

DECEMBER MEETING, 2009

Approved by the Regents
January 21, 2010

*The University of Michigan
Ann Arbor
December 17, 2009*

The regents convened at 3:00 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Deitch, Ilitch, Maynard, Richner, and White. Also present were Vice President and Secretary Churchill, Chancellor Little, Vice President Lampe, Vice President May, Chancellor Person, Executive Vice President Pescovitz, Vice President Scarnecchia, Executive Vice President Slottow, Provost Sullivan, and Vice President Wilbanks. Regent Taylor was absent; Regent Newman participated via telephone.

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She commented on the upcoming commencement, called attention to a licensing agreement between a University of Michigan spin-off and a major pharmaceutical company for University of Michigan patented technology, and noted that 10 University faculty members have been named Fellow of the American Association for the Advancement of Science. She also called attention to recent gifts from the Ted and Jane Von Voigtlander Foundation for the new Women's Hospital, and from alumna and former football star Charles Woodson for the C.S. Mott Children's Hospital. Lastly, she highlighted her comments at a recent commencement address she had given at Grand Valley State University ("GVSU").

Regent Richner announced that GVSU's recognition of President Coleman, coupled with the University's growing number of relationships and partnerships with institutions, friends, and

alumni on the west side of the state, have led to the decision to hold the April 2010 regents' meeting in Grand Rapids.

President Coleman then called on Janet Weiss, dean of the Horace H. Rackham School of Graduate Studies.

Continuous Enrollment Policy for Students in Ph.D. Programs

Dean Weiss reported that the continuous enrollment policy, expected to become effective in fall 2010, will require that Ph.D. students stay registered for each fall and winter semester from matriculation until degree completion unless they are on an approved leave of absence. The purpose of the policy is to help Ph.D. students achieve their goal of completing their degrees, and to ensure that faculty and staff who support doctoral students are paying continuous attention to their progress and support. She noted that currently, only two-thirds of Ph.D. students complete their degrees. One motivation for the plan is to improve this ratio, thereby helping not only current students, but making the University of Michigan a more attractive institution for Ph.D. students in general.

Dean Weiss noted that the policy provides tuition support to enable all Ph.D. students to have continuous access to University services and resources without interruption. The policy has a leave of absence provision which allows students to take time away from graduate study when necessary for family or health reasons. The policy is also fiscally responsible and revenue neutral; it does not create new financial burdens for the University and does not increase tuition.

Dean Weiss reported that the design and implementation planning for the policy involved key stakeholders, including faculty, students, staff, and other deans and university administrators. Procedures have been put in place to address concerns expressed by students during the

development of the policy. Pending approval by the regents of a lower tuition rate for Rackham Ph.D. candidates at the June 2010 meeting, the policy will take effect in Fall 2010.

During the discussion that followed, Dean Weiss described faculty mentoring initiatives and explained how the leave of absence policy will work. Provost Sullivan noted that she is very confident in the soundness of the financial projections for this policy, but should projections fall short, the provost's office would provide a financial backstop.

Entrepreneurial Activities at the University of Michigan

Thomas Kinnear, Eugene Applebaum Professor of Entrepreneurial Studies and executive director of the Samuel Zell and Robert H. Lurie Institute for Entrepreneurial Studies, reported on entrepreneurial activities at the Stephen H. Ross School of Business, and Thomas Zurbuchen, associate dean for entrepreneurial programs and professor of space science and aerospace engineering in the College of Engineering, reported on the "MPowered" entrepreneurship program within the College of Engineering. Both professors stressed the importance of developing the entrepreneurial mindset and providing a broad-based entrepreneurial education, and both gave examples of the real impact the programs have had on students in terms of winning competitions, summer internships, and scholarships, and providing venture capital. The two colleges offer many cross-disciplinary courses and foster cross-disciplinary collaboration among students from across campus. It was also noted that through community engagement, a key component of the entrepreneurial programs, local businesses often partner with student entrepreneurs in an effort to see them succeed, and the professors pointed out how the regional economy benefits from entrepreneurial activities at the University. They noted that the burgeoning sense of support and interest throughout the University in recent years has created a noticeable sense of excitement.

The regents expressed enthusiasm and support for the entrepreneurial efforts described in the presentation and expressed the hope that these efforts would result in students remaining in the area to continue these activities after they graduate.

2009 Annual Environmental Sustainability Update

Terry Alexander, executive director of the Office of Campus Sustainability, reported that President Coleman had recently established an environmental sustainability initiative that provides an opportunity for students, faculty, and staff to become involved in solving world sustainability issues. He then updated the regents on the status of the University's six-point environmental and energy initiative. Point One, an annual environmental report, is available in paper and electronic format. It highlights progress made during the past year, and describes educational programs and student initiatives in this area. The report illustrates the success of the campus's efforts at reducing per capita energy consumption, green house gas emissions, and water use in the face of increased population and increased gross square footage of building space.

There has been little progress in Point Two, renewable energy. In the area of alternative transportation, Point Three, there has been a great deal of progress, as has also been the case with respect to green purchasing and recycling, Point Four. In the area of new construction and renovation projects (Point Five), he said that the goal is to exceed the 2007 ASHRAE energy efficiency rating by 30%, and that the new, improved LEED standards (version 3.0), are currently being evaluated to determine whether to adopt them as a campus standard. Point Six is development of the "Planet Blue" program. He noted that there has been a reduction in energy use in the six pilot buildings involved in this project, and plans call for a total of 90 buildings to be brought into the program over a three year period.

Mr. Alexander also described the Climate Savers Initiative, which focuses on energy reduction in the area of server systems and other networking technologies.

Committee Reports

Finance, Audit and Investment Committee. Regent White reported that attendees at that morning's meeting had included Regents Ilitch, Maynard, and Darlow and Executive Vice President Slottow. The first agenda item was a discussion of the annual lease portfolio for FY2009, with Associate Vice President Hank Baier and Mark Eboch, manager for real estate and space information. The committee also received an overview of Veritas and self-insurance reserves, with Associate Vice President Miranda, Vice President and General Counsel Scarnecchia, University Treasurer Greg Tewksbury, and Paul Moggach, director of risk management. The third agenda item involved a presentation by Vice President Scarnecchia on the University's overall compliance program. The committee also received a bimonthly audit update from Carol Senneff, executive director of University audits.

Personnel, Compensation and Governance Committee. Regent Deitch reported that the Personnel, Compensation and Governance Committee had met that morning with he and Regent Richner in attendance. The agenda included a report from Provost Sullivan on ongoing search activities and personnel updates. The committee considered bylaw revisions proposed by Vice President Churchill, and received reports from Athletic Director Bill Martin and Associate Vice President Laurita Thomas on 2009-2010 coach's salaries and university faculty and staff salaries, respectively.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of November 19, 2009.

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

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, November 1 – November 30, 2009.

University of Michigan Health System. There was no additional report from the University of Michigan Health System.

Division of Student Affairs. There was no additional report from the Division of Student Affairs.

University of Michigan-Flint. Chancellor Person commented on the UM-Flint winter commencement and noted that interviews for the provost position would be conducted in January.

University of Michigan-Dearborn. Chancellor Little commented on the upcoming Dearborn commencement activities.

Michigan Student Assembly Report. Mr. Abhishek Mahanti noted that he had actively participated in a number of the entrepreneurial activities described in the earlier report and expressed enthusiastic support of these programs. He then reported on recent activities of the Michigan Student Assembly.

Voluntary Support. Vice President May submitted the report of voluntary support for November, 2009. He commented on the recent gifts to the C.S. Mott Children's and Women's Hospital from the Ted and Jane Von Voitlander Foundation and from Charles Woodson.

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

Retirement Memoirs. Vice President Churchill submitted memoirs for 4 retiring faculty members.

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

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

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

Annual Report on Leases Exceeding 50,000 Square Feet

Executive Vice President Slottow submitted the annual report on leases where the total square footage being leased in a particular building or in a related complex of buildings exceeds 50,000 square feet.

Alternative Asset Commitments

Executive Vice President Slottow informed the regents of follow-on investments that have been made with the following previously approved partnerships: \$25 million to Matrix Partners IX, L.P. and Matrix Partners IX Special Opportunities Fund, L.P.; \$20 million to Brookdale Investors Six, L.P.; and \$15 million to Lime Rock Resources Fund II, L.P.

Absolute Return Investment

On a motion by Regent Maynard, seconded by Regent Ilitch, the regents unanimously approved the J.P. Morgan Commodity Alpha strategy for the Long Term Portfolio.

Issuance of Debt for New Projects and Refinancing of Existing Indebtedness

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved the adoption of the following resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or the treasurer to:

- Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel;
- Obtain and approve a final proposal for the bonds;
- Obtain and accept a final proposal for any “swaps” for the University’s fixed rate debt, and execute and deliver the required documentation for the transaction;
- Obtain and approve any agreements for the issuance of Build America Bonds.

The Resolution can be found in the Appendix, page X. [Insert resolution as an Appendix to the Proceedings.]

Authorization to name the Women’s Hospital in honor of the late Ted and Jane Von Voigtlander

Executive Vice President Pescovitz acknowledged the individuals who worked with the Von Voigtlander family on their gift of \$15 million from the Ted and Jane Von Voigtlander Foundation, including Dr. Tim Johnson, chair of the Department of Obstetrics and Gynecology.

Regent Newman stated that “this is a true honor for me today to move the naming of the new women’s hospital in honor of the late Ted and Jane Von Voigtlander. Almost 14 years ago, I spent a few days at the current Women’s Hospital under the watchful eye of Dr. Tim Johnson,

and I have a 13-year-old to prove it. Tim is currently chair of the Department of Obstetrics and Gynecology, Arthur F. Thurnau Professor, Bates Professor of Disorders of Women and Children, and professor of obstetrics and gynecology in the Medical School, professor of women's studies in the College of LS&A, and research professor, Center for Human Growth and Development, and I recall 14 years ago Dr. Johnson talking about improvements and things he wanted to do in women's health. I am just thrilled that he is there in the room today and that we are naming the Women's Hospital for the Von Voitlander family, because I know not only how much this means to him and everybody else who is associated with the hospital, but how much this gift means to women's health under the watchful eye of Dr. Johnson." She went on to thank the Von Voitlander family, congratulate Dr. Johnson and others, and said it was her privilege to move that the regents formally designate the Women's Hospital at the University of Michigan as the Von Voigtlander Women's Hospital. Regent Maynard seconded the motion, and it was approved unanimously.

North Campus Research Complex Buildings 100, 200, 300, and 400 Interior Renewal

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved the North Campus Research Complex Buildings 100, 200, 300 and 400 Interior Renewal Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Michigan Memorial Phoenix Laboratory Addition

On a motion by Regent White, seconded by Regent Darlow, the Regents unanimously approved the Michigan Memorial Phoenix Laboratory Addition and Second Floor Renovation Project as described and authorized commissioning Lord, Aeck & Sargent, Inc. for its design.

Couzens Hall Renovation

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved issuing the Couzens Hall Renovation 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 10 conflict of interest items, each of which requires 6 votes for approval. Regent Richner requested recusal from voting on the agreement with NanoBio Corporation. On a motion by Regent Ilitch, seconded by Regent Maynard, the regents unanimously approved the following nine agreements:

Agreement between the University of Michigan and McCreadie Group, Inc.

The Regents approved an agreement between the UMHS Department of Pharmacy Services and McCreadie Group, Inc. (“McCreadie”) for annual software support and maintenance. Because Scott R. McCreadie, a University of Michigan employee, is also director of McCreadie, 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 UMHS Department of Pharmacy Services and McCreadie Group, Inc.
2. The agreement is to provide software support for WebIDS for 5 years through 2014, not to exceed a total of \$77,000. The first year of software support is \$14,500. Contract increases are limited to the lesser of CPI or 3%.
3. The pecuniary interest arises from the fact that Scott R. McCreadie, a University of Michigan employee, is also director of McCreadie Group, Inc.

Option agreement between the University of Michigan and Fusion Coolant Systems Incorporated

The regents approved an option agreement with Fusion Coolant Systems Incorporated (“Company”) allowing the Company to option the following technologies from the University: UM File No. 3024, “Metal Working Lubricant Formulations based on Supercritical Carbon

Dioxide.” Because Steven Skerlos, a University of Michigan employee, is also an 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 Fusion Coolant Systems Incorporated.
2. Terms include giving the Company an exclusive option to the technology. The Company will pay patent costs during the term of the option. 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. The pecuniary interests of Dr. Skerlos arise from his ownership interest in Fusion Coolant Systems Incorporated. For this specific file, Dr. Skerlos is an inventor and will be considered for any share of revenue received by the University.

License Agreement between the University of Michigan and ChemXLerate LLC

The regents approved a license agreement with ChemXLerate LLC (“Company”) to enable the Company to license the following technology from the University: UM File No. 2134 and 2134c1, “Methods for the Generation of Crystalline Polymorphs.” Because Adam Matzger and Antek Wong-Foy, University of Michigan employees, are also partial owners 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 ChemXLerate LLC.
2. Agreement terms include granting the Company a non-exclusive license without the right to grant sublicenses to the added technology. The Company will pay a royalty on sales. The University will retain ownership of the licensed 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 review by the OVPR Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interests of Drs. Matzger and Wong-Foy arise from their ownership interest in ChemXLerate LLC.

Amendment to Option Agreement between the University of Michigan and NeuroNexus Technologies, Inc.

The regents approved an amendment to an option agreement with NeuroNexus Technologies, Inc. (“Company”) to add new technology to its existing option agreement signed July 27, 2009. The file to be added is UM File No. 4220, “Process for Parylene-Based Neural Probes and Biosensors.” Because Daryl Kipke, a University of Michigan employee, is also partial owner, president, CEO, and member of the board of directors 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 NeuroNexus Technologies, Inc.
2. The amendment terms include adding the new technology and giving the Company an exclusive option to obtain a license with the right to grant sublicenses. The Company 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 review by the OVPR Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interests of Dr. Kipke arise from his ownership interest in NeuroNexus Technologies, Inc.

Master Transfer Agreement between the University of Michigan and Incept BioSystems

The Regents approved a material transfer agreement (“Agreement”) with Incept BioSystems (“Company”) to enable the Company to evaluate the following technology and obtain spheroid array plates as part of their evaluation prior to making a decision whether or not to obtain a license from the University: UM File No. 4451: “Array Plate for Hanging Drop Cell Cultures.” Because Shuichi Takayama and Gary Smith, University of Michigan employees, are also partial owners 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 Incept BioSystems.
2. Agreement terms include giving the Company the materials for a defined period of time for internal scientific research and evaluation. The University will retain ownership of the materials and may continue to further develop them and use them 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. The pecuniary interests of Drs. Takayama and Smith arise from their ownership interest in Incept BioSystems.

Research Agreement between the University of Michigan and ChemXLerate, LLC

The regents approved a research agreement with ChemXLerate, LLC (“Company”). Because Adam Matzger and Antek Wong-Foy, University of Michigan employees, are also owners 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 ChemXLerate, LLC.
2. The research agreement is for a project titled “Quality Testing of Organic Solvents” to be funded over a one-year period with the total costs not to exceed six thousand dollars. The subcontract includes a provision for extensions of the time period and scope of work and may be expanded to include additional projects.
3. The pecuniary interests of Drs. Matzger and Wong-Foy arise from their ownership interest in ChemXLerate LLC.

Research Agreement between the University of Michigan and ACSI, LLC

The Regents approved a research agreement with ACSI, LLC for funding of projects directed by Dr. Claes Fornell, a University of Michigan employee. Because Dr. Fornell is also a partial owner of ACSI, LLC, 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 ACSI, LLC.

2. The terms of the proposed agreement conform to University policy. The agreement provides funding for projects to be directed by Dr. Fornell over an initial two-year period at an estimated cost of \$420,000. Since research projects are often amended, this agreement includes provisions for changes in time, amount, and scope of the supported projects. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Claes Fornell's pecuniary interest is derived from his status as partial owner of ACSI, LLC.

Proposed Subcontract Agreement between the University of Michigan and Arbor Photonics, Inc.

The regents approved a subcontract agreement with Arbor Photonics, Inc. ("Company"), to enable the Company to subcontract a portion of the work to be done through a grant it has received to the University. Because Almantas Galvanauskas, a University of Michigan employee and principal investigator of the work to be subcontracted to the University, is also co-owner with stock and stock options and member of the board of directors 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 Arbor Photonics, Inc.
2. The terms of the agreement will conform to University policy. Under the project, a total subcontract of \$8,670.00 is anticipated to cover up to 320 hours of a doctoral student's effort over the period of three months of the prime contract between the NSF and the Company. In the event of an amendment, the agreement will provide for changes in time, amount, and scope of the project. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Almantas Galvanauskas's pecuniary interest arises from his status as co-owner with stock and stock options and member of the board of directors of the Company.

Material Transfer Agreement between the University of Michigan and 3D Biomatrix, Inc.

The regents approved a material transfer agreement with 3D Biomatrix, Inc. ("Company") that will enable the Company to obtain certain materials as part of their evaluation of whether or not to obtain a license from the University for the following technology: UM File No. 4451, "Array Plate for Hanging Drop Cell Cultures." Because Nicholas Kotov, a University of Michigan employee, is also the partial owner, director and member of the board of directors 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 3D Biomatrix, Inc.
2. The agreement terms include giving the Company the materials for a defined period of time for internal scientific research and evaluation. The University will retain ownership of the materials 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. The pecuniary interest of Dr. Kotov arises from his ownership interest in the Company.

Master Subrecipient Agreement between the University of Michigan and NanoBio Corporation

On a motion by Regent Darlow, seconded by Regent White, the regents unanimously approved a master subrecipient agreement between the University of Michigan and NanoBio Corporation (“Company”). Regent Deitch did not participate in the vote due to a conflict of interest. Because James R. Baker, Jr., a University of Michigan employee, is also part owner, president, chief operating officer, chairman of the board, and chief science officer 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 NanoBio Corporation.
2. The University will enter into an agreement with the Company that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The agreement will cover an initial eight-year period with a total authorization not to exceed \$8,000,000. The University will use standard procedures to justify the placement of projects with the Company and will review the cost of each project. Budgets will be reviewed and approved by authorized representatives of the requisitioning unit and the Office of Contract Administration. Since research projects are often amended, the agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional review by the Medical School Conflict of Interest Board will be done on a project-by-project basis.

3. The pecuniary interest of James R. Baker Jr. arises from his status as part owner, president, chief operating officer, chairman of the board, and chief science officer of the Company.

Annual Operating Request to the State for the Ann Arbor Campus for FY2011

On a motion by Regent White, seconded by Regent Deitch, the regents unanimously approved the proposed fiscal year 2010-2011 state budget request for the Ann Arbor campus.

Annual Operating Request to the State for the Dearborn Campus for FY2011

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the proposed fiscal year 2010-2011 state budget request for the Dearborn campus.

Annual Operating Request to the State for the Flint Campus for FY2011

On a motion by Regent Maynard, seconded by Regent Richner, the regents unanimously approved the proposed fiscal year 2010-2011 state budget request for the Flint campus.

Change in Name of Center for Russian and East European Studies

On a motion by Regent Richner, seconded by Regent Ilitch, the Regents unanimously approved changing the name of the Center for Russian and East European Studies to the Center for Russian, East European, and Eurasian Studies, effective January 1, 2010.

Public Comments

There were no public comments speakers.

There being no further business, the meeting was adjourned at 4:40 p.m. The next meeting is scheduled for January 21, 2010.