

JUNE MEETING, 2010

*The University of Michigan
Ann Arbor
June 17, 2010*

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

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She congratulated Chancellor Little for having recently received a 2012 "Closing the Gap Award" from New Detroit, recognizing Chancellor Little's leadership on the Dearborn campus, and in particular, for developing its "Metropolitan Vision." President Coleman also noted that 43 Michigan students had received Fulbright grants, the highest number ever, and that later this month she would be leading a delegation of administrators and deans to Shanghai Jiao Tong University and Peking University in China to expand existing research partnerships.

Noting that the new chair and vice chair of the Board of Regents are elected annually at the June meeting, President Coleman thanked Regent Richner for his leadership as chair during the past year and Regent Darlow for her contributions as vice chair. She then called on Regent Richner.

Comments from Regent Richner

Regent Richner thanked Regent Newman for her leadership as chair of the Personnel, Compensation and Governance Committee, Regent White for her leadership of the Finance, Audit and Investment, and Regent Darlow for her assistance as vice chair of the board.

Election of Board Officers for 2009-2010. Regent Richner moved the nomination of Regent Julia Darlow as chair of the Board of Regents and Regent Denise Ilitch as vice chair, effective July 1, 2010, through June 30, 2011. Regent Taylor seconded the motion, and it was approved unanimously.

Regent Darlow thanked Regent Richner for his tremendous contributions as chair during the past year.

Introductory Comments Regarding Proposed 2010-2011 Revenue and Expenditure Operating Budgets

President Coleman noted that the agenda includes the review and approval of the University's 2010-11 budgets. She recognized the many challenges inherent in developing these budgets, and thanked the Board of Regents for the many hours they have devoted to this year's process. She pointed out that most of the deans were in attendance at the meeting and thanked them for helping to identify millions of dollars in savings while recruiting and maintaining exceptional faculty and innovative programs. President Coleman reported that General Fund expenses have been reduced by \$159 million in recent years, and that the University has been aggressive in lowering costs for utilities and health care.

During the past decade, the University has experienced the slowest annual growth in resident in-state tuition increases among Michigan universities, President Coleman said, and the proposed 2010-11 budget continues that trend. It also recommends a substantial increase in the financial aid budget.

President Coleman pointed out that the provost and chief academic officer is at the heart of the budget-building process, and that this would be Provost Sullivan's final Board of Regents' meeting at the University of Michigan. She continued, "As she prepares to leave Ann Arbor for the presidency of the University of Virginia, I want to say again how thrilled we are for her. I also offer my deepest gratitude for her leadership, her acumen, and her counsel as provost," and for her "tremendous sense of humor." She called on Regent Richner.

Regent Richner called Provost Sullivan to the podium and read the following resolution:

Regents' Resolution

The Regents of the University of Michigan congratulate and commend Provost and Executive Vice President for Academic Affairs Teresa A. Sullivan as she departs the University on August 1, 2010, to become president of the University of Virginia.

From her first day on the job in June 2006, Provost Sullivan impressed all who met her with the depth and breadth of her knowledge; her friendly, unflappable demeanor; her forthright approach to tackling tough problems; and her commitment to sustaining and enhancing an academic environment that has kept the University of Michigan at the forefront of universities worldwide. The remarkable legacy of her accomplishments, which touch the entire panoply of issues confronting the Provost's Office, will be felt for years to come.

Provost Sullivan assumed the role of chief academic and budget officer during the most challenging economic environment in a generation. Drawing on her considerable administrative skills, and armed with her prudent, disciplined approach to fiscal planning, she was able to identify funding for the hiring of 100 new tenure-track faculty members while strengthening the fiscal foundation that has made Michigan a national model of a well-run university. With the enthusiastic support of the faculty, she launched innovative programs for the development of academic leadership among department chairs and associate deans and expanded the faculty ombuds program. She developed a systematic process for review of capital projects within the schools and colleges, and she established task forces on cost reduction and revenue enhancement. Equally impressive are the nine deans and two major directors who have been appointed under her leadership.

The regents now salute Teresa A. Sullivan and her husband, legal scholar and Law School faculty member Douglas Laycock, and extend their fondest best wishes to them both as they assume their new posts at the University of Virginia.

A round of applause followed.

Provost Sullivan thanked the regents, noting that “Doug and I have enjoyed every day in Ann Arbor,” and that it has been a “great privilege and honor to be associated with one of the great universities in the world.” She thanked her vice provosts, and her “wonderful, dedicated staff, especially Karen Gibbons, who is the best chief of staff one could ever have.” She thanked the deans, executive officers, and the board, for “a terrific experience.”

Electronic Agenda Materials

President Coleman pointed out that some regents have begun using i-Pads in order to access their agenda materials electronically. The eventual goal is to eliminate paper agenda books and other documents associated with regents’ meetings.

2010-2011 Operating Budgets – All Campuses

Executive Vice President Slottow gave a presentation focusing on the University’s balance sheet, which is one indicator of the overall strength of the University. He said that two things are fundamental to protecting and strengthening the balance sheet--adherence to sound financial policies and principles, and having a strong internal control structure.

Executive Vice President Slottow reported that the University has net assets of \$9.3 billion. Threats to the balance sheet include future liabilities, such as \$1.6 billion in “other post retirement benefits” and more than \$100 million in deferred maintenance of buildings. Other threats include capital market volatility, the Michigan economy, rising health care and energy costs, and competition for faculty.

Progress has been made toward endowing the General Fund. Over the last six years, UM has added approximately \$230 million, which provides \$12 million to support General Fund activities. And new external revenue sources and internal reallocations contribute over \$64 million annually to General Fund activities.

Executive Vice President Slottow noted that the University owns a vast number of physical assets that need to be maintained, and described how commitment to renewal of the physical plant pays off by both mitigating the need for building replacement and reducing the annual operating costs of buildings.

In the area of human capital, Executive Vice President Slottow pointed out that since nearly 40% of the University's employees and 54% of managers will be eligible for retirement within the next five years, administrators are focusing more on succession planning. He described various programs focused on increasing productivity and improving the work environment for faculty and staff.

Executive Vice President Slottow reported that the University enjoys the highest possible credit ratings, due to its prudent debt management policy, aggressive interest expense management, and other factors. In conclusion, he observed that the annual operating budget is only one indicator of the University's financial condition, and that the proposed budget is consistent with maintaining the University's overall financial health.

2010-2011 Operating Budgets – All Campuses; Proposed Ann Arbor General Fund Operating Budget and Student Tuition and Fee Rates for FY 2010-2011

Provost Sullivan reported that total operating revenues will increase by 7.2%, from \$5.4 billion to \$5.8 billion, with growth in both the academic enterprise and the auxiliary operations. An unplanned growth in enrollment has led to yields that are significantly higher than last year, leading to an increase of 800 undergraduate students and 600 graduate students over last year's budgeted numbers. There have also been significant increases in sponsored research activities. Total expenditures do not equal total revenues, due to the fact that auxiliary funds are permitted to operate with a margin.

On the Ann Arbor campus, the primary objectives of the General Fund budget include enhancing the quality of the academic experience, holding the increase in cost of attendance to a minimum, and investing significantly in financial aid. She pointed out that the FY 2011 General Fund budget incorporates a multi-year view of costs and revenue projections. It has been thoughtfully developed in a period of extreme financial stress and uncertainty, challenging the administration to reallocate resources to the highest priorities so as to maintain and enhance the student experience at an affordable cost.

It is assumed that the state appropriation will be \$315.1 million, \$1.4 million less than was budgeted in FY 2010, but the appropriation could be further reduced based on the state's revenue situation. Tuition revenue now comprises 65% of General Fund revenue. The budget proposal includes aggressive cost containment, totaling nearly \$39 million in reductions in the coming fiscal year. These reductions are in addition to ongoing cost containment efforts that have removed more than \$159 million in recurring General Fund expenditures during the past seven years. All new initiatives will be funded through internal reallocation, which allows the institution to maintain its commitment to quality without increasing costs. These reallocations will make possible such initiatives as expanding the Undergraduate Research Opportunity Program, expanding faculty hiring initiatives to enable smaller class sizes, and enhancing the clinical and skills-based curriculum in the Law School.

Provost Sullivan said that the ability to attend the University without regard to family financial circumstances is a top objective; the budget includes \$126 million in centrally awarded financial aid, an increase of \$8.3 million. She noted that a new federal tax credit effective this year, coupled with University financial aid and a modest tuition increase, will result in many families paying less to attend the University in the coming fiscal year than they did in the current

year. Most of the financial aid budget is targeted at reducing loan burdens for resident students and unmet need for nonresident students, and will result in an increase of 10.6% for centrally-awarded need-based financial aid for undergraduate students. In addition, for 2010-2011, the University is launching a \$3.6 million “Economic Hardship Program” which will be targeted to resident undergraduate students whose family incomes range from \$60,000-\$100,000. Grants of \$500 will be awarded for the fall semester and will be renewable annually until graduation for a maximum of four years.

Provost Sullivan said that the proposed tuition increase of 1.5% for resident undergraduate students is the lowest tuition rate increase since 1984. The recommended tuition increase for non-resident undergraduate students is 3.0%. Resident and non-resident graduate student tuition will increase by 2.8%. The recommended FY 2011 General Fund budget for the Ann Arbor campus is \$1,553,245, an increase of 6.8% over FY 2010. Provost Sullivan noted that if the state enacts a significantly lower appropriation than the current recommendation of \$315.1 million, or enacts a mid-year rescission, a mid-year tuition rate increase may be requested.

Provost Sullivan recognized the members of her budget team for their extraordinary efforts in developing the budget.

Discussion of Revenue and Expenditure Operating Budgets and Proposed Ann Arbor General Fund Operating Budgets and Student Tuition and Fee Rates for FY 2010-2011

Regent Taylor moved approval of the revenue and expenditure operating budgets for FY 2010-2011. Regent Richner seconded the motion.

Comments from Regent Darlow. Regent Darlow spoke in favor of the FY 2010-2011 Ann Arbor General Fund operating budget and student tuition and fee rates. She thanked

everyone involved in developing the budget and everyone across all campuses for their efforts in controlling costs and finding efficiencies. She continued:

“For me, the limited tuition increase for resident undergraduates of 1.5%, combined with very significant increases in need-based financial aid mean that the University is reaching out to hard-pressed Michigan families, telling them that we know how tough this economy is, and that we want to give them and their daughters and sons who come here the support they need in these difficult times.”

Regent Darlow noted that in recent years, while the University has achieved strong gains in need-based aid, it has focused in particular on assuring adequate need-based aid for lower income families. This year, the University’s proposal will make a huge difference for qualified Michigan students from middle-income families. The Economic Hardship Program, which provides an additional \$500 for their aid packages, is much more than the \$178 tuition increase and significantly decreases the amount of their expected contributions when compared to last year. This program is in addition to the budget designed to reduce their expected loan and contribution burdens by 10%, or about \$2,282 less than last year, for a family making between \$60,00 and \$80,000 per year.

Regent Darlow concluded that while she does support the budget, she views it as one step in the continuing challenge to ensure that all qualified Michigan students have access to the University regardless of their financial circumstances.

Comments from Regent Ilitch. Regent Ilitch pointed out that the state continues to be challenged by the economic crisis. “As the state struggles to transition its economy, families are mortgaging their futures to invest in their children so they can compete in a new world economy. ... We have to fix our budget crisis from within, not on the backs of working students and

families.” Noting that she had voted against the proposed tuition increases on all campuses last year, she said she still has the same concern for working families. “We need more innovation when addressing our finances and setting tuition,” she said. “We must explore ways to control the continual escalation of tuition, ... and I will continue to fight for an affordable, accessible, and quality education at the University of Michigan for all.” She said she would be voting against tuition increases again for the upcoming academic year.

Regent Ilitch noted that continual tuition increases limit opportunities for middle and working class students to take advantage of a Michigan education, and impact the economic diversity of the student body at a time of increasing hardship. She acknowledged the progress that has been made in increasing the amount of need-based financial aid, lowering the rate of tuition increases, and containing costs. “Yet we can do more, and we must lead by example,” she said. “It should no longer be the assumption each year that we will raise tuition. Instead, we should ask, how can we avoid it?” She noted that the University had received new revenue this year that could have been used to help close the budget gap. “I will not support a tuition increase until I’m convinced that there is nothing more we can do to avoid one without compromising quality.”

Comments from Regent Richner. Regent Richner commented that his son would be entering the University of Michigan in the fall as a member of the class of 2014. The college search process his family undertook during the past year served to “re-solidify my view that the University of Michigan is an incomparable institution, and that we are so fortunate to have it here. I appreciate the hard work of all those who have been involved in preparing this budget,” he said. “I do believe it balances the interests of affordability and accessibility, which I think are

very important, with preservation of quality. This, to me, is why I want my son to go to this university.” He expressed his support of the budget.

Comments from Regent Maynard. Regent Maynard said she supports the budget because she appreciates the impact of tuition and loans on families. While she agrees with Regent Darlow that the proposed budget is not the end game, but part of a process, she noted that the budget does maintain the quality of the University of Michigan.

Comments from Regent Deitch. Regent Deitch pointed out that this is a restrained budget. Many individuals have contributed to it along the way, including Regent Newman, with her idea to endow the General Fund, and Regent Darlow, with her commitment and passion for working families. He said that “nobody worked harder than Regent Darlow in helping us come to a budget that I think is balanced in terms of all of the various interests.” He commented that given all of the historical ups and downs of the economic cycle that have played out through the University’s history, “I know that as we approach our 200th anniversary in 2017, we’re still going to be here. We’re still going to be leading the state and leading the world. So you’ve got to balance the needs of people in the short term with the needs of the institution in the long term. The value of the quality of a Michigan education cannot be underestimated, but unfortunately, it is more expensive than we’d all like it to be.”

He said he was “thrilled” by the additional commitment of funds to financial aid, which is a direct response to the needs of the middle class, and that he appreciated everyone’s constructive approach to the process.

Revenue and Expenditure Operating Budgets for FY 2010-2011

The vote was then taken on Regent Taylor's motion to approve the revenue and expenditure operating budgets for FY 2010-2011, and it was approved, with Regents Darlow, Deitch, Maynard, Richner, Taylor, and White in favor and Regents Ilitch and Newman opposed.

Proposed Ann Arbor General Fund Operating Budget for FY 2010-2011

Regent White moved approval of the proposed Ann Arbor General Fund operating budget for FY 2010-2011. Regent Maynard seconded the motion and it was approved, with Regents Darlow, Deitch, Maynard, Richner, Taylor, and White in favor and Regents Ilitch and Newman opposed.

Proposed Ann Arbor FY 2010-2011 Student Tuition and Fee Rates

Regent White moved approval of the proposed Ann Arbor FY 2010-2011 student tuition and fee rates. Regent Darlow seconded the motion and it was approved, with Regents Darlow, Deitch, Maynard, Richner, Taylor, and White in favor and Regents Ilitch and Newman opposed.

Proposed Dearborn Campus FY 2010-2011 General Fund Operating Budget

Chancellor Little stated that the Dearborn campus faces the same conditions and constraints described by Provost Sullivan. He said that during the past eight years, the campus has preserved its priorities of preserving academic quality, preserving access, and maintaining an equitable and productive learning and working environment. The current budget continues the pattern of cost reduction and budget reallocations that has occurred during the past eight years. The budget calls for an increase of 8.1% in financial aid and is premised on a 1.5% growth in credit hours. The recommended tuition increase of 3.9% for undergraduate students and 2.9% for graduate students is the lowest in five years.

Regent White moved approval of the proposed Dearborn campus FY 2010-2011 General Fund operating budget. Regent Darlow seconded the motion. Regent Newman stated that the University of Michigan-Dearborn and University of Michigan-Flint have fewer opportunities than the Ann Arbor campus does to increase revenue to counter a budget gap, and they are very dependent on the General Fund. She pointed out that neither campus receives any funding from the Ann Arbor campus, and they are to be commended for their efforts in developing a prudent budget. The vote was then taken and the motion was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor, and Regent Ilitch opposed.

Proposed Dearborn Campus FY 2010-11 Student Tuition and Fee Rates

Regent White moved approval of the proposed Dearborn campus FY 2010-11 student tuition and fee rates. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor, and Regent Ilitch opposed.

Regent Newman left the meeting at that point.

Proposed Flint Campus FY 2010-2011 General Fund Operating Budget

Chancellor Person reported that the University of Michigan-Flint budget of about \$88 million assumes undergraduate and graduate enrollment increases of 4.0% and 4.8%, respectively, and a 5.9% increase in institutional financial aid, which is 2% above the combined tuition and fee increase. It assumes a state appropriation of approximately \$20.8 million; however, if that appropriation is significantly reduced or there is a mid-year rescission, she might request a mid-year tuition increase. She noted that the campus had been working aggressively at cost containment, particularly in the area of energy savings.

The proposed tuition increase is 3.9% for undergraduates and 2.9% for graduate students.

Regent Maynard moved approval of the proposed Flint campus FY 2010-2011 General Fund operating budget. Regent White seconded the motion, and it was approved, with Regents Darlow, Deitch, Maynard, Richner, Taylor, and White in favor, and Regent Ilitch opposed.

Proposed Flint Campus FY 2010-2011 Student Tuition and Fee Rates

Regent Maynard moved approval of FY 2010-2011 tuition and fee rates for the Flint campus of 3.9% for resident undergraduate students and 2.9% for graduate students. Regent White seconded the motion and it was approved, with Regents Darlow, Deitch, Maynard, Richner, Taylor, and White in favor, and Regent Ilitch opposed.

2010-2011 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments

Vice President Harper reported that the proposed amount of each fee is that same as it was in 2010. On a motion by Regent Darlow, seconded by Regent Maynard, the regents unanimously approved the following fees for 2010-2011: \$7.19 per student per term for Michigan Student Assembly, \$6.00 per student per term for Student Legal Services, and \$1.50 per student per term for school/college governments.

2010-2011 University Health Service Fee

Vice President Harper stated that due to the efforts of the University Health Service leadership and staff, the recommended University Health Service fee of \$171.20 per student per term is the same as it was for 2009-2010. On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved a University Health Service fee of \$171.20 per student per term for 2010-2011.

Proposed FY 2011 University of Michigan Hospitals and Health Centers (UMHHC) Operating Budget

Mr. Doug Strong, chief executive officer of the UMHHC, presented the proposed FY 2011 UMHHC operating budget. He said that the Health System strives to keep six elements in balance as an organization: financial success, quality and safety, being a provider of choice, being an employer of choice, providing benefit to the community, and preparing for the future. He reported that all six elements are currently in balance and are moving forward. The UMHHC is the only health care provider in Michigan that saw patients from every county in the state in FY 2010. Mr. Strong emphasized that activity continued to increase in all areas in FY 2010, and the FY 2011 plan calls for continuing, though smaller increases. He noted that 21 additional beds opened in 2009-2010, and the new children's and women's hospital would add significant capacity when it opens in 2011.

Mr. Strong reviewed the challenges and risks inherent in the FY 2011 budget. These include the slow economic recovery and its effect on uncompensated care, market consolidation, and the impact of the state budget on the Medicaid program. The impact of national healthcare reform legislation, which will play out over the next ten years, will require increased attention to quality and efficiency in order to keep pace with the expectations of healthcare reform.

Mr. Strong displayed a slide illustrating operating revenues and expenses. The operating margin in FY 2009 was 1.9%, and the FY 2010 margin forecast of \$66 million is 3.3%, which is above budget, largely due to productivity increases. For FY 2011, the budgeted operating margin is 4.0%, or \$83 million, based on operating revenues of \$2.089 billion and total expenses of \$1.995 billion. He pointed out that this is the first year that the UMHHC will exceed \$2 billion in operating revenues. Operating margin funds will provide cash to invest in future

facilities, information technology needs, and the Health System's research and education missions.

Mr. Strong concluded by reporting that the Health System remains financially strong. Continued improvement should be expected in patient care quality and safety, patient satisfaction, faculty and staff satisfaction, and financial performance.

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved the proposed FY 2011 University of Michigan Hospitals and Health Centers' operating budget.

FY 2011 University of Michigan Department of Athletics Operating Budgetx

Mr. David Brandon, Donald R. Shepherd Director of Athletics, reported that the Athletic Department's budget surplus of \$4.7 million for FY 2011 is sufficient to sustain healthy operating margins. The budget includes a \$4.5 million allowance for deferred maintenance. The budget assumes no further improvement in premium seat commitments, leaving an opportunity to add an additional \$4.4 million in revenue. Mr. Brandon reported that the department is in a sound financial position, with \$35 million in unrestricted operating reserves, an endowment balance of about \$56 million, and a deferred maintenance fund balance of \$4.9 million. Total debt will increase to \$215 million to cover the Player Development Center and Crisler Arena projects.

The FY 2010-2011 budget calls for revenues of \$105,038,000 and expenses of \$100,307,000, yielding an operating surplus of \$4,731,000. The balance sheet indicates that total net assets have increased consistently since 2002, due to continued operating surpluses, net investment income, gifts, and the fact that investment in net assets has been equal to or more than depreciation.

Michigan Student Assembly (MSA) Financial Report

Vice President Harper submitted the financial report for the Michigan Student Assembly for December 31, 2009 and December 31, 2008.

Committee Reports

Finance, Audit and Investment Committee. Regent White, chair of the Finance, Audit and Investment Committee, reported that attendees at that morning's meeting had included Regents Maynard and Darlow, Executive Vice President Slottow, and for the latter part of the meeting, President Coleman. The committee met with Carol Senneff, executive director of University audits, to review the FY 2010 Internal Audit University risk assessment and audit status and the FY 2011 Audit Plan.

Personnel, Compensation and Governance Committee. Regent Taylor, chair of the Personnel, Compensation and Governance Committee, reported that the committee had met that morning with the Committees on the Economic Status of the Faculty from the Dearborn, Flint, and Ann Arbor campuses. They also received an update from the provost on searches and other matters.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of May 20, 2010.

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, May 1 – May 31, 2010.

University of Michigan Health System. Executive Vice President Pescovitz reported that David Morlock, chief financial officer of the University of Michigan Hospitals and Health Centers, had received the CFO of the Year award for health care from *Crain's Business Journal*.

Division of Student Affairs. Vice President Harper commented on the request in the agenda for approval of a complete renovation of Alice Lloyd Hall, including infrastructure updating and remodeling and repurposing of space within the hall. The renovation would be an important part of the Residential Life Initiative to improve and expand the residential experience for students at the University.

University of Michigan-Flint. Chancellor Person reported that the campus was being named the Green Generation Customer of the Year by Consumer's Energy.

University of Michigan-Dearborn. Chancellor Little called attention to recommendations for the appointment of two new deans and reappointment of another dean.

Michigan Student Assembly Report. Mr. Gabriel Surprise, student general counsel for the Michigan Student Assembly, spoke in the absence of the president. He thanked the regents for their continued support of MSA as indicated by approval of the fee assessment, and gave updates on new and ongoing projects and the reorganization of MSA.

Voluntary Support. Vice President May submitted the report of voluntary support for May 2010.

Personnel Actions/Personnel Reports. Provost Sullivan submitted a number of personnel actions and personnel reports. She called attention to the recommended appointment of Jeffrey MacKie-Mason as dean of the School of Information, effective July 1, 2010.

Retirement Memoirs. Vice President Churchill submitted 5 faculty retirement memoirs.

Memorials. Vice President Churchill submitted a memorial statement for Traianos Gagos, professor of papyrology and Greek, assistant research scientist, and archivist.k

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.

Alternative Asset Commitment

Executive Vice President Slottow informed the regents that a follow-on commitment of \$15 million had been made to Advent Latin American Partners V, L.P.

Report of University Internal Audits

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period March through April 2010.

University Endowment Distribution Policy

Executive Vice President Slottow withdrew this item from consideration, saying he would bring it back at the July meeting.

Information and Technology Services Year 2011 Maintenance Program

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the ITS Year 2011 annual maintenance program, and authorized proceeding with the projects providing they are within the approved budget.

Alice Crocker Lloyd Hall Renovation

Executive Vice President Slottow reported that the total budget for this deep renovation project is \$56 million, funded from Housing resources, and that it is consistent with the strategic

plan of the Residential Life Initiative. On a motion by Regent Ilitch, seconded by Regent White, the regents unanimously approved the Alice Crocker Lloyd Hall Renovation Project as described, and authorized commissioning Integrated Design Solutions, LLC for its design.

Burton Memorial Tower Façade and Bell Tower Repairs

Executive Vice President Slottow said that this project has been designed so as not to disturb the peregrine falcons that are nesting in Burton Tower. On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the Burton Memorial Tower Façade and Bell Tower Repairs Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Carl A. Gerstacker Building Molecular Beam Epitaxy Laboratory Renovation

On a motion by Regent Darlow, seconded by Regent Maynard, the regents unanimously approved the Carl A. Gerstacker Building Molecular Beam Epitaxy Laboratory Renovation Project as described, and authorized issuing the 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 7 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Taylor, seconded by Regent Deitch, the regents unanimously approved the following agreements:

Agreement between the University of Michigan and Thayer Street Ventures

The regents approved an agreement between the Office of New Student Programs (“ONSP”) and Thayer Street Ventures (“TSV”) to provide beverage break service during parent orientation sessions. Because Mark G. Pavach, a University of Michigan employee, is also a

partner of TSV, 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 agreement are the Regents of the University of Michigan, ONSP, and TSV.
2. The agreement is for TSV to provide beverage break service for \$1.15 per person. TSV's service includes set-up and clean-up of the break service, including pick up of unused beverages. The three-year agreement is not to exceed a total dollar amount of \$15,000.
3. The pecuniary interest arises from the fact that Mark G. Pavach, a University of Michigan employee, is a partner of TSV.

Authorization for payments to be made to the Institute for Social and Environmental Research

The regents approved payments to be made by the Institute for Social Research ("ISR") to the Institute for Social and Environmental Research ("ISER") to enable ISER to assist with a research project in the Chitwan Valley of Nepal. Because Dirgha Jibi Ghimire, a University of Michigan employee, is also director and a member of the board of directors of ISER, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties involved in the agreement for payment are the Regents of the University of Michigan, ISR and ISER.
2. The payments to ISER are for conducting research in the Chitwan Valley of Nepal for two separate projects for a total of \$9,275: \$5,000 to conduct a workshop on data dissemination and analysis and \$4,275 to translate and transcribe recorded interviews.
3. The pecuniary interest arises from the fact that Dirgha Jibi Ghimire, a University of Michigan employee, is director and a board member of ISER.

Research Agreement between the University of Michigan and JV BioLabs, LLC

The regents approved an agreement with JV BioLabs, LLC ("Company") that will enable the Company to support a research project in the Department of Pathology. Because James Varani, a University of Michigan employee, is also partial owner and chief scientific 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. The parties to the contract are the Regents of the University of Michigan and JV BioLabs, LLC.
2. The terms of the agreement conform to University policy regarding publication and intellectual property. The period of performance for the project is twelve months and the amount of funding support is \$150,253.
3. The pecuniary interests of Professor James Varani arise from his status as partial owner and chief scientific officer of JV BioLabs, LLC.

Research Agreement between the University of Michigan, Ascenta Therapeutics, Inc., and Sanofi-Aventis

The regents approved a research agreement with Ascenta Therapeutics (“Company”) which will enable the Company, in conjunction with Sanofi-Aventis, to support a research project for further development of inventions developed at the University by Dr. Shaomeng Wang, Dr. Dajun Yang, and others. Because Drs. Wang and Yang, University of Michigan employees, are also partial owners of the Company and, respectively, member of the Company’s scientific advisory board (Wang) and employee and manager of the Company (Yang), 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, Ascenta Therapeutics, Inc., and Sanofi-Aventis.
2. The terms of the proposed agreement conform to University policy regarding publication and intellectual property. Dr. Wang will participate in the project as a co-investigator. Dr. Yang will not participate in the project in his University capacity. The contract includes a provision allowing extension and modification of the project upon mutual agreement 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. Wang and Yang arise from their ownership interests in Ascenta Therapeutics, Inc.

License Agreement between the University of Michigan and Infomotion Sports Technologies, Inc.

The regents approved a license agreement with Infomotion Sports Technologies, Inc. (“Company”) which will allow the Company to license from the University the University’s rights associated with the following technology: UM OTT File #2149, “Method/Device for Measuring the Motion of Sports Equipment” and UM OTT File #4372, “Apparatus and Methods for Analyzing the Motion of a Non-Elongate Body of Sports Equipment.” Because Dr. Kevin King, a 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 Infomotion Sports Technologies, Inc.
2. Agreement terms include granting the Company a non-exclusive license without the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. 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 conflict of interest review will be done as appropriate.
3. Dr. King’s pecuniary interest arises from his ownership interest in Infomotion Sports Technologies, Inc.

Patent License Agreement between the University of Michigan and 3D Biomatrix, Inc.

The regents approved a patent license agreement between the University of Michigan and 3D Biomatrix, Inc. (“Company”) which will allow the Company to license the following technology from the University: UM File No. 4451, “Array Plate for Handling Drop Cell Cultures.” Because Nicholas Kotov and Shuichi Takayama, 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 3D Biomatrix, Inc.
2. Patent license terms include giving the Company an exclusive license with the right to grant sublicenses. The Company will pay for ongoing patent expenses, 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 include a royalty on sales and reimbursement of patent costs. 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 conflict of interest review will be done as appropriate.
3. The pecuniary interests of Drs. Kotov and Takayama arise from their ownership interest in 3D Biomatrix, Inc.

Master Agreement between the University of Michigan and Vega Therapeutics, Inc.

The regents approved a master agreement with Vega Therapeutics, Inc. ("Company") that will allow the company to support research projects to develop previously licensed technologies using University facilities. Because Alan R. Saltiel, 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 Vega Therapeutics, Inc.
2. The University will enter into a master 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 master agreement will cover an initial five-year period with total authorization not to exceed \$2,000,000. The University will use standard sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The master agreement will allow the University and the Company to specify projects that the University will conduct under the terms of the master agreement. Since sponsored projects are often amended, the Master Agreement includes provisions for changes in time, amount, and scope of each

supported project. University procedures for approval of these changes will be followed and additional review by the OVPR Conflict of Interest Review Committee will be done on a project-by-project basis.

3. The pecuniary interest of Alan Saltiel arises from his status as partial owner of the Company.

New Degree Program for School of Nursing (“Doctor of Nursing Practice”)

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved a new “Doctor of Nursing Practice” (“DNP”) program for the School of Nursing.

Washtenaw Community Health Organization Interlocal Agreement Renewal

Executive Vice President Pescovotz reported that the original agreement between Washtenaw County and the Regents of the University of Michigan establishing the Washtenaw Community Health Organization (WCHO) was signed on August 3, 2000, and covered a 10-year period. A new agreement has been drafted that must be approved by both parties and forwarded to the governor, the attorney general, and the Michigan Department of Community Health for review. On a motion by Regent Darlow, seconded by Regent Maynard, the regents unanimously approved the revised interlocal agreement, as described in the regents communication, and authorized its signing by the appropriate parties.

Michigan Health Corporation (MHC) Annual Business Plan

On a motion by Regent Taylor, seconded by Regent White, the regents unanimously approved the MHC FY2011 Annual Business Plan and Budget.

Establishment of Regents’ Health Affairs Committee

On a motion by Regent Richner, seconded by Regent Maynard, the regents unanimously approved establishment of a Health Affairs Committee. This requires a revision to Regents’ Bylaw 1.07 and adoption of the Health Affairs Committee charter, as follows:

Revised Bylaw and Charter *(Additions are underlined; deletions are crossed out.)*

Regents' Bylaw 1.07: Committees (Revised June 2010)

C. Standing Committees

There will be ~~two~~ three standing committees of the Board of Regents, each composed of less than a quorum of the members of the Board, appointed by the chair. These committees will advise the Board of Regents on matters pertaining to their subject areas and will present periodic reports and recommendations, but will not have the power to bind the Board of Regents on any matter. These committees will determine the frequency, time and place of their meetings, in consultation with other members of the Board.

1. The Finance, Audit and Investment Committee

This committee will provide assistance to the board in fulfilling its responsibilities relating to the adequacy and effectiveness of the University's internal controls and financial reporting and investment policies and practices. This committee will review, at its discretion, matters that may include the annual audit, financial statements and reporting, investments, and compliance with applicable laws and regulations.

2. The Personnel, Compensation and Governance Committee

This committee will assist the board in evaluating the performance of and determining the compensation for the president. It will advise the president on the performance of and compensation for the executive officers, and will, from time to time, review compensation-related data in order to maintain and enhance the University's competitive status in higher education. The committee will review the University leadership's progress on diversity. It will be responsible for matters related to governance and board performance, and will advise the board on University-wide conflict of interest policies.

3. The Health Affairs Committee

This committee will assist the board in providing oversight of the University of Michigan Hospitals and Health Centers (UMHHC), as set forth in Bylaws 11.42-11.48, and as outlined in the committee charter.

Health Affairs Committee Charter

I. Purpose

The Health Affairs Committee (HAC) reviews and reports to the Board of Regents (Board) on matters concerning the University of Michigan Hospitals and Health Centers (UMHHC) in order to best support the Board in the fulfillment of its responsibilities with respect to the UMHHC. These responsibilities include: (i) establishing the mission, goals, and objectives of the UMHHC; (ii) the quality of medical care services provided; (iii) approval of all major programs and operating budgets; (iv) approval of capital and facility plans; and (v) appointment of the chief executive officer of the UMHHC, as outlined in Bylaw 11.44.

II. Composition and Meetings

The HAC is composed of less than a quorum of the membership of the Board, and the members are appointed by the chair of the Board. The chair of the Board will appoint the chair of the HAC. The HAC may meet as often as necessary but not less than four times in a calendar year.

III. Health Affairs Committee Responsibilities

The HAC will review and provide recommendations to the Board on UMHHC operations and strategic planning, including issues related to the quality, safety, and efficiency of health care provided by the UMHHC and its research activities. The HAC will receive reports and recommendations regarding relevant financial, clinical, research, strategic, regulatory, personnel, and compliance matters as it shall require from time to time. The HAC will present regular and complete reports to the Board.

IV. Resources and Authority

The Health Affairs Committee may investigate or review any matter brought to its attention, and will have full access to all books, records, facilities, and personnel of the UMHHC and the University. The Health

Affairs Committee may recommend that the Board engage independent counsel and other advisors at University expense, as it determines necessary to carry out its duties.

V. Adoption of Charter

The Board of Regents has adopted this charter on June 17, 2010.

Revisions to Regents' Bylaw Section 6.02 ("Degree Program Definitions")

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the following revisions to Regents' Bylaw Section 6.02 (*deletions are crossed out*):

Sec. 6.02. Degree Program Definitions (revised September 2009)

~~Undergraduate degree programs are offered by:~~

- ~~• The University of Michigan (Ann Arbor Campus)~~
- ~~• Alfred Taubman College of Architecture and Urban Planning~~
- ~~• School of Art and Design~~
- ~~• Stephen M. Ross School of Business~~
- ~~• School of Dentistry~~
- ~~• School of Education~~
- ~~• College of Engineering~~
- ~~• School of Kinesiology~~
- ~~• College of Literature, Science, and the Arts~~
- ~~• School of Music, Theatre & Dance~~
- ~~• School of Natural Resources and Environment~~
- ~~• School of Nursing~~
- ~~• College of Pharmacy~~

~~The University of Michigan Dearborn~~

- ~~• College of Arts, Sciences, and Letters~~
- ~~• School of Education~~
- ~~• School of Engineering~~
- ~~• College of Business~~

~~The University of Michigan Flint~~

- ~~• College of Arts and Sciences~~
- ~~• School of Health Professions and Studies~~
- ~~• School of Management~~
- ~~• School of Education and Human Services~~

~~Graduate degree programs are offered by the schools and colleges on all three campuses through the agency of the Horace H. Rackham School of Graduate Studies, leading to the master's, doctoral, and related degrees. In addition, the A. Alfred Taubman College of Architecture and Urban Planning, the Stephen M. Ross School of Business, the School of Natural Resources and Environment, the School of Health Professions and Studies and the College of Business at the University of Michigan Dearborn, and the School of Management and School of Education and Human Services at the University of Michigan Flint, are authorized to offer the master's degree in appropriate professional fields, and the School of Music, Theatre & Dance, the master's degree in applied music.~~

~~Graduate professional degree programs are offered by the:~~

- ~~• School of Dentistry~~
- ~~• College of Pharmacy~~
- ~~• Law School~~
- ~~• School of Public Health~~
- ~~• Medical School~~
- ~~• School of Social Work~~

Revised Bylaw:

Sec. 6.02. Undergraduate and Graduate Degree Programs

There are 19 schools and colleges on the Ann Arbor campus of the University of Michigan, 4 schools and colleges on the Dearborn campus, and 4 schools and colleges on the Flint campus.

The University offers four types of degree programs: Undergraduate (“U”), Rackham graduate (“RG”), non-Rackham graduate (“NRG”), and graduate professional (“GP”). Graduate degrees fall under the aegis of the Horace H. Rackham School of Graduate Studies or the individual schools and colleges, as indicated below.

The following is a list of the schools and colleges and degree programs offered at each. The Office of the Registrar on each campus maintains an official list of all specific degrees offered at every school and college on that campus.

Ann Arbor Campus

A. Alfred Taubman College of Architecture and Urban Planning (U, NRG, RG)
School of Art and Design (U, RG)
Stephen M. Ross School of Business (U, NRG, RG)
School of Dentistry (U, RG, GP)
School of Education (U, RG)
College of Engineering (U, NRG, RG)
Horace H. Rackham School of Graduate Studies (RG)
School of Information (NRG, RG)
School of Kinesiology (U, RG)
Law School (GP)
College of Literature, Science, and the Arts (U, RG)
Medical School (GP, RG)
School of Music, Theatre & Dance (U, NRG, RG)
School of Natural Resources and Environment (RG)
School of Nursing (U, RG)
College of Pharmacy (U, RG, GP)
School of Public Health (NRG, RG)
Gerald R. Ford School of Public Policy (U, RG)
School of Social Work (NRG, RG)

University of Michigan-Dearborn

College of Arts, Sciences, and Letters (U, RG, NRG)
College of Business (U, NRG)
School of Education (U, NRG, RG)
College of Engineering and Computer Science (U, NRG, RG)

University of Michigan-Flint

College of Arts and Sciences (U, NRG, RG)
School of Health Professions and Studies (U, NRG)
School of Education and Human Services (U, NRG)
School of Management (U, NRG)

Approval of University of Michigan-Flint 2010-2011 Residence Hall Rates

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the University of Michigan-Flint 2010-2011 residence hall rates, as described in the regents communication.

Public Comments

The regents heard comments from Renee Echols, student and member of the Graduate Employees Organization, on the topic of improving accommodations for graduate student instructors and faculty with disabilities.

There being no further business, the meeting was adjourned at 4:55 p.m. The next meeting will take place July 15, 2010.