

DECEMBER MEETING, 2000

*The University of Michigan
Ann Arbor
Thursday, December 14, 2000*

The Regents convened at 2:15 p.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Horning, Maynard, McGowan, Newman, and Taylor. Also present were Provost Cantor, Vice President Feagin, Vice President Harper, Executive Vice President Kasdin, Vice President and General Counsel Krislov, Chancellor Little, Chancellor Mestas, Executive Vice President Omenn, Vice President Rudgers, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Regent White was absent. Regent Deitch arrived shortly after the start of the meeting.

Admissions Lawsuit

President Bollinger announced that U.S. District Court Judge Patrick Duggan had recently issued a landmark ruling upholding the constitutionality of the University's current admissions policy. He noted that the University's defense of its policies was unique among institutions that have faced similar lawsuits and the result was extremely gratifying. He recognized the efforts of a number of individuals who had contributed to this outcome, especially Provost Cantor; Professor Patricia Gurin; Vice President Krislov and Associate Vice President Elizabeth Barry; the outside counsel; former President Gerald Ford; the corporations that had supported the University's argument, including General Motors and Steelcase; and former Governor Milliken.

Life Sciences Corridor

President Bollinger noted that the state of Michigan had pledged to provide \$50 million per year in research funding for the life sciences corridor, to be shared by the University of Michigan, Michigan State University, Wayne State University, and the Van Andel Institute. He announced that the Life Sciences Corridor steering committee had unanimously approved funding for infrastructure for the life sciences over the next two years for the University of Michigan and the Van Andel Institute, and had also awarded funding for 24 proposals by University of Michigan investigators for the coming year. He noted that the infrastructure project is a partnership between the state, the major public research universities, and the Van Andel Institute, and this represents the first time that such cooperation has occurred.

Regents' Comments Regarding Admissions Lawsuit

Regarding the admissions case, Regent McGowan commented that past Boards of Regents, in addition to the current board, have been consistent in their support of the University's admissions policies. She said that she was especially impressed by the judge's clear representation of the preparedness of the groups that testified in support of the University's policies. She pointed out that it is highly unusual for a judge to make such comments about the preparation that had gone into a defendant's presentation of its case. She expressed her personal gratitude to all of those who have worked on the case.

Annual Report on Research

Vice President Ulaby gave his annual report to the Regents on research, scholarship and creative activity at the University of Michigan for FY2000. The entire report is on file in the Office of the Vice President and Secretary of the University. He noted that research expenditures for FY2000 totaled \$545 million, an increase of 9.1 percent over the previous year. New

research awards in FY 2000 rose 45 percent over the previous year, to \$650 million. The University of Michigan is the leading research university in the nation, as measured by expenditures to support research.

Vice President Ulaby reviewed the mission and functions of the Office of the Vice President for Research. He then provided a special video presentation on the role and experiences of graduate students in research and scholarship.

He concluded by giving an update on the Life Sciences Corridor Initiative, noting that the University of Michigan and start-up companies linked to the University will receive nearly \$48 million in funding for the first two years of the initiative. In addition, the University of Michigan, Michigan State University, Wayne State University, and the Van Andel Institute have proposed the collaborative development of five core technologies, in the areas of genomics, proteomics, structural biology, animal model development, and bioinformatics, to enhance life sciences research and development. The University of Michigan will provide the headquarters for the proteomics and bioinformatics cores.

Vice President Ulaby noted that the interrelationships between the University's life sciences initiative and the statewide corridor efforts are already in place and will benefit both initiatives. He concluded by thanking the Regents, executive officers, and staff across the whole institution for their support of the University's research enterprise.

Sustainability

Executive Vice President Kasdin observed that the University has been involved for many years in efforts to fulfill its stewardship obligations with respect to the environment, while doing so in a financially responsible manner. He noted that MSA and members of the Ann Arbor community had recently expressed interest in entering into this discussion and he

welcomed their participation. He introduced Terry Alexander, director of occupational safety and environmental health, to give an overview of programs that have been underway for the past several years.

Mr. Alexander noted that the University had received an Energy Star Award from the Environmental Protection Agency in 1998 for energy conservation projects done at the Hatcher Library, and that this was the first of many buildings completed and just one of many recognitions the University has received over the years for such projects. He said that University staff take great pride in environmental stewardship and work closely with faculty and students in these efforts. He gave an overview of the University's energy conservation efforts, noting that over 25 million kilowatt hours of power are saved, and 90,000 pounds of lighting ballasts and 140,000 fluorescent light bulbs are recycled annually. He reported that the University is committed to using cleaner alternative fuels and renewable energy in buildings and vehicle fleets, and saves over \$1 million annually by purchasing energy from a number of suppliers.

Other efforts include pollution reduction strategies, such as removing underground storage tanks, eliminating mercury from laboratory equipment and using smaller quantities of chemicals for experiments, and working with alternatives to the use of salt in de-icing. Recycling programs are being used during student move-out and at Michigan Stadium, and there is a full campus-wide recycling effort that recycles 30 percent of the waste stream. He noted that last year the University recycled 4.6 million pounds of paper and cardboard.

Mr. Alexander reported that the University incorporates environmental design into construction projects when feasible and that storm water management is a critical part of building design. The Hospital is replacing its waste incinerator with a steam sterilization process, which has eliminated the air pollution concerns caused by the incinerator.

He observed that challenges include building on existing programs by increasing participation, the need for collaboration with faculty and student groups, and the need to incorporate environmental concerns into the decision-making process across the campus. He concluded by introducing staff members who work on these programs.

Consent Agenda

Minutes. Vice President Tedesco submitted the Minutes of the meeting of November 16, 2000.

Reports. Executive Vice President Kasdin submitted Reports on Investment, Plant Extension, and Human Resources and Affirmative Action. He noted again that although the value of the endowment is being maintained for the time being, the University should expect to give back some of last year's extraordinary gains.

Vice President Krislov submitted the Litigation Report.

Vice President Ulaby submitted the Report of Projects Established, November 1-30, 2000.

University of Michigan Health System. There was no report on the Health System this month. Regent Maynard commented on recent news reports on the reduction in waiting time for the scheduling of mammograms at the Health System and commended Executive Vice President Omenn for his role in this.

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

UM-Dearborn. Chancellor Little noted that two UM-Dearborn students had recently participated in the 11th annual Argonne Symposium for Undergraduates in Science, Engineering and Mathematics at the Argonne National Laboratory in Illinois. He also reported on an exhibition of photographs documenting the religious diversity of metropolitan Detroit that is part of a

national effort to explore the varieties of religious. The Detroit-area portion of this project is led by UM-Dearborn faculty member Claude Jacobs. Chancellor Little also commented on the spectacular inauguration celebration and ceremony that had recently been held in his honor.

UM-Flint. There was no report from the Flint Campus.

Michigan Student Assembly. President Bollinger noted that MSA president Hideki Tsutsumi was absent. Mr. Siafa Haj, MSA treasurer, reported that the positive outcome of the admissions lawsuit was cause for jubilation in the MSA office and was well-received by students across the campus. He also thanked the University for its efforts in environmental sustainability. He introduced Mr. Karl Steyaert, a graduate student in anthropology, who spoke about the “Proposal for a Sustainable University of Michigan”. This is a student-led initiative whose purpose is to encourage the University to increase its environmental and social responsibility in education, research, and physical operations.

Mr. Steyaert described the proposal and noted that it calls for the University to move more explicitly and directly toward increased sustainability.

Voluntary Support. Vice President Feagin submitted the Report of Voluntary Support for November 30, 2000.

Personnel Actions/Personnel Reports. Provost Cantor submitted a number of Personnel Actions and Personnel Reports.

Retirement Memoirs. Vice President Tedesco submitted for adoption ten retirement memoirs.

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

Degrees. There were no actions with respect to degrees.

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

Alternative Asset Commitments

Executive Vice President Kasdin informed the Regents that follow-on investments had been made in Oak Investment Partners X, L.P. (\$10.0 million), Pacven Walden V, L.P. (\$10.0 million), and Summit VI, L.P. (up to \$15.0 million).

Parking Services Year 2001 Annual Maintenance Program

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved proceeding with the Parking Services Year 2001 Annual Maintenance Program, as described in the Regents Communication.

East Quadrangle Fire Detection Alarm System and Electrical System Replacement

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved proceeding with the East Quadrangle Fire Detection Alarm System and Electrical System Replacement Project, as described in the Regents Communication, and authorized issuing the project for bids and awarding a construction contract, provided that bids are within the approved budget.

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

Executive Vice President Kasdin reported that bids for the phase II renovation project for the S.T. Dana Building had come in over budget, but that it was proposed to have central administration pay for rehabilitation of the fourth floor to be used as surge space for administrative purposes over the intermediate term. The SNRE would ultimately receive the space back for its own use. On a motion by Regent Newman, seconded by Regent Deitch, the Regents

unanimously approved the revised project budget of \$17,700,000 and authorized issuing the project for bids and awarding construction contracts providing the overall project remains within the approved budget, and the state approves the adjusted scope.

Perry Building Addition Project

Executive Vice President Kasdin commented that this is a request to approve the concept of an addition to the Perry Building for use by the Institute for Social Research (ISR). He noted that there is a parking issue that has not yet been resolved, as completion of construction will result in a net loss of 31 parking spaces. He reported that he and Provost Cantor plan to examine this situation more closely and will report back as to how it can be remedied when the next stage of the project is brought back to the Board.

He observed that this initial phase gives ISR approval to have the architect initiate the design for the addition, and all of the pending issues, including parking, will be presented to the Board before approval is sought for the next step.

Provost Cantor commented that this addition is very important for ISR, which is faced with a severe space shortage due to the expansion of some of its biggest projects. She noted that Executive Vice President Kasdin is committed to finding alternative parking for the lost spaces, and said that she takes responsibility for pursuing the project without having resolved the issue, due to its importance for ISR.

Regent Horning moved approval of the Perry Building Addition Project and authorization for engaging the firm of Einhorn Yaffee Prescott, Architecture & Engineering, P.C., for its design. Regent Brandon seconded the motion, and it was approved unanimously.

University of Michigan Hospitals and Health Centers (UMHHC) Women's Hospital Birthing Center Expansion

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved the UMHHC Women's Hospital Birthing Center Expansion Project and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Medical Campus Human Resources Relocation Project

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the UMHHC Medical Campus Human Resources Relocation project as described in the Regents Communication, and authorized issuing the project for bids and awarding a construction contract providing that bids are within the approved budget.

Renewal of Two Existing Leases with First Martin Corporation

On a motion by Regent Horning, seconded by Regent Taylor, the Regents unanimously approved renewal of two existing leases for property located at 520 and 540 East Liberty Street. Because William C. Martin is both sole owner of First Martin Corporation and a University of Michigan employee, these contracts 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 two contracts are the Regents of the University of Michigan and its School of Social Work and First Martin Corporation.
2. The service to be provided is a renewal of two existing leases, for long term sponsored projects for which space is not currently available in the School of Social Work Building. The lease for 540 E. Liberty will be renewed for four years, through August 31, 2005, with rent increases each September 1, based on the increase in the Consumer Price Index. The lease for 520 E. Liberty, third floor, will be extended for one year, through April 30, 2002, with rent adjusted to the current annual rent paid by the University of Michigan for the leased space on the second floor of the same address.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is the sole owner of First Martin Corporation.

Proposed License Agreement between the University of Michigan and Collectar, LLC

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved a license agreement between the University of Michigan and Collectar, LLC. Because Marc Longino and Raymond Counsell are both affiliated with the University (as research investigator and professor emeritus, respectively) and are partial owners of Collectar, LLC, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided on compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Collectar, LLC.
2. Licensing terms include:

Field of Use: Stable and radioisotope forms of polyiodinated triglyceride analogs for use as medical imaging agents and the corresponding delivery vehicle for both imaging and therapeutic agents plus all other uses which, but for the license agreement, would constitute an infringement of any pending or issued claims encompassed with the licensed patents.

Grant: Exclusive world-wide license, with a right to grant sublicenses to Technology as defined by UM Files No. 0021 and 0790.

License Fee: \$15,000,000

Maintenance Fees: \$15,000.00 per year to be credited against all cumulative research funds for a period of 5 years. Subsequent annual fees can then be offset by royalties.

Equity: The University of Michigan will take at least a 3% equity position on the first 10,000 shares issued by Collectar, LLC.

Patent Costs: All remaining current and future U.S. and foreign patent costs will be paid by Collectar, LLC

Royalties: 3% on Net Sales of Products. The first \$10,000 in royalties would be offset by patent costs. Sublicensing royalties will be up to 50% of the royalties received by Collectar provided Collectar can make available a Net Sublicense Revenue justification.

Performance criteria: Specified milestones must be met in order to maintain the rights granted by the license. The University of Michigan will transfer all data received from MBI to Collectar, LLC, in consideration of Collectars' additional payment of \$40,000 over a period of 5 years.

The University will retain ownership of the licensed technology and may continue to further develop it and use it as a research tool in the laboratories of any of the co-inventors.

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

3. Raymond Counsell's and Marc Longino's pecuniary interests arise from their ownership in Collectar. They will both serve as members of the Scientific Advisory Board for the company as well. Drs. Weichert, Counsell, and Longino have waived any personal participation in the sharing of royalties received by the University from Collectar, LLC, as a result of this license agreement.

Research Agreement between the University of Michigan and Nephros, Inc.

On a motion by Regent Newman, seconded by Regent Horning, the Regents unanimously approved a research agreement between the University of Michigan and Nephros, Inc. Because H. David Humes is both a partial owner of Nephros, Inc. and 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 Nephros, Inc.
2. The terms of the agreement conform to University policy. The study has been reviewed and approved by the appropriate Human Subjects Institutional Review Board. The period of performance is expected to be two years at an estimated total of \$425,161.
3. Dr. Humes' pecuniary interest arises from his status as an owner/employee of Nephros, Inc. and an employee of the University of Michigan.

Research Agreement and Subcontract between the University of Michigan and CFI Group, Inc.

On a motion by Regent Deitch, seconded by Regent Taylor, the Regents unanimously approved a research agreement and subcontract ("Agreements") between the University of Michigan and CFI Group, Inc. ("CFI"), as described in the Regents Communication. Because several people involved in the Agreements are affiliated with both CFI and the University of Michigan, these Agreements fall under the State of Michigan Conflict of Interest Statute. Specifically, Claes G. Fornell is both the owner of CFI and a University of Michigan employee;

Jaesung Cha is an employee of CFI and of the University of Michigan; and Elise Chandon is both a visiting University professor and a consultant to CFI. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement and subcontract (“Agreements”) are the University of Michigan and CFI Group, Inc.
2. The terms of the proposed Agreements conform to University policy:

The initial period of performance of the first Agreement is one year. It is renewable indefinitely upon mutual agreement. The annual cost of the ACSI project is approximately \$1,200,000.

The subcontract from CFI to the UM will cover a one year period at an estimated cost of \$277, 175.

3. The pecuniary interests of Claes Fornell, Jaesung Cha, and Elise Chandon arise from their affiliation with both CFI and the University of Michigan and their participation in the Agreements.

University of Michigan Financial Report and Supplemental Schedules for the Year Ended June 30, 2000

Executive Vice President Kasdin submitted the University of Michigan 2000 Financial Report and Supplemental Schedules for the year ended June 30, 2000.

New joint degree program for the Gerald R. Ford School of Public Policy and the College of Literature, Science, and the Arts

On a motion by Regent McGowan, seconded by Regent Deitch, the Regents unanimously approved a new joint degree program for the Gerald R. Ford School of Public Policy and the College of Literature, Science, and the Arts, which will offer three degrees: the joint Ph.D. in Public Policy and Economics, the joint Ph.D. in Public Policy and Political Science, and the joint Ph.D. in Public Policy and Sociology.

Approval of Academic Calendars for the years 2002-2003 and 2003-2004 for University of Michigan-Dearborn

On a motion by Regent Deitch, seconded by Regent Horning, the Regents unanimously approved academic calendars for the years 2002-2003 and 2003-2004 for the Dearborn Campus.

Public Comments

The Regents heard comments from Peter Reppe, staff, about the Sustainable UM Initiative.

Motion to Meet in Informal Session

Following Public Comments, Regent Maynard moved that this formal session of the Regents be adjourned and a non-formal session begun, for the purpose of consulting with the Board's attorney regarding trial or settlement strategy in connection with specific pending litigation. Regent Horning seconded the motion, and it was approved unanimously.

Following the informal session, the meeting was adjourned at 5:30 p.m. The next meeting will take place January 18-19, 2000.