

JUNE MEETING, 2004

*The University of Michigan
Ann Arbor
Thursday, June 17, 2004*

The Regents convened at 2:00 p.m. in the Great Lakes Room, Palmer Commons Building. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, and Taylor. Also present were Provost Courant, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Executive Vice President Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Regent White and Vice President Rudgers were absent.

President Coleman called the meeting to order and noted that the first order of business would be a panel discussion about intercollegiate athletics. She introduced the participants, who included Myles Brand, president of the National Collegiate Athletic Association (“NCAA”), Jim Delaney, commissioner of the Big Ten Conference (“Big Ten”), and Bill Martin, University of Michigan athletic director.

Panel Discussion - Intercollegiate Athletics

Bill Martin praised the leadership and guidance provided by Mr. Delaney on behalf of the Big Ten Conference. He noted that Dr. Brand has been a leader in promoting academic and eligibility reforms in intercollegiate athletics, and that he was fully in support of his efforts.

Dr. Brand commented that the NCAA is interested in improving the academic success of student athletes and described the dramatic reforms have been put in place to help achieve this goal. These include raising the standards for initial eligibility for athletic scholarships and requiring that demonstrated progress be made towards a degree over a five-year period to

maintain eligibility. Member institutions are being held accountable for maintaining these standards and sanctions have been put in place if they do not. Dr. Brand commented that he is committed to ensuring that every student athlete has a genuine opportunity to receive an education and to graduate.

Mr. Delaney commented on post-season college football. He noted that the Big Ten believes in the bowl tradition but does not believe in a college football playoff, and described how the decision was made to integrate the Rose Bowl with the bowl games organized by other collegiate athletic conferences. The Rose Bowl tradition will be reestablished by holding an annual Big Ten - Pac Ten championship game every year in the Rose Bowl, unless one of those two teams is ranked first or second.

The panelists then responded to questions about compliance requirements, financing of the NCAA and collegiate sports, Title IX and gender equity, subsidization of athletic department budgets by the universities' general funds, freshman ineligibility, and the role of governing boards and presidents in the oversight of athletic programs.

The session concluded at 3:10 p.m. and was followed by a 10-minute break.

Public Comments

The Regents heard comments from Jim Mogensen, citizen, about the town-gown relationship with respect to housing, and from the following individuals about the planned changes to SAPAC: Lisa Bakale-Wise, student; Mia White, student; Paul Douglas Wise, citizen; Ann Chi, student; and Kathryn Turnock, student.

Discussion of Planned Changes to SAPAC Services

Vice President Harper responded to questions from the Regents about the changes being planned for the Sexual Assault, Prevention, and Awareness Center (SAPAC) that have prompted

the negative reaction from students at the last several Public Comments sessions. She noted that student concerns about the need for safe spaces, accurate data collection, a campus-based crisis line, easily accessible services, and a more consultative process when making significant changes have been and continue to be very important in the planning process. She reported that the changes are necessary to allow efforts to be focused on the prevention of sexual assault and to assure that services meet the needs of all students and said that the University is committed to assuring that its services are truly meeting the needs of survivors of sexual assault.

Vice President Harper provided details of the plans being put in place regarding provision of services to survivors of sexual assault and further explained the rationale and intended outcomes for the upcoming changes in organizational structure and service delivery models. She said that a more systematic, integrated, educational approach to sexual violence is needed in order to really make a difference in prevention. Furthermore, she pointed out that the University has a responsibility to consider the well-being of all students, including perpetrators as well as survivors, and that there must be an integrated approach to provision of support services. Vice President Harper noted that the current system is effective for a small number of survivors but does not reach many others in need of services. She also emphasized that advocacy work and therapy are fundamentally different undertakings that should not be combined in one individual service provider.

Vice President Harper commented that administrative staff is well aware of the reasons that the students are opposed to the direction being taken, and they will continue to listen to and address their concerns as appropriate.

President's Opening Remarks

President Coleman commented on the death of Ann Arbor citizen Robert Teeter, pointing out that he was a nationally-known expert in electoral politics and also provided wise counsel and support to the University of Michigan.

President Coleman reported that Regent White's absence is due to her annual active duty service as a captain in the U.S. Army reserves. She commented on accolades received over the past month by University students, faculty, and alumni, and observed that the University had placed second, its highest ranking ever, in the annual U.S. Sports Academy "Directors' Cup" Division I race.

Report on Undergraduate Admissions

President Coleman observed that in the wake of the historic Supreme Court decision of 2003, there has been extensive public interest in the University's revised undergraduate admissions process. She said that Provost Courant would be giving an update on how the new process worked and the makeup of the incoming class that will matriculate in Fall 2004. She praised the staff of the Office of Undergraduate Admissions and Office of the Provost for their work in revamping the admissions process in a short amount of time, and noted that several factors may have contributed to discouraging some students, particularly minorities, from submitting applications. She said the University would focus its efforts on removing any barriers to full participation.

Provost Courant described the changes in the admissions process that had been implemented following the Supreme Court decision. These include a new application form as part of a new process that met the court's requirements for a more holistic and individualized admissions procedure and evaluation. New staff were hired to review applications and additional training

was provided for all staff. The budget for the Office of Undergraduate Admissions was increased by \$1.8 million in FY 2003-2004 to accommodate the change in evaluation procedures.

Provost Courant reported that the total number of applications declined from 25,918 in 2003 to 21,261 in 2004 (an 18% decrease). He noted that despite the decreased number of applications, the “deposit yield” increased by 13% for Fall 2004, indicating that a higher proportion of admitted students than ever before had applied with the intention of accepting offers of admission. Indications are that the freshman class for Fall 2004 will be the largest ever, and staff in housing, the College of Literature, Science and the Arts, and the College of Engineering are planning accordingly to insure that students receive a high quality educational experience.

Provost Courant observed that the number of applications received from underrepresented minority students had declined by 21%, while the “deposit yield” had increased by 15% over the previous year. He noted that the decline in applications from this population is part of a national trend, and the reasons for it are not well understood. The University is very concerned about this situation and will be working hard to insure that the campus presents a welcoming atmosphere to all students. It is believed that publicity over the affirmative action lawsuit may have contributed to misperceptions about the University’s commitment to a broadly diverse student body, and efforts are being made to communicate the meaning of the Supreme Court decision and the University’s commitment to affirmative action.

He noted that the admissions process is reviewed every year, and that the application and review process is being reviewed to see if any changes are necessary. Feedback has been received from a broad array of potential students and parents, faculty, high school counselors, and admissions staff to evaluate all aspects of the recently completed admissions process, and

some modifications will be made. He also noted that the University's commitment to meeting the full demonstrated financial need of Michigan resident undergraduate students has not changed.

Annual Reports of Committees on the Economic Status of the Faculty, All Three Campuses

Ann Arbor Campus. Professor Fred Askari presented the annual CESF report for the Ann Arbor campus. Among the points he made was that health insurance coverage for faculty retirees is not guaranteed, and is considered to be an area of vulnerability. He also distributed salary data and discussed faculty compensation issues more generally. He praised the cooperation the committee had received from the provost's office and from other administrative areas in collecting the data, and urged that efforts be continued to make this data more transparent. Key trends that emerged are discrepancies in aggregate salaries by gender, particularly at the high end of the pay scale; unpublished salary supplements; lower compensation for nontenured faculty; the "loyalty tax"; the use of incentive pay; and the notion of whether pay is optimal.

Flint Campus. Professor Jami Anderson presented the report of the Flint campus CESF. She commented that faculty at the UM-Flint were the only faculty at a Michigan public university who did not receive a salary increase last year. Thus, the effects on the faculty of inflation, salary compression, and faculty salaries relative to peer institutions have all worsened during the past year, making it difficult to recruit and retain good faculty. The CESF recommends a one-time equity payment of 2% to compensate for last year's losses, and an additional increase for this year. Salary compression and merit pay would have to be addressed over the long term. She observed that tuition, which is the main source of income for the campus, does not increase at nearly the rate as do the expenses it must cover.

Dearborn Campus. Chancellor Little read a summary of the report that had been prepared by the Dearborn campus CESF, chaired by Professor Marlene Gordon. He complimented the committee for the quality of its report. He noted that the report focused on issues of salary comparison and equity, salary compression, and benefits. The committee concluded that there is a significant amount of salary compression on the Dearborn campus. With respect to benefits, the committee noted that only one Michigan public university reported paying less for employee benefits than the University of Michigan. The committee recommendations are that if any equity funding becomes available, it should be provided to associate and full professors; that a salary review be conducted when salary ratios among the faculty ranks differ from national averages; and that complete salary and wage payment data be provided for the Dearborn campus, as has been done for the Ann Arbor campus.

Committee Reports

Finance, Audit, and Investment Committee. Regent Brandon reported that the committee had met that morning. It received the semi-annual report on M-Care; received a preliminary review of the FY2005 Athletic Department budget; and reviewed the proposed FY2005 Hospitals and Health Systems budget. The committee also was updated regarding the “Orders Management Project” underway at the Hospitals and Health System. He reported that the committee was pleased to learn that the FY2004 Hospitals and Health Systems budget is exceeding expectations.

Compensation and Personnel Committee. Regent Maynard reported that the committee had not met this month but would have a report in July.

The Regents then turned to the regular agenda. Regent Taylor left the meeting at this point, at 4:00 p.m.

Consent Agenda

Regent McGowan commented that at the last meeting she had moved approval of the May minutes based on the information provided at that time about the Ann Arbor Public Schools' winter break schedule. She said that she and Provost Courant had agreed that this information will be taken into account much earlier when setting the next University academic calendar.

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of May 20, 2004.

Reports. Executive Vice President Slottow submitted the Investment Report, Plant Extension Report, and the Human Resources and Affirmative Action Report.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of Projects Established, May 1-May 31, 2004.

University of Michigan Health System. No additional report was submitted.

Division of Student Affairs. No additional report was submitted.

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

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

Michigan Student Assembly Report. This report was tabled until later in the meeting.

Voluntary Support. Vice President May submitted the report of voluntary support as of May 31, 2004.

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

Retirement Memoirs. Vice President Tedesco submitted 4 faculty retirement memoirs.

Memorials. Vice President Tedesco submitted a memorial statement for Milagros Simmons, Ph.D., associate professor of environmental health sciences.

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

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

Conflict of Interest Items

President Coleman announced that the agenda includes 15 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Deitch, seconded by Regent Newman, the Regents unanimously approved each of the following items:

Lease Amendment Agreement with William C. Martin

The Regents approved an amendment to an existing lease for property located at 1301 South University. Because Mr. Martin, owner of William C. Martin, is also a University of Michigan employee, this lease amendment falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and William C. Martin.
2. The current lease between Mr. Martin and the University of Michigan is set to expire on June 30, 2004. The amendment will extend the term of the lease by an additional five years until June 30, 2009. The University will pay a monthly rate of \$6,596 for the first three years, and this amount will be increased every July thereafter based upon the Consumer Price Index or a 3% increase, whichever is greater.
3. Mr. Martin's pecuniary interest arises from his ownership of William C. Martin.

Purchasing Contract with Valley View Farm

The Regents approved a purchasing contract with Valley View Farm to provide sheep for use in medical research projects. Because Douglas Doop, owner of Valley View Farm, is also a University of Michigan employee, this contract falls under the State of Michigan Conflict of

Interest Statue. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Unit for Laboratory Animal Medicine and Valley View Farm.
2. The product to be provided is sheep and the board of sheep for the purpose of medical research from April 1, 2004 through June 30, 2009 at a cost of \$100,000.
3. The pecuniary interest arises from the fact that Mr. Doop is the sole owner of Valley View Farm.

Approval of Payment for Community Resources Limited

The Regents approved a payment by the Medical Center Information Technology Division for services provided by Community Resources Limited. Because Mark Chesler, executive director of Community Resources Limited, is also a University of Michigan employee, this purchase falls under the State of Michigan Conflict of Interest Statue. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Office of the Provost and Community Resources Limited.
2. The service provided was consulting services for a Diversity Summit at a total cost of \$4,000.
3. The pecuniary interest arises from the fact that Mr. Chesler is executive director of Community Resources Limited.

Maintenance Agreement with Arbor Networks

The Regents approved a maintenance agreement with Arbor Networks. Because Farnam Jahanian, board chairman and stockholder of Arbor Networks, is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. The following information is provided in compliance with statutory requirements:

1. The parties to the agreement are the Regents of the University of Michigan and its Medical Center Information Technology division and Arbor Networks.

2. The product to be provided is software maintenance for three years, at a total cost not to exceed \$55,555.08.
3. The pecuniary interest arises from the fact that Farnam Jahanian is board chair and stockholder of Arbor Networks.

Maintenance Agreement with Intralase Corporation

The Regents approved a maintenance agreement with Intralase Corporation. Because Tibor Juhasz, employee and stockholder of Intralase Corporation, 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. The parties to the contract are the Regents of the University of Michigan and its Department of Ophthalmology and Visual Sciences and Intralase Corporation.
2. The product to be provided is patient interface kits for three years at a total cost not to exceed \$500,000.
3. The pecuniary interest arises from the fact that Tibor Juhasz is an employee and stockholder of Intralase Corporation.

Research Agreement with Ascenta, Inc.

The Regents approved a research agreement between the University of Michigan and Ascenta, Inc. for projects that involve study and testing to further develop small molecule inhibitors for use against various cancers. Because Drs. Marc Lippman, Shaomeng Wang, and Dajun Yang hold an equity interest in Ascenta, Inc. and are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the agreement are the Regents of the University of Michigan and Ascenta, Inc.
2. The terms of the proposed agreement conform to University policy. The project is expected to continue over a one-year period at an estimated total cost of \$240,856, including indirect cost at the applicable industry rate. The contract includes a provision to allow extension and modification of the project upon mutual agreement of the parties involved. No human studies are proposed at this time.

3. The pecuniary interest arises from the fact that Drs. Lippman, Wang, and Yang hold an equity interest in Ascenta, Inc.

License Agreement with Cheetah-Omni

The Regents approved a license agreement between the University of Michigan and Cheetah-Omni, LLC. Cheetah-Omni wishes to commercialize patents developed and owned by the University of Michigan known as “Optical logic gate based router” (UM File No. 2820) and “High performance multicast/broadcast router using an optical switching core” (UM File No. 2821). Because Dr. Mohammed Islam, sole owner of Cheetah-Omni, 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. The parties to the agreement are the Regents of the University of Michigan and Cheetah-Omni.
2. Licensing terms include:
 - For use in all fields.
 - Exclusive, worldwide grant.
 - Consideration of 1.5% of net sales up to 33% of sublicense income.
 - Cheetah-Omni will maintain and support all patent filings. The University will retain its ownership rights in the licensed technology and may continue further develop it and use it for research and academic purposes.
 - No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.
3. The pecuniary interest of Dr. Islam arises from his ownership interest in Cheetah-Omni. He has waived any personal participation in the sharing of revenue received by the University from the company.

License Agreement with Mayaterials

The Regents approved a license agreement between the University of Michigan and Mayaterials. Mayaterials wishes to commercialize patents developed and owned by the University of Michigan known as “Well-defined nanosized building blocks for organic/inorganic

nanocomposites” (UM File No. 1995) and “Facile synthesis of the cubeoctameric silicate anion” (UM File No. 2615). Because Dr. Richard Laine, president and CEO of Mayaterials, 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. The parties to the agreement are the Regents of the University of Michigan and Mayaterials.
2. Licensing terms include:
 - For use in all fields.
 - Exclusive grant with the right to sublicense.
 - The University will receive an equity portion in the company.
 - Royalties to the University of 5% on net sales and 25% of gross sublicense revenues.
 - Reimbursement of all past ongoing patent expenses.
 - Performance criteria: Appropriate diligence minimums and milestone payments must be met.
 - The University will retain its ownership rights in the licensed technology and may continue further develop it and use it for research and academic purposes.
 - No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.
3. The pecuniary interest of Dr. Laine arises from his ownership interest in Mayaterials. He has waived any person participation in the sharing of revenue received by the University from the company.

Subcontract Agreement with Atactic Technologies

The Regents approved a subcontract agreement with Atactic Technologies for funding of a project in the Department of Chemical Engineering. Because Dr. Erdogan Gulari, founder of Atactic Technologies, 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. The parties to the agreement are the Regents of the University of Michigan and Atactic Technologies.
2. The period of performance for the project is seven and one-half (7½) months and the amount of funding support is \$51,434. The agreement includes provisions for changes in time, amount, and scope. University of Michigan procedures for approval of these changes will be followed, and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interests of Dr. Gulari arise from his status as founder of Actactic Technologies.

Subcontract Agreement with NanoBio Corporation

The Regents approved a subcontract agreement with NanoBio Corporation for funding of a project in the Department of Microbiology and Immunology. Because Dr. James R. Baker, Jr., part owner and employee of NanoBio Corporation, 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. The parties to the agreement are the Regents of the University of Michigan and NanoBio Corporation.
2. The subcontract at the University will be conducted over at least a one-year period at an estimated cost of \$25,000 including indirect cost at full federal indirect cost. The agreement provides for amendment upon approval of both parties.
3. The pecuniary interests of Dr. Baker arise from his co-ownership of and employment at NanoBio Corporation. Dr. Baker will only participate in the project in his capacity as an officer of NanoBio.

Memorandum of Understanding with Veterans Education and Research Association of Michigan (VERAM)

The Regents approved a memorandum of understanding with Veterans Education and Research Association of Michigan (VERAM) to establish the basic terms and procedures for the request for and provision of services involving several departments of the University on an as needed basis. Because Drs. James Albers, Janet Gilsdorf, Steven Goldstein, Roger Grekin, Richard Moseley, and Eric Young, members of the board of directors of VERAM, are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of

Interest Statue. The following information is provided in compliance with statutory requirements:

1. The parties to the agreement are the Regents of the University of Michigan and Veterans Education and Research Association of Michigan (VERAM).
2. This agreement initiates a Memorandum of Understanding with VERAM that establishes the basic terms and procedures for requisitions of services involving several University departments and allows the University to pursue individual payments as needed and appropriate. The initial amount of the Memorandum of Understanding is \$750,000 per year for each of three years with carry forward allowed only as agreed between the parties. It will provide for extension of terms by mutual agreement of the parties.
3. The pecuniary interests of Drs. Albers, Gilsford, Goldstein, Grekin, Moseley, and Young arise from their membership on the board of directors of VERAM. Drs. Albers, Gilsdorf, and Goldstein currently receive \$500 per year for services and have no other financial interest. Drs. Grekin, Moseley, and Young do not receive compensation and have no financial interest.

Subcontract Agreement with Michigan Critical Care Consultants, Inc.

The Regents approved a subcontract agreement with Michigan Critical Care Consultants, Inc., to fund Phase II of an NIH-awarded project in the Medical School. Because Dr. Robert Bartlett, owner of Michigan Critical Care Consultants, Inc., is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statue. The following information is provided in compliance with statutory requirements:

1. The parties to the agreement are the Regents of the University of Michigan and Michigan Critical Care Consultants, Inc.
2. The total contract to the University will be \$258,706 for the period of January 1, 2004 through December 31, 2005. The agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interest of Dr. Bartlett arises from his ownership of Michigan Critical Care Consultants, Inc.

Subcontract Agreement with Novalung Inc.

The Regents approved a subcontract agreement with Novalung Inc. to provide funding for research entitled "Preclinical Evaluation of a Novel Diffusion Membrane Oxygenators for

Long-Term Venous-Extracorporeal Life Support.” Because Dr. Robert Bartlett, shareholder in Novalung Inc., 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. The parties to the agreement are the Regents of the University of Michigan and Novalung Inc.
2. The total subcontract to the University will be \$165,000 for the period of January 1, 2004 through December 31, 2004. The agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interest of Dr. Bartlett arises from his ownership interest in Novalung Inc.

Research Agreement with Precision Optical Machining, Inc.

The Regents approved a research agreement between the University of Michigan and Precision Optical Machining, Inc. to fund a project entitled “Rapid Ultra Direct Metal Deposition Technology in the College of Engineering.” Because Dr. Jyoti Mazumder has an equity interest in Precision Optical Machining 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. The parties to the research agreement are the Regents of the University of Michigan and Precision Optical Machining Inc.
2. A total subcontract of \$2,451,451 will cover the project for a four-year period. The University’s standard contract provisions for NIST ASP projects will apply. The agreement provides for amendment upon approval of both parties. University of Michigan procedures for approval of these changes will be followed and additional review by the Conflict of Interest Review Committee will be done as appropriate.
3. The pecuniary interest of Dr. Mazumder arises from his equity interest in Precision Optical Machining, Inc.

License Agreement with Ablation Frontiers

The Regents approved a license agreement between the University of Michigan and Ablation Frontiers to further develop a catheter for treatment of atrial fibrillation that was created in the Medical School. Because Drs. Kakan Oral and Fred Morady hold equity interest in Ablation Frontiers and are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the license agreement are the Regents of the University of Michigan and Ablation Frontiers.
2. License terms include:
 - ◆ For use in therapeutic applications.
 - ◆ Exclusive license with the right to sublicense.
 - ◆ Ablation Frontiers will reimburse the University's back patent expenses and pay patent expenses incurred during the license term.
 - ◆ License issue fee is \$25,000.
 - ◆ The University will receive royalties from a percentage of net sales as well as a percentage of sublicense income.
 - ◆ The University will receive equity in the company.
 - ◆ Exclusive right to practice and commercialize the technology, subject to certain rights reserved by the University to practice it for research and/or education purposes. The University retains ownership.
 - ◆ Minimum annual maintenance fees.
 - ◆ Term of agreement is for the life of the patent.
 - ◆ No use of University services or facilities, nor any assignment of University employees, is obligated under the agreement.
3. The pecuniary interest of Drs. Oral and Morady arises from their ownership interest in Ablation Frontiers. They have waived any personal participation in the sharing of revenue received by the University from the company.

Six-Month Report on University Audits

The Regents received the six-month report on Office of University Audits activities for the period October 1, 2003 through March 31, 2004.

Alternative Asset Commitment (*TPG Biotechnology Partners, L.P.*)

On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved commitment of up to \$10 million from the Long Term Portfolio to TPG Biotechnology Partners, L.P. Regent Brandon recused himself from voting due to a conflict of interest.

Alternative Asset Commitment (*EQT IV, L.P.*)

On a motion by Regent Maynard, seconded by Regent Deitch, the Regents unanimously approved commitment of up to EUR 20 million from the Long Term Portfolio to EQT IV L.P., a private equity limited partnership headquartered in Stockholm, Sweden. Regent Brandon recused himself from voting due to a conflict of interest.

Authorization for Expenditures in Fiscal Year 2004-2005 for University Operations

On a motion by Regent Richner, seconded by Regent Brandon, the Regents voted unanimously to provide temporary expenditure authorization for Fiscal Year 2003-2004 pending approval of 2004-2005 budgets.

Authorization for Expenditures in Fiscal Year 2004-2005 for the University Health System

On a motion by Regent Deitch, seconded by Regent Brandon, the Regents voted unanimously to provide temporary expenditure authorization for Fiscal Year 2004-2005 pending approval of 2004-2005 budgets.

Sale of Commercial Paper by the University

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved replacement of the present commercial paper program with a new program to sell up to \$150 million of commercial paper, as described in the Regents Communication.

Planned Uses of Income from the Julian A. Wolfson and the Marguerite Wolfson Endowment Funds for the Fiscal Year 2004-2005

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved the planned uses of income from the Wolfson Endowment Funds for the fiscal year 2004-2005, as described in the Regents Communication.

University of Michigan Hospitals and Health Centers (UMHHC) East Ann Arbor Computed Tomography and Magnetic Resonance Imaging Expansion Project

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved the (UMHHC) East Ann Arbor Computed Tomography and Magnetic Resonance Imaging Expansion Project, which will provide for an additional CT scanner and an additional MRI scanner in the East Ann Arbor properties, as outlined in the Regents Communication.

Alumni Memorial Hall Museum of Art Addition and Renovation Project

Executive Vice President Slottow introduced James Steward, director of the Museum of Art. Mr. Steward introduced Brad Cloepfil, of Allied Works Architecture, to present the design proposal.

Mr. Cloepfil commented that the design is intended to open up the existing Alumni Memorial Hall to the campus, so that students and the community can fully engage in it. A good deal of time was spent in site analysis, due to the uniqueness of the site.

Mr. Cloepfil displayed a site map and photos of the site and surrounding buildings illustrating circulation patterns. He noted that an important consideration was to maintain the historic character of Alumni Memorial Hall. He then displayed schematic designs for each floor of the building. He pointed out that 75% of the gallery space will be open to natural light, and that many of the programmatic needs will be met by expansion below grade and under the site and will include a new education center with classroom and curatorial space.

Mr. Cloepfil displayed views of the exteriors as seen from State Street and the Diag, noting that the art would be visible to passersby. He also displayed an architectural model of the project.

Mr. Cloepfil responded to questions from the Regents about specific features of the project. Following the presentation, Regent Brandon moved approval of the revised budget and schematic design for the museum of Art Addition and Renovation Project as presented at the meeting. Regent Newman seconded the motion and it was approved unanimously.

Naming of Alumni Memorial Hall Museum of Art Addition

On a motion by Regent Maynard, seconded by Regent Deitch, and in recognition of a gift of \$10 million from the Maxine and Stuart Frankel Foundation, the Regents unanimously approved designating the proposed new wing of the Museum of Art the Maxine and Stuart Frankel and the Frankel Family Wing.

Wolverine Tower Electrical Substation Replacement

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved the Wolverine Tower Electrical Substation Replacement Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Joan and Sanford Weill Hall Project for the Gerald R. Ford School of Public Policy

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved issuing the Joan and Sanford Weill Hall Project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan-Dearborn Engineering Laboratory Building Expansion and Renovation Phase Two of the Science and Engineering Expansion and Renovation Project

On a motion by Regent Richner, seconded by Regent Brandon, the Regents unanimously approved issuing the University of Michigan-Dearborn Engineering Laboratory Building Expansion and Renovation Project for bids and awarding construction contracts providing that bids are within the approved budget.

Central Power Plant North Low-Pressure Steam Header Improvements

On a motion by Regent Brandon, seconded by Regent Richner, the Regents unanimously approved the Central Power Plant North Low-Pressure Steam Header Improvements Project as described and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

1912 Geddes, Ann Arbor, Michigan

On a motion by Regent Maynard, seconded by Regent McGowan, the Regents unanimously approved sale of the property located at 1912 Geddes, Ann Arbor, Michigan, to the Nu Sigma Nu fraternity for \$525,000 upon terms and conditions acceptable to the University.

Walgreen Center Project

Executive Vice President Slottow noted that this project had originally been approved in May 2000 on a site located just east of the Power Center. However, the design of that project was never completed and it has been terminated. The scope of the Walgreen Drama Center has

been transformed and the proposed location for this project has been changed to a site on North Campus. He noted that it will house a 250-seat Arthur Miller Theatre as well as the Department of Theatre and Drama of the School of Music. He reported that the project will have an impact on parking, and that an update on parking will be presented at a later time. He noted that the estimated cost of the project is \$34 million.

On a motion by Regent Maynard, seconded by Regent Richner, the Regents approved the Walgreen Drama Center Project as described and authorized commissioning KPMB Architects for its design.

University of Michigan Hospitals and Health Centers (UMHHC) Arbor Lakes Medical Center Information Technology (MCIT) Parallel Computing Center Project

On a motion by Regent Brandon, seconded by Regent Deitch, the Regents unanimously approved the University of Michigan Hospitals and Health Centers' Arbor Lakes Medical Center Information Technology Parallel Computing Center Project as described and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Michigan Student Assembly Report

MSA President Jason Mironov read a prepared statement responding to earlier comments from Vice President Harper about planned changes to SAPAC. He then updated the board on upcoming MSA-sponsored events as well as projects underway by MSA for the coming year. He noted that he is meeting with all of the vice presidents to discuss student projects, with a goal of drafting a memorandum of understanding setting forth avenues for obtaining student input in aspects of the University that currently do not receive regular student input.

Revisions to Regents' Bylaws Sections 1.06 and 1.07

Regent Deitch made the following comments.

“President Coleman, I’d like to provide some context for the proposed revisions to the Regents’ by-laws. I would like these remarks to be published in the minutes of this meeting in their entirety for legislative history.

Two and a half years ago, the Board voted to amend its by-laws and modify its governance structure. For the first time, we created two committees. These were: 1) Finance, Audit and Investment, and 2) Compensation and Personnel.

We also created the positions of chair and vice chair. These positions were to be elected by a majority of the Board. I was elected chair. Regent Newman was elected vice chair. As written, the term of office was to be 2 years. The first term was also extended for 6 months because of when the system was put in place. As originally written, the job descriptions for the chair and vice chair were vague. But, nevertheless, off we went.

For me, kicking off something new was an interesting, and at times, frustrating experience. On the whole, our new structure has worked very well...but not perfectly.

Certainly, the committees have fulfilled our hopes for them. By empowering sub-sets of the Board to delve deeply into subjects which are at the heart of our governance responsibility, namely finance and executive personnel, we more thoroughly and thoughtfully fulfill our responsibilities.

I am particularly proud of the fact that we created an audit committee well in advance of Enron and Sarbanes-Oxley. Prudent management of our resources is at the heart of our stewardship responsibilities and we have done that well.

Speaking of Sarbanes-Oxley, as previously reported, we have asked PricewaterhouseCoopers to advise us on how to bring University practice into as full compliance as possible with Sarbanes-Oxley even though that law does not apply to non-profit institutions. Accordingly, we will be bringing forward a revised charter for the Finance, Audit and Investment Committee in the near future.

Similarly, Sarbanes-Oxley mandates that public companies have a nominating and governance committee to review Board performance. We will not create such a committee but we will be revising the charter of the Compensation and Personnel Committee to include Board assessment and self-evaluation in its charter. Those revisions will be completed soon.

Both of these actions are consistent with the Board’s insistence that both its own activities and those of University leadership be conducted at all times with the highest possible professionalism and integrity.

As we came to the end of my 2½ year term, a few things become apparent to all of us regarding the role of the chair and vice chair. These were:

- 1) The job takes a lot of extra time.*
- 2) Defining the chair’s responsibilities would be helpful and would avoid misunderstandings.*
- 3) Preserving a spirit of egalitarian collegiality among 8 individually elected public officials was of preeminent importance.*

Accordingly, we have brought forth the following major by-law revisions in addition to a few other technical corrections:

- 1) Henceforth, the chair and vice chair will serve one year terms.*
- 2) The positions will be filled on a rotating basis based on seniority.*
- 3) The chair will be the Regent with the most seniority with the vice chair having the second most seniority.*

4) *Members can, of course, feel free to decline to serve for personal reasons – family, other commitments, and so forth.*

5) *No one will serve again until all other members have served or forfeited the opportunity to serve.*

6) *The duties of the chair have been clarified and specified to include:*

- ◆ *setting the annual schedule for meetings, agenda and major topics for presentation or study by the Board*
- ◆ *monitoring committee agenda planning for coordination and comprehensiveness*
- ◆ *acting as spokesperson and convener of the Board where appropriate*
- ◆ *presiding over executive sessions when held without the president of the University*
- ◆ *appointing the chair and members of the ad hoc and standing committees*

With that background, in a moment I will propose the following motions:

Approve the bylaw changes as published in the June 7, 2004 University Record;

Confirm the appointment of Rebecca McGowan as chair and Andrea Fischer Newman as vice chair commencing July 1, 2004.

Before making those motions, I would like to make a few personal observations:

First on transition: For the record, Regent McGowan and I have equal seniority. Because of my 2 ½ years of service as chair, I do not expect to serve as chair next year. Rather, I will serve again when my turn next arrives. Similarly, Regent Newman was elected vice chair with me. She will serve again and is scheduled to be the next chair unless she declines to serve.

Second, the record should reflect that this method of selecting the chair was originally suggested by Regent Maynard 2 ½ years ago. She was correct.

I would like to offer my thanks to Andrea Newman. Her probing questions and savvy insights always made me do a better job – even when we didn't agree.

I wish to offer my thanks to Lisa Tedesco. Her value as a colleague to me and to all of the Regents is simply unquantifiable. Her work and advice are superb.

A few words on Rebecca McGowan: We are very fortunate to have her as our next chair. If we hadn't changed our system she would have been my personal nominee for the job. She is completely dedicated to the University's excellence. She will insist that we all do our best. Beckie, through good days and bad, over 12 years, there is no Regent for whom I have more respect.

Finally, thanks to my colleagues for giving me the privilege of kicking off this new system. I look forward to continued service with all of you."

Regent Deitch moved the adoption of the proposed revisions to Regents' Bylaws 1.06 and 1.07, and the confirmation of Regents McGowan and Newman as chair and vice chair, respectively. Regent Newman seconded the motion.

Regent Maynard thanked Regent Deitch for the way he had "put this together with all the rest of us," and noted that she appreciated the manner in which this has occurred. She thanked Regent Deitch for his service, pointing out that his great passion for the University is an

honorable characteristic. Regent Brandon associated himself with Regent Maynard's remarks, noting that "it is hard to be the first of anything" and for that, he appreciated Regent Deitch's efforts. Regent McGowan agreed, commenting that in their twelve years of association, she and Regent Deitch have usually agreed, but when they don't, "It is very exciting to engage him and then to anticipate the fireworks that follow." She noted that Regent Deitch works so hard for the University because he truly believes in the values and opportunities it presents for its students.

The vote was then taken, and the motion to amend Regents' Bylaws Sections 1.06 and 1.07 were approved unanimously. The revised bylaws follow (additions underlined; deletions crossed out).

Sec. 1.06. Officers of the Board (*revised February 2002 June 2004*)

A. President and Secretary of the Board

The president of the university will ~~shall~~ preside at meetings of the Board, without the right to vote. The vice president and secretary of the university will ~~shall~~ act as secretary of the Board.

B. Chair and Vice Chair of the Board

1. Selection:

a. There will be a chair and vice chair of the Board, each of whom will serve a one year term commencing on July 1 of each year and ending on June 30 of the succeeding year. This process will, commencing on July 1, 2004. The positions of chair and vice chair will be based on seniority and will rotate through the Board based on seniority.

b. The chair will be the Board member with most seniority on the Board, and the vice chair will be the Board member with second most seniority on the Board. The vice chair will automatically becomes chair after serving one term as vice chair. If two or more Board members have equal seniority, the chair or vice chair, as applicable, will be chosen through a random selection process. At a meeting before July 1 of each year the Board will take a public vote confirming the officers for the subsequent year.

c. A Board member who has served as chair or vice chair is ineligible to serve again in that capacity until all other members of the Board have served or forfeited the opportunity to serve. If the vice chair elects not to serve as chair, or the Board member next eligible to serve as vice chair elects not to serve as vice chair, then he or she forfeits the opportunity to serve as chair and vice chair until all other members of the Board have served in such capacity or forfeited the opportunity to serve.

~~Members of the Board of Regents shall elect a chair and vice-chair for two-year terms to begin on July 1 of every even-numbered year and to end on June 30 of the next even-numbered year, except that the initial elections for chair and vice chair shall be for terms beginning at the time of the election and ending on June 30, 2004. No less than sixty days before the expiration of terms of the current chair and vice chair, the Board shall elect a new chair and vice chair.~~

d. The chair and/or vice chair may be removed by vote of at least six members of the Board. ~~of Regents. Nominations shall be made and seconded for the offices of chair and vice chair. Votes shall be cast in public by all voting members of the Board. The candidate receiving a simple majority of those votes cast by members of the Board shall be elected to the position. For each position, if no nominee receives a simple majority of those votes cast on the first ballot, a second ballot shall be held to include only those two candidates receiving the greatest number of votes cast on the first ballot. If no candidate receives a simple majority of votes cast on the second ballot, for either chair or vice chair, the person currently serving as chair (or vice chair) will continue to serve in that office until a candidate receives a majority of votes cast for that office. If the current chair is unwilling or unavailable to continue in that position until a new chair is elected, the current vice chair will assume that position. If the chair Should the chair resigns, or is~~ removed as chair by vote of the Board, resigns, or otherwise is ~~be~~ unavailable ~~or unwilling~~ to serve as chair ~~for~~ ~~during~~ the remainder of the term, the vice chair ~~will~~ automatically assume that position for the remainder of the term and ~~the Board member with the next most seniority will automatically become vice chair for the remainder of the term. If a vice chair is removed as vice chair by vote of the Board, resigns, or otherwise is unavailable or unwilling to serve as vice chair for the remainder of the term, the Board member with the next most seniority will automatically serve as vice chair for the remainder of the term. If two or more Board members have equal seniority to fill a vacancy, the chair or vice chair, as applicable, will be chosen through a random selection process and confirmed through a vote of the Board at its next meeting. A chair or vice chair who serves a partial term may serve a full one-year term after the partial term ends. a new vice chair will be selected at the next meeting of the Board of Regents.~~

Should the vice chair resign or be removed as vice chair or otherwise be unavailable to serve out the remainder of his or her term, a new vice chair will be selected at the next meeting of the Board of Regents.

2. Duties:

If during any meeting of the Board the president is ~~obliged to be~~ absent ~~therefrom for any reason~~, the chair ~~will shall~~ assume the duties of the presiding officer of the meeting and ~~will shall~~ act as such until the president returns to the meeting and assumes the role of presiding officer.

The chair will perform the following duties, any or all of which he or she may delegate to the vice chair: set the annual schedule of meetings, agenda and major topics for presentation or study by the Board, including revisions as issues emerge; monitor committee agenda planning for coordination and comprehensiveness; act as spokesperson and convener of the Board where appropriate; preside over executive session when held without the President; and appoint the chair and members of ad hoc and standing committees. ~~committee chairs.~~

The chair and vice chair ~~will also shall~~ perform such additional duties as prescribed by the Board from time to time.

If ~~in the event~~ the chair is temporarily unavailable to perform his or her duties at any time, the vice chair ~~will shall~~ assume the chair's responsibilities.

Sec. 1.07. Committees (revised February 2002 June 2004)

A. Committee of the Whole

When the Board ~~shall will~~ resolve itself into a committee of the whole, the chair of the Board ~~shall will~~ serve as chair of the committee.

B. Ad Hoc Committees

The chair may ~~appoint~~ establish ad hoc committees of the Board and the Board ~~shall~~ will prescribe their duties and functions. The president of the University or the president's designee ~~shall~~ will serve as an ex officio member without vote of all such committees. Board membership on any such committee ~~shall~~ will consist of less than a quorum of the membership of the Board.

C. *Standing Committees*

There ~~shall~~ will be two standing committees of the Board of Regents, each composed of ~~three members~~ less than a quorum of the members of the Board, ~~selected~~ appointed by the chair. These committees ~~shall~~ will advise the Board of Regents on matters pertaining to their subject areas and ~~shall~~ will present periodic reports and recommendations, but ~~shall~~ will not have the power to bind the Board of Regents on any matter. These committees ~~shall~~ will determine the frequency, time and place of their meetings, in consultation with other members of the Board.

1. The Finance, Audit and Investment Committee

This committee ~~shall~~ will provide assistance to the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the University's internal controls and financial reporting and investment policies and practices. This committee ~~shall~~ will review, at its discretion, matters that may include the annual audit, financial statements and reporting, investments, and compliance with applicable laws and regulations.

2. The Compensation and Personnel Committee

This committee ~~shall~~ will provide assistance to the Board in evaluating the performance of and determining the appropriate level of compensation for the president. It also ~~shall~~ will advise the president on the performance of and compensation for the executive officers. The committee ~~shall~~ will, at its discretion, review performance goals and evaluations, market data, salary studies, and other relevant information.

Final Version of Bylaws without crossouts and underlines.

Sec. 1.06. Officers of the Board (revised June 2004)

A. *President and Secretary of the Board*

The president of the University will preside at meetings of the Board, without the right to vote. The vice president and secretary of the University will act as secretary of the Board.

B. *Chair and Vice Chair of the Board*

1. Selection:

- a. There will be a chair and vice chair of the Board, each of whom will serve a one-year term commencing on July 1 of each year and ending on June 30 of the succeeding year. This process will commence on July 1, 2004. The positions of chair and vice chair will be based on seniority and will rotate through the Board based on seniority.
- b. The chair will be the Board member with most seniority on the Board, and the vice chair will be the Board member with second most seniority on the Board. The vice chair will automatically become chair after serving one term as vice chair. If two or more Board members have equal seniority, the chair or vice chair, as applicable, will be chosen through a random selection process. At a meeting before July 1 of each year the Board will take a public vote confirming the officers for the subsequent year.
- c. A Board member who has served as chair or vice chair is ineligible to serve again in that capacity until all other members of the Board have served or forfeited the opportunity to serve. If the vice chair elects not to serve as chair, or the Board member next eligible to

serve as vice chair elects not to serve as vice chair, then he or she forfeits the opportunity to serve as chair or vice chair until all other members of the Board have served in such capacity or forfeited the opportunity to serve.

- d. The chair and/or vice chair may be removed by vote of at least six members of the Board. If the chair is removed as chair by vote of the Board, resigns, or otherwise is unavailable or unwilling to serve as chair for the remainder of the term, the vice chair will automatically assume that position for the remainder of the term and the Board member with the next most seniority will automatically become vice chair for the remainder of the term. If a vice chair is removed as vice chair by vote of the Board, resigns, or otherwise is unavailable or unwilling to serve as vice chair for the remainder of the term, the Board member with the next most seniority will automatically serve as vice chair for the remainder of the term. If two or more Board members have equal seniority to fill a vacancy, the chair or vice chair, as applicable, will be chosen through a random selection process and confirmed through a vote of the Board at its next meeting. A chair or vice chair who serves a partial term may serve a full one-year term after the partial term ends.

2. Duties:

If during any meeting of the Board the president is absent, the chair will assume the duties of the presiding officer of the meeting and will act as such until the president returns to the meeting and assumes the role of presiding officer.

The chair will perform the following duties, any or all of which he or she may delegate to the vice chair: set the annual schedule of meetings, agenda and major topics for presentation or study by the Board, including revisions as issues emerge; monitor committee agenda planning for coordination and comprehensiveness; act as spokesperson and convener of the Board where appropriate; preside over executive session when held without the President; and appoint the chair and members of ad hoc and standing committees.

The chair and vice chair will also perform such additional duties as prescribed by the Board from time to time.

If the chair is temporarily unavailable to perform his or her duties at any time, the vice chair will assume the chair's responsibilities.

Sec. 1.07. Committees (revised June 2004)

A. *Committee of the Whole*

When the Board will resolve itself into a committee of the whole, the chair of the Board will serve as chair of the committee.

B. *Ad Hoc Committees*

The chair may establish ad hoc committees of the Board and the Board will prescribe their duties and functions. The president of the University or the president's designee will serve as an ex officio member without vote of all such committees. Board membership on any such committee will consist of less than a quorum of the members of the Board.

C. *Standing Committees*

There will be two standing committees of the Board of Regents, each composed of less than a quorum of the members of the Board, appointed by the chair. These committees will advise the Board of Regents on matters pertaining to their subject areas and will present periodic reports and recommendations, but will not have the power to bind the Board of Regents on any matter. These committees will determine the frequency, time and place of their meetings, in consultation with other members of the Board.

1. The Finance, Audit and Investment Committee

This committee will provide assistance to the Board in fulfilling its responsibilities relating to the adequacy and effectiveness of the University's internal controls and financial reporting and investment policies and practices. This committee shall review, at its discretion, matters that may include the annual audit, financial statements and reporting, investments, and compliance with applicable laws and regulations.

2. The Compensation and Personnel Committee

This committee will provide assistance to the Board in evaluating the performance of and determining the appropriate level of compensation for the president. It also will advise the president on the performance of and compensation for the executive officers. The committee will, at its discretion, review performance goals and evaluations, market data, salary studies, and other relevant information.

Implementation of the Regents' Policy on Research Grants, Contracts, and Agreements, FY03

The Regents received the annual report regarding the implementation of the Regents' Policy on Research Grants, Contracts, and Agreements for FY03.

Approval of the Academic Calendars for 2006-2007 and 2007-2008 for the University of Michigan-Dearborn Campus

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved academic calendars for 2006-2007 and 2007-2008 for the University of Michigan-Dearborn campus.

Approval of Proposed Change to the Academic Calendars for the Summer Term 2006 for the University of Michigan-Dearborn Campus

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved a change to the academic calendar for the summer term 2006 for the University of Michigan-Dearborn campus.

Official Enrollment Count Dates for the University of Michigan-Flint Campus

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved an amendment to the official enrollment count dates, as follows: "The official enrollment report for the University of Michigan-Flint will be prepared by the Office of the

Registrar as of the 10th day of classes for all terms, using consistent definitions and procedures each term and year.”

There being no further business, the meeting was adjourned at 5:45 p.m. The next meeting is scheduled for July 15, 2004.