

MARCH MEETING, 2004

*The University of Michigan
Ann Arbor
Thursday, March 18, 2004*

The Regents convened at 2:10 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Provost Courant, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Vice President Harper was absent.

President Coleman called the meeting to order and announced that Public Comments would be the next order of business.

Public Comments

The Regents heard comments from the following people, on the topics indicated. Rahul Saksena, student, on the Office of Multi-Ethnic Student Affairs; Jim Mogensen, citizen, on the town-gown relationship; Isha Singh, citizen and member of the Sikh Studies Association, on the Sikh Studies chair appointment; Dennis Pollard, vice president of Lecturers Employees Organization, on lecturers at the University of Michigan; Matt Stehney, student, on the Pow Wow; Alexandria Cadotte, student and member of Native American Students Association, on Michigamua; Stephanie Chang, student, on the need for a University hate crime policy; Erik Glenn, student, on cuts to and reorganization of the LGBT office; Magali Padilla, student, representing La Voz Latina, on the Office of Multi-Ethnic Student Affairs; Kathryn Turnock, student and member of Our Voices Count, on changes to SAPAC services; Lydia Gregg, president of School of Art and Design

Student Government, on curriculum changes and in support of University lecturers; and Mia White, student and member of Our Voices Count, on changes to SAPAC services.

Following the comments, several Regents thanked the student speakers for coming to the meeting and expressing their concerns. They noted that although these are tough budgetary times, there are ways to work together to explore approaches to address the issues that were raised.

A 20-minute break followed, from 3:20-3:40 p.m.

Statement on the University Budget

President Coleman made the following remarks:

I want to take a few minutes to discuss the state budget situation and the University's plans for the months ahead. We face a challenging environment for our core teaching and research because of unprecedented and continuing reductions in our state appropriation. As you know, this appropriation is a critical component in providing a high-quality educational experience for University of Michigan students, especially at the undergraduate level.

I expect to bring a recommendation to you later this spring, asking you to accept the Fiscal Year 2005 state budget proposal for higher education — under the condition that the Legislature fulfills the terms outlined in that proposal. I understand the chancellors of the Dearborn and Flint campuses will do the same. By taking this action, we would limit further cuts to our state appropriations, would receive some relief on the significant mid-year cut of 2004, and would agree to limit our 2005 tuition increase for in-state undergraduate students.

The state's proposal, if it remains substantially intact through the legislative deliberations, will allow us to mitigate the cumulative reduction in appropriations and be responsive to the continued erosion of the state's budget situation.

One of the most important considerations for us is the impact on our annual base appropriation for the Ann Arbor campus, which will be \$321 million if we accept the proposal, but only \$301 million if we do not accept it. This funding is critical to our long-term financial stability.

We support the efforts of the Governor and the Legislature to keep public higher education affordable for Michigan families. We share that goal, and it was most recently reflected in our decision to hold the current year's tuition increase well below the average of statewide tuition increases. But tuition restraint will not be possible over time unless we can depend upon adequate and predictable appropriation levels.

This year finds us in an especially challenging circumstance. The economic downturn has not yet abated for our state, and it continues to put pressure on state government, as well as on Michigan residents and all of our publicly supported enterprises. We want to partner with the State of Michigan to do all we can during a time of such economic stress.

But the state's proposal does not alter the reality of nearly \$43 million cut from our base-level state support for the Ann Arbor campus in the last two years, along with almost \$20 million in one-time cuts. These funding reductions are unprecedented.

As you know, we have responded to this reduction in our annual appropriations by cutting our budget deeply, and we have more hard work to do. We estimate we will need to cut another \$20 million from the Ann Arbor budget for the 2005 fiscal year. That is in addition to the \$37 million we cut last year.

By the time the coming year concludes, we will have taken a total of \$57 million out of the budget in order to address these severe revenue constraints. Our Flint and Dearborn campuses also face additional cuts. The Flint campus anticipates cutting another \$800,000 next year, and in Dearborn the reduction will be \$1 million on top of previous budget cuts.

We have responded responsibly to calls for the University to examine its expenditures and we continue to promote efficiency aggressively in all areas of our institution. But we cannot minimize the significant impact of these reductions, and we must honestly face the serious long-term consequences for all three of our campuses.

Preserving the quality of core academic activity is our highest priority. We will be laser-focused on protecting our academic quality for the future — if our quality begins to decline, it will take far longer to rebuild than it will take to lose it.

Our students and families expect and demand the academic excellence that has created the outstanding reputation of the University of Michigan. Our alumni, too, have an enormous stake in the continued strength of their alma mater.

The distinctive quality of our university depends on stable state support and reasonable tuition revenue. As we go forward, we must be clear that we accept the state's proposal only as a short-term measure. It is not a sustainable, long-term solution. Ultimately, we must be true to our mission and to our students. We cannot let the focus on cost trump the commitment to quality.

As I told the Senate higher education subcommittee last month, our public universities must work with the Governor and the Legislature to find more sustainable models that can achieve our shared goals of both excellence and affordability. I believe our long-term planning should incorporate three main elements:

- More robust and more predictable state support;*
- Moderate tuition increases;*
- And a continued emphasis on financial aid, especially in the form of grants.*

Financial aid can pave the road to affordability. We have increased financial aid at a greater rate than tuition over the past several years to meet the full financial need of every in-state undergraduate. We know we must do even more, and we will be focusing an extraordinary effort on scholarships as a central component of our upcoming capital campaign.

In the coming weeks, the Provost will work closely with deans, executive officers, and unit directors to move through the budgeting process for the year ahead. We have developed a set of guiding principles to help shape our planning and budget decisions. We know there will be difficult choices to make, and there will be no easy answers.

Let me say it again: Continued academic quality is our first priority.

In addition, Michigan's public universities must put tremendous effort into creating a new kind of partnership with our state. I believe that the concept of "partnership" is a two-way street. We have to ensure that investment in our public universities meets the needs of our state and reaps robust economic vitality for Michigan. Nowhere is that more evident than in my determination to

bring down barriers and foster greater economic development activity stemming from our University's research. I welcome this week's announcement from the Governor announcing the formation of a Blue Ribbon Commission on Higher Education. I look forward to working with Governor Granholm, Lt. Governor Cherry, and commission members to improve the state's economy through higher education.

The University and the State still have many economic challenges to face. I will continue to make sure that we do not forget the future, as we work together to solve the problems of the present.

President's Opening Remarks

President Coleman commented on a number of noteworthy student accomplishments and honors during the past month.

Committee Reports

Finance, Audit, and Investment Committee. Regent Brandon reported that the committee had met that morning and were updated in three areas: internal audit activity over the last three months; review of the FY04 external audit plan; and information on the FY 2005 General Fund budget.

Compensation and Personnel Committee. Regent Maynard reported that the committee would be meeting immediately following the Regents' Meeting. She noted that continuing informal discussions are being held with the president about establishing a vision for the University.

University of Michigan Undergraduate Research Forum

Vice President Ulaby announced that a new scientific journal has been published on campus that is written, edited, managed, and published by undergraduate students. He introduced the faculty advisors for the project: Sandra Gregerman, director of the Undergraduate Research Opportunities Program (UROP), and Cinda-Sue Davis, director of Women in Science and Engineering (WISE). He then introduced students who have been involved in creation of the journal, the *University of Michigan Undergraduate Research Forum*: Shahzad Zafar (internal relations representative), Wei Gu (editor in chief), Adam Brzezinski (publicity manager), Shauna

Puhl (copy editor), Shailesh Agarwal (financial manager), and Sanyo Tsai (graphics editor). The students described how they brought the idea of a peer-reviewed undergraduate journal from concept to reality and distributed copies of the inaugural issue.

The Regents then turned to the regular agenda.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of February 19, 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, February 1 - February 29, 2004.

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

Division of Student Affairs. There was no additional report.

University of Michigan-Dearborn. Chancellor Little noted that a celebration had recently been held in honor of the 30th anniversary of the Commission for Women on the Dearborn campus. He also called attention to the recommendation for the appointment of Katie Anderson-Levitt as dean of the College of Arts, Sciences and Letters.

University of Michigan-Flint. Chancellor Mestas pointed out that students from the Flint campus were well represented at the recent Honors Convocation. Of special note is that of the four students recognized as Angell Scholars for 8 semesters, two were from the Flint campus.

Michigan Student Assembly Report. President Coleman commented that this would be the last meeting that Angela Galardi and Monique Perry would be attending as president and vice president, respectively, of MSA.

Ms. Galardi thanked the Regents and administrators for their support during the past year, noting that it had been a wonderful experience. She then offered her observations on the public comments session, noting that she was in full support of the perspectives that had been raised by the student speakers. She pointed out that despite budget constraints, it is very important that programs in the area of student services be maintained, as they provide support for students who lack support elsewhere, allowing them to feel comfortable at the University.

Ms. Galardi gave a personal perspective on proposed changes to the Greek system, noting that it provided a means for developing leadership skills and networking. Proposed changes would increase barriers for students to join the Greek system and would result in a decrease in the numbers of students who would become involved. The requirement to have resident advisors in each chapter would force many chapters to close and would further deter students from considering joining the Greek system. Ms. Galardi commented that the entire Greek community is opposed to the changes being considered. She stated that students feel strongly that they need to be a part of the discussions about this issue and other changes to student programs being proposed in response to budget cutbacks,

Ms. Monique Perry, vice president of MSA, thanked the Regents and administrators for her experience during the past year. She noted that MSA had passed resolutions expressing full support of all of the issues raised by the students during public comments, including fully funding the annual Pow Wow, not proceeding with the restructuring of SAPAC, reporting and recording bias incidents, and fully funding the Office of Multi-Ethnic Student Affairs. She commented that

the deteriorating condition of the multi-cultural center (William Monroe Trotter House) discourages prospective minority students from considering coming to Michigan.

Ms. Perry also commented that a policy needs to be put in place for dealing with hate crimes. She urged the University administration to be responsive to the concerns expressed by the students.

Voluntary Support. Vice President May submitted the report of voluntary support.

Personnel Actions/Personnel Reports. Provost Courant submitted a number of personnel actions and personnel reports. He called attention to the recommendation for the reappointment of Ada Sue Hinshaw as dean of the School of Nursing through June 2006.

Executive Vice President Slottow called attention to the recommendation for the appointment of Laurita Thomas as associate vice president and chief human resources officer. He noted that she was in attendance, introduced her, and described her extensive background in this area.

Regent McGowan moved approval of the appointment of Laurita Thomas as associate vice president and chief human resources officer. Regent Taylor seconded the motion, and it was approved unanimously.

Vice President Krislov called attention to the recommended appointment of Edward Goldman as associate vice president and deputy general counsel, noting that he would be coordinating delivery of legal services to the Health System. Regent McGowan moved approval of the appointment of Edward B. Goldman as associate vice president and deputy general counsel. Regent White seconded the motion, and it was approved unanimously.

Retirement Memoirs. Vice President Tedesco submitted memoirs for two recently retired faculty members.

Memorials. No deaths were reported to the Regents this month.

Degrees. President Coleman submitted recommendations for the following individuals to be awarded honorary degrees: Daniel Aaron, Doctor of Humane Letters; Julius Chambers, Doctor of Laws; David E. Davis, Jr., Doctor of Humane Letters; William Joy, Doctor of Engineering; Helmut F. Stern, Doctor of Laws, and Karen Uhlenbeck, Doctor of Science.

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

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved an additional investment of £2.5 million from the Long Term Portfolio to Highcross Regional U.K. Partners L.P.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved a commitment of up to \$15 million from the Long Term Portfolio to Garnett & Helfrich Capital L.P.

Pharmacy College Building Lab Remodeling

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved a project for remodeling the Pharmacy College Building second and fourth floor labs, as described in the Regents Communication, and authorized commissioning the architectural firm of Integrated Design Solutions for its design and issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Helen Newberry Residence Replace Slate Roof

On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved a project for replacing the slate roof on Helen Newberry Residence as described in the Regents Communication, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Dental Building and W.K. Kellogg Institute Replacement of Elevators 4 and 5 Project

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved a project for replacing elevators 4 and 5 in the Dental Building and W.K. Kellogg Institute, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Conflict of Interest Items

President Coleman announced that the agenda includes 4 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Taylor, seconded by Regent White, the Regents unanimously approved each of the following items:

Option Agreement between the University of Michigan and Triana, LLC

The Regents unanimously approved an option agreement between the University of Michigan and Triana, LLC Inc. for commercializing a portfolio of inventions owned by the University of Michigan, as detailed in the Regents Communication. Because the partial owners of Triana, LLC, Samir Hanash and Gilbert Omenn, are also University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements.

1. Parties to the agreement are the Regents of the University of Michigan and Triana, LLC.

2. Contract terms include:

Field of Use: All fields.

Option Fee: Triana will pay an option fee upon execution of the agreement.

Option Period: 18 months with right to renew for additional 6 months upon completion of certain performance milestones.

Grant: Exclusive to patent rights.

Patent costs: Triana will pay all ongoing patent costs during the option period.

Performance criteria: Specific product, business and capitalization milestones must be met in order to maintain the rights granted by the option.

The University will retain ownership of the licensed technology and may continue to further develop it and use it for research and academic purposes.

No use of University services or facilities is obligated under the agreement.

3. The pecuniary interests of Dr. Hanash and Dr. Omenn arise from their ownership interest in Triana, LLC. They will waive any personal participation in the sharing of revenue received by the University from the company.

Subcontract Agreement between the University of Michigan and EMAG Technologies, Inc.

The Regents approved a subcontract agreement with EMAG Technologies, Inc. for funding of a project in the University of Michigan College of Engineering. Because the co-founder and co-owner of EMAG Technologies, Dr. Kamal Sarabandi, is also a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and EMAG Technologies, Inc.
2. The terms of the agreement conform to University policy. The period of performance for the project is six (6) months and the amount of funding support is \$23,288. Since research agreements are often amended, the subcontract 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. Dr. Sarabandi's pecuniary interest arises from his ownership of EMAG Technologies. He is not involved in the project at either the University of Michigan or EMAG Technologies.

Research Agreement between the University of Michigan and the University Consortium for Advanced Internet Development (doing business as Internet2)

The Regents approved a research agreement between the University of Michigan and the University Consortium for Advanced Internet Development (doing business as Internet2)

(hereafter, “Company”) to provide funding for a project to be carried out at the University’s Center for Information Technology Integration. Because the president and chief executive officer of the Company, Douglas Van Houweling, is also a University of Michigan faculty member, 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 the University Consortium for Advanced Internet Development (doing business as Internet2) (“Company”).
2. The terms of the proposed agreement conform to University policy. The period of performance for the project is four (4) months at a total cost of \$39,667. Since research agreements are often amended, 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. Douglas Van Houweling’s pecuniary interest arises from his status as president and chief executive officer of the Company. He has played no role in the negotiation of the agreement and will play no role in the University’s effort under this agreement.

License Agreement between the University of Michigan and NeuroProbe Technologies, LLC

The Regents approved a license agreement between the University of Michigan and NeuroProbe Technologies, LLC (“NPT”). NPT wishes to manufacture probes under contract with the UM Solid State Electronics Laboratory and sell the resultant probes to third parties. Because Daryl Kipke, David Anderson, and Jamille Hetke are partial owners of NPT and also are University of Michigan employees, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and NeuroProbe Technologies, LLC.
2. License Terms include:

Grant: Exclusive, worldwide for the materials.
Royalties: NPT will pay a royalty on sales of the probes.

The University will retain ownership of the licensed technology and may continue to further develop it and use it for research and academic purposes.

The term of the agreement is for ten years.

3. The pecuniary interests of Dr. Kipke, Dr. Anderson, and Ms. Hetke arise from their ownership interest in NPT. They have waived any personal participation in the sharing of revenue received by the University from the company.

Faculty-Student Relationships Policy

Provost Courant informed the Regents that the University is instituting a new “Faculty-Student Relationships Policy,” which will be incorporated into the Standard Practice Guide. He noted that, although relationships between students and faculty are discouraged, the policy recognizes that they can occur, and it requires disclosure and management. If the inherent conflict of interest cannot be removed, the policy requires termination of either the personal relationship or the classroom relationship. The policy will be implemented during the summer of 2004.

Bylaws of the University of Michigan Hospitals and Health Centers (UMHHC) Executive Board

Executive Vice President Kelch submitted for approval proposed changes to the UMHHC Executive Board. On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved proposed amendments to the Bylaws of the University of Michigan Hospitals and Health Centers (UMHHC) Executive Board, as described in the Regents Communication.

There being no further business, the meeting was adjourned at 4:30 p.m. The next meeting will be held April 22, 2004.