as presented at the meeting. Regent Maynard seconded the motion, and it was approved unanimously.

University of Michigan Hospitals and Health Centers C.S. Mott Children's Hospital Moderate Care Expansion

On a motion by Regent White, seconded by Regent Richner, the Regents unanimously approved the C.S. Mott Children's Hospital Moderate Care Expansion Project as described, authorized commissioning the architectural firm of DSA Architects for its design, 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 Briarwood 2 and 4 Renovation

On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the Briarwood 2 and 4 Renovations Project as described, authorized commissioning the architectural firm of A3C for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Conflict of Interest Items

President Coleman announced that the agenda includes 5 conflict of interest items, each of which requires 5 votes for approval. These would be considered as a block, in one vote.

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the following agreements:

Authorization for the University to approve Athletic Department Summer Camp Contracts

The Regents authorized the University of Michigan Athletic Department to allow its head coaches to operate summer camps using the University's athletic facilities, with the coaches paying all expenses, as described in the Regents Communication. Because the head coaches are also University of Michigan employees, the summer camp contracts fall under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the contracts are the following head coaches: Joe McFarland (wrestling), Kevin Borseth (women's basketball), Mark Rosen (volleyball), Amanda Augustus (Wolverine Tennis LLC) (tennis), Matt Anderson (water polo), Mark Rothstein (crew), Andrew Sapp (golf), Chris Bergere (Diving), Kurt Golder (men's gymnastics), James Henry (speed & agility), Fred Laplante (track), Jim Richardson (Wolverine Swim Camp Inc.) (swimming), Red Berenson (Red Berenson's Hockey Camp Inc.) (hockey), John Beilein (John Beilein's Michigan Basketball School) (men's basketball), Steve Burns (Michigan Men's Soccer LLC) (men's soccer), Debbie Rademacher (2007 only) (Michigan Girls Soccer Camp) (women's soccer); Rich Maloney (Rich Maloney Michigan Baseball Camps LLC) (baseball), Carol Hutchins (Carol Hutchins LLC) (softball), Jennifer Brundage (Jennifer Brundage LLC) (softball 2), Nancy Cox (97 Score) (field hockey), Bev Plocki (Michigan Gymnastics Camp Inc.) (women's gymnastics), Mike McGuire (distance), and Lloyd Carr (2007 only) (Wolverine Technique School) (football).
2. Under the terms of the contracts, the coaches, individually or through a company owned wholly or in part by the coach, will contract with the University for use of athletic facilities, according to a standard rental schedule and standard terms and conditions for athletic facility use. In 2007, the Athletic Department received compensation of \$30 per camper plus utility charges, except for the Wolverine Technique School (Lloyd Carr), which provided lump sum compensation of \$12,000. In 2008, the compensation for all camps will be \$31 per camper plus utility charges. The 2008 agreements do not yet include women's soccer and football.
3. The coaches' pecuniary interest arises from their ownership interest in the summer camps.

Approval of Purchases from Peaceful Dragon School

The Regents approved the purchase of Tai Chi and Qigong class registration and instruction, respectively, from Peaceful Dragon School for wellness programs sponsored by MFit Health Promotion Division. Because the founder, owner, and director of Peaceful Dragon School, Wasantha Young, is also a University of Michigan employee, these purchases fall 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 MFit Health Promotion Division and Procurement Services and Peaceful Dragon School.
2. The purchase is class registration offered through MFit for a 15% discount and on-site class instruction in tandem with wellness programs over the next three years. The overall payment of reimbursed class registrations is not to exceed \$20,000 and cost of on-site instruction is not to exceed \$1,000.
3. The pecuniary interest arises from the fact that Wasentha Young, University of Michigan Health System employee as a health educator for the Program for Multicultural Health, is founder, owner, and director of Peaceful Dragon School.

Amendment to Option Agreement between the University of Michigan and Biotectix, LLC

The Regents approved an amendment to an option agreement with Biotectix, LLC, to add the following technology file to its existing option agreement: UM File No. 3376, “Conducting Polymer Nanotubes for Precisely Controlled Drug Release.” Because David Martin, Sarah Richardson-Burns, and Jeffrey Hendrix, partial owners of Biotectix, are also, respectively University of Michigan professor, post-doctoral researcher, and student, 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. Patent Option terms include giving Biotectix an option to obtain an exclusive license with the right to grant sublicenses. Biotectix will pay for ongoing patent expenses, perform technical diligence, and provide a business plan that describes Biotectix’s intention and ability to develop and commercialize the licensed technology. Terms of the subsequent license agreement would include a royalty on sales and reimbursement of patent costs. 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 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 conflict of interest review will be done as appropriate.
3. The pecuniary interests of Dr. Martin, Dr. Richardson-Burns, and Mr. Hendricks arise from their ownership interest in Biotectix.

Master Agreement between the University of Michigan and EMAG Technologies, Inc.

The Regents approved a master agreement with EMAG Technologies, Inc. (“EMAG”) under which the University will participate in various projects that EMAG will support independently or from grants from federal agencies related to technology licensed or optioned to EMAG by the University. Because Dr. Kamal Sarabandi, a University of Michigan employee, is also an owner of EMAG, 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 EMAG Technologies, Inc.
2. The University will enter into a master agreement with EMAG that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The mater agreement will cover an initial five-year period with a total authorization not to exceed \$2,000,000. The University will use standard sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. EMAG has supported eleven projects at the University since its inception. The master agreement will allow the University and EMAG to specify projects that the University will conduct under the terms of the master agreement. Since research projects are often amended, the master agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional conflict of interest review will be done on a project-by-project basis.
3. Dr. Kamal Sarabandi’s pecuniary interest arises from his status as an owner of EMAG. His role in each project will be described in a project statement and a conflict of interest management plan.

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

The Regents approved a master agreement between the University of Michigan and ElectroDynamic Applications, Inc. (“ElectroDynamic”) under which the University will participate in various projects that ElectroDynamic will support independently or from grants from federal agencies related to technology licensed or optioned to ElectroDynamic by the University. Because Alec D. Gallimore and Brian E. Gilchrist, University of Michigan employees, are also co-founders and co-owners of ElectroDynamic, 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 University will enter into a master agreement with ElectroDynamic that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The master agreement will cover an initial five-year period with a total authorization not to exceed \$2,000,000. The University will use standard sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. ElectroDynamic has supported five projects at the University since its inception. The master agreement will allow the University and ElectroDynamic to specify projects that the University will conduct under the terms of the master agreement. Since research projects are often amended, the master agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional conflict of interest review will be done on a project-by-project basis.
3. Alec D. Gallimore's and Brian E. Gilchrist's pecuniary interest arises from their status as co-founders and co-owners of ElectroDynamic. Their roles in each project will be described in a project statement and a conflict of interest management plan.

The Regents then turned to Public Comments.

Public Comments

The Regents heard comments from David A. Mikelonis, alumnus, on a proposal to honor the memory of alumnus Steve O'Rourke.

There being no further business, the meeting was adjourned at 4:35 p.m. The next meeting is scheduled for March 20, 2008.