

JANUARY MEETING, 2012

*The University of Michigan
Ann Arbor
January 19, 2012*

The regents met at 3:00 p.m. in the Stephen M. Ross School of Business. Present were President Coleman and Regents Darlow, Ilitch, Maynard, Newman, Richner, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Provost Hanlon, Vice President Harper, Chancellor Little, Vice President May, Chancellor Person, Vice President Rudgers, Vice President Scarnecchia, Executive Vice President Slottow, and Vice President Wilbanks. Regent Taylor and Regent Deitch were absent.

Call to Order and President's Opening Remarks

President Coleman thanked Dean Alison Davis-Blake and the Ross School of Business for hosting this month's meeting. She commented on the experience of attending the Sugar Bowl in New Orleans, noting that it was "a magnificent display of the spirit and community of intercollegiate athletics."

President Coleman commented on the selection by Baylor University of Professor Brian Coppola to receive the Robert Foster Cherry Award for Great Teaching. President Coleman also reported on plans announced by the U.S. Patent and Trademark Office to open a satellite office in Detroit, due to the city's proximity to the state's three major research universities.

Presentation by Alison Davis-Blake, Dean, Steven M. Ross School of Business

President Coleman introduced Alison Davis-Blake, Edward J. Frey Dean, Stephen M. Ross School of Business. Dean Davis-Blake described the Ross School's action-based learning approach and its focus on organizational sustainability, which means doing more with fewer human, financial, temporal, and environmental resources, while creating positive outcomes for

organizations and people. Using the examples of the Advanced Model Factory, Positive Organizational Scholarship, and masters theses on environmental sustainability that are published for practitioners, she described how this approach is carried out by taking advantage of the University of Michigan's signature multi-disciplinary, multi-constituent, collaborative orientation.

Annual Report on Research and Scholarship

Vice President Forrest noted that this would be the 90th annual report on research presented at the University. He reported that the federal government provides the largest proportion of the \$1.2 billion in research spending at the University, with the University supplying about 25% of the funding and a small portion coming from industry. The National Institutes of Health (NIH) provides the largest source of funding overall, with most of the remainder coming from other federal agencies. However, continued growth in federal spending is not likely, as expectations are that there will be significant budget cuts across all agencies as the federal government works to reduce its deficit.

To help maintain the amount of federal research funding, the University will pursue three tactics. It will focus on its areas of particular strength that are also priorities for the federal government and industries; it will build on the University's unique culture and environment, including its reputation for excellence and strengths across disciplines; and it will work to improve proposal competitiveness, improve research administration, and reduce barriers to working with industry.

Regent Newman asked whether the University's research enterprise loses money. Vice President Forrest responded that 25% of research funding is provided by University funds, and that while the research enterprise "returns a great value to us, it does cost us money to do."

Regent Newman noted that this indicates that a portion of the University's budget provided by tuition and other sources is devoted toward subsidizing research.

Committee Reports

No committee meetings were held this month.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of December 15, 2011.

Reports. Executive Vice President Slottow submitted the Investment Report, Plant Extension Report, University Human Resources Report, and the Regents Report on Non-Competitive Purchases over \$5,000 from Single Sources, September 16, 2011 through December 31, 2011. He noted that since 2003, the University's annual recurring expense for employee health benefits has been reduced by about \$94 million, for a cumulative total of about \$400 million.

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, July 1, 2011–December 31, 2011.

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

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

University of Michigan-Dearborn. Chancellor Little reported that the Dearborn Campus had recently held the annual Martin Luther King day of service and the “Conversation on Race.” He noted that Dr. Patch Adams would be appearing on campus the next day.

University of Michigan-Flint. There was no additional report from the Flint campus.

Central Student Government Report. Mr. DeAndree Watson, president of the Central Student Government (CSG), updated the regents on recent CSG activities.

Voluntary Support. Vice President May submitted the report of voluntary support for December 2011. He reported that the “President’s Challenge 3” had successfully raised \$15 million to create an endowment that will be used for study abroad and other student experiences.

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

Regent Newman asked Provost Hanlon to respond to allegations that had been made at a recent press conference by a former graduate student that she had been treated unfairly by her professor at the College of Engineering. Provost Hanlon noted that he had personally reviewed the academic record of the former student who had made the allegation, and he was convinced that the academic decisions that had been made by the faculty member were justified and appropriate, and had followed a thorough and fair process.

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

Memorials. Vice President Churchill submitted a memorial statement for George F. Estabrook, professor of ecology and evolutionary biology and research professor.

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

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

Report of University Internal Audits, October-November 2011

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period October – November 2011.

Supplemental Information to the Audited Financial Statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2011

Executive Vice President Slottow submitted the supplemental information to the audited financial statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2011.

Alternative Asset Commitments

Executive Vice President Slottow reported that follow-on investments had been made with two previously approved venture capital partnerships: \$10 million to Emergence Capital Partners III, L.P., and \$12 million to Sequoia Capital Growth Fund V, L.P.

Alternative Asset Commitment

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved a commitment of \$25 million from the Long Term Portfolio to RK Mine Finance Fund II L.P.

Edward Henry Kraus Building Auditorium Renovation

On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved the Edward Henry Kraus Building Auditorium Renovation Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Northwood Apartments I, II, and III Fire Alarm and Boiler Upgrades

On a motion by Regent Darlow, seconded by Regent Newman, the regents unanimously approved the Northwood Apartments I, II, and III Fire Alarm and Boiler Upgrades Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Glenn E. Schembechler Hall Entrance and Museum Renovation

Executive Vice President Slottow reported that this project will add approximately 7,000 gross square feet to Schembechler Hall and will renovate another 7,000 gross square feet within it. The new museum will be significantly enhanced, expanded, and open to the public. On a motion by Regent White, seconded by Regent Newman, the regents unanimously approved the Glenn E. Schembechler Entrance and Museum Renovation Project as described, and authorized commissioning Integrated Architecture for its design.

University of Michigan Hospitals and Health Centers I-275 Corridor Clinic Expansion

Executive Vice President Pescovitz said that this is an important facility that is pivotal to the Hospitals and Health Centers strategic efforts, designed to respond to the rapidly expanding clinical need in this region and provide the ideal patient care experience. Regent White moved approval of the University of Michigan Hospitals and Health Centers I-275 Corridor Clinic Expansion Project as described, and authorization for the EVPCFO to execute a lease for a 25-year duration for approximately 100,000 gross square feet. Regent Maynard seconded the motion, and it was approved unanimously.

Yost Ice Arena Seating Replacement and Fan Amenities Improvement

Executive Vice President Slottow commented that there is a possibility for a donation to enhance the window treatments at Yost Ice Arena. If the donation were to be finalized, the

budget would need to be adjusted for this project. On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved issuing the Yost Ice Arena Seating Replacement and Fan Amenities Improvement 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 5 conflict of interest items. Each of these items requires 6 votes for approval. On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the following 5 items:

Lease Amendment Agreement between the University of Michigan and Edington Associates LLC

The regents approved a lease amendment agreement with Edington Associates LLC for office space in the North Campus Research Complex start-up accelerator space, located at 1600 Huron Parkway, 2nd Floor, Ann Arbor, Michigan. Because Dee Edington, a University of Michigan employee, is also partial owner of Edington Associates 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 lease amendment agreement are the Regents of the University of Michigan and Edington Associates LLC.
2. The service to be provided is the lease of office space in the North Campus Research Complex start-up accelerator space on the second floor of Building 520, located at 1600 Huron Parkway, 2nd Floor, Ann Arbor, Michigan, for twelve months. The lease amendment agreement will begin in January 2012 and will use the standard U-M accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 6), and \$65 per month for each cubicle (maximum of 8). Edington Associates LLC will be responsible for providing monthly updates concerning its 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 Dee Edington, a University of Michigan employee, owns an equity interest in Edington Associates LLC.

Agreement between the University of Michigan and ArborMetrix

The regents approved an agreement with ArborMetrix to provide an electronic system based on its proprietary platform for facilitating collection and analysis of data at participating physician offices. Because John Birkmeyer and Justin Dimick, University of Michigan employees, are, respectively, president/founder and co-founder of ArborMetrix, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and its Department of Urology and ArborMetrix.
2. The agreement will provide the University with software licensing, maintenance and analytic tools for the collection of specified clinical and administrative data to support the Michigan Urological Surgery Improvement Collaborative (MUSIC). The term of agreement shall be for 3 years effective 2/01/2012. The total for software licensing, analytics, and on-going maintenance is \$475,000.
3. The pecuniary interest arises from John Birkmeyer's status as president/founder and Justin Dimick's status as co-founder of ArborMetrix.

Agreement between the University of Michigan and Valley View Farms

The regents approved an agreement between the Unit for Laboratory Animal Medicine ("ULAM") and Valley View Farms that will allow Valley View Farms to provide sheep for use in University research projects. Because Doug Doop, a University of Michigan employee, is also the owner of Valley View Farms, 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 ULAM and Valley View Farms.
2. The agreement is for delivering sheep on an as needed basis. The estimated spend over three years is \$450,000.
3. The pecuniary interest arises from the fact that Doug Doop, a University of Michigan employee, is owner of Valley View Farms.

Research Agreement between the University of Michigan and FlexDex LLC

The regents approved a research agreement with FlexDex LLC (“Company”) that will allow the Company to support research at the University of Michigan. Because James Geiger and Shorya Awtar, University of Michigan employees, are also partial owners of FlexDex 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 research agreement are the Regents of the University of Michigan and FlexDex LLC.
2. The terms of the proposed agreement will conform to University policy. The period of performance for the project is expected to be six (6) months and the amount of funding support is anticipated at \$59,725. Since research projects are often amended, this agreement includes provisions 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 conducted as appropriate.
3. The pecuniary interest arises from the fact that James Geiger and Shorya Awtar, University of Michigan employees, are also partial owners of FlexDex LLC.

Option Agreement between the University of Michigan and Diapin Therapeutics, LLC

The regents approved an option agreement with Diapin Therapeutics, LLC (“Company”) to option an exclusive license from the University of Michigan to the University’s rights associated with the following technology: UM OTT File No. 4781, “A Novel Tripeptide (Diapin) to Treat Diabetes and Associated Complications.” Because Professor Yuqing (Eugene) Chen, a University of Michigan employee, is also 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 Regents of the University of Michigan and Diapin Therapeutics, LLC.
2. Agreement terms include granting the Company an exclusive option to the technology. The Company will reimburse ongoing patent costs, perform technical diligence, and provide a business plan that describes the Company’s intention and ability to develop and commercialize the licensed technology. Terms of the subsequent license agreement would include a royalty on sales and reimbursement of 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 Agreement may be amended by consent of the parties, such as adding related technology. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

3. Professor Chen's pecuniary interest arises from his ownership interest of Diapin Therapeutics, LLC.

University of Michigan Energy Institute

The regents were informed that the Michigan Memorial Phoenix Energy Institute (MMPEI) will change its name to the "University of Michigan Energy Institute," effective February 1, 2012. Vice President Forrest pointed out that while the new name will better reflect the broader scope of the institute, it will also ensure the enduring legacy of the Michigan Memorial Phoenix Project by reinvigorating it and highlighting its on-going activities as a distinct entity within the institute.

Public Comments

The regents heard comments from Stephen Raiman, student, and Finn Larsen, Victor DiRita, and Cagliyan, faculty members, on the issue of the potential unionization of graduate student research assistants; and Nancy Shiffler, citizen representing the Huron Valley Group of the Sierra Club, on sustainability.

Adjournment

There being no further business, the meeting was adjourned at 4:30 p.m. The next meeting will take place February 16, 2012.