

DECEMBER MEETING, 2010

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

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

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She noted that the meeting had been rescheduled to allow participants to attend the funeral of Executive Vice President Pescovitz's husband, Dr. Mark Pescovitz, and she extended the sympathy of the entire university community to the Pescovitz family. President Coleman announced that University of Michigan start-up companies and student teams had recently been awarded the top prizes in the Accelerate Michigan Innovation Competition. She called attention to the upcoming winter commencement and the Gator Bowl.

Turning to the regular business agenda, President Coleman pointed out that because the committees did not meet this month, there were no committee reports, and that the items involving conflicts of interest would be considered first.

Conflict of Interest Items

President Coleman stated that the agenda includes 3 conflict of interest items, each of which requires 6 votes for approval. It was noted that a fourth item, the proposed license agreement between the University of Michigan and Life Magnetics, Inc., was being withdrawn from consideration. On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the following 3 items:

License Agreement between the University of Michigan and Fusion Coolant Systems Inc.

The regents approved a license agreement with Fusion Coolant Systems Inc. (“Company”) which will allow the Company to license the following technology from the University: UM File No. 3024, “Metal Working Lubricant Formulations Based on Supercritical Carbon Dioxide;” UM File No. 4035, “Methods for Controlling Tool Temperature and Diffusive Flank Wear;” and UM File No. 4117, “Metalworking Lubricants Delivered at Low Temperature and High Velocity with Rapidly Expanding Gases and Supercritical Fluids.” Because Dr. Steven Skerlow, 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 Inc.
2. Agreement terms include giving the Company an exclusive license with 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 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. Skerlos arise from his ownership interest in Fusion Coolant Systems Inc.

License Agreement between the University of Michigan and Ascentage Pharma Group Corporation, Ltd.

The regents approved a license agreement with Ascentage Pharma Group Corporation, Ltd. (“Company”) to allow the company to obtain an exclusive license for the following technologies from the University: UM OTT File No. 4139, “Bivalent Diazo Bicyclic Smac Mimetics and the Uses Thereof” “Treatment of Cancer;” UM OTT File No. 4241, “Stat3 Inhibitors and Therapeutic Methods using the Same;” UM OTT File No. 4676, “Peptidomimetic Small Molecule Inhibitors of the WDR5 and MLL1 Interaction;” UM OTT File No. 4790, “Bivalent Small-Molecule Antagonists of IAP Proteins and Their Use Thereof;” and UM OTT File No. 4791, “Small-Molecule Inhibitors of Bcl-2 and Bcl-xl Proteins and Their Use Thereof.” Because Shaomeng Wang, a University of Michigan employee, is also partial owner of the Company, this purchase 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 Ascentage Pharma Group.
2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a license fee, annual minimums, milestone payments and royalties on sales while reimbursing 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 agreement may be amended by consent of the parties. Additional review by the Medical School Conflict of Interest Board will be done as appropriate.
3. The pecuniary interests of Dr. Wang arise from his ownership interest in Ascentage Pharma Group Corporation, Ltd.

Research Agreement between the University of Michigan and Internet2

The regents approved a research agreement with Internet2 which will allow Internet2 to support a research project in the School of Information entitled “CI Days at UM.” Because Doug Van Houweling and Mary Sue Coleman, University of Michigan employees, are also president

and CEO of Internet 2 (Van Houweling) and member of the Internet2 board (Coleman), 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 Internet2.
2. The terms of the proposed agreement conform to University policy. The period of performance for the project is fifteen (15) months and the amount of funding support is \$18,000.
3. Mary Sue Coleman and Doug Van Houweling have no pecuniary interest in the agreement.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of November 18, 2010.

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 Projects Established, July 1 – November 30, 2010.

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

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

University of Michigan-Dearborn. Chancellor Little reported on plans for the upcoming winter commencement on the Dearborn campus, noting that Regent Maynard would be participating.

University of Michigan-Flint. Chancellor Person reported that Regent Taylor had participated in the recent Flint campus commencement.

Michigan Student Assembly Report. There was no additional report from the Michigan Student Assembly.

Voluntary Support. Vice President May submitted the Report on Voluntary Support for November 30, 2010.

Personnel Actions/Personnel Reports. Provost Hanlon submitted a number of personnel actions and personnel reports, and highlighted the appointment of Professor Martin Philbert as dean of the School of Public Health, effective January 1, 2011.

Retirement Memoirs. Vice President Churchill submitted memoirs for five retiring faculty members. Provost Hanlon commented on the retirement of Professor H. Don Cameron, following a 51-year career at the University of Michigan.

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

Degrees. There were no actions with respect to degrees.

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 board of recent follow-on commitments to the following previously approved partnerships: \$20 million to Longreach Capital Partners 2-USD, L.P.; \$10 million to Cypress Realty VII; \$25 million to El Fund V, L.P.; and \$15 million to Yorktown Energy Partners IX.

University Real Estate Policy

Executive Vice President Slottow submitted the annual report on leases exceeding 50,000 square feet.

Issuance of Debt by Merit Network, Inc.

Executive Vice President Slottow reported that Merit Network, Inc. had received a \$102.9 million grant to build approximately 2,300 miles of an advanced fiber-optic network throughout the state of Michigan focusing on underserved and remote areas. The financing fees for this project can be reduced if the ten universities that are members of Merit Network can back a small portion of the matching funds, or about \$8 million.

Regent White moved adoption of a resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or the treasurer to develop the final terms, and negotiate and execute the legal documentation for the support by the University of the proposed Merit's debt through the assessment agreement, and obtain and approve any agreements required for the support of Merit's debt. Regent Darlow seconded the motion. Regent Richner recused himself from voting due to a conflict of interest. The vote was then taken and the motion was approved, with Regents Darlow, Deitch, Ilitch, Maynard, Newman, Taylor, and White in favor and Regent Richner abstaining. The text of the resolution follows:

RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN APPROVING AN ASSESSMENT AGREEMENT WITH MERIT NETWORK, INC.

WHEREAS, the Regents of the University of Michigan (the "Regents") is a body corporate created by and existing under the Constitution of the State of Michigan with full constitutional authority over and general supervision of The University of Michigan (the "University") and control and direction of all expenditures from the University's funds; and

WHEREAS, Merit Network, Inc. ("Merit"), a Michigan nonprofit corporation, has been formed to promote computer resource sharing through the provisions of resources, including a high-speed research and education network within the State of Michigan for use by public universities in Michigan and other education and research groups and institutions; and

WHEREAS, the governing members of Merit are the Regents, the Board of Trustees of Michigan State University (the "Trustees"), and ten other public universities in Michigan (collectively, the "Members"); and

WHEREAS, Merit has been awarded grants from the federal government in the approximate amount of \$103,000,000 to be used for the construction of additional network facilities within Michigan; and

WHEREAS, in order to receive and utilize the federal grant for the purposes described above, it is necessary for Merit to borrow the sum of not to exceed \$8,000,000 through the issuance of a tax-exempt bond (the "Bond") by the Michigan Strategic Fund, the proceeds of which will be loaned to, and repaid, with interest, by, Merit; and

WHEREAS, J.P. Morgan Chase Bank (the "Bank"), has agreed to purchase the Bond, but only upon the execution of an Assessment Agreement (the "Assessment Agreement") by the Members, under which the Members agree to pay to Merit sufficient funds to pay the debt service requirements on the Bond; and

WHEREAS, the benefits to the University from its membership in Merit and from the indebtedness to be incurred by Merit and guaranteed under the Assessment Agreement include:

Service by Merit to its Members of advanced networking services on a high-quality network infrastructure. As controlling Members of Merit the universities ensure themselves that they have a trusted source for network connectivity.

As Members of Merit, the public universities in the State of Michigan have access to and control a private network. They are their own regulators of costs and the policies on that network. Access, both in scope and capacity, is not dictated by an outside service provider. The Members have available to their facilities almost unlimited use of bandwidth. Merit is the only allowed provider in the State of multiple connections to Internet2 and to other Midwest regional networks required for research purposes. Merit partners with over 20 national and international networks to provide peering relationships; providing a direct path to and from other networks for exchanging sensitive data. This connectivity permits Michigan based universities to work with other institutions across the nation on research and educational projects over their private networks.

The borrowed funds with the federal grant would build approximately 2,300 miles of an advanced fiber-optic network throughout Michigan focusing on underserved and remote areas (the "REACH Michigan Middle Mile Collaborative or REACH 3MC").

Membership in Merit provides residual interests in the assets of Merit upon its dissolution.

And,

WHEREAS, the Bond is being delivered and sold under certain provisions of the Internal Revenue Code of 1986, as amended, which provisions expire on December 31, 2010; and

WHEREAS, the execution and delivery of the Assessment Agreement by the Members of Merit requires that the governing boards of each public university Member authorize such execution and delivery, and it may not be possible for all of the Members to achieve such authorization in time to permit the Bond to be delivered on or before December 31, 2010; and

WHEREAS, in order to assure that the Bond can be delivered prior to December 31, 2010, it is necessary for the Regents and the Trustees to each agree that they will assume up to one-half of the liabilities under the Assessment Agreement until such time as the remaining Members have authorized and executed the Assessment Agreement, upon which the liabilities of the Regents and the Trustees will be proportionately reduced; and

WHEREAS, the Regents, in the exercise of its constitutional duties, has determined that the guarantee of a portion of Merit's obligation with respect to the Bond through the execution and delivery by and on behalf of the Regents of the Assessment Agreement as described above is in the interest of the University;

NOW THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The guarantee by the Regents of a portion of the obligations of Merit in connection with the Bond through the execution and delivery of the Assessment Agreement is hereby authorized and approved; provided, however, that the obligations of the

Regents under the Assessment Agreement shall be limited obligations of the Regents, payable solely from General Revenues, as defined in the trust agreements under which the General Revenue Bonds of the Regents have been issued. As provided in the Assessment Agreement, the Regents' liabilities may be increased in the case of default by any other Member, but in no event shall the Regents' obligations under the Assessment Agreement exceed the principal amount of four million dollars (\$4,000,000), plus interest on that principal amount and any penalties, premiums or other charges related to that principal amount. Upon execution of the Assessment Agreement by all of the Members, the primary liability of the Regents will be reduced to a minimum principal amount of \$2,200,000 plus interest on that principal amount and any penalties, premiums or other charges related to that principal amount.

2. The initial form of the Assessment Agreement on file with the Secretary of the University is hereby approved, and the Executive Vice President and Chief Financial Officer, the Associate Vice President for Finance and the Treasurer (each an "Authorized Officer") or any one of them individually are hereby authorized to execute and deliver the Assessment Agreement substantially in such form, with such changes not inconsistent with the terms of this Resolution as the executing officer may determine appropriate, as evidenced by his signature thereon. Each of the Authorized Officers and each other appropriate officer or representative of the Regents is hereby authorized to negotiate, execute and deliver, for and on behalf of the Regents, any other certificates, opinions, documents or instruments necessary to effect the purposes of this Resolution.
3. The Regents find that the value of the benefits derived and to be derived by the University from the proceeds of the indebtedness related to the Bond exceeds the liabilities to be incurred by the Regents from the execution and delivery of the Assessment Agreement.

Alice Crocker Lloyd Hall Renovation

Mr. Paul Stachowiak, president of Integrated Design Solutions, presented the proposed schematic design for the renovation of Alice Crocker Lloyd Hall, noting that the project primarily involves infrastructure renewal and a repurposing of the old dining hall and kitchen that were vacated upon the completion of the Hill Dining Center. He displayed a number of panels depicting the site plan and the plans for the various building levels. He concluded with a rendering of the exterior, noting that the main entrance would be changed from the east side to the west side (Palmer Field).

Regent Newman commented that she thought the project would be well received and she was very supportive of it. President Coleman pointed out that when this project is completed, every residence hall on the hill will have been completely renovated.

Regent Newman moved approval of the schematic design for the Alice Crocker Lloyd Hall Renovation Project as presented. Regent White seconded the motion, and it was approved unanimously.

George Granger Brown Memorial Laboratories Mechanical Engineering Addition

As described in the regents communication, the George Granger Brown Memorial Laboratories Mechanical Engineering Addition Project's scope and budget have been reduced from what was originally approved in June 2009. Robert Goodwin, design principal, Perkins + Will, presented the proposed schematic design for the project. He displayed illustrations of the site plan, the designs for each level of the building, and renderings of the exterior.

Executive Vice President Slottow noted that renovation of the existing G.G. Brown building, to be funded in part by a grant from state capital outlay funds, would be submitted at a future date.

On a motion by Regent Darlow, seconded by Regent Richner, the regents unanimously approved the schematic design and revised scope and budget for the George Granger Brown Memorial Laboratories Mechanical Engineering Addition Project as presented.

Edward Henry Kraus Building Molecular, Cellular and Developmental Biology Laboratory Renovations

On a motion by Regent Darlow, seconded by Regent Maynard, the regents unanimously approved the Edward Henry Kraus Building Molecular, Cellular and Developmental Biology Laboratory Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Public Comments

This abbreviated meeting did not include a public comments session.

Adjournment

There being no further business, the meeting was adjourned at 4:00 p.m. The next meeting will take place January 20, 2011.