

JUNE MEETING, 1999

*The University of Michigan
Ann Arbor
Thursday, June 17, 1999*

The Regents convened at 1:40 p.m. in the Regents' Room. Present were President Bollinger and Regents Brandon, Deitch, Horning, Maynard, McGowan, Newman, Taylor, and White. Also present were Provost Cantor, Executive Vice President Kasdin, Executive Vice President Omenn, Vice President Feagin, Vice President Hartford, Vice President and General Counsel Krislov, Interim Chancellor Schmoll, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Chancellor Renick was absent; Provost Simpson attended in his place.

President Bollinger called the meeting to order.

College of Architecture and Urban Planning

President Bollinger announced that the College of Architecture and Urban Planning received a gift of 30 million from Mr. A. Alfred Taubman, and as a result, the college was requesting that it be renamed the A. Alfred Taubman College of Architecture and Urban Planning. President Bollinger noted that this is the largest gift that Mr. Taubman has given to the University of Michigan or to any other institution, and it is the largest gift ever made to a school of architecture in the United States. The gift is also noteworthy in that it will be used for endowment.

President Bollinger observed that it is a very serious matter for the University to name something for an individual. To name a school, which is perhaps the most significant, in general the gift must have the potential to transform the school, the name must be appropriate to the

mission of the school, and the naming decision must have been preceded by extensive discussion within the University.

President Bollinger recognized the contributions of Vice President Feagin, Provost Cantor, Dean Kelbaugh, former dean Beckley, and faculty, students, and staff of the college in obtaining this gift.

Provost Cantor observed that this is an extraordinary gift that has the power to transform the college. It will transform the faculty by enabling the recruitment of additional scholars and practitioners and will enhance the student body through the ability to offer substantially increased financial aid packages. Provost Cantor emphasized the importance of such a transformative gift in the area of arts and humanities, noting that the College of Architecture and Urban Planning offers exactly the kinds of shared public culture, community-oriented programs, and interdisciplinary focus from which the University can make exceptional contributions.

Dean Kelbaugh spoke about plans the college is making for the use of the funds. These include recruitment of additional extraordinary faculty, both distinguished practitioners and scholars, who would improve the faculty/student ratio in the college; and building a stronger student body through substantially increased financial aid. Dean Kelbaugh reported that the faculty decided that an endowment gift directed toward programmatic needs would be more beneficial than an improved building, and they were thrilled that this had been achieved.

Vice President Feagin observed that a gift of this size is a very unusual occurrence. The fact that the gift will have been fully realized within five years is also extraordinary and has a real impact on the institution.

Regent Newman moved approval of changing the name of the College of Architecture and Urban Planning to the A. Alfred Taubman College of Architecture and Urban Planning.

Regent Taylor seconded the motion. They congratulated all involved on such an incredible gift.

The vote was then taken and the motion was approved unanimously.

Resolution in honor of Sean Michael Welch

Regent Maynard called Sean Michael Welch to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan congratulate and commend University of Michigan-Flint senior theatre major Sean Michael Welch for winning the John Cauble Short Play Award at the Kennedy Center/American College Theatre Festival in Washington, D.C., in April 1999. This prestigious festival recognizes and celebrates the finest theatrical works produced on campuses nationwide.

Mr. Welch's one-act play "Earl, The Vampire," a farce about a family of vampires seeking status in America, was one of six plays chosen from more than 900 college and university entries for performance at the John F. Kennedy Center for the Performing Arts as part of the festival. Mr. Welch's award included a \$1,000 prize, publication by publisher Samuel French Inc., and membership in the Dramatists Guild.

Mr. Welch has been writing since childhood and has penned more than a dozen plays, four of which have been performed for enthusiastic audiences at Flint's Black Box Theatre. He recently returned from a London theatre tour course and plans to attend graduate school after graduation.

The Regents salute Sean Michael Welch on a splendid opening act of a promising literary career.

A round of applause followed.

Consent Agenda

Minutes. Vice President and Secretary Tedesco submitted for approval the minutes of the May 20-21, 1999 meeting.

Reports. Executive Vice President Kasdin submitted the Investment Report and Plant Extension Report.

Litigation Report. Vice President Krislov reported that the case, *Matthew Schembechler and the MLS Company v the University of Michigan*, had been dismissed in its entirety by the federal court. He also noted that the Michigan Supreme Court had issued a decision in the *Federated Publications v Michigan State University Board of Trustees* in favor of the board of trustees. He said that the University of Michigan recognizes its responsibility to govern publicly and openly, but the University was pleased because it, along with other state universities, had participated as an amicus. The University of Michigan was gratified that the court had affirmed its long-held opinion that in the area of presidential searches the state constitution recognizes that governing boards of public universities may need freedom to choose how they operate.

President Bollinger commented that as a public institution, the University is not looking for ways to conduct business in secret. However, he noted that no institution that functions truly effectively does everything in public, including the press. The overriding principle guiding the University will be the public interest.

Research Report. Vice President Ulaby submitted the report of Projects Established for May 1999.

University of Michigan Health System. Executive Vice President Omenn reviewed a number of events that had taken place in the health system over the past month. He also noted that the health system would be completing its fiscal year in the black.

Dearborn Campus. Provost Simpson reported that construction had begun on the College of Arts, Sciences, and Letters (CASL) Building, and occupancy is expected by Fall 2001.

Flint Campus. Chancellor Schmoll reported on a number of events had been hosted on the Flint Campus during the past month. She also noted that Regent Maynard had received the Donald Reigle Community Service Award in recognition of her contributions to the Flint Community.

Voluntary Support. Vice President Feagin submitted the report on voluntary support for May 1999.

Personnel Actions/Personnel Reports. Provost Cantor called attention to the reappointment of David Featherman as director of the Institute for Social Research and the appointment of Dean B. Joseph White as the Wilbur K. Pierpont Collegiate Professor of Leadership in Management Education in the School of Business Administration.

Executive Vice President Kasdin introduced Ms. Marty Eichstadt and called attention to her appointment as interim executive director of human resources and affirmative action.

Provost Simpson called attention to the appointment of Paul Wong as dean of the College of Arts, Sciences, and Letters and professor of sociology.

Retirement memoirs. Vice President Tedesco submitted retirement memoirs for 16 faculty members.

Memorials. Provost Cantor reported on the deaths of two active faculty members: Larry Flanagan, associate professor of electrical engineering and computer science, and Monte V. Hobbs, associate research scientist in the School of Public Health. Memorial statements will be submitted at the July 1999 meeting.

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

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

Alternative Asset Commitments

Executive Vice President Kasdin reported that \$30.0 million in follow-on investments had recently been committed to four alternative asset limited partnerships: Battery Ventures V, L.P.; Kleiner Perkins Caufield & Byers IX, L.P.; Menlo Ventures VIII, L.P.; and Natural Gas Partners VI, L.P.

University of Michigan Hospitals and Health Centers Emergency Department Expansion and Renovation

Executive Vice President Kasdin reported that the construction contract for the Emergency Department Expansion and Renovation Project had been awarded to the lowest responsive bidder, The Christman Co., of Lansing, Michigan.

Absolute Return Managers

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved appointment of Brookside Capital as an absolute return manager at an initial funding of \$15 million, subject to a favorable legal review of the documents by the general counsel's office. Regent Brandon abstained from voting due to a conflict of interest.

Alternative Asset Investment

On a motion by Regent Horning, seconded by Regent Brandon, the Regents unanimously approved commitment of \$5.0 million to SOFTBANK Technology Ventures V, L.P., pending favorable review of the partnership documents by the Office of the General Counsel. Regent Newman was away from the table for this and the following three votes.

Expenditure of the Julian A. Wolfson and the Marguerite Wolfson Endowment Funds for the Fiscal year 1999-2000

On a motion by Regent Horning, seconded by Regent Deitch, the Regents unanimously approved expenditure of the Julian A. Wolfson and the Marguerite Wolfson Endowment Funds for the fiscal year 1999-2000, as recommended by the Law School faculty.

State Auditor General Report and Response - Selected State Universities' Reporting of Enrollment and Other Higher Educational Institutional Data Inventory (HEIDI) Data - for Fiscal Year 1997-98

On a motion by Regent White, seconded by Regent Horning, the Regents voted unanimously to accept the State Auditor General Report- Selected State Universities' Reporting of Enrollment and Other Higher Educational Institutional Data Inventory (HEIDI) Data - for Fiscal Year 1997-98, and approved the response.

Authorization for Expenditures in 1999-2000

On a motion by Regent Brandon, seconded by Regent Taylor, the Regents unanimously approved temporary expenditure authorization for continuing operations in the 1999-2000 fiscal year for the University and the University of Michigan Health System, pending approval of the 1999-2000 budgets at the July 1999 Regents' Meeting.

Regent Newman returned to the meeting at this point.

Fletcher Street Parking Structure Plaza Deck and Ramp Modifications and Repairs

On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved a project to recapture 82 parking spaces on the plaza deck of the Fletcher Street Parking Structure and perform infrastructure repairs to the deck level and ramp, as described in the Regents Communication.

Hill Auditorium Renewal Project/Horace H. Rackham School of Graduate Studies Building Renovation Project

Executive Vice President Kasdin observed that both Hill Auditorium and the Horace H. Rackham School of Graduate Studies Building are important parts of the University's architectural heritage, and both supply valuable and valued public space to the University. Both buildings have gone for many years without the type of ongoing maintenance and repair that they require. The current request is for authorization to appoint architects for the renovation. He noted that in both cases, the renovations that will be required will be extraordinarily expensive. Therefore, work will be done in a phased approach.

Hill Auditorium Renewal Project. Executive Vice President Kasdin said that because Hill Auditorium is perceived as an important community asset, as well as a University asset, extensive input would be sought from the community once the initial recommendations have been made by the architects.

President Bollinger noted that both Hill Auditorium and the Rackham Building are crucial public buildings for the University, and that the need for maintenance and renovation has been recognized for many years. Attempts have been made in the past to raise private funds for this purpose, but these have been largely unsuccessful. Because the funds required are so substantial, a phased approach will be necessary in both cases.

Regent McGowan observed that the Board's relationship to the Hill Auditorium project goes back at least ten years. She expressed the desire that the Regents be kept regularly informed as the discussions continue.

In response to a question from Regent Deitch regarding the decision to engage two architectural firms for this project, Executive Vice President Kasdin said that there are several

different types of architectural and engineering challenges involved in the renovation, so the intent is to obtain the firms with the most expertise in each area.

Regent Newman noted that the University does have a budget for building maintenance, and expressed an interest in seeing the maintenance and renovation schedules for other buildings on campus that are in need of renovation. Executive Vice President Kasdin responded that rehabilitation of the School of Public Health Building is the University's first priority for state capital outlay funds. He said that he and Provost Cantor have been studying the issue of ongoing building maintenance, both in terms of determining the appropriate level of funding and identifying who should pay for it. He noted that the state legislature has begun to examine whether the state capital outlay program is really meeting the needs of universities in terms of providing for ongoing maintenance as well as new construction.

Executive Vice President Kasdin clarified that the deferred maintenance fee is used for ongoing maintenance needs, such as roof and window replacement, heating and cooling system upgrades, lighting upgrades, etc. Regent McGowan observed that it is important to clarify what types of things the deferred maintenance fee applies to so as to alleviate any confusion that may arise over the need for additional funds for major building renovations.

Regent Deitch observed that the University has been talking about renovation of Hill Auditorium for ten years, and he believes it is time for the development team to begin to focus on this project. He noted that in the 85 years of its existence, Hill Auditorium has added significantly to the quality of life at the University and in the broader Ann Arbor community, and he believes that it is time for this project to become a development priority.

President Bollinger responded that his personal efforts to raise the \$50 million necessary for this project through private funds have been unsuccessful thus far. Vice President Feagin

observed that this amount cannot be raised through small gifts alone; it will require substantial gifts to make progress. She noted that many potential donors have been waiting for some evidence that the project will actually occur; appointing an architect will be evidence of the University's commitment to make progress and will enable the establishment of a cohesive fundraising plan.

Executive Vice President Kasdin commented that the Rackham building also needs a fundraising plan, as it has structural problems that are growing increasingly acute.

Regent Deitch moved that the Hill Auditorium Renewal Project be reinitiated and that the firms Albert Kahn Associates, Inc. and Quinn Evans/Architects be commissioned to execute design and construction drawings as well as recommendations regarding phasing of the project. Regent Horning seconded the motion, and it was approved unanimously.

College of Engineering Solid State Electronics Laboratory Safety Improvements

On a motion by Regent Horning, seconded by Regent Newman, the Regents unanimously approved a project for replacing the gas delivery piping system and the gas detection system in the Solid State Electronics Laboratory, as described in the Regents Communication.

Horace H. Rackham School of Graduate Studies Building Renovation Project

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the Horace H. Rackham School of Graduate Studies Renovation Project and authorized commissioning of the firm of SHG Incorporated for its design and construction drawings as well as recommendations regarding phasing of the project.

School of Social Work Renovations for Classrooms and Conference Center

On a motion by Regent Maynard, seconded by Regent Horning, the Regents unanimously approved initiating the design of classrooms and a conference center in the School of Social Work Building and authorized commissioning Ann Arbor Architects Collaborative in conjunction with Steele Engineering Associates and Pyramid Systems as the architect/engineer.

Huron Parkway/Glazier Way Parcel

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved transfer of the ownership of the environmentally-sensitive property located at the southeast corner of Huron Parkway and Glazier Way to the City of Ann Arbor, Michigan. Executive Vice President Kasdin noted that restrictions on future development of the property would be a legally-binding condition of the transfer.

Amendment and Restatement of Affiliation Agreement and Related Master Agreement with the William Davidson Institute, William Davidson, and Guardian Industries Corp.

Dean B. Joseph White noted that the original gift commitment to create the William Davidson Institute had been made by Guardian Industries Corp. Mr. Davidson now wishes to assume responsibility for the original philanthropic commitment, but it is expected that some or all of these contributions will come in the form of Guardian Industries stock. The changes involved in this action refer to agreements between the institute and Guardian Industries regarding the sale of that stock.

Following some discussion, Regent Deitch moved approval of an amended and restated affiliation agreement and a related master agreement with The Davidson Institute, William Davidson, and Guardian Industries Corp., as described in the Regents Communication. Because B. Joseph White is a University of Michigan employee and will also sign these agreements as

president of the William Davidson Institute, these agreements fall under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the Amended and Restated Affiliation Agreement and to the related Master Agreement are William Davidson, the William Davidson Institute, the Regents of the University of Michigan and its School of Business Administration.
2. The terms of the contracts provide that the Business School shall assist the Institute to function as an educational organization within the meaning of Section 501(c)(3) of the Internal Revenue Code, with a regular faculty, curriculum and enrolled body of students for the purpose of conducting courses and research regarding the transformation of transition and emerging market economies to free market economies. The contracts shall continue in duration indefinitely, but the University may in its sole discretion terminate the affiliation with the Institute on three years' notice. The Amended and Restated Affiliation Agreement provides that William Davidson shall contribute to the Institute stock of Guardian Industries Corp., to provide for the long term operating needs of the Institute. The Business School shall continue to provide assistance to the Institute, including, but not limited, to office facilities, maintenance of facilities, utilities and administrative services. Certain Business School faculty and administrative staff will continue to be assigned to the Institute, and the Institute, not the University, will continue to pay their compensation for service to the Institute.
3. B. Joseph White, Dean of the Business School and President of the Institute, who will sign the two contracts on behalf of the Institute, receives \$25,000 annually in compensation from the Institute and has no other personal pecuniary interest in the Institute.

License Agreements between the University of Michigan and Tal Materials, Inc.

On a motion by Regent Horning, seconded by Regent Maynard, the Regents approved two license agreements between the University of Michigan and Tal Materials, Inc., under which Richard M. Laine will practice and commercialize patented inventions developed and owned by the University of Michigan, as described in the Regents Communication. Because Richard M. Laine is both a shareholder in Tal Materials, Inc., and a University of Michigan employee, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreements are the University of Michigan and Tal Materials, Inc., a company in which Richard M. Laine holds an equity interest.

2. Contract terms include:

Reimbursement by Tal Materials of all patent costs. The first reimbursement payment for each of the license agreements is to cover all costs to the date of the initial notice of costs for the technologies covered under each agreement. Each of these first reimbursements is required for issue of the license.

Royalties to the University shall be negotiated at a later time when it is clearer whether or not the technologies will perform as anticipated, and what product(s) might be produced based on the technologies. A default rate of 5% on Net Sales will be used absent agreement on other rates (the royalty may vary from one product to another).

Royalties of 25% on sublicense revenue.

Exclusive right to practice and commercialize the technologies, subject to certain rights reserved by the University to practice them for research and educational purposes. The University retains ownership of all of the technologies.

Minimum annual royalties of \$15,000 for 1999 and each year thereafter during the term of the agreements.

Terms of the agreements are for the life of the patents included in each respective agreement.

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

3. Richard M. Laine's pecuniary interest arises from his ownership interest in Tal Materials, Inc. He will waive any personal participation in the sharing of royalties received by the University from the company.

Reassignment Agreement between the University of Michigan and A. Galip Ulsoy

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a reassignment agreement with A. Galip Ulsoy for his invention, "Method for Near Optimal Design in the Presence of Actuator Saturation." Because A. Galip Ulsoy 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 A. Galip Ulsoy.

2. Agreement terms include:

Assignment of University's interest in the title to A. Galip Ulsoy.

A. Galip Ulsoy will seek patent protection and licensees without the University, and will reimburse the University for costs already incurred toward patent protection.

Royalties to the University of fifteen percent (15%) of license revenue received by A. Galip Ulsoy.

Reservation by the University of a right to practice the invention for research and educational purposes.

Term of the agreement is for the life of any patents that might result.

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

3. A. Galip Ulsoy's pecuniary interest arises from his receipt of potential returns from ownership and licensing of the technology to industry. He will waive any personal participation in the sharing of royalties received by the University from him.

Research Agreement between the University of Michigan and Clark-MXR, Inc.

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved an agreement between the University of Michigan and Clark-MXR, Inc., through which Clark-MXR ("Company") will subcontract with the University to conduct research under a Phase I SBIR grant from the U.S. Department of Defense. Because Gerard Mourou is both an employee of the University of Michigan and a partial owner 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 Clark-MXR, Inc. ("Company").
2. The terms of the agreement are acceptable and conform to University policy. The amount of the subcontract to the University is \$22,870. The period of performance is nine months.
3. Dr. Mourou's pecuniary interest arises through his status as a partial owner of the Company and an employee of the University. He will devote no effort to this project on behalf of either party and has played no role in the proposal submission or negotiation of an agreement with the University.

Research Agreement between the University of Michigan and Henry Ford Health Sciences Center

On a motion by Regent Newman, seconded by Regent Taylor, the Regents unanimously approved a research agreement between the University of Michigan and Henry Ford Health Sciences Center involving collaboration between University personnel and Dr. Ivo Drury of Henry Ford Health Sciences Center. Because Dr. Drury also holds an appointment as an adjunct professor at the University of Michigan, 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 will be the University of Michigan and Henry Ford Health Sciences Center.
2. Terms of the agreement include a total subcontract of approximately \$180,000 to cover the period of September 30, 1998 through July 31, 2001. The University's standard subcontract provisions will apply.
3. Dr. Drury will receive no compensation through his appointment as an adjunct professor at the University of Michigan.

Research Agreement between the University of Michigan and Industrial Science & Technology Network, Inc. (ISTN)

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved a research agreement between the University of Michigan and Industrial Science and Technology Network, Inc. (ISTN). Because Victor Chi-Min Yang is both a part-owner of ISTN 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 will be the University of Michigan and Industrial Science & Technology Network, Inc. (ISTN).
2. Terms of the agreement conform to University policy. The period of performance is one year at a total cost of \$44,220.

3. Victor Yang's pecuniary interest arises from his position as part-owner of ISTN, holding approximately 8% of the company's stock.

Academic Calendars for 2000-2001 and 2001-2002 for the University of Michigan-Dearborn Campus

On a motion by Regent Taylor, seconded by Regent Maynard, the Regents unanimously approved the academic calendars for 2000-2001 and 2001-2002 for the Dearborn campus.

Michigan Greats

Vice President Ulaby gave a presentation highlighting the achievements of Robert Kahn (A.B., 1939; Ph.D., 1952), one of the leading social scientists of the 20th century, who has made significant contributions in the fields of survey methodology, organizational behavior, and aging.

Life Sciences Initiative

President Bollinger reported that he would be soon be appointing an advisory committee on the life sciences project, to be chaired by Professor Jack Dixon.

Executive Session Motion

Regent Brandon made the following motion:

Pursuant to Section 8(a) of the Open Meetings Act, as amended by 1984 PA 202 and 1996 PA 464, the Board of Regents will now meet in closed session for the purpose of considering a periodic personnel evaluation of a person who has requested confidentiality.

Regent Deitch seconded the motion, and it was approved unanimously.

There being no further business, the meeting was adjourned at the conclusion of the executive session, which lasted from 3:15-4:45 p.m. The next meeting is scheduled for July 15-16, 1999.