

SEPTEMBER MEETING, 2006

Approved by the Regents

October 20, 2006

The University of Michigan

Ann Arbor

September 22, 2006

The Regents convened at 9:40 a.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Richner, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Newman, Regent Taylor, and Chancellor Little were absent. Regent Newman participated in part of the meeting by telephone.

Call to Order

President Coleman called the meeting to order. She thanked the Regents for having hosted a reception for students the previous day.

President Coleman observed that the Stephen M. Ross School of Business M.B.A. program had been named the best in the country by the *Wall Street Journal*, for the second time in the past three years. She also called attention to the announcement of the creation of the Michigan Memorial Phoenix Energy Institute, which will study the generation and use of energy, as well as public policies about energy. She noted that Vice President Stephen Forrest had spearheaded this effort, which would utilize the resources of a number of schools and colleges.

Sale of M-CARE

President Coleman stated that she fully supports the plan for the sale of M-CARE and its subsidiaries that is being brought forward by Executive Vice Presidents Kelch and Slottow. She

stated that the University would continue to offer a choice of high quality, comprehensive health plans at a reasonable cost, and pointed out that competitive benefits packages are essential in recruiting top faculty and staff. President Coleman also assured employees that they could choose M-CARE with confidence during the upcoming open enrollment period for 2007, and that the University would retain control over the design and costs of its employee health plans. The new health care plans that will take effect in 2008 will be designed by the University and will be as similar as possible to the current plans with respect to cost and coverage.

Regent Deitch announced that he would be recusing himself from consideration of the sale of M-CARE and would be leaving the room until the discussion and vote had been concluded. President Coleman noted that Regent Taylor had also recused himself from all of the discussions on this issue.

Regent Newman joined the meeting by telephone at this point.

Dr. Kelch presented the proposal for the sale of M-CARE with the aid of a slide presentation. He stated that it is important that the Health System stay sharply focused on its core mission, and to insure that its resources remain directed toward this mission, which includes patient care, research, and education.

Dr. Kelch thanked all of the people who had worked on this proposal, but singled out Zelda Geyer-Silvia, CEO of M-CARE, and Dave Morlock, project leader and director of financial planning at the University of Michigan Hospitals and Health Centers. He reviewed the history of M-CARE, noting it had been launched in 1986 as a non-profit, University-owned and designed HMO, focused on prevention and active management of health care choices and expenses.

Dr. Kelch reported that M-CARE is a successful entity, with more than 200,000 members, including 60,000 associated with the University of Michigan. It is one of the very few university-affiliated plans that are open to other employers and individuals. M-CARE serves 1,500 employer groups, includes 5,100 providers, and offers a variety of health plan options. It has consistently received “excellent” ratings by national ratings agencies in many categories. M-CARE utilizes evidence-based treatment guidelines developed by University of Michigan physicians and offers its members access to the University’s top-ranked medical center, in addition to community physicians and hospitals. M-CARE has offered a number of innovative programs and services.

Nevertheless, due to the changing national health care climate and the significant investments that would be needed to allow M-CARE to continue to flourish, Dr. Kelch said it is the right time to consider the sale of this successful enterprise, bearing in mind what is best for the Health System and the University. He reported that the University first began exploring the viability of a transaction with Blue Cross Blue Shield of Michigan (BCBSM) and Blue Care Network (BCN) in May 2006, and he reviewed how the discussions, analyses, and due diligence had been conducted from that point until today. Several consultants had been hired, including Cain Brothers, a Wall Street investment banking firm, which had performed an independent valuation of M-Care and assisted with the analyses and subsequent negotiations. He stated that the University and BCBSM management teams had reached an agreement in principle regarding all key elements of the transaction, and that the definitive transaction documents are now ready for execution.

Dr. Kelch noted that the Health System had specific requirements that must be met in order for the sale of M-CARE to be considered. These include the following:

- It must further our mission.
- It must allow us to provide the same high-level health care coverage for the University community, at the same price as would be incurred with M-CARE. He noted that the University will remain in charge of the design of its competitive benefits program.
- It must ensure that health care coverage for all members be constant, with no lapses.
- It must involve a company that shares our values and meets our needs. In this regard, he pointed out that BSBSM, like M-CARE, is a non-profit, Michigan-based organization and is committed to improving the health of the state's citizens.
- It must allow good transition options for our employees. He noted that the agreement calls for the University to maintain a seat on the BCN board.
- The University must have a role in the ongoing governance of the purchaser.

He then explained how this transaction meets all of these requirements. He also described the joint venture to be created by the UM and BCBSM that will commission projects and research studies to improve the quality, safety, efficiency, and appropriateness of health care in Michigan. The venture will be led by an 8-member board consisting of 4 representatives from each entity in a 50/50 equity partnership, with a capitalization of \$7-\$10 million plus likely additional funding to be provided by BCBSM.

Dr. Kelch noted that a solid plan is in place to retain M-CARE employees through the sale and to assist them in the transition period after the sale, and said that up to \$10 million has been committed for the employee transition plan. Following approval of the sale by the Regents, it is hoped that the governmental regulatory approval process will be completed by late 2006 or 2007. He stated that the combined price for M-CARE and its subsidiary M-CAID to Blue Care Network, and for Michigan Health Insurance Company, M-CARE's subsidiary, to Blue Cross Blue Shield of Michigan, is \$240 million, which is supported by a fairness opinion from Cain Brothers.

Dr. Kelch described the regulatory approval process that would occur following approval of the sale. In response to a question from Regent Maynard regarding concerns that had been raised by members of the public, Dr. Kelch commented that each of the approximately 3 dozen communications he had received so far was receiving an individual response. In general, people have expressed concerns about changes in health care costs, about being able to keep their current doctors, and about the large size of BCBSM.

Regent McGowan asked whether any employees who belong to AFSCME or other unions would be affected by the sale. Dr. Kelch responded that no M-CARE employees are members of any union. However, some of the positions that some M-CARE employees will be offered at BCBSM or BCN are affiliated with the UAW.

Regent Richner asked what method Cain Brothers had used to reach the conclusion that the price was fair. Executive Vice President Slottow commented that the procedures followed by Cain Brothers are consistent with practices used in the marketplace, in which multiple methodologies are employed to arrive at a range for what would be an appropriate market fair price. One of the representatives from Cain Brothers described the process they had used to arrive at their conclusion, which included doing a financial analysis of M-CARE and using a number of valuation techniques to arrive at independent valuation ranges to help guide management as to what the expectations should be. He commented that the \$240 million is at the high end of each of the ranges and transactions, and based on these studies they delivered an opinion that the transaction consideration is fair to the University.

Regent Maynard inquired about how soon the joint venture will be getting underway. Dr. Kelch introduced Dr. Jack Billi, who has been the lead person in the development of the joint venture. Dr. Billi stated that after the agreements are executed and the joint venture is legally

formed, the board members will be appointed and an executive director will be selected who will lead the development of a business plan. The business plan will state the priorities of the projects, and after it is adopted by the board, individual projects will be commissioned. He noted that scope of the projects will be state-wide.

Dr. Kelch stated that the board of BCBSM has approved the transaction.

Regent Brandon moved that the Board of Regents authorize the sale of M-CARE and its subsidiary M-CAID to Blue Care Network and the sale of M-CARE's subsidiary Michigan Health Insurance Corporation to Blue Cross Blue Shield of Michigan for a total negotiated price of \$240 million, subject to final due diligence and review by relevant government authorities; acknowledge the authority of the executive vice president and chief financial officer to negotiate and execute a final purchase agreement and all related documents; and authorize the EVPCFO to take appropriate actions required of the University under the purchase agreement and such other actions as may be necessary to complete the transaction, including, but not limited to, revising the M-CARE bylaws and articles of incorporation to convert to a stock corporation to facilitate this transaction, all in close collaboration with the executive vice president for medical affairs.

Regent White asked whether the University had ever previously engaged in joint ventures with BCBSM. Dr. Kelch responded that the University had collaborated with BCBSM on multiple projects and the two entities had had a series of contractual relationships. However, this 50-50 partnership would be a new entity, founded with the hope that it would become one of the nation's leading health services quality improvement research entities.

Executive Vice President Slottow corrected language in the 5th paragraph of the Regents Communication. The word "valuation" should be replaced by "fairness opinion."

Executive Vice President also recognized the efforts of others who had been involved in this transaction, including Associate Vice President Laurita Thomas, Health System Chief Human Resources Officer Deborah Childs, Associate Vice President Marilyn Knepp, and others.

Regent McGowan seconded Regent Brandon's motion. The vote was then taken, and it was approved unanimously, with six Regents in favor and Regents Deitch and Taylor not participating.

Regent Newman disconnected from the meeting at this point.

Presentation: University of Michigan Law School

President Coleman introduced Evan Caminker, dean of the Law School.

Dean Caminker reviewed the history of the law school, noting that it is considered to be one of the most outstanding law schools in the country and the world. It has consistently been ranked between 6 and 8 in the *U.S. News and World Report* rankings, and first among public law schools. The school enrolls about 350 new students per year, and strives for the classes to be very talented and diverse in order to enrich the academic and social climate of the Law School community. There is also a one-year graduate program for lawyers from foreign countries.

With respect to faculty members, he said that the major focus of the faculty's scholarship is to make contributions to topics that are of interest to the broader community on the local, national, and international levels. He noted that Michigan's law faculty differs from that of other institutions in three key areas, including its focus on interdisciplinarity, on international issues, and on collegiality. He observed that the interdisciplinary approach is grounded in the belief that the capacity to function in more than one intellectual field, and to connect the work of one field to another, has both intrinsic academic merit and is also very important in learning the complexities of the larger world.

Dean Caminker said that the Law School is known for having one of the top international faculty in the country. He also noted that the law school's faculty is known internationally for having a collegial relationship, which is a unique characteristic among law schools.

With respect to the school's educational mission, he said that the school is focused on teaching students critical reasoning skills that will allow them to become great lawyers no matter what they choose to focus on in their career. Students are taught practical lawyering skills and collaboration skills, and are inculcated with a great sense of ethics and morality.

Dean Caminker described the classroom and clinical experiences provided to students, noting that faculty are encouraged to develop close connections with students.

Dean Caminker described some of the challenges faced by the school with respect to faculty recruiting, spousal employment, recruiting and retaining single faculty members, and student recruiting. He also commented that the Law School's facilities, while beautiful, are old and outdated, ranking last among those of its peers with respect to the amount of space per student outside of libraries. To continue to offer the best education in the United States suited for a 21st century education, he said that the Law School needs to be able to expand and improve its facilities.

Regent Richner pointed out that the Law School's facilities have been funded mostly with private support, and asked how this compares with the funding of its competitors. Dean Caminker responded that every other top law school in the country, including public schools, has engaged in a major expansion or renovation in the past 10 years, although he does not know whether the funding has been from public or private sources. He also noted, in response to a question from Regent Richner, that the tuition for in-state residents is \$3,000 less per year than it is for nonresidents.

President Coleman thanked Dean Caminker for his presentation and turned to the committee reports.

Committee Reports

Finance, Audit and Investment Committee. Regent McGowan, chair of the Finance, Audit and Investment Committee, reported that she and Regent White were joined by Executive Vice President Slottow, Associate Vice President Norgren, Controller Cheryl Soper, and Hospitals and Health Centers executives, as well as the team of auditors from PricewaterhouseCoopers. Regents Brandon and Deitch were unable to attend. The first item on the agenda was the FY06 external audit and financial performance, which indicated that the University's financial position was very strong. She said that net assets had increased by \$1.1 billion to \$9.9 billion in 2006. The other agenda topic involved the upcoming required changes in accounting standards for post-retirement benefits and the strategies the University was planning to use to comply with these changes.

Personnel, Compensation and Governance Committee. Regent Richner reported that Regents Newman and Maynard had attended the meeting along with Associate Vice President Thomas and Provost Sullivan; Regent Taylor was unable to attend. Topics covered included performance reviews and University-provided perquisites. He said that benchmarked against our peer public universities, the University's perquisites appear to be in line with those of its competitors. Ms. Thomas reported on the current status of the employee classification project. The committee also received an update on current dean searches.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of July 21, 2006.

Reports. Executive Vice President Slottow pointed out that there is no Investment Report in September in anticipation of October's report on FY06 investment performance. He submitted reports on Plant Extension, Human Resources and Affirmative Action, and the Regents Report on Non-Competitive Purchases over \$5,000 from Single Sources, March 16-June 15, 2006.

Litigation Report. Vice President Krislov submitted the Litigation Report.

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

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

Division of Student Affairs. Vice President Harper reported that the new academic year is off to an active start, with both new and continuing students active in a number of initiatives.

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

University of Michigan-Dearborn. Provost Martin reported that she was sitting in for Chancellor Little, who had recently had emergency surgery, and there would be no report from the Dearborn campus.

Michigan Student Assembly Report. Nicole Stallings, president of the Michigan Student Assembly, thanked the Regents for providing an opportunity the previous day for students to meet with them. She reported that the first few weeks of school had brought a lot of activity onto campus, with 1,207 student organizations having registered with MSA. She

reported on various projects and activities the MSA has embarked on. President Coleman also commented on the energy she has observed among students on campus.

Voluntary Support. Vice President May gave an update of the Michigan Difference Campaign through June 30, 2006. On that date, the campaign total was \$2.182 billion; however, an additional \$53 million has been added during July and August 2006, so the total has now reached \$2.235 billion. Vice President May reported that about 10,000 institutions and 283,000 individuals have contributed to the campaign, and that more than half of the individual contributors are non-alumni.

Vice President May reviewed the chart in the agenda book denoting giving by purpose of gift, noting that the area of faculty support has been lagging in reaching its goal, and this would be an area of focus over the next two years. A second targeted area will be need-based scholarships. In the “buildings” category, he pointed out that the University has very ambitious goals in this area, and the goals for 12 of the 23 capital facilities projects have been reached to date.

Naming Guidelines. Regent McGowan asked Vice President May to review naming guidelines for buildings. He stated that a donor would need to donate approximately 50% of the cost of a new building in order for that building to carry the donor’s name. For an existing, unnamed building, the donor would need to donate about 50% of the replacement value to have it named. Vice President May noted that the gift agreements state that the University will honor that gift as long as the building exists. If the building is razed, the name will be carried forward in some appropriate way, although not necessarily as the name of the new building. Most likely, a new donor’s name would go on the new building.

Vice President May stated that the guidelines are silent with regard to the renovation of existing buildings that bear honorific names of iconic University individuals. Regent McGowan

asked why the same guidelines would not apply to honorific names of existing buildings as to buildings named for a donor. Vice President May responded that now that the University of Michigan and other public universities are beginning to tear down buildings or do major renovations, there is a need to address the issue of honorific names for buildings since the current guidelines are silent on this issue.

Regent McGowan inquired whether it would ever be contemplated to change the names of buildings that were named for legendary University of Michigan figures like athletic coaches and presidents. Vice President May responded that such a recommendation would have to come before the Regents, should there ever be a desire to change the names of these buildings. Regent McGowan said it would be advisable for the Regents to discuss this issue on which the current guidelines are silent, and suggested that the supposition would be that the same criteria would apply for buildings named after donors: once named, always named.

Regent McGowan suggested that the Regents should have input into the development of the overall naming guidelines, and expressed that she is particularly concerned about any proposed changes in the names of existing buildings. Vice President May agreed that this issue needs to be clarified, and said that a committee had been charged with doing background work to assist the Regents in this endeavor. Regent McGowan asked Vice President May to confirm that no action is currently under consideration to change the name of any campus building that already bears the name of an individual. Vice President May responded that nothing is being brought forward at this point in time, and added that if any requests for name changes arise which are not addressed in the existing guidelines, they would be brought to the Regents for approval. At this time, he clarified, “we continue to try to make sure that everybody feels good

about the contributions that they're making, and the honorific namings as well. We will not take any actions without bringing any of those things to the Board.”

Regent Deitch commented that he shares Regent McGowan's concerns and hopes that the new guidelines will include the principle of retaining the names of buildings with honorific names.

Vice President May continued with his report on the Michigan Difference Campaign, noting that 77% of the goal has been reached for endowment funds. He also pointed out that in 2005-06, for the second year in a row, the University had achieved its highest annual giving record, having received more than \$257 million in cash beyond bequest intentions. He thanked the Regents, president, campaign volunteers, and deans for their leadership in this effort.

Regent Deitch thanked Regent Brandon and Mrs. Brandon for their extraordinary gift to the University, noting they have shown great leadership in their gifts to Mott Children's Hospital as well as to other areas of the University.

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

Retirement Memoirs. Vice President Churchill submitted one retirement memoir, for Edward J. Billy, D.M.D., clinical professor of dentistry.

Memorials. Vice President Churchill submitted a memorial statement for Gay DeLanghe, professor of dance.

Degrees. Provost Sullivan submitted for approval final degree lists for the doctoral degree list for April 2006.

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.

2006-2007 All Campus Budget Book

Executive Vice President Slottow submitted for information the All Campus Budget Book for fiscal year 2006-2007, which sets forth the budget approved by the Board of Regents at the July 2006 meeting.

Report of University Internal Audits

Executive Vice President Slottow submitted the Report of University Internal Audits for the period May 2006 - June 2006.

University of Michigan Financial Statements for the Year Ended June 30, 2006

Executive Vice President Slottow noted that the audited financial statements had been reviewed by the Finance, Audit and Investment Committee and that the auditors from Price-waterhouseCoopers have signed an unqualified opinion. Formal acceptance and approval of the audit would be requested at the October meeting.

Alternative Asset Commitments

Executive Vice President Slottow informed the board that follow-on investments have been made in a number of funds. He also noted that there had been no involvement by Regent Newman or Regent Brandon in the funds with which they have a conflict of interest (MHR Institutional Partners III, L.P., and TPG Partners V, L.P., respectively).

The following follow-on investments have been made: \$25 million to Cypress Realty VI, L.P. in June 2006; \$40 million to EnCap Energy Capital Fund VI, L.P. in April 2006; €20 million to Permira IV, L.P. in June 2006; \$30 million to TPG Partners V, L.P. in May 2006; \$25

million to Thomas, McNerney & Partners II, L.P. in July 2006; \$75 million to MHR Institutional Partners III, L.P. in June 2006; and \$50 million to Värde Fund VIII, L.P. in August 2006.

Alternative Asset Commitments (Sentient Global Resources Fund II, L.P.; Ashmore Global Special Situations Fund 3, L.P.)

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved commitments of \$20 million from the Long Term Portfolio to Sentient Global Resources Fund II, L.P., and \$60 million from the Long Term Portfolio to Ashmore Global Special Situations Fund 3.

Michigan Stadium Concrete Repair

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the Michigan Stadium 2007 Concrete Repairs Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Henry S. Frieze Building Asbestos Abatement, Demolition and Site Preparation

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the Henry S. Frieze Building Asbestos Abatement, Demolition and Site Preparation Project as described, and authorized issuing the project for bids and awarding construction contracts, providing that the bids are within the approved budget.

Executive Vice President Slottow commented that “we do recognize the need to recognize the Frieze name at an appropriate place on campus.”

Michigan Memorial Phoenix Laboratory Asbestos Abatement

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the Michigan Memorial Phoenix Laboratory Asbestos Abatement Project as

described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Student Activities Building Renovation

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved issuing the Student Activities Building Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget.

Mary B. Markley Hall 2007 Infrastructure Updates

Executive Vice President Slottow noted that this project is part of the Residential Life Initiatives (“RLI”) set forth in September 2004. On a motion by Regent Richner, seconded by Regent Brandon, the Regents unanimously approved the Mary B. Markley Hall 2007 Infrastructure Updates 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 Neurosurgery Intensive Care Unit Bed Expansion

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Neurosurgery Intensive Care Unit Bed Expansion Project as described, authorized commissioning of the architectural firm of Integrated Design Solutions, LLC, for the design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved project budget.

University of Michigan Hospitals and Health Centers University Hospital Intensive Care Unit Bed Expansion

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Intensive Care Unit Bed Expansion Project as described, authorized commissioning the architectural firm Integrated Design Solutions, LLC, for the design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved project budget.

Henry F. Vaughan Public Health Building Third and Fourth Floor Shell Space Completion

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Henry F. Vaughn Public Health Building Third and Fourth Floor Shell Space Completion Project as described, 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 24 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved each of the following items:

Subcontract Agreement between the University of Michigan and Universal Display Corporation

The Regents approved a subcontract agreement for the University to provide services under a grant to the Universal Display Corporation (UDC) from the U.S. Department of Energy for commercializing OLED technology. The agreement involves research to develop a novel solid state lighting source combining a proprietary transparent cathode organic light emitting device (TOLED) and highly efficient phosphorescent OLED (PHOLED) technologies. Because Stephen R. Forrest, a University of Michigan employee, is also partial owner of UDC, 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 Universal Display Corporation.
2. The project at the University is to be conducted over a fourteen month period at an estimated total cost of \$200,000 including indirect cost at the University's negotiated federal indirect cost rate. Inventions created under the agreement are to be deemed exclusively licensed to UDC in accordance with an amended license agreement between the University and UDC previously approved by the Regents. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Stephen Forrest's pecuniary interest arises from his status as partial owner of Universal Display Corporation.

Subcontract Agreement between the University of Michigan and Universal Display Corporation

The Regents approved a subcontract agreement for the University to provide services under a grant to the Universal Display Corporation (UDC) from the U.S. Department of Energy for commercializing organic light emitting device (OLED) technology. In this program, the two dopant scheme will be used to achieve very high color rendering index, high efficiency white color emission from an electrophosphorescent OLED. Because Stephen R. Forrest, a University of Michigan employee, is also partial owner of UDC, 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 Universal Display Corporation.
2. The project at the University is to be conducted over a nine-month period at an estimated total cost of \$10,000. Inventions created under the agreement are to be deemed exclusively licensed to UDC in accordance with an amended license agreement between the University and UDC previously approved by the Regents. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

3. Stephen Forrest's pecuniary interest arises from his status as partial owner of Universal Display Corporation.

Subcontract Agreement between the University of Michigan and Universal Display Corporation

The Regents approved a subcontract agreement for the University to provide services under a grant to the Universal Display Corporation (UDC) from the U.S. Department of Energy for commercializing organic light emitting device (OLED) technology. The agreement involves research to investigate the deposition of white OLED (WOLEDs) on ITO-coated plastic substrates to make flexible, high efficiency lighting sources. Because Stephen R. Forrest, a University of Michigan employee, is also partial owner of UDC, 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 Universal Display Corporation.
2. The project at the University is to be conducted over a nine-month period at an estimated total cost of \$10,000. Inventions created under the agreement are to be deemed exclusively licensed to UDC in accordance with an amended license agreement between the University and UDC previously approved by the Regents. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Stephen Forrest's pecuniary interest arises from his status as partial owner of Universal Display Corporation.

Purchasing Contract with Woolly Acres Nursery

The Regents approved a contract between the Matthei Botanical Gardens and Woolly Acres Nursery to provide plants. Because the owner of Woolly Acres Nursery, Jeffrey Walters, is also 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 Matthei Botanical Gardens and Woolly Acres Nursery.
2. The product to be provided is plants, over a time period of 3 years, at a total cost of \$3,000.00.
3. The pecuniary interest arises from the fact that Jeffrey Walters, a University of Michigan employee, is also owner of Woolly Acres Nursery.

Purchasing Contract with Valley View Farm

The Regents approved a purchasing contract between the Department of Pediatric Endocrinology and Valley View Farm to provide breeding needs, boarding, and maintenance for sheep that are to be used in medical research projects. Because the sole owner of Valley View Farm, Douglas Doop, is also 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 Department of Pediatric Endocrinology, and Valley View Farm.
2. The service to be provided is boarding and breeding of sheep for the purpose of medical research, for a 2-year period beginning October 1, 2006, for a total dollar amount of \$60,000.00.
3. The pecuniary interest arises from the fact that Douglas Doop, a University of Michigan employee, is the sole owner of Valley View Farm.

Contract with Elizabeth Noble Goodenough, LLC

The Regents approved a contract between Michigan Television and Elizabeth Noble Goodenough, LLC, in which Elizabeth Noble Goodenough, LLC would serve as outreach director for the documentary, *Where do the Children Play?* Because the owner of Elizabeth Noble Goodenough, LLC, Elizabeth Noble Goodenough, is also 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 Michigan Television and Elizabeth Noble Goodenough, LLC.
2. The service provided is outreach director for a documentary in production, to be completed by November 2007. The cost for the service is \$42,750.00.
3. The pecuniary interest arises from the fact that Elizabeth Noble Goodenough has an ownership interest in Elizabeth Noble Goodenough, LLC.

Purchasing Contract with QETools

The Regents approved a purchasing contract between the Center for Professional Development in the College of Engineering and QETools. Because Patrick Hammett, co-owner and president of QETools, is also 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 Center for Professional Development in the College of Engineering, and QETools.
2. The product to be provided is software, to be purchased over a two-year period beginning August 1, 2006, for a total dollar amount of \$75,000.00.
3. The pecuniary interest arises from the fact that Patrick Hammett, a University of Michigan employee, is the co-owner and president of QETools.

Purchasing Contract with K-Space Associates, Inc.

The Regents approved a purchasing contract between the Department of Materials Science and Engineering and K-Space Associates, Inc., for purchase of a RHEED analysis system. Because Roy Clarke, co-founder and co-owner of K-Space Associates, Inc., is also 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 Department of Materials Science and Engineering, and K-Space Associates, Inc.

2. The product to be provided is a RHEED analysis system for a total dollar amount of \$5,950.00.
3. The pecuniary interest arises from the fact that Roy Clarke, a University of Michigan employee, is the co-founder and co-owner of K-Space Associates, Inc.

Purchasing Contract with CNA Corporation

The Regents approved a purchasing contract between the Department of Internal Medicine and CNA Corporation. Because Gilbert Omenn, a University of Michigan employee, is also a member of the board of trustees of CNA Corporation, 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 Department of Internal Medicine, and CNA Corporation.
2. The service to be provided is consulting services for diabetes research for a period of two years and a total dollar amount of \$2,084,262.00.
3. The pecuniary interest arises from the fact that Gilbert Omenn, a University of Michigan employee, is also a member of the Board of Trustees of CNA Corporation.

Approval of Payment for Ruby Red Interactive

The Regents approved payment by the LSA Development, Marketing and Communications department to Ruby Red Interactive for video work for senior scholarship DVDs. Because the sole owner of Ruby Red Interactive, Robert Hess, is also a University of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the contract are the Regents of the University of Michigan and its LSA Development Marketing and Communications, and Ruby Red Interactive.
2. The service provided was video services for a total dollar amount of \$7,550.00.
3. The pecuniary interest arises from the fact that Robert Hess, a University of Michigan employee, is a member of the board of trustees of Ruby Red Interactive.

Approval of Payment for Maritime Photographic Company

The Regents approved payment to Maritime Photographic Company for photographic prints and books purchased by the MFit Employee Wellness Programs. Because the sole proprietor of Maritime Photographic Company, Wayne Sapulski, is also a University of Michigan employee, this transaction 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 MFit Employee Wellness Programs, and Maritime Photographic Company.
2. The service provided was photographic services for a total dollar amount of \$200.00.
3. The pecuniary interest arises from the fact that Wayne Sapulski, a University of Michigan employee, is a member of the board of trustees of Maritime Photographic Company.

Approval of Payment for Legacy Press

The Regents approved a payment by the University Library to Legacy Press for a hand-made book of engravings. Because the sole owner of Legacy Press, Cathleen Baker, is also a University of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its University Library, and Legacy Press.
2. The product is a book of engravings for a total dollar amount of \$295.00.
3. The pecuniary interest arises from the fact that Cathleen Baker, a University of Michigan employee, is the sole owner of Legacy Press.

Approval of Payment for Vincent Castagnacci

The Regents approved a payment by the Investment Office to Vincent Castagnacci for the lease of artwork. Because Vincent Castagnacci 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 Investment Office, and Vincent Castagnacci.
2. The product provided was leased artwork for a period of two years and a total dollar amount of \$240.00.
3. The pecuniary interest arises from the fact that Vincent Castagnacci, a University of Michigan employee, is the artist.

Approval of Payment to Equilibrium

The Regents approved a payment by the University Bands to Equilibrium for the purchase of University of Michigan Symphony Bands CDs. Because the president of Equilibrium, Michael Udow, 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 University Bands, and Equilibrium.
2. The product provided was University Symphony Band CDs for a total dollar amount of \$480.00.
3. The pecuniary interest arises from the fact that Michael Udow, a University of Michigan employee, is the president of Equilibrium.

Option Agreement between the University of Michigan and Lycera, Inc.

The Regents approved an option agreement between the University of Michigan and Lycera, Inc. for commercialization of the following University of Michigan technologies: UM File No. 1671, “Methods for the Treatment of Autoimmune Disorders” (Glick and Opipari); UM File No. 1671 c1, “Pro-Apoptotic Benzodiazepines” (Glick); UM File No. 1671 c1p1, “Methods for Identifying Therapeutically Useful Cytotoxic Agents” (Glick and Opipari); UM File No. 1671 c1p2, “Compositions and Methods Relating to Novel Compounds and Targets Thereof”

(Glick and Oipari); UM File No. 1671 c1p3, "Compositions and Methods Relating to Novel Compounds and Targets" (Glick and Oipari); UM File No. 1671 c1p4, "Compositions and Methods Relating to Novel Compounds and Targets Thereof" (Glick and Oipari); UM File No. 1671 c1p5, "Compounds and Methods for Modulating Retinoid-Induced Hyperplasia" (Glick); UM File No. 1671 c1p6, "Compositions and Methods relating to Novel Compounds and Targets Thereof;" UM File No. 1978/2294, "Methods for Identifying Therapeutically Useful Cytotoxic Agents;" UM File No. 2606, "New Cytotoxic and Antiproliferative Agents;" UM File No. 2846/3084, "Novel Compounds and Targets for Ischemic Disease," (Glick); UM File No. 2871, "Treatment of Autoimmune Disease and Cancer;" UM File No. 2968/3023, "New Benzodiazepine Crystal Forms" (Glick and Adam Matzger); UM File No. 2995, "New Cytotoxic and Antiproliferative Agents" (Glick); UM File No. 3148, "New applications for aziridines and related compounds" (Glick); UM File No. 3160, "Compounds and Method for Modulating Albinism;" UM File No. 3204, "New Heterocyclic analogs of Bz-423" (Glick); UM File No. 3215, "New Heterocyclic analogs of Bz-423" (Glick); UM File No. 3226, "Novel Inhibitors of a Certain ATPase with Therapeutic Properties" (Glick and William Roush); UM File No. 3248, "Novel Cytotoxic Benzodiazepines with Therapeutic Potential" (Glick).

Gary Glick, Anthony Oipari, and James Ferra are University of Michigan employees who are also partial owners of Lycera, Inc. Therefore, 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 Lycera.
2. Option terms include giving Lycera a time limited option to obtain an exclusive license with the right to grant sublicenses. Lycera will pay an option fee and reimburse ongoing patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. Standard disclaimers of warrantees

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 Drs. Glick, Ferra and Opirari arise from their ownership interest in Lycera. They have waived any personal participation in the sharing of revenue received by the University.

Research Agreement between the University of Michigan and Biodiscovery LLC

The Regents approved a research agreement between the University of Michigan and Biodiscovery LLC for the funding of a project under the direction of Professor Erdogan Gulari. Because Erdogan Gulari and Jean Marie Rouillard, University of Michigan employees, are also co-founders of Biodiscovery 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 Biodiscovery LLC.
2. The terms of the agreement conform to University policy. Dr. Gulari will be the principal investigator for the project at the University to be conducted over a twelve-month period at an estimated total cost of \$84,900. The subcontract includes a provision for extensions of the time period and scope of work. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Erdogan Gulari's and Jean Marie Rouillard's pecuniary interest arises from their status as co-founders of Biodiscovery LLC.

Membership Agreement between the National Science Foundation Engineering Research Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and Evigia Systems

The Regents approved a membership agreement between the National Science Foundation Engineering Research Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and Evigia Systems. Because Kensall D. Wise is a University of Michigan employee and also has 2.5% founders stock in Evigia Systems, 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 National Science Foundation Engineering Research Center for Wireless Integrated Microsystems (WIMS) at the University of Michigan and Evigia Systems.
2. The partnership agreement conforms to University policy. It has no specific deliverables unique to Evigia Systems.
3. Professor Wise's pecuniary interest arises from his ownership interest Evigia Systems.

Second Amendment to Patent Option Agreement between the University of Michigan and Incept Biosystems

The Regents approved a second amendment to a patent option agreement between the University of Michigan and Incept Biosystems. Because Professors Shuichi Takayama and Gary Smith are both University of Michigan employees and partial owners of Incept Biosystems, this amendment 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 Incept Biosystems.
2. Amendment terms include giving Incept Biosystems an option to an exclusive license with the right to grant sublicenses. Incept Biosystems will reimburse patent costs incurred by the University. 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 conflict of interest review will be done as appropriate.
3. The pecuniary interests of Drs. Takayama and Smith arise from their ownership interest in Incept Biosystems. They have waived any personal participation in the sharing of revenue received by the University.

Amendment to License Agreement between the University of Michigan and Avidimer Therapeutics, Inc.

The Regents approved an amendment to a license agreement between the University of Michigan and Avidimer Therapeutics, Inc. Because the partial owner, director and officer of

Avidimer Therapeutics, Inc. (“Avidimer”), 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 Avidimer Therapeutics, Inc.
2. Agreement terms include giving Avidimer an exclusive license with the right to grant sublicenses. Avidimer will pay a royalty on sales and reimburse 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 agreement 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 interest of Dr. Baker arises from his ownership interest in Avidimer. He has waived any personal participation in the sharing of revenue received by the University.

Option Agreement between the University of Michigan and OcuSciences, Inc.

The Regents approved an option agreement between the University of Michigan and OcuSciences, Inc. (“OSI”), for commercialization of the technology “Method of Evaluating the Metabolism of the Eye” (Petty and Elnor) (UM OTT File No. 2573). Because Victor Elnor and Howard Petty are both University of Michigan employees and partial owners and officers of OcuSciences, 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 Regents of the University of Michigan and OcuSciences, Inc.
2. Option terms include giving OSI an exclusive option for an option period where the company will evaluate the technology and market potential. 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 agreement 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 Drs. Elner and Petty arise from their ownership interest in OSI. Drs. Elner and Petty have waived any personal participation in the sharing of revenue received by the University.

Amendment to License Agreement between the University of Michigan and Ascenta Therapeutics, Inc.

The Regents approved an amendment to a license agreement between the University of Michigan and Ascenta Therapeutics, Inc. (“Ascenta”), to commercialize compounds with anti-cancer applications. Ascenta wishes to add the following technologies from the University to its existing license agreement: UM OTT File No. 3295, “Conformationally Constrained, Bivalent Small-molecule Smac Mimetic” (Wang, Haiying Sun, Dongguang Qin, Jianfeng Lu, Su Qiu, Yuefeng Peng), and UM OTT File No. 3414, “Non-Peptide Small Molecule Inhibitors” (Wang, Zaneta Nikolovska-Coleska, Qin, Yipin Lu).

Because Marc Lippman, Shaomeng Wang and Dajun Yang are University of Michigan employees and partial owners of Ascenta, 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 Ascenta Therapeutics, Inc.
2. The agreement adds the above-referenced technology files which were developed under a sponsored research agreement with Ascenta. Current license terms include giving Ascenta a exclusive license with the right to grant sublicenses. Ascenta will pay a royalty on sales and reimburse 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 agreement 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 Drs. Lippman, Want and Yang arise from their ownership interests in Ascenta.

License Agreement between the University of Michigan and Immunomics, Inc.

The Regents approved a license agreement between the University of Michigan and Immunomics, Inc. to license the following technology from the University: UM OTT File No. 2791, “Phaage Microarray Profiling of the Humoral Response to Cancer” (Chinnaiyan and Xiaoju Wang). Because Arul Chinnaiyan and David Beer, partial owners of Immunomics, 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 Immunomics, Inc.
2. Agreement terms include giving Immunomics an exclusive license with the right to grant sublicenses. Immunomics will pay a royalty on sales and reimburse 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 agreement 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 Drs. Chinnaiyan and Beer arise from their ownership interest in Immunomics. They have waived any personal participation in the sharing of revenue received by the University.

Amendment to License Agreement between the University of Michigan and NanoBio Corporation

The Regents approved an amendment to a license agreement between the University of Michigan and NanoBio Corporation to add the following technologies from the University into the existing license: UM File Nos. 3309.1, “Nanoemulsion Vaccines” (Baker, Anna Bielinska, Andrzej Myc, Zhengyi Cao, Brian Donovan); UM File No. 3309.2, “Compositions and methods for bacillus anthracis vaccination” (Baker, Bielinska, and Myc); UM File No. 3309.3, “Compositions and methods for Orthopox virus vaccination” (Baker, Bielinska, Myc); and UM File No. 3309.4, “Compositions and methods for immunodeficiency virus vaccination” (Baker, Bielinska,

Myc, Cao, Donovan). Because James R. Baker, Jr., part owner and chair of the board of directors of NanoBio, 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 Regents of the University of Michigan and NanoBio Corporation.
2. Agreement terms include giving NanoBio an exclusive license with the right to grant sublicenses. NanoBio will pay a royalty on sales and reimburse 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 agreement 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 interest of Dr. Baker arises from his ownership interest in NanoBio. He has waived any personal participation in the sharing of revenue received by the University.

Establishment of Michigan Memorial Phoenix Energy Institute (MMPEI)

Vice President Forrest informed the Regents about the establishment of the Michigan Memorial Phoenix Energy Institute (MMPEI), which will serve as a major focal point and promoter of energy-related research across the campus. He also announced that Professor Gary Was will become the inaugural director of the institute.

Regents' Meeting Schedule for 2007

Vice President Churchill noted that the meeting schedule for 2007 approved by the Board of Regents at the July 2006 meeting contained an error in the date of the October meeting. The correct date is October 25, and the corrected meeting schedule is below:

January 18
February 15
March 15
April 19
May 17 (Dearborn campus)

June 21
July 19
September 20
October 25* (Flint campus)
November 15
December 13

Approval of UM-Flint Academic Calendar for 2008-09

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved the UM-Flint academic calendar for 2008-09, as described in the Regents Communication.

Revision of UM-Flint Academic Calendars for 2006-07 and 2007-08

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved a revision of the UM-Flint academic calendars for 2006-07 and 2007-08, as described in the Regents Communication.

Approval of UM-Dearborn Academic Calendars for 2008-2009 and 2009-2010

On a motion by Regent Richner, seconded by Regent McGowan, the Regents unanimously approved UM-Dearborn academic calendars for 2008-2009 and 2009-2010.

This concluded the formal business agenda, and a five-minute break followed.

Public Comments

The Public Comments session began at 11:45 a.m. The Regents heard comments from the following individuals, on the topics indicated: Ron Eisenhart, alumnus, Philip Nussel, alumnus, Richard Rattner, alumnus, Andrew Mignery, alumnus, John Kryk, citizen, John U. Bacon, alumnus, and William Wilson, alumnus, all on the topic of Michigan Stadium

renovations; Jim Mogensen, citizen, on the Ann Arbor Transportation Authority and the University, and David Boyle, alumnus, on UM investments in Sudan.

There being no further business, the meeting was adjourned at 12:30 p.m. The next meeting is scheduled for October 20, 2006.