

Approved by the Regents  
November 17, 2006

## OCTOBER MEETING, 2006

*The University of Michigan  
Ann Arbor  
October 20, 2006*

The Regents convened at 9:10 a.m. in the Michigan Rooms, Harding Mott University Center, on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks.

### **Call to Order**

President Coleman called the meeting to order. She commented on what a pleasure it was to be on the Flint campus during the celebration of its 50th anniversary and to have participated in the event marking this occasion a few weeks before. She noted that the campus's mission of evolving to fit the educational needs of the community would be bolstered by the proposal before the Board requesting creation of the first on-campus student housing project on the Flint campus.

President Coleman also announced that preliminary designs for Michigan Stadium have been released to the public and are available for viewing on the Michigan Stadium website. She noted that Athletic Director Bill Martin would be giving a series of public presentations about the stadium design in upcoming days, and that she and he both look forward to receiving

feedback from the public. Once the designs have been completed they will be brought back to the Board for consideration.

President Coleman reviewed events that had taken place on campus since the last meeting, including the dedication of Weill Hall, the groundbreaking for C.S. Mott Children's Hospital, and a symbolic groundbreaking for the Ross School of Business. She said that the School of Public Health would be dedicating its new Crossroads Building the following week. She called attention to recent faculty appointments to the Institute of Medicine, and announced that the Royal Shakespeare Company would begin its 3-week residency next week.

Regent Maynard called attention to a letter of welcome from University of Michigan-Flint faculty members that was being distributed to the Regents.

President Coleman then turned to the committee reports.

### **Committee Reports**

**Finance, Audit and Investment Committee.** The meeting was attended by Regent McGowan (chair), along with Regents White, Deitch, and Maynard. Regent Brandon was absent. Regent McGowan reported that the committee had received the Annual Report of Investments for 2005, noting that it reflects "how our generous donors, when matched by a favorable investment environment and a sound and steady strategy, have served the University remarkably well." She reported that the University's investment pool had risen to \$7.8 billion in FY 2005, up from \$7 billion the previous year, while the endowment had grown from \$4.9 billion to \$5.7 billion in one year, a 16% increase. She thanked Chief Investment Officer Erik Lundberg and his team for their efforts and said that the report is available to the public.

Regent McGowan reported that the second agenda item involved an update on information technology security operations at the University.

**Personnel, Compensation and Governance Committee.** Regent Taylor reported that he and Regents Newman and Richner had attended the meeting. They first met with Provost Sullivan and reviewed dean and major director reviews and searches that had taken place during the past year. They also discussed policies with respect to faculty salaries, noting that they are set by the deans with oversight by the provost's office. The committee received an update on recruitment and staffing in the Life Sciences Institute and learned that the institute is nearly at capacity in terms of faculty recruitment. The committee also reviewed its calendar for 2007.

**President's Salary.** Regent Taylor commented that the committee had reviewed data from a number of sources to determining an appropriate salary for President Coleman for the 2006 academic year. Based on this review and subsequent discussion, Regent Taylor moved that President Coleman receive a merit increase of 3% for 2006-07, retroactive to September 1, 2006. He noted that the motion acknowledges her many accomplishments and the outstanding job she has done, and that the increase is consistent with salary increases both within the University and at sister institutions within the state. Regent McGowan seconded the motion. Regent Maynard called for the vote, and the motion was approved unanimously.

President Coleman thanked the board and stated that "I am enormously appreciative of this vote of confidence by the Board, and I have never had so much fun in all my life. I love this place!"

### **Public Comments**

The Regents heard comments from the following individuals on the topic of the proposed University of Michigan-Flint student housing facility: Tim W. Herman, citizen; Larry Atherton, staff; Manosha M. Dasanayaka, alumna.

**MSA Report.** Nicole Stallings, president of the Michigan Student Assembly, was unable to attend, but she had made arrangements for Ms. Jelena Jovic, president of the UM-Flint Student Government Council, to speak in her place. Ms. Jovic reported that the student body on the Flint campus was ecstatic about the prospect of establishing student housing on campus, and that this was especially important for international students.

### **University of Michigan-Flint Student Housing Facility**

Executive Vice President Slottow commented that in November 2004 the Regents had approved a project to seek a developer/partner to design, construct, and manage a student housing apartment facility on the UM-Flint campus. However, upon further evaluation, it was determined that the desired outcome could more easily be achieved by using standard project delivery and financing methods. It is believed that the current project has a sound financial plan, based on gift funding, UM-Flint recurring operating budget funding, reasonable rates and occupancy levels, and a backup fund balance that would support the project in its early years if it didn't meet projected occupancy levels.

Chancellor Mestas commented that enrollment growth is a top priority for the Flint campus, and student housing is a critical element for achieving the campus's strategic goals. It is believed that the University's reputation for academic quality and individual attention, when combined with the presence of residence halls, will provide the competitive edge that is currently lacking. "Student housing is precisely what this campus needs," he concluded.

Regent Maynard moved approval of the University of Michigan-Flint Student Housing Facility revised project as described in the Regents Communication, and authorized commissioning the architectural firm of Neumann/Smith & Associates for its design. Regent Newman commented that this has been a long time coming and is very overdue, and that she is pleased

that the vote could be taken in Flint. Regent Maynard thanked Chancellor Mestas for his persistence in seeing this project come to pass. The vote was then taken, and the motion was approved unanimously. An enthusiastic round of applause and a standing ovation followed.

The Regents then turned to the consent agenda.

## **Consent Agenda**

**Minutes.** Vice President Churchill submitted for approval the minutes of the meeting of September 22, 2006.

**Reports.** Executive Vice President Slottow submitted the Report of Investments as of June 30, 2006. He noted that the endowment grew by 16% and coincidentally also had a 16% investment performance return. He recognized Chief Investment Officer Erik Lundberg, who received a round of applause. Executive Vice President Slottow observed that Mr. Lundberg had overseen an increase of 300 basis points (3%) over the benchmark for the one-year performance and 4% over the benchmark for the 3-year and 5-year performance.

Executive Vice President Slottow submitted the Plant Extension Report and the Regents Report of Noncompetitive Purchases over \$5,000 from Single Sources, June 16-September 15, 2006. He noted that no Human Resources and Affirmative Action Report was submitted.

**Litigation Report.** Vice President Krislov submitted the Litigation Report.

**Research Report.** Vice President Forrest submitted the Report of Projects Established, September 1-September 30, 2006.

**University of Michigan Health System.** Executive Vice President Kelch reported on progress regarding installation of the computerized physician order entry system, known as “UM Care Link.”

**University of Michigan-Dearborn.** Chancellor Little noted that the campus is focusing on enrollment growth, and that this year's progress is encouraging. He reported that special attention is being paid this year to draw new freshman students. Chancellor Little also reported on the dedication of the Heinz C. Prechter Engineering Complex, and on the commencement of "Difficult Dialogs" sessions on campus.

**Voluntary Support.** Vice President May reported that fundraising efforts continue to be strong, and said that the performance of the University's investments, directed by Erik Lundberg, Tim Slottow, and their teams, continue to inspire donors and he thanked them for their efforts.

**Personnel Actions and Personnel Reports.** Provost Sullivan submitted a number of personnel actions and personnel reports.

**Retirement Memoirs.** Vice President Churchill submitted 2 retirement memoirs, for Paul K. Peterson, Ph.D., associate professor of philosophy, UM-Flint, and Raymond W. Ruddon, Jr., M.D., Ph.D., professor of pharmacology.

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

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

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

The Regents then turned to consideration of the regular agenda.

**Alternative Asset Commitments** (*Shorenstein Realty Investors Eight REIT, Berkshire Fund VII, L.P., EQT V, L.P., DCM V, L.P., Formative Ventures Emerging Technologies Fund, L.P., and Matrix Partners VIII, L.P.*)

Executive Vice President Slottow informed the Regents that the following follow-on investments had been made with previously approved partnerships: \$25 million to SRI Eight

REIT; \$40 million to Berkshire Fund VI, L.P.; €30 million to EQT V, L.P.; \$13 million to DCM V, L.P.; an additional 10% commitment to the previous \$10 million (for a total of \$11.0 million) to Formative Ventures Emerging Technologies Fund, L.P.; and \$20 million to Matrix Partners VIII, L.P.

### **University of Michigan Financial Statements for the Year Ended June 30, 2006**

Executive Vice President Slottow submitted for adoption the University of Michigan Financial Statements for the Year Ended June 30, 2006. He thanked Vice President Rudgers and her staff for their excellent work in producing the annual report. He noted how difficult it is to continually receive a clean, unqualified opinion from the external auditors, and introduced individuals who participated in the audit, including Rick Stover, executive partner from PricewaterhouseCoopers, Cheryl Soper, University of Michigan controller, and Russell Fleming, director of financial reports. On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved adoption of the University of Michigan Financial Statements for the Year Ended June 30, 2006. It was noted that the report will be available on-line.

### **Central Power Plant Low-Pressure Steam Handling Improvements**

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the Central Power Plant Low-Pressure Steam Handling Improvements project 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.

### **Michigan Memorial Phoenix Laboratory Renovation**

Executive Vice President Slottow said that this facility will be a state-of-the-art research laboratory space for a broad range of energy-related initiatives. Vice President Forrest observed that the energy initiative is enjoying broad momentum across campus.

Mr. Terry Sargent, principal with Lord Aeck & Sargent, Inc., project architect, gave a presentation outlining the specific features of the renovation project. Executive Vice President Slottow pointed out that two-thirds of the cost of the project would be funded through the 2005 Supplemental Capital Outlay Request to the State of Michigan.

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved the schematic design for the Michigan Memorial Phoenix Laboratory Renovation Project as presented at the meeting.

### **University of Michigan Hospitals and Health Centers University Hospital 2007 Emergency Department Expansion**

On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital 2007 Emergency Department Expansion Project as described, authorized commissioning the architectural firm of Niagara Murano for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

### **University of Michigan Hospitals and Health Centers University Hospital Positron Emission Tomography/Computed Tomography Scanner Replacement**

On a motion by Regent Taylor, seconded by Regent Brandon, the Regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Positron Emission Tomography/Computed Tomography Scanner Replacement Project as described, authorized commissioning the architectural firm of Integrated Design Solutions, LLC, for its

design, 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 12 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved each of the following items:

### **Subcontract Agreement between the University of Michigan and Universal Display Corporation (UDC)**

The Regents approved a subcontract agreement with Universal Display Corporation (UDC) for the University to provide services under a grant received by UDC. Because Stephen R. Forrest is both a University of Michigan employee and the partial owner of UDC, 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 Universal Display Corporation.
2. The project at the University is to be conducted over a twelve month period at an estimated total cost of \$471,948 including full indirect costs. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Stephen Forrest's pecuniary interest arises from his partial ownership of UDC.

### **Approval of Payment for Jazz Pie Music**

The Regents approved a payment by the Departments of Ophthalmology and Visual Sciences and Microbiology and Immunology to Jazz Pie Music for musical performances provided for departmental gatherings. Because Roderick McDonald, Christopher Smith, and James Dapogny are University employees and band members of Jazz Pie Music, this contract

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 Department of Ophthalmology and Visual Sciences and Department of Microbiology and Immunology and Jazz Pie Music.
2. The service provided was musical entertainment. The cost for the service was \$2,640.00.
3. The pecuniary interest arises from the fact that Roderick McDonald, Christopher Smith, and James Dapogny, University of Michigan employees, are also band members in Jazz Pie Music.

### **Contract between the University of Michigan and SwirlTech**

The Regents approved a contract between the School of Information and SwirlTech. Because the owner of SwirlTech is also a University of Michigan employee, this contract 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 School of Information, and SwirlTech.
2. The product provided is a software license for a total dollar amount of \$25,000.00.
3. The pecuniary interest arises from the fact that Michael Hess, a University of Michigan employee, is owner of SwirlTech.

### **Visitor Agreement between the University of Michigan and Phrixus Pharmaceuticals, Inc.**

The Regents approved an agreement allowing two employees of Phrixus Pharmaceuticals, Inc. (“Company”) to visit the lab of Professor Joseph Metzger during normal business hours to teach him how to make certain compounds. Because Professor Metzger is a University of Michigan employee and is also partial owner and scientific advisory committee member of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Phrixus Pharmaceuticals, Inc.
2. The terms of the agreement conform to University policy. Dr. Metzger will host two Company employees for one year and during that time will learn how to produce certain compounds. There are no licensing provisions in the agreement and no cash transaction is involved. The agreement may be extended in the time and scope of work. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Professor Metzger's pecuniary interest arises from his status as partial owner of Phrixus Pharmaceuticals, Inc.

### **Research Agreement between the University of Michigan and Lycera, Inc.**

The Regents approved an agreement between the University of Michigan and Lycera to support research contracts for further development of inventions made by Professors Gary Glick and Anthony Opiari. Because Gary Glick, Anthony Opiari, and James Ferrara are employees of the University of Michigan and partial owners of Lycera, and Gary Glick serves as a member of the board of directors of Lycera, 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 Lycera, Inc.
2. The terms of the proposed agreement will conform to University policy. Dr. Glick, who is an inventor of technology licensed to Lycera and has a direct financial interest in the company, will direct the project over an initial one year period at an estimated cost of \$300,000. The contract will include a provision allowing extension and modification of the project upon mutual agreement of the parties (collectively, "Agreements"). University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

The project does not involve human subjects.

3. The pecuniary interests of Gary Glick, Anthony Opiari, and James Ferrara arise from their status as partial owners of Lycera, and from Gary Glick's status as a member of Lycera's board of directors.

### **Subcontract Agreement between the University of Michigan and T/J Technologies, Inc.**

The Regents approved a subcontract agreement with T/J Technologies for funding of a research project under the direction of Professor Levi Thompson. Because Levi Thompson is also a majority shareholder in T/J Technologies, and his wife, Maria A. Thompson, is president, CEO, and shareholder of T/J Technologies, 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 T/J Technologies, Inc.
2. The terms of the agreement conform to University policy. Dr. Thompson will be principal investigator for the project at the University. The period of performance is six (6) months at an estimated cost of \$18,776. Indirect costs are waived on SBIR Phase I awards. The agreement contains a provision allowing amendment by mutual agreement by the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Dr. Thompson's pecuniary interest arises from his status as a majority shareholder in T/J Technologies, and from his wife's status as president, CEO, and shareholder of T/J Technologies.

### **Option Agreement between the University of Michigan and Acera, Inc.**

The Regents approved an agreement with Acera, Inc. for commercializing the following technology from the University: UM File No. 2863 ("Nucleic Acids and Polypeptides Involved in the Production of Cryptophycin") (Sherman, Beck), and UM File No. 3487 ("Cryptophycin Biosynthetic Cluster DNA and Cryptophycin Epoxidase" (Sherman, Beck, Ding). Because Dr. David Sherman, a University of Michigan employee, is also partial owner of Acera, 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 Regents of the University of Michigan and Acera, Inc.
2. Option terms include giving Acera an exclusive option with the right to obtain an exclusive license with the right to grant sublicenses. Acera will pay an option fee and

reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties. University procedures for approval of the changes will be followed and additional conflict of interest review will be done as appropriate.

3. The pecuniary interests of Dr. Sherman arise from his ownership interest in Acera.

### **Option Agreement between the University of Michigan and NanoAlpha, Inc.**

The Regents approved an option agreement with NanoAlpha for the technology “Liquid Feed Flame Spray Modification” (UM File No. 2819). Because Professor Richard Laine is both an employee of the University of Michigan and a partial owner of NanoAlpha, 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 Regents of the University of Michigan and NanoAlpha.
2. Option terms include giving NanoAlpha an exclusive option for one year to obtain an exclusive license to the University’s rights in the above-referenced file; NanoAlpha will reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Professor Laine’s pecuniary interest arises from his ownership interest in NanoAlpha. He has waived any personal participation in the sharing of revenue received by the University.

### **Subcontract Agreement between the University of Michigan and Opteos, Inc.**

The Regents approved a subcontract agreement with Opteos, Inc. for funding of a project to be carried out at the University of Michigan. John Whitaker, a University employee, holds 24% equity interest in Opteos, Inc., and is a member of its board of directors. Kamil Sarabandi, another University employee, is co-founder and co-owner of EMAG Technologies, which owns

50% of Opteos, Inc. Therefore, 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 Opteos, Inc.
2. The total subcontract to the University will be \$225,000 for the period September 1, 2006 through August 31, 2008. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. John Whitaker's and Kamil Sarabandi's pecuniary interests arise from their status as equity interest holder and board member of Opteos (Whitaker) and co-founder and co-owner of EMAG Technologies (Sarabandi).

**Subcontract Agreement between the University of Michigan and Therapeutic Systems Research Laboratories, Inc. (TSRL)**

The Regents approved a subcontract agreement with TSRL for funding of research in the College of Pharmacy under the direction of Dr. Henry Mosberg. Because Gordon L. Amidon is both an owner of TSRL 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 Therapeutic Systems Research Laboratories, Inc. (TSRL).
2. The terms of the agreement conform to University policy. The period of performance for the project is one (1) year and the amount of funding support is \$35,000. Indirect costs are waived on SBIR Phase I awards. The agreement contains a provision allowing amendment by mutual agreement of the parties. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Gordon Amidon's pecuniary interest arises from his ownership of TSRL.

**Subcontract Agreement between the University of Michigan and Michigan Aerospace Corporation**

The Regents approved a subcontract agreement with Michigan Aerospace Corporation for the testing and transition to production of a reliable and cost-effective universal interface

between various types of unmanned aerial vehicles and a mobile ground platform. Because Dr. Lennard Fisk is both a University of Michigan employee and a part owner (50% of the stock) of Michigan Aerospace Corporation, 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 Michigan Aerospace Corporation.
2. The total subcontract to the University will be \$27,200 for the period January 14, 2007 through November 15, 2007. Since research agreements are often amended, 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. Lennard Fisk's pecuniary interest arises from his status as part owner of Michigan Aerospace Corporation. He is not involved in the project at either the University of Michigan or Michigan Aerospace Corporation.

#### **Subcontract Agreement between the University of Michigan and Michigan Engineering Services**

The Regents approved a subcontract agreement with Michigan Engineering Services (MES) for preparation of a case study with the assistance with MES. Because Dr. Nickolas Vlahopoulos is both a University of Michigan employee and an owner and officer of MES, 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 Michigan Engineering Services.
2. The total subcontract to the University will be \$21,000 for the period September 1, 2006 through December 31, 2006. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Dr. Vlahopoulos' pecuniary interest arises from his ownership interest and status as an officer of Michigan Engineering Services. He will not be involved in the project at the University.

## **Procedure for Handling Potential Conflicts of Interest Involving the President**

Vice President Churchill commented that following adoption of the “Supplemental Procedure to Bylaw 1.14 for Handling Potential Conflicts of Interest Involving a Regent” in June 2005, it was decided to develop a corresponding procedure for managing conflicts of interest involving the president of the University. Under this supplemental procedure, the president would disclose potential conflicts of interest to the vice president and secretary, who in turn would consult with the vice president and general counsel, the chair of the Board of Regents, and the chair of the Regents’ Personnel, Compensation and Governance Committee, as to how to manage the conflict or potential conflict.

It was noted that upon approval by the Board, Bylaw 1.14 will be updated to include a reference to the supplemental procedure for handling potential conflicts involving the president.

Regent White moved approval of the “Supplemental Procedure to Bylaw 1.14 for Handling Potential Conflicts Involving the President;” Regent McGowan seconded the motion. Regent Maynard called for the vote, and the motion was approved unanimously. The following is the text of the supplemental procedure:

### Supplemental Procedure to Bylaw 1.14 for Handling Potential Conflicts of Interest Involving the President

One of the fundamental fiduciary duties of the president is the “duty of loyalty,” which is defined as having a mandate to be faithful to an organization’s best interest, and not to use the position or knowledge gained as a president for personal advantage at the organization’s expense. Obligations under the duty of loyalty include disclosure of real and potential conflicts of interest. State law defines what constitutes a real conflict of interest for a president and prohibits the University of Michigan from entering into any transaction where such a conflict exists. Under the applicable statute (MCL 15.301 et seq.) the University may not contract with a vendor with which the president has a pecuniary interest of such substance that it would induce the president to promote the contract for the president’s own personal benefit.

Regents’ Bylaw Section 1.14 further requires management of those situations where there exists even the appearance of a potential conflict that might affect the independence of the president’s judgment. The Regents also require that the president makes the University his or her primary professional commitment.

To ensure that the high standards expected of the president are met, the president must disclose to the vice president and secretary of the University, with updates as needed, those activities and financial interests that are or could potentially constitute situations where the independence of the president’s judgment or professional commitment to the University could be affected. The chair of the Board of Regents and the chair of the Personnel, Compensation and Governance Committee of the Board of Regents may request the

vice president and secretary to obtain from the president regular disclosures on forms developed for this purpose. The president may consult with the vice president and general counsel as to which matters should be submitted to the vice president and secretary for analysis and management.

The vice president and secretary will review these disclosures and, with advice and consultation from the chair of the Board of Regents and the chair of the Personnel, Compensation and Governance Committee of the Board of Regents, will consult with the vice president and general counsel and the executive vice president and chief financial officer as to which matters may require special University actions to avoid the appearance that a conflict of interest may affect the University's actions on a matter. The president may request an opinion on the matter from the vice president and general counsel. After consultation and advice, a committee consisting of the vice president and secretary, the vice president and general counsel and the executive vice president and chief financial officer shall determine if the University administration should treat the situation as one that requires special University actions to avoid the appearance that a conflict of interest may affect the University's actions on a matter. If the president does not concur, the matter shall be referred to the full Board for action.

In situations where a conflict of interest as defined by the applicable statute is identified that can not be appropriately managed to eliminate the conflict, the vice president and secretary will notify the executive vice president and chief financial officer. The executive vice president and chief financial officer will take all necessary steps, including issuing instructions as may be appropriate under the circumstances to other executive officers or persons directly reporting to the president, to ensure that the University of Michigan does not enter into any transaction prohibited by statute with the organization from which the conflict arises.

In other situations, where a potential effect on the independence of the judgment of or potential conflict of commitment involving the president is identified, the vice president and secretary will consult with the chair of the Board of Regents and the chair of the Personnel, Compensation and Governance Committee of the Board of Regents and with the vice president and general counsel. The vice president and general counsel will also provide advice, on request, as to options available to manage situations to avoid even the appearance of a potential conflict. The vice president and general counsel will inform the chair of the Board of Regents, the chair of the Personnel, Compensation and Governance Committee of the Board of Regents, the president and the vice president and secretary of his or her recommendations.

Options that the vice president and general counsel will consider include requiring the executive vice president and chief financial officer and/or other appropriate executive officers to manage such items so that the president is not involved and requesting the president to refrain from any participation or discussion of the matter. At any meeting of the Regents where the president intends to abstain, the president will announce that there is a potential for the appearance of a conflict and therefore he or she will not be participating in either the discussion or a recommendation on the matter.

**UM-Flint Report.** Chancellor Mestas thanked the Regents for their approval of the Flint campus housing project. He announced that former Poet Laureate Robert Hass was visiting the campus as part of the Green Arts Project and that in honor of the Regents' visit to the Flint campus he would be giving a poetry reading. He introduced Mr. Hass, who described the project and his impression of the vitality of the Flint campus. Mr. Hass then read a poem written by Sarah Spain, an 11-year-old girl from Lafayette, Louisiana in 2002, "Let Morning Come," and then read one of his own unfinished poems, "State of the Earth."

Following Mr. Hass's poetry reading, there was a choral performance by the UM-Flint Chamber Choir.

This concluded the formal business agenda, and a ten-minute break followed.

### **Public Comments**

The Public Comments session began at 10:50 a.m. The Regents heard comments from the following individuals on the topics indicated: Lynn Evans, alumnus, John Borton, citizen, Patrick Massey, alumnus, Tyrone Wheatley, alumnus, David C. Bird, alumnus, Gary Gillespie, alumnus, on Michigan Stadium renovations, and John Pollack, citizen, on University decision-making and the need for public input.

Regent Newman stated that she takes exception to Mr. Pollack's comments that the Regents did not look at alternative options for the stadium renovation. She noted that alternative plans had been discussed and also had been provided to Mr. Pollack, and that one of the alternatives proposed by the administration had ultimately been adopted, albeit by a vote that was not unanimous.

There being no further business, the meeting was adjourned at 11:20 a.m. The next meeting is scheduled for November 17, 2006.