

MARCH MEETING, 2010

**Approved by the Regents
April 15, 2010**

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

The regents convened at 3:10 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Deitch, Ilitch, Maynard, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Chancellor Little, Vice President Lampe, 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 announced that the Higher Learning Commission had concluded its meetings on campus this week and would be recommending that the University of Michigan be reaccredited for another 10 years. She reported that a month-long celebration of the 40th anniversary of Earth Day was underway on campus, and noted that the April 2010 regents' meeting is being held in Grand Rapids.

Health Benefits Update

President Coleman introduced Laurita Thomas, associate vice president for human resources, who gave an overview of the University's benefits principles and strategies, recent health plan initiatives, and savings that these initiatives had created. She also described how the University compares to its peer institutions in the benefits area, noting that it delivers health benefits at a lower cost than its peers. She reported that a major focus for 2010-2011 will be

retiree health benefits, since these currently far exceed the market. A committee has been formed to make recommendations regarding eligibility requirements and retiree contribution levels for retiree health benefits, with a goal of being competitive with the market while lowering the cost of the University's retiree health benefits.

President Coleman applauded the manner in which Associate Vice President Thomas has proceeded over the years with adapting the University's benefits packages and cost structures to the changing market place. Regent Richner expressed agreement with this. Noting that the University has a target employee contribution level of 30%, he asked how this compares with the percentage contributed by state employees for their health insurance. Vice President Wilbanks responded that the contribution level for state employees is 5-7%. President Coleman pointed out that the University has implemented a three-pronged approach, consisting of cost savings, cost sharing, and health promotion behaviors.

Executive Vice President Slottow thanked Marty Eichstadt, director of benefits, for her long-standing leadership and expertise in these areas.

Resolution in Honor of Olympic Athletes

President Coleman announced that the 4 students who had competed in the 2010 Vancouver Olympics ice dancing competition were in the audience, and called them to the podium. She commented on what gracious, talented representatives of the University they had been during the competition. She called on Regent Newman, who read the following resolution:

Regents' Resolution

The Regents of the University of Michigan applaud the University's four Olympic athletes who represented the United States so superbly in the 2010 Winter Olympics ice dancing competition.

Juniors Meryl Davis and Charlie White and sophomores Emily Samuelson and Evan Bates qualified for the U.S. Olympic team after placing first and third,

respectively, in the U.S. National Championships. At the Olympics, Meryl and Charlie, with their dazzling performances, won a silver medal for the United States team. Emily and Evan were lauded for their eleventh place finish, which positioned them to be strong contenders for the United States Olympic team in 2014.

The Regents take great pride in Meryl Davis, Charlie White, Emily Samuelson, and Evan Bates for being such splendid ambassadors for the Maize and Blue at the 2010 Vancouver Olympic Games. Their enthusiasm, poise, and dedication showed the world what it means to be a Michigan Wolverine. As they head to Torino, Italy, to compete in the World Championships, we salute them and say, "Hail to the Victors, and Go Blue!"

Ms. Davis commented, "We can't tell you how much we appreciate this honor... I think I speak for all four of us when I say that we've been nothing but supported the whole way, and it means the world to us. To be able to pursue our educational careers on top of our athletic career is so important to us, and it's an honor to be here today."

Mr. White noted, "We were so proud to be there and to be able to represent the University. It was such an honor. We are some of the very few figure skaters who are pursuing higher education, and for all four of us to go to the University of Michigan is really amazing. We were so proud to be out there with the Maize and Blue."

Mr. Bates commented, "I was born and raised in Ann Arbor and have been the biggest Michigan fan for my entire life. All of us are truly big Michigan fans. And since we can't represent the University in varsity sports, when we go to the Olympics and go abroad, we do take the Block M with us wherever we go, and we represent it in the best way we possibly can."

Ms. Samuelson stated, "We are all grateful for this huge honor. Whenever we go to a competition, we definitely feel the entire University of Michigan campus behind us in the emails, text messages, and phone calls we receive from professors, students, faculty, everybody. It's been amazing. Thank you so much for everything, and we're proud to be Wolverines."

A ten-minute break followed.

Committee Reports

Finance, Audit and Investment Committee. Regent Maynard noted that the chair, Regent White, had been unable to attend the meeting. She reported that attendees at that morning's meeting had included herself and Regent Ilitch, along with Executive Vice President Slottow, Associate Vice President Rowan Miranda, UMHHC Chief Financial Officer Dave Morlock, Controller Cheryl Soper, Carol Senneff, executive director of University Audits, and external auditors Rick Stover, John Mattie, and Chris Hoffman from PricewaterhouseCoopers (PWC). The first agenda item was an update on compliance requirements for the approximately \$245 million in grants awarded to the University through the American Recovery and Reinvestment Act (ARRA) (federal stimulus package). The committee next met with the PWC team, who reported that the University had received a clean opinion on its OMB A-133 audit. PWC made several observations regarding actions that could be taken to bring about further efficiencies or improved processes in the future, and these were reviewed. The committee then met privately with the PWC team. The last agenda item involved a review of the bimonthly report of University internal audits with Ms. Senneff.

Personnel, Compensation and Governance Committee. Regent Newman reported that the Personnel, Compensation and Governance Committee had received an update from Provost Sullivan on personnel matters and an update on dean reappointments, evaluations, and searches. There was a general discussion on succession planning at the University, and a discussion on forming a new Regental committee that would focus on the University of Michigan Health System.

President Coleman then turned to the consent agenda.

Consent Agenda

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

Reports. Executive Vice President Slottow submitted the Investment Report and the Plant Extension Report. There was no University Human Resources Report this month.

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, February 1 – February 28, 2010.

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

Division of Student Affairs. Vice President Harper thanked the regents for having had lunch with some MSA representatives and for their general willingness to engage with students.

University of Michigan-Dearborn. Chancellor Little reported on a conference held in celebration of the 50th anniversary of the Dearborn campus, “The Future of Energy.”

University of Michigan-Flint. Chancellor Person noted that former Secretary of State Madeline Albright would be speaking at a campus event in April, and highlighted the appointment of Gerard Voland as provost and vice chancellor for academic affairs.

Michigan Student Assembly Report. Mr. Abhishek Mahanti observed that this would be his last report as MSA president, as elections are being held next week. He gave an overview of MSA’s accomplishments during the past year, and thanked the regents for their support.

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

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

Retirement Memoirs. Vice President Churchill submitted one faculty retirement memoir.

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

Degrees. President Coleman submitted the following recommendations for honorary degrees: Jean Campbell, founder, Center for the Education of Women, *Doctor of Laws*; Ornette Coleman, jazz musician, *Doctor of Music*; Barack H. Obama, 44th President of the United States, *Doctor of Laws*; Stanford Ovshinsky, president, Ovshinsky Innovation LLC, *Doctor of Science*; Susan Stamberg, public radio broadcast journalist, *Doctor of Humane Letters*; and Charles Vest, president, National Academy of Engineering, *Doctor of Laws*. All of these individuals will receive their honorary degrees at the Spring 2010 commencement.

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

Alternative Asset Commitment

Executive Vice President Slottow informed the regents of a follow-on investment in the previously approved private equity partnership, SAIF Partners IV, L.P.

Report of University Internal Audits, December 2009 through January 2010

The regents received the report of the Office of University Audits activities for the period December 2009 through January 2010.

Reports on Federal Awards Pursuant to Federal Office of Management and Budget (OMB) Circular A-133

Executive Vice President Slottow submitted the Reports on Federal Awards in accordance with OMB Circular A-133 for the year ended June 30, 2009.

James and Anne Duderstadt Center Air Barrier and Mechanical System Repairs

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the James and Anne Duderstadt Center Air Barrier and Mechanical System Repairs project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Lorch Hall Building Envelope Repair

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the Lorch Hall Building Envelope Repair 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 13 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Taylor, seconded by Regent Ilitch, the regents unanimously approved the following eight agreements:

Agreement between the University of Michigan and Either Epic Proportions

The Regents approved an agreement between the University of Michigan Institute for Social Research Program for Research on Black Americans (“PRBA”) and Either Epic Proportions (“Epic”) for videos on depression awareness among African American men. Because James T. McRae, a University of Michigan employee, is also the owner of Epic, 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, PRBA, and Epic.
2. The agreement is for production services of three separate videos, each targeting specific age groups and three to four minutes in duration, for a total cost of \$4,500.
3. The pecuniary interest arises from the fact that James T. McRae, a University of Michigan employee, is the owner of Epic.

Purchase of Artwork by James A. Cogswell Jr.

The regents approved the purchase by the Stephen M. Ross School of Business (“RSB”) of an artwork entitled “SILENCE,” by James A. Cogswell Jr. Because Mr. Cogswell is also a University of Michigan employee, 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 purchase are the Regents of the University of Michigan, RSB, and James A. Cogswell Jr.
2. The purchase is a 94” x 217” artwork consisting of hand-cut adhesive shelf paper, rubber stamps and ink, acrylic paint, mulberry paper and BFK Rives for \$10,000.
3. The pecuniary interest arises from the fact that James A. Cogswell Jr., a University of Michigan employee, is the artist of this original piece.

Authorization for Payment to Joyce LuRae Brown

The regents approved a payment by the Urban Health and Wellness Center at the University of Michigan-Flint School of Health Professions and Studies (“SHPS”) for used CPR training equipment. Because Joyce LuRae Brown is also a University of Michigan employee, 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 payment are the Regents of the University of Michigan, SHPS, and Joyce LuRae Brown.
2. The one-time payment is for an AED training system, an adult and a baby CPR manikin, carrying cases, bag masks, valves, face shields and additional accessories at no charge for a total cost of \$1,386.20.

3. The pecuniary interest arises from the fact that Joyce LuRae Brown, a University of Michigan employee, is the individual re-seller.

Lease agreement with First Properties Associates Limited Partnership

The regents approved a lease agreement with First Properties Associates Limited Partnership for 42,368 square feet of property located at 2101 Commonwealth Boulevard, Ann Arbor, Michigan. Because William C. Martin, a University of Michigan employee, is also a partner in First Properties Associates Limited Partnership, 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 lease agreement are the Regents of the University of Michigan and First Properties Associates Limited Partnership.
2. The service to be provided is the lease of 42,368 square feet in a building at 2101 Commonwealth Boulevard, Ann Arbor, Michigan from the first day of the month following execution of the lease through June 30, 2012, at a monthly rate of \$72,379. Tenant will be responsible for gas and electric usage plus janitorial service. Tenant will be responsible for a portion of the operating expenses of the building.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner in First Properties Associates Limited Partnership.

Lease amendment agreement with C-3 Partners

The regents approved a lease amendment agreement with C-3 Partners for 8,081 square feet of property located at 535 West William Street, Ann Arbor, Michigan. Because William C. Martin, a University of Michigan employee, is also a partner in C-3 Partners, 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 lease agreement are the Regents of the University of Michigan and C-3 Partners.
2. The service to be provided is the lease amendment agreement of 8,081 square feet in a building at 535 West William Street, 4th floor, Ann Arbor, Michigan for twenty-four months, beginning June 1, 2010 through May 31, 2012, at a monthly rate of \$12,660.00. Tenant will be responsible for gas and electric usage plus janitorial service.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner of C-3 Partners.

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

The regents approved an option agreement with 3D Biomatrix, Inc. (“Company”) to enable the Company to option the following technology from the University: UM File No. 4451, “Array Plate for Handling Drop Cell Cultures.” Because Nicholas Kotov, 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 3D Biomatrix, Inc.
2. Agreement terms include granting the Company an option to an exclusive license with the right to grant sublicenses. The Company will pay for ongoing patent expenses, perform due 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 would 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 Dr. Kotov arise from his ownership interest in 3D Biomatrix, Inc.

Subcontract Agreement between the University of Michigan and Arbor Photonics, Inc.

The regents approved a subcontract agreement with Arbor Photonics, Inc. (“Company”), which will allow the Company to subcontract to the University a portion of the work under a contract it has received from the Air Force Office of Scientific Research. Because Almantas Galvanauskas, University of Michigan employee, is also a co-owner with stock and stock options, and member of the board of directors 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 Photonics, Inc.
2. Agreement terms include a total subcontract of \$121,045 to cover a period of twelve months. The terms of the proposed agreement will conform to University policy. In the event of an amendment, University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. The pecuniary interest of Dr. Almantas Galvanauskas arises from being part owner and member of the board of directors of Arbor Photonics, Inc.

Agreement between the University of Michigan and Sarcoma Alliance for Research through Collaboration

The Regents an agreement with Sarcoma Alliance for Research through Collaboration (SARC) that will allow Dr. Rashmi Chugh, assistant professor of internal medicine, to provide to SARC the services of a “medical officer” on a part-time basis under the terms of a sponsored project. Because Dr. Laurence Baker, a University of Michigan employee, is also chair of the board of directors of SARC, 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 Sarcoma Alliance for Research through Collaboration.
2. The agreement with SARC contains standard procedures for performance of medical and scientific advisory and consultative services as well as provisions implementing University policies. The agreement covers approximately a five-year period with an authorization for up to \$400,000. The University uses standard sponsored project accounting procedures to determine the cost of each project year. Because agreements for projects of this nature are often amended, the agreement includes provisions for changes in time, amount, and scope of the advisory and consultation services to be provided. University procedures for approval of any changes will be followed and additional review by the Medical School’s Conflict of Interest Board will be done as appropriate.
3. As chair of the board of directors of SARC, a non-profit organization, Dr. Baker has no pecuniary interest in this agreement.

Master Agreement between the University of Michigan and HistoSonics, Inc.

The regents approved a master agreement with HistoSonics, Inc. (“Company”) that will enable the company to support research projects and use University facilities for projects related to research and development of technologies previously licensed from the University. 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, Inc.
2. The terms of the proposed master agreement conform to University policy and are for a five-year period with a total authorization not to exceed \$1,000,000. 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 each project will be followed and additional review by the OVPR Conflict of Interest Review Committee and/or Medical School Conflict of Interest Board will be done on a project-by-project basis.
3. The pecuniary interests of Charles Cain, Brian Fowlke, William Roberts, Zhen Xu, and Timothy L. Hall arise from their status as partial owners of HistoSonics, Inc.

Amendment to Subcontract Agreement between the University of Michigan and Arbor Research Collaborative for Health

The Regents approved an amendment to a subcontract agreement with Arbor Research Collaborative for Health (“ARBOR”) that will amend the existing subcontract between ARBOR and the University to permit the continuation of an annually renewing project supported by ARBOR with Dr. Randall Sung as principle investigator. Because Dr. Robert Merion and Dr. Robert Wolfe, University of Michigan employees, are also, respectively, president and vice president for biostatistics at ARBOR, 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 University of Michigan and Arbor Research Collaborative for Health.
2. Under the project, current annual funding is \$1,138,155. IRB approval, and management plan updates will continue to be obtained prior to annual renewals of the subcontract. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.

3. The pecuniary interest of Dr. Robert Merion and Dr. Robert Wolfe arise from their positions as president and vice president for biostatistics, respectively, of Arbor Research Collaborative for Health.

Research Contract Agreement between the University of Michigan and Astronautical Development, LLC

The regents approved a research contract agreement with Astronautical Development, LLC (“Company”), to enable the Company and the University to perform research at the University that is being funded solely by the Company. Because Dr. James Cutler, a University of Michigan employee, also has an equity interest in, is a member of the scientific advisory board of, and acts as a consultant to the Company, and he will be the principal investigator for the work to be funded by 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 University of Michigan and Astronautical Development, LLC.
2. The project will be funded over a twelve-month period with total funding of \$50,000. The terms of the proposed agreement will conform to University policies, including those related to intellectual property and publication. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. Dr. Cutler’s pecuniary interest arises from his equity interest in, and positions as a member of the scientific advisory board of and consultant to Astronautical Development, LLC.

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

The regents approved an option agreement with Vega Therapeutics, Inc. (“Company”) to enable the Company to option the University’s rights associated with the following technology: UM File No. 3946, “Treatment of Obesity, Insulin Resistance, Diabetes and Related Disorders.” 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. Agreement terms include granting the Company an option to an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs during the term of the option. 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.

Subcontract Agreement between the University of Michigan and Biodiscovery, LLC

The regents approved a subcontract agreement with Biodiscovery, LLC (“Company”), which will allow the Company to subcontract a portion of the work under a contract it has received from the NIH to the University. Because Erdogan Gulari and Jean Marie Rouillard, University of Michigan employees, are also co-founders 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 Biodiscovery, LLC.
2. Under the proposed project, total funding of \$320,469 is anticipated to cover a period of twenty-four months. The terms of the proposed agreement will conform to University policy. In the event of an amendment, 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. Erdogan Gulari and Jean Marie Rouillard arise from their ownership interests in Biodiscovery, LLC.

Public Comments

The regents heard comments from Rita Mitchell, citizen, regarding the proposed Fuller Road Transit Center.

There being no further business, the meeting was adjourned at 4:15 p.m. The next meeting will be held April 15, 2010.