

SEPTEMBER MEETING, 2000

*The University of Michigan
Ann Arbor
Thursday, September 21, 2000*

The Regents convened at 1:40 p.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Provost Cantor, Vice President Feagin, Interim 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.

“Michigan Greats”

President Bollinger called the meeting to order and called on Vice President Ulaby. Vice President Ulaby introduced Edward Smith, Arthur W. Melton Distinguished University Professor of Psychology; faculty associate in the Research Center for Group Dynamics of the Institute for Social Research; and adjunct research scientist in the Mental Health Research Institute, who discussed his research in cognitive neuroscience.

Comments from President Bollinger

President Bollinger commented on a number of recent accomplishments and awards achieved by students, faculty, staff, and others throughout the University. He also described a recent symposium honoring Vaclav Havel with an honorary degree, the events surrounding the naming of the Gerald R. Ford School of Public Policy, and the naming of the Ginsberg Center for Community Service.

President Bollinger also made note of a number of other positive developments that had occurred over the past several months, including a 44% increase of \$200 million in research awards, for a total of \$645.0 million, a return of more than 40% on the endowment, an upgrade in the Moody's rating to Aaa, a record increase in private donations, and a 5.7 percent increase in state appropriations.

Commons Building Schematic Design

Executive Vice President Kasdin observed that the Commons Building design is being done in a partnership between the SmithGroup and Venturi Scott Brown and Associates. He introduced Mr. Robert Venturi, who noted that this is a communal building that will help connect North Campus and Central Campus, along a "New Diag." Mr. Venturi displayed a site plan showing the location of the building and detailed floor plans for each floor. He noted that there will be a convenience store and cafeteria on the main floor, and the building will also contain a large conference room with flexible seating arrangements, a lecture hall, and individual meeting rooms that can serve multiple purposes.

Mr. Venturi displayed samples of materials to be used for the exterior and a cross-section view of the building. He noted that the building will be adjacent to the power plant, which will enhance the building's appeal.

Mr. Venturi and Executive Vice President Kasdin responded to questions about the proposed design. Executive Vice President Kasdin described the challenges that had been set for the building: waste no space; create a sense of lightness on the outside; serve as a transition between modern and traditional architectural styles in the medical and central campus areas. It was noted that there will be several thousand people working in close proximity to this building for whom it will serve a useful function.

Regent McGowan moved approval of the Palmer Drive Commons Building schematic design. Regent Maynard seconded the motion, and it was approved unanimously.

Parking Update

Executive Vice President Kasdin reviewed parking and transportation initiatives over the past two years. He noted that 2,611 total parking spaces will have been added to the system by February 2002, and displayed maps indicating the locations of the new spaces. Executive Vice President Kasdin commented that the departments of transportation and parking had been combined two years ago to facilitate the development of one transportation system consisting of buses and automobiles.

Among the actions that have been taken to alleviate the parking shortage are access control through tighter enforcement and enhanced mass transit options in cooperation with the Ann Arbor Transportation Authority (AATA) to increase the utilization of buses. It was noted that University buses have over 4 million rides per year and that there was a 33% increase in AATA bus ridership in August. Mr. Pat Cunningham, director of parking and transportation services, noted that students are only permitted to purchase parking passes for underutilized, remote lots, and these are not sold to students with below junior status. The orientation packet for new students has a firm statement urging them not to bring cars to campus.

Attempts are being made to expand the acceptance of van service and use of “park and ride” locations for faculty and staff, in addition to providing free AATA bus passes for people who do not purchase parking passes. Other initiatives include a new “crunch lot,” transportation enhancements in the community with AATA, and free van pools.

Development Update and Campaign Planning

President Bollinger observed that a development campaign is a massive enterprise that requires significant time, effort, and devotion on the part of many people. Development campaigns, he noted, are the most effective method for obtaining the philanthropy needed for the institution, and it is critical to leverage state funding with money from private sources. The last campaign, which ended in 1997, yielded the largest amount of money ever raised by any public university. He noted that input from alumni, supporters, deans, faculty, and others within the campus community has supported the conclusion that the time is right to undertake a new campaign. The coming two years will be spent in preparation for this undertaking, followed by a five-year formal campaign.

President Bollinger said that he felt it important to begin the year with a description of the seriousness of the development campaign endeavor and to invite the people who would be leading the effort to address the Board. He noted that part of the initial effort involves inviting people in all parts of the institution to think about what they would like to do over the next five to ten years, because this in turn is what motivates people to participate. To this end, he called on Provost Cantor, who has been chairing a campus-wide group to organize the internal planning process for the campaign.

Provost Cantor thanked alumni leaders George Perrin and Rich Rogel for their generous support. She noted that the University of Michigan conducts all of the imperatives of a great university in a superb fashion, and said that the campaign is oriented toward continuing to do this in the face of a number of cost drivers, including faculty recruitment and retention, information technology, and maintaining affordable tuition. The University's revenue from state appropriation, research support, and fundraising, she noted, have to work together to support the

initiatives that contribute to the greatness of the University. There has to be a disciplined focus on taking the University's revenue streams, coordinating them, and thinking about how they address the highest academic priorities. Provost Cantor noted that currently, 5-10 percent of unit operating revenues can be attributed to expendable gift income. Fundraising can be viewed as an expanding source of revenue, as opposed to state appropriation and tuition, and a goal of the campaign is to double the contribution that fundraising revenue will make to unit revenues.

Provost Cantor reported that the deans and directors of the public goods units and some of the interdisciplinary research units had been asked to list their campaign priorities. The goal was to initiate a disciplined planning process, incorporating plans for use of revenues, state appropriation, tuition, and sponsored research, to yield a coordinated profile of state funding, sponsored research, and campaign giving. This has resulted in an evolving matrix of campaign priorities covering the entire campus.

She noted that the deans had held discussions with faculty to determine the most important research and academic priorities in their schools. Following this, the University-wide planning committee reviewed the individual priority lists and the priorities of the University as a whole to yield cross-cutting themes that should be emphasized in the campaign. In addition to campaign themes, priorities have emerged for the uses of funds. These include endowed chairs for faculty recruitment and retention, undergraduate and graduate student support, support for new and existing programs, and support for technology and infrastructure. She concluded that the purpose of the campaign is not just to raise money, but to develop a way of spreading the message on campus and off-campus about the University's unique strengths, programs, and initiatives.

Vice President Feagin then gave a presentation setting forth the context of the University's fundraising efforts and the next steps in campaign planning. She noted there had been steady growth in fundraising over the past twenty years, with the highest level of growth having occurred during the last three years since the end of the last campaign. The amount of gifts from individuals and the total number of donors have also increased during that time, and this is an important trend.

Vice President Feagin noted that the University of Michigan is one of the top 20 universities for private giving in the country. In 1996-97 and 1997-98 it ranked number 4 among public universities, and in 1998-99 it ranked number 6. It was first in alumni giving in FY 1997 and 1998 and third in 1999. She noted that in recent years, other public universities have increased their fundraising efforts, causing them to become more competitive with the University of Michigan.

Vice President Feagin reviewed statistics from the last campaign, which raised \$1.4 billion, of which \$93 million was for facilities. Also during that campaign, more than half of the gifts were in amounts of \$1 million and greater. The individual gifts that have come in since the end of the last campaign, she noted, are very encouraging for the coming campaign.

Vice President Feagin reviewed the preliminary campaign timeline, noting that the "pre-campaign" state will last from June 2000 through July 2002. She announced that George Perrin had agreed to chair the LS&A component of the University campaign and Rich Rogel had agreed to be one of the national campaign chairs. She noted that this campaign will be very proactive in its use of volunteers, including alumni, friends, faculty, and Regents. Another effort, titled "Networking for Michigan" will involve alumni volunteers who will review lists of

alumni to identify prospects. Although the counting of gifts toward the campaign began on July 1, 2000, Vice President Feagin noted that a goal has not yet been set.

Vice President Feagin introduced Mr. George Perrin, a member of the President's Advisory Board. Mr. Perrin observed that it is clear that a campaign is necessary; the only question is when to begin. He said that faculty need to prioritize, characterize, and develop into a presentable format "products" that can be taken to potential donors for consideration. He also pointed out that new donors will want to have much more involvement in the process than in the past, and will want to see tangible results. Much work also remains to be done, he continued, in identification of potential donors. When both of these tasks have been completed, realistic goals can be set and there will be many more people committed to the process. He noted that additional staff and funding will be required to develop opportunities for donors to become reacquainted and involved in the Michigan community.

Mr. Perrin enumerated all of the positive factors that make this a favorable time to undertake a new capital campaign, noting that "it is just phenomenal what this University is now accomplishing" under the leadership of President Bollinger and his executive team. He emphasized that the support of the Regents will be crucial throughout the process.

Mr. Perrin introduced Mr. Richard Rogel. Mr. Rogel recounted that his experience as a student at the University of Michigan, which began in 1967, was "far superior to anything I ever imagined it would be" and said that he has a "deep, permanent, abiding love" for the University. He noted that his involvement includes serving as current president of the Alumni Association, a campaign volunteer, and a donor. He announced that members of the Alumni Association are in full support of the new campaign.

Mr. Rogel gave examples of how funds raised for named professorships have helped retain faculty and of the impact that the scholarships he and his wife have endowed have had on Michigan students and the larger society. He emphasized the critical need for scholarships, especially for out-of-state students. Mr. Rogel observed that being a donor allows people to keep in touch with the University on a deeper level than would otherwise be possible, and described himself and the new generation of investors as “activist investors” and “activist donors” who take an intense interest in every aspect of the organizations they invest in, including the management team. He noted that he is “phenomenally impressed” with the University’s executive team and with President Bollinger, and that this confidence made his decision to provide a leadership gift an easy one.

Mr. Rogel concluded that “this is a superb university,” he was honored to serve as co-chair of the campaign, and he requested the Regents’ support.

President Bollinger noted that all of the feelings expressed by Mr. Perrin and Mr. Rogel are reciprocated and there was no way to express his gratitude.

Regent Deitch observed that the Regents are in support of the campaign, but that it would be helpful if the leaders would articulate exactly how the Regents could be helpful. Mr. Perrin responded that a statement from the Regents expressing their support and emphasizing the importance of the campaign would be helpful in terms of recruiting donors during the “quiet” stage.

Mr. Rogel suggested that it would also send a powerful message if Regents were to personally appear at alumni and development events. Regent Horning commented that the critical aspect of donor recruitment is engagement of the donors in how their gift will be used and will improve the University.

Mr. Perrin noted how much it means to donors to receive letters from the Board of Regents thanking them for their support. He also noted that the kind effort being described for the campaign should be followed whether an official campaign is underway or not.

Public Comments

The Regents heard comments from Gary Hann, alumnus, on discrimination; Masakazu Sueda, student, on the “Victory Over Violence” festival; Michael Edwards, president of AFSCME Local 1583, Roger Banks, chief steward of AFSCME Local 1583, Michael A. Dover, student, Ian Weisner, student, and Sharlene Myers Krupnak, Michigan AFSCME organization, on the outsourcing of the University of Michigan Hospitals food service operation; and Peter Romer-Friedman, on the Workers Rights Consortium.

The meeting was recessed at 4:45 p.m.

Friday, September 22, 2000

The Regents convened at 9:35 a.m. in the Regents’ Room. Present were President Bollinger and Regents Brandon, Horning, Maynard, McGowan, Taylor, and White. Also present were Provost Cantor, Vice President Feagin, Interim Vice President Harper, Executive Vice President Kasdin, Vice President and General Counsel Krislov, Chancellor Little, Chancellor Mestas, Vice President Rudgers, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Executive Vice President Omenn arrived at 10:00 a.m.; Regent Newman arrived at about 10:20 a.m. Regent Deitch was absent.

Development Update and Campaign Planning - Part 2

President Bollinger introduced Mr. Michael Jandernoa, an alumnus of the School of Business Administration, who has agreed to chair the Major Gifts Committee in Grand Rapids

and who also serves on the Life Sciences Corridor Planning Committee; and Ms. Helen Zell, an alumnus and member of the President's Advisory Group who has recently created a professorship in fiction in the College of Literature, Science, and the Arts and is involved with recruiting more women to the capital campaign effort.

Ms. Zell expressed pleasure at the number of women in leadership positions at the University. She observed that women are different from men in that they give differently and for different reasons, and she is making an effort to discover how their interests can be addressed. She noted that becoming a donor is "a very infectious thing," offering opportunities to meet and interact with faculty members and become actively involved in the life of the University. She noted that she is eager to use her energy to get other donors and the Regents enthused about the campaign.

Mr. Jandernoa observed that the establishment of the Van Andel Institute, the development of the Life Sciences Corridor, and the University of Michigan's Life Sciences Initiative represent a unique opportunity for the state to exert worldwide leadership in this area. He described the excitement that has been generated among scientists and others about the Van Andel Institute, and noted that the significant financial investment in this institute and in the Life Sciences Corridor gives Michigan the potential for becoming a nucleus for basic research in industry and academia. He praised the Regents for their support of these efforts.

President Bollinger asked Ms. Zell to comment on the professorship in fiction she has established. Ms. Zell noted that this is an area which reflects her personal interests and about which she feels very strongly.

Regent McGowan commented that she agrees that women will be critical to the campaign. She pointed out that the success of women's colleges in raising "astounding" sums of

money from their alumni should make the University of Michigan more determined than ever to reconnect with its female alumni.

Regent Maynard observed that women control the majority of the wealth in the United States, and it was time for them to accept the responsibility that goes along with that. She offered her assistance in any aspect of the campaign.

President Bollinger thanked the campaign leaders for coming to the meeting to express their thoughts about the campaign.

Consent Agenda

Minutes. Vice President Tedesco submitted the Minutes of the meeting of July 13-14, 2000.

Reports. Executive Vice President Kasdin submitted Reports on Investment, Plant Extension, and Human Resources and Affirmative Action.

Vice President Krislov submitted the Litigation Report.

Vice President Ulaby submitted the Report of Projects Established, June 29 - August 31, 2000.

Report on Research Awards and Expenditures for FY 2000. Vice President Ulaby gave a presentation on research awards and expenditures for Fiscal Year 2000, noting that research expenditures had risen by 9.1 percent and new research awards had increased by 44.6 percent, or more than \$200 million, the largest increase in new research awards ever achieved at the University of Michigan.

Vice President Ulaby noted that the awards increases were distributed broadly across the campus, with significant increases having been achieved by the Institute for Social Research, the Medical School, the School of Public Health, the College of Literature, Science, and the Arts,

and the College of Engineering. He described several of the large projects that had received funding. Vice President Ulaby pointed out that the number of awards of \$5 million or more had increased from 5 in FY 1999 to 17 in FY 2000, and the number of awards in the \$1 million to \$5 million range had increased from 95 to 138 during that period.

Vice President Ulaby attributed the large increase in research awards to the campus vitality created by the Life Sciences Institute, the information revolution, and initiatives such as the Arthur Miller Theatre and the Arts of Citizenship program. Other factors contributing to the increase are the campus' interdisciplinary culture and the University's internal research investment.

In summary, Vice President Ulaby noted that from FY1999 to FY2000, federal R&D funding to U.S. Universities had increased by 5.1 percent, while total research awards at the University of Michigan had increased by 44.6 percent, research expenditures by 9.1 percent, and the University's internal investment had increased by 19.1 percent. He observed that the most pressing issue currently in the area of research is finding adequate space in which to house all of the new research activity. He noted that a significant portion of the University's internal investment in research comes from growth in private support, specifically unrestricted endowments.

President Bollinger noted that the change in budget model that had been initiated three years ago by Provost Cantor, encouraging more interdisciplinary research, had been one of the factors contributing to the extraordinary increase in research funding.

University of Michigan Health System. Executive Vice President Omenn reported that the Health System is proceeding with implementation of the strategic plan, one of the elements of which is to double the funding received from philanthropy over the next five years.

Executive Vice President Omenn described some recent events that have occurred within the University of Michigan Hospitals and the Medical School. He noted that the Health System is experiencing as much activity as it can possibly handle, and that its budget is on track for meeting its targets. Regent Newman complimented him and the health system for the “incredible job” they are doing.

Student Affairs. Interim Vice President Harper reported that “Welcome Week” and move-in had been very successful. She noted that for the first time in 30 years, every student had been housed in the residence halls without the use of any converted triples.

UM-Dearborn. Chancellor Little reported that enhanced enrollment goals that had been set for this year had been met without any decrease in the quality of the student body. He described the achievements of two students in the honors program who are pursuing international study and a team of faculty members who have received the campus’s first grant from the Fund for the Improvement of Post Secondary Education (FIPSE). He also reported on a community town hall meeting that had been held on campus, sponsored by the Internet Policy Institute.

UM-Flint. Chancellor Mestas announced the formation of a women’s educational center on the Flint campus, which will fill an important need for the two-thirds of the student body who are nontraditional women students. The center will sponsor programs and activities, will serve as a general advocacy center, and will submit an annual report to the chancellor on the status of women on the campus. The center will open in Spring 2001 and is the first new entity to be established on campus since he became chancellor. He also noted that the naming of the David French Building will take place when the Regents meet on the Flint campus next month.

Michigan Student Assembly. Mr. Hideki Tsutsumi noted that this month's report describes MSA structure, committees, contact people, and goals of each MSA committee and commission this year. Regents Maynard and McGowan thanked Hideki for his efforts.

Voluntary Support. Vice President Feagin submitted Reports on Voluntary Support for June 30, 2000, July 31, 2000, and August 31, 2000.

Personnel Actions/Personnel Reports. Provost Cantor submitted a number of Personnel Actions and Personnel Reports. Executive Vice President Kasdin pointed out the creation of the position of associate vice president for administrative information systems and the appointment of Laura Patterson in this position.

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

Memorials. Vice President Tedesco submitted a memorial statement for Michael S. Aldrich, M.D., professor of neurology.

Degrees. There are no actions with respect to degrees this month.

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

University of Michigan Financial Statements for the Year Ended June 30, 2000

Executive Vice President Kasdin submitted the University's annual financial statements for the year ended June 30, 2000, as audited and certified by PricewaterhouseCoopers LLP.

2000-2001 Budget Report Book

Executive Vice President Kasdin submitted the University's Budget Report Book for the fiscal year 2000-2001.

Alternative Asset Commitments

Executive Vice President Kasdin informed the Regents about follow-on investments that had been made in the following six funds: Kleiner Perkins Caufield & Byers X, L.P.; Menlo IX, L.P.; Bain Capital Fund VII, L.P.; TA IX, L.P.; Welsh, Carson, Anderson & Stowe IX, L.P.; and Merit Energy Partners X, L.P.

Sale of Gifted Real Estate

Executive Vice President Kasdin informed the Regents about the sale of gift real estate property located at 4005 W. Jefferson in Ecorse, Michigan.

C.C. Little and Pharmacy Buildings Renovations

On a motion by Regent Horning, seconded by Regent White, the Regents unanimously approved a renovation project for the College of Pharmacy in the C.C. Little and Pharmacy Buildings, as described in the Regents Communication.

Central Campus Recreation Building Kinesiology Laboratory Renovation

On a motion by Regent Horning, seconded by Regent Maynard, the Regents unanimously approved a project for renovation of the Kinesiology Laboratory in the Central Campus Recreation Building (CCRB), as described in the Regents Communication.

North University Building Partial Demolition

On a motion by Regent White, seconded by Regent Horning, the Regents unanimously approved partial demolition of the North University Building.

Science Instruction Center Building

Executive Vice President Kasdin noted that some of the proposed uses for this building include life sciences instructional space and housing of the drama department. The action

request includes construction of a concrete deck on top of the Palmer Drive Parking Structure to serve as the foundation for the building. On a motion by Regent White, seconded by Regent Horning, the Regent unanimously approved the Science Instruction Center Building project, proceeding with the concrete deck, and initiating programming activities for the building.

Life Sciences Institute Building

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved issuing the Life Sciences Institute Building Project for bids and awarding construction contracts, providing that bids are within the approved budget.

University of Michigan Medical School Wall Street Research Laboratory Building

Executive Vice President Omenn noted that the impending demolition of the Neurosciences Building will require relocation of the research staff currently housed in that building. The Wall Street Research Laboratory Building is proposed for this purpose. Executive Vice President Kasdin commented that plans are to move expeditiously with preparation and approval of design plans so that construction can proceed as quickly as possible. He noted that he believes the building is responsive to issues that have been raised by the community for this area. While he recommends proceeding with the proposed research laboratory building as described, he noted that the University welcomes continuing discussion with community members over future plans for the Wall Street area.

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved proceeding with the Wall Street Research Laboratory Building project utilizing the Smith Group for programming and design. Design approval will be sought following completion of the schematic design documents.

University of Michigan Hospitals (UMH) Linear Accelerator Replacement Project

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved proceeding with the Linear Accelerator Replacement Project as described in the Regents Communication.

Payment for Services of What Is It This Week (*University Housing*)

On a motion by Regent Maynard, seconded by Regent Brandon, all six Regents present unanimously approved payment for the silk screening of shirts provided to University Housing by What Is It This Week (Regent Deitch was absent; Regent Taylor was away from the table for this and the following three votes). Because the owner of What Is it This Week, Susan Fisher, 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 University Housing Department, and What Is It This Week.
2. The service provided was silk screening of shirts, in April 2000, at a total cost of \$400.00.
3. The pecuniary interest arises from the fact that Susan Fisher, a University of Michigan employee, is sole owner of What Is It This Week.

Payment for Services of What Is It This Week (*Comprehensive Cancer Center*)

On a motion by Regent Maynard, seconded by Regent Brandon, all six Regents present unanimously approved payment for the silk screening of shirts provided to the Comprehensive Cancer Center by What Is It This Week. Because the owner of What Is it This Week, Susan Fisher, 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 Comprehensive Cancer Center, and What Is It This Week.
2. The service provided was silk screening of shirts, in June 2000, at a total cost of \$2,030.00.
3. The pecuniary interest arises from the fact that Susan Fisher, a University of Michigan employee, is sole owner of What Is It This Week.

Payment for Services of What Is It This Week (*Women's Basketball Program*)

On a motion by Regent Maynard, seconded by Regent Brandon, all six Regents present unanimously approved payment for the silk screening of shirts provided to the Women's Basketball Program by What Is It This Week. Because the owner of What Is it This Week, Susan Fisher, 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 Women's Basketball Program, and What Is It This Week.
2. The service provided was silk screening of shirts, in July 2000, at a total cost of \$1,225.00.
3. The pecuniary interest arises from the fact that Susan Fisher, a University of Michigan employee, is sole owner of What Is It This Week.

Payment for Services of What Is It This Week (*Michigan Union Billiard Room*)

On a motion by Regent Maynard, seconded by Regent Brandon, all six Regents present unanimously approved payment for the silk screening of shirts provided to the Michigan Union Billiard Room by What Is It This Week. Because the owner of What Is it This Week, Susan Fisher, 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 Michigan Union Billiard Room, and What Is It This Week.

2. The service provided was silk screening of shirts, in August 2000, at a total cost of \$586.00.
3. The pecuniary interest arises from the fact that Susan Fisher, a University of Michigan employee, is sole owner of What Is It This Week.

University of Michigan Hospitals and Health Centers East Ann Arbor Surgery Center and Clinics

Executive Vice President Omenn presented a proposal for construction of a surgery center adjacent to the East Ann Arbor Primary Care Facility. In response to a question from Regent Newman about Certificates of Need, Executive Vice President Omenn said that Certificates of Need are required for most projects of this type, and are usually sought following approval by the board. On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the East Ann Arbor Surgery Center and Clinics project as described in the revised Regents Communication and authorized commissioning the firm of Albert Kahn Associates, Inc. as architect.

Proposed License Agreement between the University of Michigan and Keracure LLC

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved a license agreement between the University of Michigan and Keracure LLC. Because the developer of the technology, Riley Rees, is a University of Michigan employee and holds an equity interest in Keracure 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 Keracure LLC.
2. Contract terms include:

The contract to be completed between the University of Michigan and Keracure LLC consists of a license agreement to be executed by authorized representatives of the parties.

The license grants to Keracure, for TMO File Nos. 1203 and 1654: an exclusive, world-wide license, including the right to sublicense, to make, have made, import, use, market, offer for sale and sell, products incorporating the technology.

- ◆ The University will receive a one time, license issue fee of \$50,000.
 - ◆ The University will receive a royalty of 3%, based upon a running royalty on net sales of licensed products.
 - ◆ The University will receive 50% of any sublicensing fees.
 - ◆ The University will receive annual maintenance fees in 2002 of \$10,000, in 2003 of \$25,000, and each year thereafter of \$50,000.
 - ◆ The University will receive Milestone payments of: \$50,000 for FDA approval of File No. 1203 technology; \$100,000 upon initiation of Phase I Clinical Trials for File No. 1654 technology; \$200,000 upon initiation of Phase III Clinical Trials for File No. 1654 technology; and \$500,000 for FDA approval for File No. 1654 technology.
 - ◆ The University will receive reimbursement for all patent costs.
 - ◆ The University will receive an undiluted 3% of equity in the form of common stock at the point of time when Keracure LLC has raised \$2.5 million in any combination of debt or sale of equity.
 - ◆ The 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. Dr. Riley Rees' pecuniary interest arises from his ownership in Keracure. He has waived any personal participation in the sharing of royalties received by the University from the company.

Proposed License Agreement between the University of Michigan and Molecular Therapeutics, Inc.

On a motion by Regent Taylor, seconded by Regent Maynard, all six Regents present unanimously approved a proposed license agreement between the University of Michigan and Molecular Therapeutics, Inc. Regent Brandon was away from the table for this and the succeeding four votes, and Regent Deitch was absent.

Because the principal owners of Molecular Therapeutics, Inc., Brian D. Ross and Alnawaz Rehemtulla, are also University of Michigan employees and developers of the

technology, 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 Molecular Therapeutics, Inc.
2. Licensing terms include:
 - ♦ Field of use: Molecular reporter technology for the detection of proteolytic activity related to any disease.
 - ♦ Grant: Exclusive worldwide license, with a right to grant sublicenses to Technology as defined by TMO File No. 1835.
 - ♦ License Fee: \$20,000.00. Initial payment of \$5,000.00 due upon license execution; \$5,000.00 due upon the first anniversary of signing; and \$10,000 due upon the second anniversary of signing. These monies will constitute reimbursement of current patent costs.
 - ♦ Maintenance Fees: \$20,000.00 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 a 3% equity position on the first 12,000 shares issued by Molecular Therapeutics, Inc.
 - ♦ Patent Costs: All remaining current and future U.S. and foreign patent costs will be paid by Molecular Therapeutics, Inc.
 - ♦ Royalties: 3% on Net Sales of Products and 1% on Net Sales of all Services using this technology. The first ~approximately \$100,000 in royalties would be offset by patent costs. Sublicensing royalties will be 3% of Net Sublicense Revenue provided Molecular Therapeutics 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 will retain ownership of the licensed technology and may continue to further develop it and use it as a research tool.

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

3. The pecuniary interests of both Brian D. Ross and Alnawaz Rehemtulla arise from their ownership in the company. Both Drs. Ross and Rehemtulla have waived any personal participation in the sharing of funds received by the University from Molecular Therapeutics, Inc. as a result of this License Agreement.

Proposed License Agreement between the University of Michigan and MEMS Technology, LLC

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a license agreement between the University of Michigan and MEMS Technology (“MEMS Tech”) for the commercialization of inventions developed and owned by the University of Michigan. MEMS Tech and Professor Richard B. Brown have started a company, SENSation, Inc. (“SENSation”) for this purpose. Because Richard B. Brown is both an owner of the company 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 MEMS Tech, a parent company to SENSation, the company in which Richard B. Brown will hold an equity interest.
2. Licensing terms include:
 - ◆ Grant: Exclusive rights to practice and commercialize the technology, subject to certain rights reserved by the University to practice it for research and educational purposes, with right to grant sublicenses. The University retains ownership.
 - ◆ Equity: The University will receive 2-5% equity of SENSation.
 - ◆ License Fee: A License issue fee of \$5,000-30,000 to be applied to reimbursement of patent expenses and/or applied against royalties.
 - ◆ Royalties: Royalties to the University of 15-17% of total non-product revenues received by SENSation, and 1-2% of net sales of products by SENSation.
 - ◆ Maintenance and Performance: Specified milestones will be met in order to maintain the rights granted by the license. Payments will be made as maintenance fees or related to specific performance criteria. Each payment will not exceed \$20,000.
 - ◆ Patent Costs: All remaining current and future U.S. and foreign patent costs will be paid by licensee.
 - ◆ Term of the agreement is for the life of the patents.
 - ◆ Other: No use of University services or facilities, nor any assignment of University employees, is obligated under this agreement.

3. Richard B. Brown's pecuniary interest arises from his ownership interest in SENSation. He has waived any personal participation in the sharing of royalties received by the University from the licensee.

Proposed License Agreement between the University of Michigan and Quantum Signal LLC

On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved a license agreement between the University of Michigan and Quantum Signal LLC. Because William J. Williams is a University of Michigan employee and also holds an equity interest in Quantum Signal, 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 Quantum Signal LLC.
2. Contract terms include:
 - ♦ A one-time, paid up license fee of \$400.00.
 - ♦ Non-exclusive right to practice and commercialize the technology, subject to certain rights reserved by the University in order to meet a potential obligation to exclusively license the technology under an option agreement in a limited field of use to a specific research sponsor. The University retains ownership.
 - ♦ Primarily limited to internal use, with a limited right to provide software to others for demonstration purposes.
 - ♦ 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. William J. Williams' pecuniary interest arises from his ownership interest in Quantum Signal. He has waived any personal participation in the sharing of royalties received by the University from the company.

Proposed Research Agreement between the University of Michigan and Tal Materials, Inc.

On a motion by Regent Horning, seconded by Regent Taylor, the Regents unanimously approved a research agreement between the University of Michigan and Tal Materials, Inc. Because Richard M. Laine is both a University employee who will be participating in the project on behalf of the University, and is also an officer and majority shareholder of Tal Materials, 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 University of Michigan and Tal Materials, Inc.
2. The terms of the proposed Agreement are acceptable and conform to University policy. This project will provide support for Dr. Ryo Tamaki, a postdoctoral fellow, over the term of the Agreement. The total award under this Agreement will not exceed \$40,000 over a two year period. The initial award is in the amount of \$14,188 and will provide fifty percent (50%) support of Dr. Tamaki over a three month period. The College of Engineering supports this agreement.
3. Richard Laine's pecuniary interest arises from his status as an officer and majority shareholder of Tal Materials, Inc.

Proposed Option Agreement between the University of Michigan and TheraSonics, Inc.

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved an option agreement between the University of Michigan and TheraSonics, Inc. Because Charles A. Cain, Matthew O'Donnell, and S. Adam Strickberger ("principals") are University employees and have an ownership interest in Therasonics, 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 University of Michigan and TheraSonics, Inc.
2. Option agreement terms include:
 - ♦ Option for a royalty-bearing exclusive license of University's interests in the inventions, for all fields of use.
 - ♦ TheraSonics to pay a total of \$30,000.00 for the option in installments of \$10,000.00 and \$20,000 - to be applied toward patent costs.
 - ♦ No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.
3. The pecuniary interests of Charles Cain, Matthew O'Donnell and Adam Strickberger arise from their ownership interest in TheraSonics, Inc. They will waive any personal participation in the sharing of royalties received by the University from their business.

Establishment of the Department of Linguistics in the College of Literature, Science, and the Arts

On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved the establishment of the Department of Linguistics in the College of Literature, Science, and the Arts.

Establishment of a Cardiovascular Center within the University of Michigan Health System

Executive Vice President Omenn noted that designation of a Cardiovascular Center would enhance the research and educational missions of the Health System and it is hoped will lead to improved public engagement with this major disease category. On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved establishment of a Cardiovascular Center within the University of Michigan Health System.

Revision of the Bylaws of the Executive Board of the University of Michigan Hospitals and Health Centers

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved revision of the Bylaws of the Executive Board of the University of Michigan Hospitals and Health Centers, as specified in the Regents Communication.

There being no further business, the meeting was adjourned at 10:55 a.m. The next meeting is scheduled for October 19-20, 2000.