

MARCH MEETING, 2009

*The University of Michigan
Ann Arbor
March 19, 2009*

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

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She commended Coach Beilein and his team for their success during this current season, which is culminating in their participation in the NCAA basketball tournament. She noted that the hockey, wrestling, and swim teams are also competing in national tournaments, and wished them well.

President Coleman commented on the sudden death, while teaching in the classroom, of Matthew Hilton-Watson, associate professor of foreign languages at the University of Michigan-Flint, and on the death of alumnus and philanthropist William Davidson. Chancellor Person described the campus's reaction to Professor Hilton-Watson's death.

President Coleman then announced that new health care coverage cost-sharing arrangements for faculty and staff will be announced in the coming days, based on the recommendations of a faculty-staff-retiree committee that had been charged with devising a method of how to obtain greater contributions from current employees and retirees in the fairest manner possible. She noted that the benefits themselves would not change, but that it was

necessary to change the cost-sharing structure to keep rising health care costs from detracting from the University's mission.

President Coleman noted that approval of honorary degree recipients for spring commencement is on the agenda. She concluded by calling attention to the re-opening celebration for the Museum of Art next week, culminating in a 24-hour community event on March 28-29.

President Coleman then turned to the consent agenda.

Committee Reports

Finance, Audit and Investment Committee. Regent White, chair of the Finance, Audit and Investment Committee, reported that attendees had included Regents Deitch, Ilitch, Maynard, President Coleman, and Executive Vice President Slottow. The first agenda item was a review of internal controls, as described in the "Sarbanes Oxley Workplan Tasks and Follow up," and participants included Greg Tewksbury, interim associate vice president for finance and treasurer, Carol Senneff, executive director of university audits, Brent Haase, internal controls compliance manager, Cheryl Soper, university controller and director of financial operations, Dave Morlock, UMHHC chief financial officer, and Rick Stover, John Mattie, and Chris Hoffman from PricewaterhouseCoopers, the university's external auditors.

The second agenda item involved the FY08 A-133 Audit, follow-up on prior year(s) comments and observations and the FY09 external audit plan. Participants included Carol Senneff, Cheryl Soper, Dave Morlock, and the external auditors. The committee then met with Greg Tewksbury and Cheryl Soper to discuss the PricewaterhouseCoopers audit fees and contract/price proposal for FY2009. The last order of business was a bi-monthly audit update from Carol Senneff, executive director of university audits.

Personnel, Compensation and Governance Committee. Regent Darlow, chair of the Personnel, Compensation and Governance Committee, reported that Regents Taylor, Newman, and Richner, and Vice President Churchill, had attended the committee meeting that morning.

The agenda included a report from Provost Sullivan on dean and director searches, a discussion of the process and time table for presidential evaluation, and a review of the Hospitals and Health Centers Executive Board bylaws, with Doug Strong, executive director of the UMHHC, Vice President Scarnecchia, and President Coleman. The committee considered proposed changes to the bylaws to make them conform to a modern regulatory and best practices environment. The proposed bylaws revisions would be coming before the board for approval.

Consent Agenda

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

Reports. Executive Vice President Slottow submitted the Investment Report, 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 Projects Established, February 1 – February 28, 2009.

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

Division of Student Affairs. Vice President Harper reported that the 7th annual “Depression on College Campuses” conference is currently taking place on campus, with about 50 universities participating, and also noted that the Sexual Assault and Awareness Center had produced a video that was being made available for screenings on campus.

University of Michigan-Dearborn. Chancellor Little reported that the Dearborn campus had again hosted Alternative Spring Break-Detroit on campus. He also reported that for the campus would again be hosting the event, “A Conversation on Race.” He also noted that emergency funding is being made available for student financial aid in view of the current economic downturn.

University of Michigan-Flint. Chancellor Person had no additional report.

Michigan Student Assembly Report. Ms. Sabrina Shingwani, president of MSA, updated the Regents on current projects and initiatives underway in MSA, including celebration of “Spring Pride Week,” activities of the Alumni Relations Committee, and disabilities awareness advocacy. She noted that MSA elections are underway, and that she would be introducing the new MSA president at the next meeting.

Voluntary Support. Vice President May submitted the report of voluntary support for February 2009. He commented that both the Museum of Art renovation project and the new Ross School of Business building represent an important partnership between the University and donors. He noted that while each of these facilities was supported by the generosity of a major donor, 600 other donors had contributed about \$33 million to the museum renovation, and more than 2,500 donors had provide about \$110 million to the business school building project.

Personnel Actions/Personnel Reports. Provost Sullivan submitted a number of personnel actions and personnel reports. President Coleman highlighted the appointment of Ora Pescovitz as executive vice president for medical affairs, effective May 11, 2009.

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

Memorials. Vice President Churchill commented that there were no deaths of active faculty members to report, but that a memorial statement for Professor Hilton-Watson would be submitted in April.

Degrees. President Coleman submitted recommendations for approval of honorary degrees to be awarded to the following individuals: Ismael Ahmed, director of Michigan Department of Human Services and director of ACCESS, *Doctor of Laws*; Bobby Crim, former Michigan speaker of the house and founder, Crim Festival, *Doctor of Laws*; Donald Graham, engineer, philanthropist, business leader, *Doctor of Engineering*; Freeman Hrabowski, president, University of Maryland, Baltimore, *Doctor of Laws*; Arthur Kochoff, manufacturing engineer, philanthropist, *Doctor of Laws*; Michael Posner, cognitive neuroscientist, *Doctor of Science*; Rich Rogel, business and civic leader, *Doctor of Laws*; Joan Tisch, Tisch Foundation director, *Doctor of Laws*.

It was noted that all of these individuals will receive their degrees at the Spring 2009 commencement, with Ismael Ahmed and Arthur Kochoff to be awarded their degrees on the Dearborn campus and Bobby Crim to be awarded his degree on the Flint campus. It was further noted that the honorary degree for Larry Page, founder of Google, which will also be awarded at the Spring 2009 commencement, had been approved at an earlier meeting.

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

Report of University Internal Audits, December 2008 and January 2009

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period December 2008 through January 2009.

Alternative Asset Commitments

Executive Vice President Slottow reported that follow-on investments have been made with the following previously-approved partnerships: €25 million to Charterhouse Capital Partners IX, L.P., and £10 million to CBPE VIII.

Absolute Return Investments

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved commitment of up to \$30 million from the Long Term Portfolio to Stone Tower Structured Credit Recovery Fund Ltd., and approval Everest Alpha Commodity Fund as an absolute return investment vehicle.

Refinancing of a Portion of the Commercial Paper and Financing of New Projects

Executive Vice President Slottow submitted a request for refinancing of about \$50 million for projects that are already underway, and issuing bonds for about \$220 million of new financing for other projects. On a motion by Regent White, seconded by Regent Ilitch, the Regents unanimously approved adoption of a resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or the treasurer to: 1) develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel; 2) obtain and approve a final proposal for the bonds; 3) obtain and accept a final proposal for any “swaps,” and any liquidity requirements for the University’s variable rate debt, and execute and deliver the required documentation for the transaction; 4) obtain and approve any agreements for the issuance of Build for America Bonds or Qualified School Construction Bonds. [Resolution to be inserted in the appendix of the Regents’ Proceedings.]

Conflict of Interest Items

President Coleman announced that the agenda includes 4 conflict of interest items, each of which requires 6 votes for approval. These would be considered as a block, since no regent had requested recusal from any item. On a motion by Regent White, seconded by Regent Newman, the Regents unanimously approved the following agreements:

Authorization for an additional purchase from Arborwind Farm, LLC

The regents approved an additional purchase from Arborwind Farm, LLC (“Arborwind”) for construction of a custom-designed behavioral testing chamber required for animal testing research. Because Nicholas Douglas Luma and Jill Becker, University of Michigan employees, are also owner and member, respectively, of Arborwind, 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 MBNI and Arborwind.
2. The purchase is to pay for the labor to construct and fabricate one additional testing chamber at Arborwind’s facilities. The actual labor hours per chamber are 47 hours at a cost of \$75 per hour. Total cost for the additional chamber is \$3,525 for work to be completed by February 27, 2009.
3. The pecuniary interest arises from the fact that University of Michigan employees Douglas Luma and Jill Becker are owner and member, respectively, of Arborwind.

Authorization for Payment to Harriet Tubman Center for Recruitment and Development of Organizers

The regents approved a payment by the Ginsberg Center to the Harriet Tubman Center for Recruitment and Development of Organizers (“Harriet Tubman Center”) for conducting a workshop on community organizing. Because Gregory Markus, a University of Michigan employee, is also chair of the board of directors of the Harriet Tubman Center, 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 contract are the Regents of the University of Michigan and its Division of Student Affairs Ginsberg Center and the Harriet Tubman Center.
2. The payment is for two facilitators from the Harriet Tubman Center to lead a workshop on community organizing at East Quadrangle on January 31, 2009. Total payment is \$800.
3. The pecuniary interest arises from the fact that Gregory Markus, University of Michigan employee, is also chair of the board of directors of the Harriet Tubman Center.

Collaboration Agreement between the University of Michigan and Matabolon, Inc.

The regents approved a collaboration agreement with Matabolon, Inc., (the “Company”) that will enable the Company to fund a project in the Michigan Center for Translational Pathology under the direction of Dr. Thekkelnaycke Rajendiran. Because Dr. Christopher Beecher and Dr. Arul Chinnaiyan, University of Michigan employees, are also part owner (Beecher) and holder of stock options (Chinnaiyan) in 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 Matabolon, Inc.
2. Under terms of the agreement, the Company will support an effort under the direction of Dr. Thekkelnaycke Rajendiran, Department of Pathology, to identify and validate candidate metabolomic prostate cancer markers capable of differentiating between early stage indolent tumors and aggressive tumors. The collaboration agreement will enable Dr. Rajendiran to participate in the performance of this funded collaborative research. The period of performance of the project is twenty-four (24) months and the amount of funding support is \$228,000.
3. The pecuniary interests of Dr. Beecher and Dr. Chinnaiyan arise from Beecher’s ownership interest in the Company and Chinnaiyan’s possession of stock options in the Company.

License Agreement between the University of Michigan and Metabolon, Inc.

The regents approved a license agreement with Metabolon, Inc., allowing Metabolon to license the following technology from the University: UM File No. 3740, “Metabolic Profiling

of Prostate Cancer.” Because Dr. Christopher Beecher and Dr. Arul Chinnaiyan, University of Michigan employees, are also part owner (Beecher) and holder of stock options (Chinnaiyan) in Metabolon, 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 Metabolon, Inc.
2. Agreement terms include granting Metabolon an exclusive license with the right to grant sublicenses. Metabolon will pay a royalty on sales and reimburse patent costs. The University will retain ownership in 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 agreement 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. Beecher and Dr. Chinnaiyan arise from their ownership interests in Metabolon, Inc.

Regents’ Meeting Schedule for 2010

On a motion by Regent Newman, seconded by Regent White, the regents unanimously approved the following schedule of meetings for 2010:

January 21

February 18

March 18

April 15

May 20 (*Dearborn campus*)

June 17

July 15

September 16

October 28 (*Flint campus*)

November 18

December 16

Non-tenure-track Clinical Appointment Sequence in the College of Arts, Sciences, and Letters, University of Michigan-Dearborn

On a motion by Regent Richner, seconded by Regent Maynard, the regents unanimously approved a non-tenure-track clinical appointment sequence in the College of Arts, Sciences, and Letters at the University of Michigan-Dearborn, effective June 1, 2009.

Public Comments

The regents heard comments from the following individuals, on the topics indicated: Arthur Peterson, Zakiyah Sayyed, and Aaron James, students and members of the Student Sustainability Initiative, on proposed sustainability initiatives at the University of Michigan; Ashwin Lalendran, Bobby Stapleton, Rachel Long, and Gibran Baydoun, students and members of “Stop the Hike,” on a proposal to freeze tuition; and Daniel Braun and Laura Misumi, students and members of HEI Workers and Students Together for Justice, on University investment in HEI hotel management.

There being no further business, the meeting was adjourned at 4:20 p.m. The next meeting is scheduled for April 16, 2009.