

OCTOBER MEETING, 2013

*The University of Michigan
Ann Arbor
October 18, 2013*

The regents met at 3:08 p.m. in the Harding Mott University Center on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Bernstein, Darlow, Diggs, Newman, and Richner. Regent White participated via conference call, and Regents Deitch and Ilitch were absent. Also present were Vice President and Secretary Churchill, Vice President Forrest, Vice President Harper, Chancellor Little, Vice President Lynch, Vice President May, Chancellor Person, Executive Vice President Pescovitz, Provost Pollack, Vice President Rudgers, Executive Vice President Slottow, and Vice President Wilbanks.

Call to Order and President's Opening Remarks

President Coleman welcomed those present to her last meeting at UM-Flint, and she expressed her appreciation for the services the campus provides, particularly those provided to military veterans. She said, "Student veterans come to higher education with unique and sometimes challenging needs, and this campus goes above and beyond in addressing those issues." She thanked Chancellor Ruth Person for her leadership, and the countless contributions from faculty, staff and students.

She continued, noting that the University will soon kick off the most ambitious fundraising effort in its history. Increasing support for students is a priority, and donors will be asked to contribute to scholarships and fellowships at all levels of study. On November 8, the overall goal for the campaign, *Victors for Michigan*, will be announced. She thanked Jeff Mackie-Mason, dean of the School of Information, and his wife, Janet Netz, who recently pledged a \$2.5 million gift for the School of Information.

President Coleman continued, noting that a UM alumnus, Professor Robert Shiller, was one of three winners of the Nobel Prize in economics. He teaches at Yale University and is a 1967 graduate of the College of LSA, with a bachelor's degree in economics. She then turned to Regent Newman for an announcement.

Regent Newman read the following statement:

"In January of this year the Board of Regents took time out from its regular meeting schedule to have a strategic planning session for the first time in many years. It was an incredibly valuable experience and we plan to that again in January in place of the regularly scheduled board meeting. This informal strategic session will take place in New York City, January 16-17, 2014.

This is a critical time in the history of the university. We are in the midst of the search for our next president, someone who will lead the university into its third century and by the time we gather in January, we will have launched the most ambitious fundraising campaign ever for this university. The strategic session will allow us to focus on the future of the university and its important place in higher education for our state, our region and the nation.

We will meet with several experts in higher education and academic medical centers who are based on the east coast. Among them are: Bill Bowen, president emeritus, Princeton University, and former president of the Andrew W. Mellon Foundation; Peter Salovey, president, Yale University; Ed Miller, retired EVPMA, Johns Hopkins Medicine; Mike Johns retired EVPMA at Emory University.

Additionally, we will have the opportunity to meet with friends of the university and donors in a state that is home to more than 26,000 UM alumni and 2100 current UM students, our second largest contingent of alumni and students outside Michigan. Steve Ross, who already has been so incredibly generous to this university with both his time and his money, has agreed to host a donor event while we are in New York. We look forward to these important discussions about the future direction of higher education and academic medical centers and we will resume our regular schedule of meetings in Ann Arbor, February 20, 2014.

Regent Newman continued: "Normally the Board of Regents discusses the compensation for the President, at our September meeting. This year we would like to do it at the October meeting, and talk about some of your accomplishments as well. President Coleman led a year of fantastic forward momentum at the university.

In addition to her recent announcement that she and Ken are giving \$1 million to Michigan for student international experiences, she also secured historic major gifts from leadership donors. This year alone we announced Helen Zell's \$50 million gift for graduate creative writing; Penny and Roe Stamps \$40 million gift for the School of Art and Design; Charlie Munger's \$110 million for graduate housing and fellowships, and of course Steve Ross' \$200 million donation for the Ross School of Business and for Athletics.

Importantly, President Coleman has also led the university in challenging important milestones in affordability, financial aid, and business efficiency. FY14 tuition was increased only 1.1% for in-state undergraduates, the smallest increase since 1985. In the FY14 budget, need based financial aid for undergraduates was increased by 13.7% marking the 8th time in the past nine years that aid has increased by at least 10%. The FY14 budget also decreased by \$500,000 the amount of loans that is part of a typical financial aid package for many in-state students. The university replaced some loans with grants, which do not need to be repaid. Additionally, UM will meet the full demonstrated need for twice as many out-of-state students through a new financial aid program launched last year. Among the nations major public research universities, the UM provides the third highest amount of institutional aid to students. The combination of a small tuition increase and a significant boost in financial aid means the net cost of attendance for undergraduate student with financial need will not increase and in some cases it will decrease. Last year UM helped in-state students by packaging more than \$110 million in grants and scholarships alone. None of that money has to be re-paid.

President Coleman has helped us shape the next fundraising campaign as well putting student support as the number one priority for the Victors for Michigan Campaign that will launch on November 8. Part of what makes this all possible is the university's long-term commitment to cost containment and reallocating resources to the highest priorities, which goes back the start of President Coleman's tenure as president.

Since 2004 the University has trimmed or reallocated \$265 million in recurring expenses in the general fund, and there is an ongoing commitment to identify additional \$120 million in savings by 2017. The FY14 budget contains more than \$24 million in reductions or reallocations including further steps in the consolidation of information technology services, expanding staffing efficiencies across campus and continued implementation of energy efficiency initiatives.

Because of this and to show our appreciation to Mary Sue Coleman for what she has done, the Board of Regents would like to give her a bonus this year, her last year as President, of \$100,000 and take it from non-general fund resources. We hope you will accept it with our deepest appreciation for everything you have done."

President Coleman thanked Regent Newman and the board, and said that she appreciates all they have done to keep the university in good shape. She then introduced Jon Davidson, director of admissions, for a presentation on the growth of the UM-Flint Campus.

Presentation: The Globally Engaged Student

John Davidson, admissions director, UM-Flint focused on enrollment growth over the last seven years, since student housing became available in 2008. Enrollment has increased over 25% in many different segments since that time. Many enrollment opportunities continue to exist for the UM-Flint Campus including scalability, value, a strong transfer population and

geographic diversification. Enrollment of veterans and international students has grown 80.7%, and 369% respectively, since 2007. New student housing opportunities in the city of Flint have also helped grow enrollment.

Committee Reports

Finance, Audit and Investment Committee. Regent Richner, chair of the Finance, Audit and Investment Committee, said that he and Regents Bernstein and Darlow met with Executive Vice President Slottow, and Jeff Moelich, executive director of university audits, for the bi-monthly internal audit update. They met with Erik Lundberg, chief investment officer, for the FY2013 Annual Report on Investment Performance, including the largest endowment ever, \$8.4 billion, up from \$7.7 billion last year. The return on investments was 10.7%, up from -0.5% the previous year. Distributions from the endowment totaled \$276 million; nearly double those of 10 years ago. He thanked Erik Lundberg for his outstanding work. The committee also heard from Rowan Miranda, associate vice president for finance, and Greg Tewksbury, treasurer, on the debt program, rating and strategy, and AAA credit rating. Regent Richner noted also that the committee met recently in special session to discuss long-term parking needs.

Health Affairs Committee. Regent Diggs, chair of the Health Affairs Committee, reported that she and committee member Regent Ilitch met with Executive Vice President Ora Pescovitz, Paul Castillo, Health System CFO, Doug Strong, UMHC CEO, Tim Lynch, general counsel, and Dean Woolliscroft, and Jeff Moelich, executive director of university audits, for the quarterly internal audit update. Doug Strong reviewed the projects to increase inpatient beds and operating room beds. These projects will come before the regents in the coming months. Strategic initiatives were reviewed and also the financial results which were positive this month. The Health System transplant program is host to 43% of all organ transplants in the state. Last

year 357 children and adults received transplants, 22 more than last year at this time. The committee received a publication *Colleagues in Care* highlighting some of the accomplishments in specialized care.

Personnel, Compensation and Governance Committee. Regent Newman, co-chair of the Personnel, Compensation and Governance Committee, reported that she and co-chair Regent White, who participated via conference call, received an update from Provost Pollack on current dean searches for LS&A and Pharmacy and upcoming dean searches; an update on the Flint Campus faculty and staff; and an update from general counsel.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of September 19, 2013.

Reports. Executive Vice President Slottow said there was no Investment Report. He submitted the Plant Extension Report, the University Human Resources Report and the Regents Report on Non-competitive Purchases over \$5,000 from Single Sources, June 16, 2013-September 15, 2013.

Litigation Report. Vice President Lynch submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, July 1 – September 30, 2013, and commented on the Mobility Transformation facility, on the agenda. He explained that this is an exciting opportunity with a potentially huge impact on the region and the university. This will be a unique environment for testing automated vehicles of the future, working with industry and government to change a fundamental aspect of our lives—how we move people and goods. It will be located on North Campus and will include five miles of roads, merges and actual streets, creating an authentic driving situation, not a test track.

President Coleman said that this partnership will help the entire state and keeps Michigan at the forefront of the continued evolution of transportation. She thanked Vice President Forrest who advocated tirelessly for this project.

University of Michigan Health System. Executive Vice President Pescovitz had no additional report.

Division of Student Affairs. Vice President Harper had no additional report.

University of Michigan-Flint. Chancellor Person welcomed everyone to the UM-Flint Campus. She noted agenda items on Greg Tewksbury, treasurer, as the new chief financial officer at UM-Flint, and also honorary degree candidate, David Satcher, who will be the commencement speaker.

University of Michigan-Dearborn. Chancellor Little congratulated Usha Kadiyala, the recipient of a Jack Kent Cook undergraduate transfer scholarship, and Professor Ahmad Rahman, who was named the 2013 Social Studies College Professor of the Year by the Michigan Council for the Social Studies.

Central Student Government Report. Central Student Government (CSG) Vice President Michael Bobby Dishell commented on student concerns about football seating and student safety under the new policy. He noted that CSG provided \$15,000 for a joint project expanding bus service after 10 pm in response to student concerns about safety, and that they had strong participation in the forum on the presidential search.

UM-Flint Student Government President Amir Baz voiced concern over the change to the Regents' meeting schedule, which does not include a meeting at the UM-Flint Campus again until 2015. He said that the students oppose the change and their perceived loss of voice. He

noted accomplishments including the expanded student center, and working to have the library open more hours during finals week.

Voluntary Support. Vice President May had no additional report.

Personnel Actions/Personnel Reports. Provost Pollack had no additional report.

Retirement Memoirs. Vice President Churchill submitted three faculty retirement memoirs.

Memorials. Vice President Churchill had no deaths of active faculty members to report this month.

Degrees. Provost Pollack submitted recommendations for honorary degrees to be awarded to the following individuals: Willard L. “Sandy” Boyd, president emeritus, Field Museum in Chicago and University of Iowa, *Doctor of Laws*; William I. Higuchi, pharmaceutical scientist, former University of Michigan faculty, *Doctor of Science*; Michele Norris-Johnson, radio journalist and host for the National Public Radio “All Things Considered,” *Doctor of Humane Letters*; David Satcher, Satcher Health Leadership Institute and former U.S. Surgeon General, *Doctor of Science*; Lou Anna K. Simon, president, Michigan State University, *Doctor of Laws*; and Helen Herzog Zell, director, Zell Foundation, *Doctor of Laws*. She also submitted the final degree lists for August 2013 commencements and changes to previously approved degree lists.

Approval of Consent Agenda. On a motion by Regent Bernstein, seconded by Regent Newman, the regents unanimously approved the consent agenda.

Alternative Asset Commitments

Executive Vice President Slottow reported on the University's follow-on investments with previously approved partnerships: €20 million to CVC European Equity Partners VI, L.P.; and \$10 million to DCPF VI Oil and Gas Co-investment Fund, L.P.

Absolute Return

On a motion by Regent Richner, seconded by Regent Darlow, the regents unanimously approved a commitment of €25 million, including co-investment opportunities, from the investment pool for working capital to Crescent European Specialty Lending Fund, LP.

Adoption of University of Michigan Financial Statements for the Year ended June 30, 2013

On a motion by Regent Richner, seconded by Regent Newman, the regents unanimously approved the Financial Statements for the Year ended June 30, 2013.

Chemistry Building, Willard Henry Dow Laboratory, and Alexander G. Ruthven Museums Building, Renovation for Army, Navy, and Air Force Officer Education Programs Relocation

On a motion by Regent Richner, seconded by Regent Diggs, the regents unanimously approved the Chemistry Building, Willard Henry Dow Laboratory, and Alexander G. Ruthven Museums Building, Renovation for Army, Navy, and Air Force Officer Education Programs Relocation as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Earl V. Moore Building Renovation and Brehm Pavilion

Stephen Chu, design associate partner, Ennead Architects, presented the schematic design of the Earl V. Moore Building Renovation and Brehm Pavilion. He said the project includes renovations adding to the number, size and quality of practice rooms. The Brehm Pavilion will

provide classroom space, rehearsal space and a lecture hall. The project will update mechanical and electrical work and improve safety systems. Vice President May stated the ongoing support from the Brehms, and their commitment to many areas across the university helps to make these projects like this one possible.

On a motion by Regent Diggs, seconded by Regent Darlow, the regents unanimously approved the schematic design and revised project budget for the Earl V. Moore Building Renovation and Brehm Pavilion project as presented.

Mobility Transformation Facility

On a motion by Regent Newman, seconded by Regent Richner, the regents unanimously approved the Mobility Transformation Facility project as described, and authorized Commissioning Mannik Smith Group for its design.

Munger Graduate Residences

On a motion by Regent Richner, seconded by Regent Bernstein, the regents unanimously approved the Munger Graduate Residences project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Stephen M. Ross Athletic Campus Naming

On a motion by Regent Richner, seconded by Regent Newman, the regents formally named the Stephen M. Ross Athletic Campus as described.

Building Naming

On a motion by Regent Richner, seconded by Regent Newman, the regents formally named to Donald R. Shepherd Softball Center as described.

Conflict of Interest Items

President Coleman said the agenda includes 6 conflict of interest items, each of which requires six votes for approval, and which would be approved via a single motion.

On a motion by Regent Richner, seconded by Regent Diggs, the regents unanimously approved the following 6 items:

Authorization for the University of Michigan to Enter into Lease Agreements with Venture Accelerator firms located at the North Campus Research Complex

The regents approved lease agreements for space in the North Campus Research Complex Venture Accelerator, located at 1600 Huron Parkway, Ann Arbor, with each of the four companies listed in the spreadsheet that is part of the Regents Communication. The space will be utilized as office and lab space for research and business operations for each respective company. The companies have an opportunity to expand their operations per the parameters outlined in the spreadsheet to include additional laboratory or office space. Because those named for each respective company included in the Regents Communication (and listed below) are University of Michigan employees, and party to the lease by virtue of their share of the ownership of each respective company, membership on respective tenant board of directors, or acting as an officer in the tenant 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 Regents of the University of Michigan and the companies listed in spreadsheet that is part of the Regents Communication, and listed here: 1) HygraTek, LLC, 2) ONL Therapeutics, LLC 3) PsiKick, Inc., and 4) ResolveAble, Inc.
2. The service to be provided is the lease of space in the North Campus Research Complex Venture Accelerator, located at 1600 Huron Parkway, Ann Arbor, Michigan with access to common area space within the building. The lease durations including all options for renewal are outlined in the spreadsheet. The leases will use the standard

University of Michigan Venture Accelerator lease template. Tenant will pay rates stipulated in the spreadsheet for the current term and option years as indicated with a monthly rate as follows: 1) \$3,000, 2) \$300, 3) \$300, and 4) \$300. All companies will be responsible for providing monthly updates concerning their business progress to the University of Michigan Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.

3. The pecuniary interest arises from the fact that the individuals listed on the spreadsheet (and listed below) for each company are University of Michigan employees, and also owners and/or officers of each respective company: 1) Anish Tuteja, 2) David Zacks, John Freshley, and Anna Schwendeman, 3) David Wentzloff, and 4) J.J. Prescott.

Authorization for the University to transact with Numed Technologies, LLC

The Regents unanimously approved an agreement with the Numed, LLC (the “Company”) for PC board fabrication, circuits, wire-bonding of sensors, board design and circuit population.

Because Robert Hower, University of Michigan employee, is also a partner 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 Regents of the University of Michigan and its School of Dentistry Department and Numed Technologies, LLC.
2. The agreement is for PC board fabrication, circuits, wire-bonding of sensors, board design and circuit population for a onetime purchase not to exceed \$2,000.
3. The pecuniary interests arise from the fact that University of Michigan employee, Robert Hower, is Partner of Numed Technologies, LLC.

Agreement between the University of Michigan and Elxis S.A.

The Regents unanimously approved an agreement with Elxis S.A. (the “Company”) to develop an online platform to be used as a job posting/application hub for civil and environmental interns.

Because Dimitrios Zekkos, University of Michigan employee, is also CEO 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 Regents of the University of Michigan and its Department of Civil and Environmental Engineering and Elxis S.A.
2. The agreement is to develop, over a five (5) week period, an online platform for job and internship opportunities for civil engineers for a sum of \$15,000.
3. The pecuniary interest arises from the fact that University of Michigan employee, Dimitrios Zekkos, is CEO of Elxis S.A.

Authorization for the University of Michigan to transact with Life Technologies Corporation

The Regents unanimously approved an agreement with the Life Technologies (the “Company”) for a Strategic Supplier Agreement for Product Purchase with Life Technologies for products, instrumentation, equipment and support services required to support the research community at the University and UMHS.

Because Dr. Ora Pescovitz, University of Michigan employee, is also on the Board of Directors at Life 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 Regents of the University of Michigan and its Procurement Services Department and Life Technologies.
2. The agreement is for products, instrumentation, equipment and support services required to support the research community at the University and UMHS. The total estimated expenditures over a five-year period are \$45,000,000.
3. The pecuniary interests arise from the fact that University of Michigan employee, Dr. Ora Pescovitz, is on the board of directors of Life Technologies.

Authorization for the University to enter into an agreement with The Understanding Group

The Regents unanimously approved an agreement with The Understanding Group (the “Company”) for website services

Because Professor Dan Klyn, University of Michigan employee, is also the owner of The Understanding Group, 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 its Dearborn Digital Strategy Department and The Understanding Group.
2. The agreement is for information architecture and content strategy research and execution to assist in the UM-Dearborn website redesign. The estimated duration of the project is three to four months at an estimated cost not to exceed \$162,000.
3. The pecuniary arises from the fact that University of Michigan employee, Dan Klyn, is owner of The Understanding Group.

Subcontract Agreement between the University of Michigan and PHASIQ, Inc.

The Regents unanimously approved an agreement with PHASIQ, Inc., to fund a NIH (prime) SBIR Phase I project entitled “Microscale Phase Separation Cell Co-Culture Plates” (ORSP #14-PAF00410) in the University’s Department of Biomedical Engineering.

Because Professors Shuichi Takayama, University of Michigan employee, is also 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 Regents of the University of Michigan and PHASIQ, Inc.
2. Terms of the Agreement conform to University policy. The period of performance for the project is approximately six (6) months. The amount of funding support will not exceed \$49,770. Since research projects are often amended, these agreements include provisions for changes in time, amount, and scope of each supported project. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

3. The pecuniary interests arise from the fact that University of Michigan employee, Professors Shuichi Takayama is also partial owner of PHASIQ, Inc.

Public Comments

Regents heard comments from the following individuals on the topics listed: Yolanda Peoples, citizen, on the Detroit School of Arts (DSA) and UM; Tonia Gladney, citizen, on the DSA; Kevin Weiss, student, on the discriminatory FDA Blood Donation Policy; Blair Walker, student, on campus issues; Darrell Thompson, citizen, on patient medical information; Shaquille Greene, student on social justice; Neil Wolf, alumnus, on criteria for next UM president and UM debate success; Kyle Manley, student, on matters relating to the Native American student population; and Rebekah Mikkelson, alumna, on finance.

Adjournment

There being no further business, the meeting was adjourned at 4:52 p.m. The next meeting will take place on November 21, 2013.