

MARCH MEETING, 1999

*The University of Michigan
Ann Arbor
Thursday, March 18, 1999*

The Regents convened at 1:40 p.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Horning, Maynard, McGowan, Newman, and White. Also present were Provost Cantor, Executive Vice President Kasdin, Vice President Feagin, Vice President Hartford, Vice President and General Counsel Krislov, Executive Vice President Omenn, Vice President Ulaby, Chancellor Renick, Interim Chancellor Schmoll, Vice President and Secretary Tedesco, and Vice President Wilbanks. Regent Taylor arrived at about 2:00 p.m.; Regent Deitch was absent.

Anti-Sweatshop/Human Rights Policy

President Bollinger called the meeting to order and read a statement with respect to the production of apparel and merchandise bearing the University mark.

“Today we are announcing a comprehensive policy designed to ensure that apparel and merchandise bearing the University mark or other insignia are manufactured in accordance with ethical and legal business practices. We at this university are a leader in the marketing of university apparel, and we want to help lead in guaranteeing that the workers who make these goods receive their human rights and basic human dignity. We are proud of this policy. It will help insure fundamental freedoms for these workers, including decent and safe working conditions and protection from coercive exploitative conditions. To insure that these principals are followed, we are committing to full public disclosure of the manufacturing locations of our licensees. We are also committed to studying carefully the issue of compensation standards. We will join other educational institutions and national and international organizations to try to determine guidelines for wages that will meet at least basic needs consistent with human rights and human dignity.

“Let me say a word about our students who have helped lead the call for this policy. I have met with them on two occasions and I know they have met with others on numerous occasions, especially with Vice President Krislov. Many of the students have been residing in my office for the past two days. We can be enormously proud of these

students for the work that they have done on this issue and for their efforts to try to help us understand how to think about these important questions of human rights. They remind all of us how important it is to consider our impact on others in the greater communities we touch.

We have been able to agree with the students on virtually every point. We have not been able to agree on the extent to which we can commit ourselves to standards not yet defined. We must be responsible about the commitments we make. We share the students' objectives and look forward to working with them to implement these principles. There is plenty of work to do; a piece of paper alone, after all, does not achieve the results we all want. Let me reassure the students that we will continue to respect their rights to speak and that we do not plan to prosecute or penalize them in connection with their exercise of free speech."

President Bollinger then distributed copies of the following policy:

ANTI-SWEATSHOP/HUMAN RIGHTS POLICY

The University of Michigan, the nation's leading college or university in the sale of licensed apparel and other goods, is committed to ethical and legal business practices. Accordingly, for the past several years, we have been actively participating in the national dialogue designed to eradicate sweatshop conditions surrounding the manufacturing of products publicly associated with this University.

As reported previously to the Board of Regents, for the past 17 months the University has served on a task force of colleges and universities affiliated with the Collegiate Licensing Company. The task force is completing work on a code of conduct for licensees that will help guarantee safe, healthy and fair conditions for workers who produce these licensed goods. The University also has engaged in discussions with the U.S. Labor Department, the Apparel Industry Partnership and the newly-formed Fair Labor Association, non-governmental entities and the many private and public sector parties who have joined the dialogue.

These issues have provoked sustained concern from many parts of our community: students, including the Michigan Student Assembly, have spoken out and demanded that the University take a position on eliminating sweatshops and ensuring fair working conditions for those who produce University of Michigan-Marked goods. We, therefore, wish to articulate the University's principles on these important human rights issues.

Principles:

1. Code of Conduct. We believe firmly that workers in this country and abroad who help produce licensed goods bearing the insignia or name of the University of Michigan, should be treated humanely and fairly and should work under healthy and safe conditions. Accordingly, we will endorse the task force's recommendations that a Code of Conduct for all licensees include important provisions, many of which are supported by national or international law and deeply held norms. These provisions aim to ensure:

Compliance with all applicable national laws;

- Compensation standards, including payment of the higher of the minimum wage or local prevailing wage;
- Humane limitations on the required hours of work;
- Premium rates for overtime work;
- Limitations on child labor, consistent with international and national law;
- Prohibition of forced labor;
- Safe and healthy working environment;
- Nondiscrimination in employment based on gender, race, religion, age, disability, nationality, or ethnic origin;
- Prohibition of harassment of employees; and

- Freedom of association and collective bargaining.
2. Commitment to Implementation. We also believe firmly that ensuring that these provisions (and others as described below) are followed will require commitment and follow-through, not only by this institution, but by other colleges and universities and many interested parties. We, therefore, will join appropriate associations, consortia, or other groups that will work to ensure compliance by licensees and manufacturers. As the task force draft recommendations recognize, it will be necessary to create a system of independent monitoring across many different countries. Licensees will be expected to verify and monitor compliance, but we can be confident of the results only if outside, credible sources confirm that the conditions are being met.
 3. Anti-Sweatshop Advisory Committee. We will establish an Anti-Sweatshop Advisory Committee composed in equal proportions of students, faculty and staff to study these important issues. Students will be appointed in consultation with the Michigan Student Assembly and faculty will be appointed in consultation with the Senate Advisory Committee on University Affairs and the Academic Program Group. This advisory committee will advise University administrators on issues including the Code of Conduct for licensees, the monitoring system, and may sponsor fora, studies or other educational or informational efforts. The Advisory Committee should submit its initial report to the President within 12 months of the committee's appointment, and shall submit short update reports quarterly until that time.
 4. Public Disclosure. We believe that members of this community, and consumers of University of Michigan licensed merchandise, should know that these goods are manufactured in compliance with the Code of Conduct. We will require our licensees to provide full disclosure as expeditiously as possible under existing contracts and as a condition of future contracts. Accordingly, we will advocate that the task force move promptly to provide full public disclosure of company names, production and manufacturing locations for licensed products. The Anti-Sweatshop Advisory Committee should make any recommendations to achieve this objective in its report.
 5. Compensation Standards. We believe that, as a matter of human rights and human dignity, workers engaged in the production of licensed goods should receive wages that meet at least their basic needs. This concept has been sometimes referred to as a "living wage". In many instances, such a wage level would exceed the minimum and/or prevailing wage. However, defining a wage level or levels (across different countries and locations) presents significant challenges: it is widely held that there is no current consensus on these compensation levels. Nevertheless, we believe it is fundamentally important to engage in that process to define wage level(s) for workers engaged in the production of licensed apparel that would meet at least their basic needs and be consistent with human rights.

Accordingly, we will join in appropriate research studies with sister institutions and governmental entities such as the United States Labor Department and international groups and organizations, to determine guidelines that could create appropriate wage standards. Through these studies and in consultation with the Advisory Committee, the University will work to identify a wage level(s) for workers employed by our licensees consistent with human rights and our University values. Based on that information, we will work to implement a policy that will ensure that our licensees compensate workers at a wage level(s) consistent with basic human rights and dignity. Additionally, we will advocate that the task force, the Apparel Industry Partnership's Fair Labor Association and other national and international organizations explore this topic to determine how and where the Code of Conduct might be modified to reflect the payment of wage level(s) consistent with human rights.

6. Women's Rights. The vast majority of workers making licensed goods are women who may be vulnerable to exploitation or coercion. We, therefore, will advocate that the Code of Conduct should explicitly protect women with respect to equal pay, equal treatment and equal rights, as well as ensure their reproductive health and freedom during pregnancy and maternity leave. We will require our licensees to ensure that women employees receive fair treatment and are free from coercion or exploitation. The Advisory Committee should consider this issue in its report.

President Bollinger announced that the action items from the regular agenda would be considered first, followed by the consent agenda.

Audited Financial Reports for WUOM/WVGR/WFUM and WFUM-TV for the Fiscal Year Ended June 30, 1998

Executive Vice President Kasdin submitted for approval audited financial statements for the University's radio and television stations. Regent Newman moved approval of the audited financial reports for WUOM/WVGR/WFUM-FM and WFUM-TV for the Fiscal Year Ended June 30, 1998. Regent White seconded the motion and it was approved unanimously.

Remodeling of Fourth Floor Laboratories in the Chemistry Building

Executive Vice President Kasdin noted that the estimated cost of this project for remodeling of space in the Chemistry Building for construction of new research laboratories and related facilities and equipment is *up to* \$1,200,000. He reported that the cost cannot be more accurately stated because the type of construction being done is extremely delicate and unique with respect to the surrounding spaces.

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved the project as described in the Regents Communication.

Appointment of Auditors for 1998-99

Executive Vice President Kasdin observed that Ernst & Young had served the University well as its auditors for the past twelve years. The recommendation for the appointment of PricewaterhouseCoopers LLP was made following an announcement of requests for proposals and interviews with several firms. He introduced Mr. Darrell Burks and Mr. Jack McCarthy of PricewaterhouseCoopers LLP.

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the appointment of PricewaterhouseCoopers LLP as auditors for 1998-99.

University of Michigan Hospitals and Health Centers Magnetic Resonance Imaging Scanner Project

Executive Vice President Omenn presented a request for approval of the design of the magnetic resonance imaging scanner addition to the East Ann Arbor Health Center and for authorization to issue the project for bids and award a construction contract.

Mr. Steve Whitney, of Albert Kahn Associates, Inc., presented renderings of the existing facility and mammography unit with the proposed MRI addition. He noted that it is designed for future expansion, and that the addition will not have a negative impact on parking. President Bollinger observed that this addition is consistent esthetically and functionally with the rest of the Health Center.

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the design of the magnetic resonance imaging scanner addition to the East Ann Arbor Health Center as presented, and authorized issuing the project for bids and awarding a construction contract, providing the project remains within the project budget.

University of Michigan Hospitals and Health Centers Emergency Power Project

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan Hospitals and Health Centers Emergency Power Project, as described in the Regents Communication.

University of Michigan Hospitals and Health Centers: Industrial Technology Institute Building

Executive Vice President Kasdin submitted a recommendation for purchase of the Industrial Technology Institute Building at a price of \$12.5 million, with up to an additional \$1.0

million for the purchase of personal property. The building would be used to relocate many of the administrative functions currently located in the North Ingalls Building as well as relocation and consolidation of the Medical Records functions into one primary location. Executive Vice President Omenn observed that relocation of the administrative functions from clinical and research areas of the Health System to an outlying area will have a positive impact on patient care by providing room for expansion of services.

Regent Maynard moved approval of the purchase of the Industrial Technology Institute building and personal property at a total price of \$13.5 million, subject to the negotiation of a satisfactory purchase agreement, acceptable environmental reports and completion of due diligence. Regent Newman seconded the motion. Regents McGowan, Brandon, and Newman announced that they would abstain from voting due to conflicts of interest. It was decided to delay consideration of this issue until it could be determined whether a vote under these circumstances would be consistent with the guidelines established in *Roberts' Rules of Order*.

Alternative Asset Investments

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved commitment of up to \$10.0 million of the Long Term Portfolio to Sequoia Capital Franchise Fund, L.P., pending a favorable review of the legal documents by the Office of the General Counsel.

Committee to Consider Tobacco Investments

President Bollinger and Executive Vice President Kasdin informed the Regents that a special committee is to be appointed to weigh the argument for the University to divest itself of securities issued by tobacco companies and to recommend whether any action would be appropriate. The committee would consist of students, faculty, administration, and alumni.

Chrysler Center for Continuing Engineering Education Auditorium Renovations

On a motion by Regent Horning, seconded by Regent Newman, the Regents unanimously approved a project for renovating the Chrysler Center for Continuing Engineering Education Auditorium, at an estimated cost of \$800,000.

S.T. Dana Building - School of Natural Resources & Environment Phase II Renovation Project

Executive Vice President Kasdin noted that this project is part of the FY2000 Capital Outlay Request submitted to the state, and that the state has authorized proceeding with planning for the project at an estimated cost of approximately \$15 million. Regent White moved approval of the Dana Building - School of Natural Resources and Environment Phase II Renovation Project, and authorization for the appointment of Quinn Evans/Architects in association with William McDonough + Partners, Architects and Planners, as described in the Regents Communication. Regent Newman seconded the motion, and it was approved unanimously.

Health Service Building - Remodeling of First Floor Treatment Center

On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved a project for remodeling of 2,000 square feet of space at the east end of the Health Service Building, as described in the Regents Communication. Executive Vice President Kasdin noted that in addition to providing services to students, the Health Service Building is a designated M-Care primary provider site.

License Agreement between the University of Michigan and Bandwidth Solutions, Inc.

On a motion by Regent McGowan, seconded by Regent Brandon, the Regents unanimously approved a license agreement between the University of Michigan and Bandwidth Solutions, Inc., for commercialization of several related patented inventions developed and

owned by the University of Michigan. Because Mohammed N. Islam holds an equity interest in Bandwidth Solutions, Inc., and 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 Bandwidth Solutions, Inc., a company in which Mohammed N. Islam holds an equity interest.

2. Contract terms:

The University of Michigan is to receive as up-front consideration for the license common stock of Bandwidth Solutions, Inc. equal to five percent (5%) of the fully diluted shares of the company determined as of the closing of the Bandwidth Solutions, Inc. Series A preferred financing, which closing already has taken place.

Royalties to the University of ½% of the Net Sales of Bandwidth Solutions, Inc. and its affiliates.

Royalties of 30% on sublicense revenue.

Exclusive right to practice and commercialize the technology in the field of optical communications devices and systems, subject to certain rights reserved by the University to practice it for research and educational purposes. The University retains its ownership interests.

Minimum annual royalties of \$5,000.00 for each of years 2001-2003; \$10,000.00 for years 2004 and 2005; and \$25,000.00 for 2006 and each year thereafter during the term of the agreement.

Term of the agreement is for the life of the patents.

No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.

3. Mohammed Islam's pecuniary interest arises from his ownership interest in Bandwidth Solutions, Inc. He has waived any personal participation in the sharing of royalties received by the University from the company.

Research Agreement between the University of Michigan and EP MedSystems, Inc.

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved an agreement between the University of Michigan and EP MedSystems, Inc. (hereafter, "Company") for the funding of clinical research. Because Janice Jenkins is both a University of Michigan employee and an owner/employee of the Company, this agreement falls

under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and EP MedSystems, Inc.
2. Terms of the agreement conform to University policy. The period of performance is one year at a total cost of \$18,050.
3. Janice Jenkins' pecuniary interest arises from her status as an owner/employee of EP MedSystems, Inc.

Reassignment Agreement between the University of Michigan and Chen-Hsing Hsu, M.D.

On a motion by Regent Newman, seconded by Regent Horning, the Regents unanimously approved a reassignment agreement between the University of Michigan and Chen-Hsing Hsu, M.D., regarding the invention "New Phosphate Binding Agents for Renal Failure." Because Dr. Hsu is both a University of Michigan employee and a party to the agreement, 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 Chen-Hsing Hsu, M.D.
2. Terms of the agreement include payment to the University on a quarterly basis of 15% of the total consideration received by Dr. Hsu. There will be no use of University facilities or services in further development of the invention without appropriate approvals. The agreement also includes standard terms approved by the Board of Regents on July 16, 1987.

Regent Taylor arrived at the meeting at this point, at around 2:00 p.m.

Director of Public Safety and Security

Executive Vice President Kasdin announced that Mr. Leo Heatley, director of public safety and security, was retiring from the University. He noted that Mr. Heatley had come to the University of Michigan in 1979, and had been instrumental in establishing the Department of Public Safety as a separate police force. He thanked Director Heatley for his service to the University. A round of applause followed.

Executive Vice President Kasdin noted that Captain Jim Smiley, currently associate director of public safety and security, would serve as interim director of public safety and security until a new director is identified. He noted that the search committee for the new director, chaired by Professor Suellyn Scarnecchia, has begun its work.

New Degree Program for University of Michigan-Dearborn School of Management (“Master of Science in Accounting”)

Regent Newman moved approval of the “Master of Science in Accounting” degree program for the University of Michigan-Dearborn School of Management. Regent White seconded the motion. Regent Newman commented that she was pleased with the new opportunities being provided on the Dearborn campus for adults in the business community who are returning to school.

The vote was then taken and the motion was approved unanimously.

New Degree Program for University of Michigan-Dearborn School of Management (“Master of Science in Finance”)

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved establishment of a “Master of Science in Finance” degree program for the University of Michigan-Dearborn School of Management.

University of Michigan Hospitals and Health Centers: Industrial Technology Institute Building

Regent Taylor announced that in addition to Regents McGowan, Brandon, and Newman, he would also need to abstain from voting on this issue due to a conflict of interest.

Regent Horning moved approval of the purchase of the Industrial Technology Institute building and personal property at a total price of \$13.5 million, subject to the negotiation of a satisfactory purchase agreement, acceptable reports, and completion of due diligence. Regent Maynard seconded the motion. The vote was then taken, and the motion was approved

unanimously, with Regents Horning, Maynard, and White voting in favor, and Regents Brandon, McGowan, Newman, and Taylor abstaining.

Consent Agenda

Personnel Actions. Provost Cantor submitted recommendations for a number of personnel actions. She called attention to recommendations for three appointments to distinguished university professorships, and to the appointment of Fawwaz Ulaby as vice president for research.

Degrees. Provost Cantor submitted for approval the final degree list for the December 1998 Law School Commencement.

Honorary Degrees. President Bollinger submitted the following recommendations for recipients of honorary degrees: Kofi Annan, Secretary General of the United Nations; Aharon Barak, Chief Justice of the Supreme Court of Israel; Shirley M. Malcolm, director for education and human resources of the American Association for the Advancement of Science; and Pramoedya Ananta Toer, Indonesian author.

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of February 18, 1999, as corrected.

Retirement Memoirs. Two retirement memoirs were submitted for adoption.

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

Reports. Executive Vice President Kasdin submitted reports of Investment, Plant Extension, and Human Resources and Affirmative Action. Vice President Ulaby submitted the report of Projects Established for February 1999. The Regents received the Faculty Governance Update and the MSA Monthly Report.

Voluntary Support. Vice President Feagin submitted the Report of Voluntary Support for February 1999.

On a motion by Regent White, seconded by Regent Horning, the Regents unanimously approved the Consent Agenda.

There followed a ten minute break, beginning at 2:20 p.m.

Michigan Greats

The meeting reconvened at 2:30 p.m. Vice President Ulaby gave a presentation highlighting the career and accomplishments of Jessye Norman, University of Michigan alumna and world renown soprano.

Public Comments

The Regents heard comments from Brian Reich, student, thanking the Regents for the recently approved amendment process for the Code of Student Conduct; and Veronica Reyna, student, thanking the University community for its support and Provost Cantor for her commitment during the recently concluded bargaining process that culminated in a tentative contract agreement between the Graduate Employees Organization (GEO) and the University.

There being no further business, the meeting was adjourned at 3:50 p.m. The next meeting will be held April 15-16, 1999.