

DECEMBER MEETING, 2011

*The University of Michigan
Ann Arbor
December 15, 2011*

The regents met at 3:10 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Deitch, 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 was absent.

Call to Order

As President Coleman was calling the meeting to order, a demonstration by the "Occupy UM" group ensued, during which the demonstrators recited a statement that delineated a set of grievances. The demonstrators left the meeting after reciting the statement.

President's Opening Remarks

President Coleman noted that Jill Abramson, executive editor of the *New York Times*, would be the keynote speaker at Winter Commencement. She congratulated the 13 faculty members who had just been elected fellows of the American Association for the Advancement of Science. She concluded by sending good wishes to Coach Hoke and the football team when they play in the Sugar Bowl on January 3, 2012.

Performance by Amazin' Blue

President Coleman welcomed Amazin' Blue, a student a cappella group, who gave a short performance.

Recognition: Marshall Scholar and Award-Winning Faculty

Provost Hanlon introduced Alexander Carney, a University of Michigan student who was recently selected as a Marshall Scholar. An honors student majoring in mathematics, an accomplished violinist, and marathon runner, he will study for two years in the United Kingdom.

Provost Hanlon next noted that University of Michigan faculty receive many prestigious national awards each year, including the three MacArthur Fellowships that were received by University faculty in 2011. The MacArthur fellows are Tiya Miles, chair, Department of Afroamerican and African Studies, professor of Afroamerican and African Studies, professor in the American Culture Program, and professor of history; Melanie Sanford, Arthur F. Thurnau Professor and professor of chemistry; and Yukiko Yamashita, research assistant professor in the Life Sciences Institute and assistant professor of cell and developmental biology. Fifty-eight University of Michigan faculty members have been elected to the National Academy of Science, the National Academy of Engineering, and the Institute of Medicine; this honor is considered to be the pinnacle career achievement for people in these disciplines. Eight faculty members have been elected to the American Philosophical Society, another highly prestigious honor. Provost Hanlon also listed other honors received by current faculty members.

Professors Miles, Sanford, and Yamashita, the three 2011 MacArthur fellows, then gave presentations about their work and described how their career trajectories were supported, encouraged, and nurtured at the University of Michigan.

Committee Reports

Finance, Audit and Investment Committee. Regent White, chair of the Finance, Audit and Investment Committee, reported that the committee, consisting of herself and Regents Maynard and Richner, had met that afternoon. Regent Ilitch and President Coleman also

attended the meeting. The first agenda item, the annual lease portfolio, was discussed with Associate Vice President Baier, Mark Eboch, manager for property management and space information, and Mary Krasny, real estate manager. The second topic, an update on tax exposure, was reviewed with Associate Vice President Miranda and Ed Jennings, University tax director. Executive Director for University Audits Carol Senneff was also present. The committee also received a bi-monthly audit update from Ms. Senneff, Mr. Baier, and Vice President Scarnecchia. The final item was an update by University Controller Carol Soper on the search for a new executive director of University audits.

Personnel, Compensation and Governance Committee. Regent Ilitch noted that due to Regent Taylor's absence, she was the only committee member present at the meeting of the Personnel, Compensation and Governance Committee. Provost Hanlon was also present, and President Coleman also attended a portion of the meeting. The agenda included a discussion of goals for the January meeting and an update on various faculty-related issues. Other agenda items included a review of the 2012 committee calendar, a review of a number of proposed "housekeeping" amendments to the Regents' bylaws, and a review with Associate Vice President Laurita Thomas of the annual salary report.

Health Affairs Committee. Regent Darlow, chair of the Health Affairs Committee, reported that Regents Deitch and Newman had joined her at the meeting, along with Executive Vice President Pescovitz. The agenda included a discussion of various strategic initiatives, for which the committee was joined by Health System CEO Doug Strong, Medical School dean Woolliscroft, Vice President and General Counsel Scarnecchia, and Associate Vice President and Deputy General Counsel Margaret Marchak. Other agenda items included a review of executive compensation and an update from the executive vice president for medical affairs.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of November 17, 2011.

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

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, July 1, 2011–November 31, 2011. He announced that a University-wide policy has been promulgated for the disposition of Native-American remains and associated funerary objects.

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-Flint. Chancellor Person reported that nearly 400 students had received degrees at the campus's commencement the previous week.

University of Michigan-Dearborn. Chancellor Little noted that an undergraduate student had recently had an article accepted in the distinguished journal, *Victorian Poetry*. He reported that the Dearborn commencement would take place during the coming weekend.

Michigan Student Assembly Report. Mr. DeAndree Watson, president of the Michigan Student Assembly, described the reasoning behind the change in name of the organization to the Central Student Government. He noted that following adoption of a new constitution in 2010, three distinct branches of government—legislative, judicial, and executive—were created. The

Central Student Government represents every student at the University of Michigan, making it the “central” voice for students. This final stage of transition to the new constitutional structure is the name change, which will be effective January 1, 2012.

Voluntary Support. Vice President May submitted the report of voluntary support for November 2011.

Personnel Actions/Personnel Reports. Provost Hanlon submitted a number of personnel actions and personnel reports, noting that one of the actions was a supplemental item.

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

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

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

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

Fiscal Year 2013 Capital Outlay Submissions All Campuses

Executive Vice President Slottow reported that in November 2011 the University had submitted its annual capital outlay request and five-year master plan for the Ann Arbor, Dearborn, and Flint campuses for the 2013 fiscal year.

University Real Estate Policy Annual Report on Leases Exceeding 50,000 Square Feet

Executive Vice President Slottow submitted the annual report on leases exceeding 50,000 square feet, as required by the University’s real estate policy.

Alternative Asset Commitments

Executive Vice President Slottow reported that follow-on investments had been made with two previously approved venture capital and real estate partnerships: \$7.0 million to GSR Ventures IV, L.P., and €25 million to Patron Capital, L.P.

Michigan Investment in New Technology Startups (“MINTS”)

Executive Vice President Slottow noted that this initiative would allow the University to make direct investments from the University’s Long Term Portfolio in University of Michigan startups. On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the Michigan Investment in New Technology (“MINTS”) initiative and guidelines.

Guidelines

1. MINTS shall be managed by the Investment Office in close cooperation with the Office of Technology Transfer.
2. Subject to the below, the University through the Long Term Portfolio will seek to invest in all rounds of financing raised by a University Startup in which the University has preemptive rights or is otherwise able to secure an investment, and in which a Qualifying Venture Capital Investment Firm is also participating.
3. “University Startup” means a startup business created on the basis of intellectual property licensed through the Office of Technology Transfer.
4. “Qualifying Venture Capital Investment Firm” shall be determined by the Investment Office. Qualifying Venture Capital Investment Firms shall not be affiliated with the University.
5. Investment in any single round shall not exceed \$500,000, except that for later rounds of financing an investment may be made up to \$1,000,000 if the \$500,000 limit is insufficient to secure participation in the round. The Investment Office shall have the discretion to size the investment appropriately given the circumstances.
6. The Investment Office shall retain the discretion not to invest in any given round.
7. On a company by company basis up to a fixed dollar amount, the University will submit Action Requests seeking approval under the State of Michigan Conflicts of Interest Statute for current and possible future investments under the MINTS program (i) for existing startups, before the first University investment, or (ii) for future startups, jointly at the time that an item is submitted in connection with Office of Technology Transfer licensing.
8. The Investment Office shall produce an annual report regarding the MINTS program.

9. MINTS may be terminated at any time by the joint written action of (i) the executive vice president and chief financial officer, and (ii) the chief investment officer.

Associate Vice President for Medical Development and Alumni Relations, University of Michigan Health System

Vice President May pointed out that the supplemental agenda includes as an item in the consent agenda the recommended appointment of Brian T. Lally as associate vice president for medical development and alumni relations, University of Michigan Health System. Executive Vice President Pescovitz noted that this is a new position that would report jointly to her and Vice President May.

Absolute Return

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved commitment of \$50 million from the Long Term Portfolio to Dyal Capital Partners L.P., a fund that will purchase equity interests in investment management companies.

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

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

- Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel;
- Obtain and approve a final proposal for the bonds; and
- 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.

INSERT RESOLUTION IN APPENDIX TO PROCEEDINGS.

The Lawyers' Club Building and John P. Cook Building Renovation

Executive Vice President introduced Lee Becker, principal, Hartman-Cox Architects, to present the proposed schematic design for the renovation of The Lawyers' Club Building and John P. Cook Building Renovation Project. Mr. Becker noted that his firm was working in association with Kevin Shultis from SmithGroup on this project.

Mr. Becker stated that the project would eliminate the need for about \$30 million in deferred maintenance in these buildings. The project involves repairs to the stone masonry and existing leaded-glass windows, a new slate roof, life safety and sprinkler system upgrades, and comprehensive interior renovation to The Charles T. Munger Residences in the Lawyers' Club and the John P. Cook Building. He noted that the residences are currently a series of independent town house garden apartments; these will be converted to 228 individual bedrooms with primarily single bathrooms, 12 student lounges, and common space. Three elevators will be installed. The goal is to make the interior more cohesive and foster a stronger sense of community among the residents.

Mr. Becker displayed schematic designs of the first and third floors illustrating the circulation patterns, and displayed renderings of the exterior. He also displayed schematics and renderings of typical rooms in the refurbished buildings. It was noted that during the construction period, students would be housed in apartment buildings located near the Law School.

President Coleman congratulated the design team for their sensitivity in preserving the character of this building, which is recognized as one of the most precious historic structures of its kind in the country. Regent Richner moved approval of the schematic design for The

Lawyers' Club Building and John P. Cook Building Renovation Project, as presented at the meeting. Regent White seconded the motion, and it was approved unanimously.

George Granger Brown Memorial Laboratories Mechanical Engineering Addition

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved issuing the George Granger Brown Memorial Laboratories Mechanical Engineering Addition Project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers University Hospital Trauma Burn Unit Renovations

On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Trauma Burn Unit Renovations Project as described, authorized commissioning the architectural firm of Project and Design Management LLC for its design, 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 8 conflict of interest items. Each of these items requires 6 votes for approval. On a motion by Regent Richner, seconded by Regent Newman, the regents unanimously approved the following 8 items:

Authorization for Transaction with Red Poppy Floral Design, LLC

The regents authorized the School of Social Work to transact with Red Poppy Floral Design, LLC to provide floral centerpieces for a business meeting. Because Tracy Swinburn, a University of Michigan employee, is also owner of Red Poppy Floral Design, LLC, this transaction 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 Red Poppy Floral Design, LLC.
2. The agreement is to purchase floral centerpieces for a business meeting with the School of Social Work's counterparts in Flint for a total cost of \$148.40.
3. The pecuniary interest arises from the fact that Tracy Swinburn, a University of Michigan employee, is owner of Red Poppy Floral Design, LLC.

Option Agreement between the University of Michigan and Arbor Ultrasound Technologies, LLC

The regents approved an option agreement with Arbor Ultrasound Technologies, LLC ("Company") to allow the company to obtain an option for an exclusive license from the University of Michigan to the University's rights associated with the following technologies: UM OTT File No. 1506, "A new method for determining hemodialysis access blood flow using intradialytic access Doppler ultrasound" and UM OTT File No. 4981, "Magnetic Linear Motor Drive for Ultrasound with Feedback Control." Because William F. (Rick) Weitzel, 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. The parties to the contract are the Regents of the University of Michigan and Arbor Ultrasound Technologies, LLC.
2. Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the 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. The pecuniary interests of Dr. Weitzel arise from his ownership interest in the Arbor Ultrasound Technologies, LLC.

Research Agreement between the University of Michigan and Arbor Ultrasound Technologies, LLC

The regents approved an agreement with Arbor Ultrasound Technologies, LLC ("Company") that will allow the Company to support research at the University. Because

William F. (Rick) Weitzel, a University of Michigan employee, is 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 Arbor Ultrasound Technologies, LLC.
2. The terms of the agreement conform to University policy. Jonathan Segal, assistant professor of internal medicine, will direct the project over an initial six-month period at an estimated cost of \$45,000. 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 William F. (Rick) Weitzel, a University of Michigan employee, is also a partial owner of Arbor Ultrasound Technologies, LLC.

Research Agreement between the University of Michigan and CSquared Innovations, LLC

The regents approved a research agreement with CSquared Innovations, LLC (“Company”) that will allow the Company to fund a project at the University of Michigan-Dearborn under the direction of Dr. Ben Q Li. Because Pravansu Mohanti and Nicholas Moroz, University of Michigan employees, are also partial owners of CSquared Innovations, 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 CSquared Innovations, LLC.
2. The terms of the agreement conform to University policy. Dr. Ben Q Li, professor and chair, Department of Mechanical Engineering, College of Engineering, University of Michigan-Dearborn, will direct the project over an initial six-month period at an estimated cost of \$32,000. 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 Pravansu Mohanti and Nicholas Moroz, University of Michigan employees, are also partial owner of CSquared Innovations, LLC.

Research Agreement between the University of Michigan and CytoPherx, Inc.

The regents approved a research agreement with CytoPherx, Inc. (“Company”), which will allow the Company to support research at the University of Michigan. Because Professor H. David Humes, a University of Michigan employee, is also a partial owner of CytoPherx, Inc., 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 CytoPherx, Inc.
2. The terms of the proposed agreement conform to University policy. Lena Napolitano, professor of surgery, will direct the project over an initial two-year period at an estimated cost of \$249,800. Since research projects are often amended, this 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 conflict of interest review will be done as appropriate.
3. Professor Humes’ pecuniary interest arises from his status as partial owner of CytoPherx, Inc.

License Agreement between the University of Michigan and Emerging Micro Systems, Inc.

The regents approved a license agreement with Emerging Micro Systems, Inc. (“Company”) to allow the company to license from the University of Michigan the University’s rights associated with the following technology: UM OTT File No. 5109, “Developing World Audio Computer.” Because David Blaauw, Prabal Dutta and Peter Chen, 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. The parties to the contract are the Regents of the University of Michigan and Emerging Micro Systems, Inc.
2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company is a 501c3 nonprofit organization and as long as it does not make any financial profit on sales or sublicenses of devices, it will not pay royalties on sales. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and

indemnification apply, and the 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. The pecuniary interests of Drs. Blaauw, Dutta, and Chen arise from their ownership interests in Emerging Micro Systems, Inc.

Research Agreement between the University of Michigan and ONL Therapeutics, LLC

The regents approved a research agreement with ONL Therapeutics, LLC (“Company”) which will allow the Company to support research at the University of Michigan. Because David Zacks, 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 ONL Therapeutics, LLC.
2. The terms of the proposed agreement conform to University policy. Thomas Gardner, professor of ophthalmology and visual sciences, professor of molecular and integrative physiology, and professor of internal medicine, will direct the project over an initial six-month period at an estimated cost of \$67,500. Since research projects are often amended, this 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 conflict of interest review will be done as appropriate.
3. The pecuniary interests of David Zacks arise from his partial ownership of ONL Therapeutics, LLC.

Subcontract Agreement between the University of Michigan and ISSYS, Inc.

The regents approved a subcontract agreement with ISSYS, Inc. (“Company”), which will allow the Company to engage Dr. Martin Bocks in the Department of Pediatric Cardiology to provide various research services. Because Khalil Najafi, a University of Michigan employee, is also 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 ISSYS, Inc.

2. The terms of the proposed agreement will conform to University policy. The period of performance for the project is three (3) years and the amount of funding support is \$403,439.
3. The pecuniary interests of Khalil Najafi arise from his ownership of ISSYS, Inc.

Change in Name of Michigan Student Assembly to Central Student Government

The regents were informed that the adoption of a new constitution by University of Michigan students in 2010 created structural and procedural changes to the Michigan Student Assembly (MSA). To better reflect the new governmental organization, the constitution changed its name to the Central Student Government (CSG). The recognition of CSG as the successor to MSA will be effective January 1, 2012.

New Degree Program at University of Michigan-Flint (*Master of Science in Accounting*)

On a motion by Regent Maynard, seconded by Regent Ilitch, the regents unanimously approved establishment of the “Master of Science in Accounting” degree program at the University of Michigan-Flint, effective January 1, 2012.

Public Comments

The regents heard comments from Charles Smith, citizen, coordinator of the Near Westside Neighborhood Association, regarding the Krause Street Parking Lot.

Adjournment

There being no further business, the meeting was adjourned at 4:30 p.m. The next meeting will take place January 19, 2012.