

NOVEMBER MEETING, 2010

*The University of Michigan
Ann Arbor
November 18, 2010*

The regents convened at 3:00 p.m. on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Darlow, Maynard, Ilitch, Newman, Richner, and Deitch. 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, Executive Vice President Pescovitz, Vice President Scarnecchia, Executive Vice President Slottow, and Vice President Wilbanks. Regents White and Taylor participated in the meeting by phone.

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She commended the UM-Flint for having been named Michigan's fastest-growing public university. President Coleman also congratulated Regents Newman and Richner on their recent re-election to the board. She pointed out that Rick Snyder, Michigan's newly elected governor, has three degrees from the University of Michigan and he understands the value of higher education and the role it plays in the state's economic vitality. President Coleman noted that a satellite designed and built entirely by University of Michigan students was being launched the next day. She called on Regent Darlow.

Motion by Regent Darlow

Regent Darlow requested that as chair of the Board of Regents, she be allowed to chair the meeting during consideration of the motion she was about to make, and President Coleman ceded the chair. Regent Darlow then made the following motion:

Appointed by the Board of Regents to serve as the University's 13th president in 2002 for an initial five-year term, Mary Sue Coleman is now serving in her ninth year as president of the University of Michigan. Following a thorough review of her performance in 2006, the Board renewed her appointment for a second five-year term. That second five-year term ends July 31, 2012.

Throughout her service to the University, President Coleman has performed to extraordinarily high standards and has gained extraordinarily wide recognition for her excellence. We have seen many fine institutions falter during this period -- an unsettling and uncertain time. President Coleman has kept our focus firmly on our mission, and we have achieved outstanding accomplishments on global, national and local levels. For the entire University community, she has preserved and strengthened our balance, our direction and our self-confidence.

In recent months, the regents and President Coleman have discussed whether her appointment should be extended. The motion I propose reflects a conclusion that extending her appointment now for a two-year period, beginning Aug. 1, 2012 and ending July 31, 2014, is in the best interest of the University.

To implement this conclusion, my motion includes approval of an amendment to the president's present employment agreement with the University. This amendment sets forth important goals for the board and the president to focus on in the next four years. They include:

- 1. To strengthen the University's core academic mission and enhance its worldwide stature as a center for excellence in teaching and scholarship.*
- 2. To develop financial strategies for a spectrum of resources (tuition, state support, research grants and contracts, philanthropy and other revenue sources) to preserve and enhance the University's academic excellence, accessibility and affordability.*
- 3. To enhance the University's mission and its campus life with improved facilities across the campus, including, but not limited to, building on the success of the Residential Life Initiative to improve University housing across the campus.*
- 4. To position the University for continued success and to maximize the University's reputation for quality and innovation in the rapidly developing global market for higher education.*
- 5. To develop plans for a new capital campaign.*
- 6. To strengthen the position and preserve the excellence of the University's health care system.*

The proposed amendment also includes provisions for the board and the president to work collaboratively to develop strong candidates for leadership positions throughout the University, including its presidency. While not intended to supplant national leadership searches, the amendment is intended to enrich the University's leadership pool.

The amendment also addresses various transition possibilities and related compensation with respect to the last year of the extended presidential term.

With respect to compensation, the amendment leaves in place the president's current salary and benefits package and carries the benefits stated in her present agreement forward for the two years of the extended term. This means that the president's salary is not increased by the amendment. It will continue to be reviewed annually by the board and any increases will be set at the discretion of the board, taking into consideration performance and other relevant factors, as we did at our last board meeting in October.

In addition, the amendment adds a supplemental deferred compensation program to President Coleman's benefit package that will contribute \$100,000 a year for this contract year, ending July 31, 2011, and for each of the following three contract years. This compensation will not be received by President Coleman until the end of her service as president. The amendment is designed to build a substantial contribution to her retirement over the remainder of her term. Certainly, she has earned it!

Based on these considerations, and with deep appreciation to President Coleman for her service to this great university, I move that her appointment as president of the University be extended for a two-year term, ending July 31, 2014, and that the Amendment to the Employment Agreement between the University and the president, in the final form presented to the regents prior to this meeting and attached to this resolution, be approved and entered into the minutes of this meeting for the public record.

Regent Darlow called for a second to the motion, and Regent Maynard responded, “I think we all want to second this motion.” Several regents noted that there was no need for discussion, due to Regent Darlow’s comprehensive, well-expressed motion. The vote was then taken, and the motion was approved unanimously. A round of applause followed.

President Coleman stated that she was excited and honored by this vote of confidence by the board. “I have had so much fun over the last eight years,” she said. “And now in my ninth year (I can’t believe it’s been nine years!), we’ve had enormous challenges we’ve had to face. Since the University of Michigan is such a prominent institution, it’s always going to be in the center of everything that’s important happening in higher education. I am grateful to have the ability to work with my vice presidents—the greatest team in the world—and to work with the board to advance the University.”

“One of the things that I believe so much is that every year we have to offer a better experience to students than we offered the year before. It simply has to keep getting better. We will have to find ways to keep ourselves affordable and accessible, and I am committed to doing that. I want the people in the future to look back and say that those of us who were here at this time—me, our regents, our board, our vice presidents, our deans—did the right things for the University. We made the right decisions and we moved the institution forward. That is the kind of legacy that I want to have for the University. I look forward to the next four years. It’s been a great experience and it will be a great experience going forward, so thank you very much.”

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 Regent Maynard, had met that morning with Executive Vice President Slottow. Regents Darlow,

Deitch, and Newman, members of the Health Affairs Committee, and President Coleman also attended the meeting to review the University of Michigan Hospitals and Health Centers ten-year strategic financial plan update with Executive Vice President Pescovitz, Medical School dean Woolliscroft, director and chief executive officer Doug Strong, and chief financial officer Dave Morlock. The next agenda item was the 5-year strategic operating/capital plan update for the Athletic Department, which was presented by David Brandon, athletic director, and Jason Winters, executive director for athletics business operations. The final agenda item was a discussion of the internal control fiscal year 2010 certification results, with Associate Vice President Rowan Miranda.

Personnel, Compensation and Governance Committee. Regent Richner, chair of the Personnel, Compensation and Governance Committee, reported that he and Regent Ilitch had attended this meeting. They first met with Chancellor Person and Provost Gerard Voland, to review a report on Flint campus faculty and staff recruitment and retention efforts. Provost Hanlon provided an update on dean searches, and the committee met with Dean Kate Potempa for an assessment of institutional quality for the School of Nursing. The last agenda item was a discussion of the SACUA annual report with SACUA chair Ed Rothman.

Health Affairs Committee. Regent Deitch reported that after joining the Finance, Audit and Investment Committee for a review of the Hospitals and Health Centers 10-year strategic financial plan update, he and committee members Newman and Darlow met with Executive Vice President Pescovitz and other Health System and Medical School officials for an update on plans for the opening of the new children's and women's hospital. Regent Deitch expressed confidence that the new hospital will be the pre-eminent center of its type in Michigan and in the

region. The committee also discussed the status of various strategic initiatives currently under consideration or in progress at the Health System.

Regent Taylor left the meeting at this point.

Presentation: “Wyatt Exploration Program”

Chancellor Person commented that the Wyatt Exploration Program was made possible by a generous bequest from Dr. Dorothea E. Wyatt, who was one of the original faculty members of the Flint College when it was founded in 1956 and was the first chair of the Department of History. Regent Maynard noted that she had known Dr. Wyatt, and believes she would have been pleased at how her bequest is being used.

John Ellis, associate professor of history and chair of the Department of History, and Theodesia Robertson, associate professor of history, gave a presentation about the Wyatt Exploration Program and the recent expedition to Poland that had been made by students participating in this program.

Annual Report on Senate Advisory Committee on University Affairs (SACUA)

Professor Ed Rothman, chair of SACUA, commented that the reappointment of President Coleman was “wonderful news,” and noted that President Coleman and the other members of the administration enjoy the full support of the faculty. He reviewed some of the issues that SACUA and the Senate Assembly are currently addressing, and noted that SACUA has been focusing on becoming more proactive in addressing issues of concern. Overall, however, he said that the faculty is “a happy group.”

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of October 14, 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 – October 31, 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 that the College of Engineering and Computer Science had recently completed its accreditation process, and that the College of Business and the Dearborn campus as a whole are both planning for upcoming accreditation reviews.

University of Michigan-Flint. Chancellor Person welcomed the regents to the Flint campus and said she looked forward to sharing the campus's strategic plan when the regents return in October 2011.

Michigan Student Assembly Report. MSA president Chris Armstrong was unable to attend the meeting. Joseph Patterson, president of the Flint Student Government Association addressed the board. Regent Darlow thanked Mr. Patterson for his service as a veteran and as president of the student government.

Voluntary Support. Vice President May submitted the Report on Voluntary Support for October 31, 2010.

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

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

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

Degrees. President Coleman submitted recommendations for honorary degrees for the following individuals: Sandra Faber, astronomer, Doctor of Science; Daniel Kahneman, psychologist, Nobel Laureate in economics, Doctor of Science; and Charles T. Munger, businessman and philanthropist, Doctor of Laws.

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

Alternative Asset Commitment

Executive Vice President Slottow informed the board of a recent follow-on commitment of \$20 million to Blackstone/GSO Capital Solutions Fund, a previously approved partnership.

Supplemental Information to the Audited Financial Statements of the Department of Intercollegiate Athletics of the University of Michigan for the Year Ended June 30, 2010

Executive Vice President Slottow submitted supplemental information to the audited financial statements of the Department of Intercollegiate Athletics of the University of Michigan for the year ended June 30, 2010, prepared by PricewaterhouseCoopers, LLP.

Modern Languages Building Second Floor Basement Renovation

On a motion by Regent Ilitch, seconded by Regent Richner, the regents unanimously approved the Modern Languages Building Second Floor and Basement Renovation Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

School of Education Building Renovations for the Brandon Professional Resource Center and Archive

On a motion by Regent Ilitch, seconded by Regent Richner, the regents unanimously approved the School of Education Building Renovations for the Brandon Professional Resource Center and Archive Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved project budget.

439 South Division Street, Ann Arbor, Michigan

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved acquisition of the property at 439 South Division Street, Ann Arbor, Michigan at the negotiated price of \$919,425, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

443 South Division Street, Ann Arbor, Michigan

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved acquisition of the property at 443 South Division Street, Ann Arbor, Michigan, at the negotiated price of \$805,575, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

963 Wall Street, Ann Arbor, Michigan

On a motion by Regent Ilitch, seconded by Regent Richner, the regents unanimously approved acquisition of the property at 963 Wall Street, Ann Arbor, Michigan at the negotiated price of \$350,000, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

Michigan Stadium Close Proximity Fireworks Display

Regent Richner moved approval for holding a close proximity fireworks display during the “Big Chill at the Big House” hockey game to be held December 11, 2010. Regent Maynard seconded the motion. It was noted that the production plan for the fireworks display had been reviewed by all relevant University offices. The University will contract with the vendor (Ace) after the University fire marshal has made a final determination that the vendor is able to meet all security, safety, and fire protection requirements. The vote was then taken, and the motion was approved unanimously.

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 White, seconded by Regent Ilitch, the regents unanimously approved the following 7 items:

Renewal of Agreement with Optiprise Inc.

The regents approved the renewal of an agreement with Optiprise Inc., to enable Michigan Interdisciplinary and Professional Engineering (InterPro) to continue to offer the services of Dr. John Drogosz, senior lean consultant from Optiprise, to teach non-credit courses. Because Dr. John Liker, a University of Michigan employee, is also a partner in Optiprise, this

agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the regents of the University of Michigan and its Michigan Interdisciplinary and Professional Engineering (InterPro), Center for Professional Development (CPD) and Optiprise Inc.
2. The agreement is for teaching services for the non-credit class titled "Lean Product Process Development," taught through InterPro/CPD. The term of the agreement is from September 1, 2010 through August 31, 2013. Total compensation will not exceed \$250,000 (inclusive of current outstanding invoice for \$10,000) and travel reimbursement will not exceed \$30,000.
3. The pecuniary interest arises from the fact that Jeffrey Liker, a University of Michigan employee, is a partner in Optiprise Inc.

Research Agreement with the Institute for Social and Environmental Research

The regents approved an agreement with the Institute for Social and Environmental Research ("ISER") that will allow a portion of work for a National Institutes of Health grant awarded to the Population Studies Center in the Institute for Social Research to be done by ISER. Because Dr. 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. The parties to the agreement are the Regents of the University of Michigan and ISER.
2. The grant from NIH includes a fee for service contract with ISER in the amount of \$125,000; \$95,000 in Year 1 and \$30,000 in Year 2. The terms of the proposed agreement are acceptable and conform to University policy. The period of performance is August 2010 through May 2012.
3. The pecuniary interest arises from the fact that Dr. Dirgha Jibi Ghimire, a University of Michigan employee, is director and a board member of ISER.

License Agreement between the University of Michigan and Hammzoco, LLC

The regents approved a license agreement with Hammzoco, LLC ("Company") which will allow the Company to license the University's rights associated with the following technology: UM OTT File No. 4853, "Awareness enhancement and monitoring devices for the treatment of certain impulse control disorders." Because Dr. Joseph Himle, 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 Hammzoco, LLC.
2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay royalties 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. Himle arise from his ownership interest in Hammzoco, LLC.

Amendment to License Agreement with HistoSonics, LLC

The regents approved an amendment to a license agreement between the University of Michigan and HistoSonics, LLC (“Company”) to add the following invention to the existing license agreement: UM OTT File No. 4611, “Patient Interface between an Ultrasound Therapy Transducer and the Perineal Window.” Because Charles Cain, Brian Fowlke, William Roberts, Zhen Xu, and Timothy L. Hall, 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 HistoSonics, LLC.
2. License terms include giving the Company an exclusive license with the right to grant sublicenses in the field of use of medical devices. The Company will reimburse patent costs, pay milestone and annual minimums and 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. 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. Cain, Fowlke, Roberts, Xu, and Hall arise from their ownership interest in HistoSonics, LLC.

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

The regents approved a license agreement with Vega Therapeutics, Inc. (“Company”) to allow the company to obtain a license to the University’s rights associated with the following technologies: UM OTT File No. 3946, “Treatment of Obesity, Insulin Resistance, Diabetes and Related Disorders” and UM OTT File No. 4801, “Treatment for Obesity, Diabetes, Steatosis, Nonalcoholic Steatotic Hepatitis and Related Disorders.” Because Alan R. Saltiel, 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 Vega Therapeutics, Inc.
2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay royalties 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. Saltiel arise from his ownership interest in Vega Therapeutics, Inc.

Reassignment of International Patent Rights to Drs. James Geiger and Shorya Awtar

The regents approved a reassignment agreement (“Agreement”) between the University of Michigan and Professors Shorya Awtar and James Geiger, through which the University of Michigan will reassign to them the international patent rights for the technology “Minimally Invasive Surgical Tool with Enhanced Dexterity” (UM OTT File No. 3846). Because Drs. Awtar and Geiger, University of Michigan employees, are also the inventors of the technology,

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 Drs. James Geiger and Shorya Awtar.
2. Terms include granting to Drs. Geiger and Awtar the University's entire right, title and interest to international patent rights. All patent costs for international patent rights will be paid for personally by Drs. Awtar and Geiger, and the University will receive 15% of any payments received by Drs. Awtar and Geiger in conjunction for licensing of the international patent rights. 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 Drs. Awtar and Geiger arise from their ownership interest in the international patent rights.

Research Agreement between the University of Michigan and Biomatrix Photonics, Inc.

The regents approved a research agreement with Biomatrix Photonics, Inc. ("Company") which will allow the Company to support a research contract for further development of the inventions made by University of Michigan employees Dr. Michael Morris, Dr. Blake Roessler, and Dr. Steven Goldstein. Because Drs. Morris, Roessler, and Goldstein 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 Biomatrix Photonics, Inc.
2. The terms of the proposed agreement will conform to University policy regarding publication and intellectual property. Dr. Michael Morris, professor of chemistry, will direct the project over an initial one-year period at an estimated cost of \$94,541. Dr. Steven Goldstein, professor of orthopaedic surgery, will be a participating investigator with specified effort. The contract will include 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. Morris, Roessler, and Goldstein arise from their being partial owners of Biomatrix Photonix, Inc.

Modification to the Organization of the Geriatrics Center

The regents were informed of a modification in the organization of Geriatrics Center, clarifying the Department of Internal Medicine's responsibility for oversight of the administration of the Geriatrics Center and the reporting line for the director of the Geriatrics Center to the chair of the Department of Internal Medicine. Details can be found in the regents communication.

Annual Operating Request to the State for the University of Michigan-Ann Arbor

Provost Hanlon submitted the annual operating request to the state for the University of Michigan Ann Arbor campus for fiscal year 2012. The request is for an appropriation increase of 2.6%.

Regent Newman questioned why the University isn't asking for a higher increase to make up for inflation and for the significant loss of state funding in recent years. Vice President Wilbanks noted that the request provides an opportunity for the University to set forth its goals and aspirations, and to make the case that the University of Michigan will play a vital role in the state's economic recovery, while understanding that the full request is not likely to be granted. In past years, it has been made clear that the requests were to take into consideration the "realistic parameters" that the state is facing.

Regent Newman again expressed concern that the document "doesn't put enough on the table." Regent Richner suggested that as the situation changes in the state or the university, there is flexibility to amend the request. Vice President Wilbanks responded that we will look for those opportunities.

Annual Operating Request to the State for the University of Michigan-Dearborn

Chancellor Little submitted the annual operating request to the state for Fiscal Year 2012 for the University of Michigan-Dearborn. Noting that the campus has lost 14% of its state support over the past 8 years, the campus views the request as an opportunity to demonstrate where the campus is going and to lay out its case for support, with the knowledge that the request is unlikely to be successful. In addition to requesting additional funding for financial aid, the document requests funding to establish health professions programs on the Dearborn campus.

Annual Operating Request to the State for the University of Michigan-Flint

Chancellor Person submitted the annual operating request for fiscal year 2012 for the Flint campus, noting that she views it as a work in progress in anticipation of the adoption of a new strategic plan. A major component of the request is for funding for a new nursing simulation lab.

Approval of Annual Operating Requests to the State for Fiscal Year 2012

On a motion by Regent Newman, seconded by Regent Darlow, the regents unanimously approved the annual operating request to the state for the Ann Arbor campus.

On a motion by Regent Richner, seconded by Regent Darlow, the regents unanimously approved the annual operating request to the state for the Dearborn campus.

On a motion by Regent Darlow, seconded by Regent Richner, the regents unanimously approved the annual operating request to the state for the Flint campus.

Approval of Flint Campus Academic Calendar for 2012-13

On a motion by Regent Richner, seconded by Regent Darlow, the regents unanimously approved the academic calendar for the Flint campus for 2012-13.

Public Comments

The speakers who had signed up to address the board were not present.

Adjournment

There being no further business, the meeting was adjourned at 4:15 p.m. The next meeting will take place December 16, 2010.