

JUNE MEETING, 2011

*The University of Michigan
Ann Arbor
June 16, 2011*

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

Call to Order

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

Comments from Regent Darlow

Regent Darlow thanked President Coleman, noting "what an amazing talent she's brought to the institution, what incredible contributions she makes every day, and particularly the efforts she makes to work with us as a board." She thanked Regent Richner for his leadership as chair of the Personnel, Compensation and Governance Committee, Regent White for her leadership of the Finance, Audit and Investment Committee, and Regent Deitch for his work as the first chair of the newly established Health Affairs Committee. She also thanked Regent Ilitch for her most valuable assistance as vice chair of the board.

Election of Board Officers for 2011-2012. Regent Darlow stated that the Regents' Bylaws direct that the positions of chair and vice chair of the board rotate based on seniority. She therefore moved the nomination of Regent Denise Ilitch as chair of the Board of Regents and Regent Laurence Deitch as vice chair, effective July 1, 2011, through June 30, 2012. Regent Maynard seconded the motion, and it was approved unanimously.

Statement

Regent Ilitch requested that a statement issued by a majority of the board be made part of the record of the meeting. The statement, "Statement Concerning Resolution of May 19, 2011," is appended to these minutes.

President's Opening Remarks

President Coleman welcomed Lisa Rudgers, vice president for global communications and strategic initiatives, and thanked Associate Vice President Kallie Michels for her service as interim vice president for communications. She announced that in keeping with the University's institutional values of providing a healthy environment for faculty, staff, students, and visitors, beginning July 1, 2011, the University would begin implantation of its previously announced "smoke-free campus" initiative on all three campuses. She noted that programs are in place to support those who smoke and would like to quit.

Introductory Comments Regarding Proposed 2011-2012 Revenue and Expenditure Operating Budgets

President Coleman commented that the agenda includes the review and approval of the University's 2011-12 budgets. She noted that the budget demonstrates the commitment of the University's leadership to both academic quality and affordability, even during this period of historic reductions in state funding. She pointed out that increases to the financial aid budget make it possible for a Michigan resident undergraduate with a family income of less than

\$80,000 pays less today than in 2004, making the University affordable to students from all socio-economic backgrounds.

President Coleman observed that the commitment to quality, affordability, and accessibility has come at the cost of millions of dollars in cuts, cost controls, and sacrifices on the part of faculty and staff, and that the proposed 2011-2012 budget includes the most cuts of any year since the cost-control program began in 2003. She called on a collective, statewide commitment to higher education as the University approaches its bicentennial in 2017.

2010-2011 Operating Budgets – All Campuses

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

Executive Vice President Slottow reported that the University has net assets of \$10.1 billion. The relation of overall assets to overall liabilities is healthy, as is the relationship of financial assets to actual debt. However, he pointed out that the majority of financial assets are long-term assets with restricted uses. He also noted that the balance sheet does not include approximately \$600 million in deferred maintenance, and the University can no longer depend on state funding to meaningfully contribute to reducing this liability. Other threats include capital market volatility, the state and national economies, rising health care and energy costs, and competitive pressures for faculty recruitment and retention, financial aid, and external research funding.

Executive Vice President Slottow reported on the status of endowment of the General Fund, noting that the \$233 million endowment provided about \$12 million in annual revenue in

FY 2011 to support core operating expenses. Other revenue strategies to supplement the General Fund include additional annual and one-time external revenue sources and internal reallocations, for a total of \$66 million in annual revenue and \$40 million in one-time revenue to the General Fund.

Executive Vice President Slottow noted that the University owns a vast number of physical assets that need to be maintained, and described how commitment to renewal of the physical plant pays off by both mitigating the need for building replacement and reducing the annual operating costs of buildings. He also pointed out how the University's commitment to sustainability efforts have yielded decreased use of total energy, transportation energy, water use, and in emissions when normalized for building square footage. New, stringent, energy-efficiency standards have been adopted for new buildings with construction values over \$10 million.

In the area of human capital, Executive Vice President Slottow described investments such as the MHealthy programs for improving the overall health of faculty and staff, and described features of the health benefits strategy, child care initiative, and other programs meant to increase productivity and improve the work environment for faculty and staff.

Executive Vice President Slottow reported that the University enjoys the highest possible credit ratings. He displayed a "debt profile" chart, describing how the cost of debt had been reduced over time despite a significant reduction in the University's exposure to variable rate debt. In conclusion, he observed that even in the midst of the worst state economy in 50 years and other financial challenges, the University's financial health remains strong and the proposed budgets support the University's overall financial health.

2011-2012 Operating Budgets—All Campuses; Proposed Ann Arbor General Fund Operating Budget and Student Tuition and Fee Rates for FY 2011-2012

Provost Hanlon reported that total operating revenues will increase by 3.4% in FY 2011-2012, from \$5.8 billion to \$6.0 billion. General Fund revenues are projected to increase by 2.2%, the Designated Fund by .7%, the Auxiliary Fund by 3.3%, and the Expendable Restricted Fund by 5.7%. Total expenditures do not equal total revenues, due to the fact that auxiliary funds are permitted to operate with a margin. He praised members of the budget team, noting that “this is the finest such team at any university in the country.”

Provost Hanlon reported that the Ann Arbor campus has been anticipating a significant reduction in its state appropriation, and is following a multi-year financial strategy based on the principles on investing in faculty, students and staff; enhancing the student learning experience; focusing on stability and the predictability of tuition and other revenue streams; and working relentlessly to drive down operational costs.

Provost Hanlon noted that the budget recommendation incorporates the largest cut in state appropriation in the history of the University. It assumes a state appropriation of \$268.8 million, which is \$47.5 million (15%) less than was received in FY 2011, and the lowest amount in inflation-adjusted dollars since 1964. He reported that the University’s state appropriation has decreased by \$166 million in real terms since 2002, and that in FY 2011 it will comprise 17% of the General Fund, with tuition and fees comprising 69%.

Provost Hanlon said that reallocation of existing resources will fund investments in such areas as library collections, undergraduate entrepreneurship programs, and instruction technology and facilities to ensure a high quality student experience and continued excellence in the research enterprise. Significant continued investments in centrally-awarded, need-based

financial aid will cover the increased cost of attendance for undergraduates, and graduate student aid will increase by 4.9%. Additional aid is provided by the individual schools and colleges.

Provost Hanlon stated that the investments in financial aid and academic initiatives are made possible by nearly \$44 million in reallocations and expenditure reductions. He noted that these will impact the academic enterprise through the elimination and downsizing of some centers and institutes, staff reductions in some student service areas, and offering lower enrollment classes less frequently.

The recommended tuition increase for resident undergraduate students is 6.7%, and for non-resident undergraduate students is 4.9%. Resident and non-resident graduate student tuition will increase by 4.9%. He pointed out that Michigan's proposed FY 2012 resident undergraduate tuition and fees are less than those of some of its peer public and Big Ten universities, but they exceed those of peer public institutions for non-resident undergraduates. Michigan ranks second in cost for resident undergraduates among Michigan public universities.

The recommended FY 2012 General Fund budget for the Ann Arbor campus is \$1,587,037, an increase of 2.2% over FY 2011. He concluded that because of multi-year planning in anticipation of a significant reduction, this budget proposal will enable the University to successfully manage through the largest cut in state appropriation history. However, this is only made possible because of a significant level of cost reduction and reallocation undertaken over the past few years with the support of the board.

Proposed Dearborn Campus FY 2011-2012 General Fund Operating Budget

Chancellor Little reported that Dearborn campus officials had been anticipating the state appropriation reduction for the past several years and had been planning accordingly. While the 15% reduction is the largest ever in the history of the campus, he is confident that the proposed

budget for the Dearborn campus honors the three priorities of maintaining the academic excellence of academic programs, maintaining accessibility, and maintaining a high quality work environment. The current budget continues the pattern of cost reduction and budget reallocations that has occurred on the Ann Arbor campus. The budget calls for an increase of only slightly more than 1% over the previous year's budget. It includes a recommended tuition increase of 6.9% for resident undergraduate students and graduate students, putting the campus in a competitive position compared to other state colleges and universities. The budget is premised on a 1% increase in credit hours, and it includes a 2% salary program, a 15% increase in financial aid resources, and academic program investments.

Proposed Flint Campus FY 2011-2012 General Fund Operating Budget

Chancellor Person reported that the University of Michigan-Flint budget assumes a 14.7% decrease in state funding, and a tuition and fee increase of 6.8% for resident undergraduate students and 4.9% for graduate students. It also assumes a 1% undergraduate and 9% graduate enrollment increase, and an 8.8% increase in institutional financial aid. The total budget of \$92.5 million assumes a state appropriation of about \$17.8 million. It includes reductions in utilities expenses and in general administration, and a planned reduction of the reserve as a means of weathering the unprecedented decrease in state appropriation.

2011-2012 Fee Assessments for Michigan Student Assembly (MSA), Student Legal Services (SLS), and School/College Governments

Vice President Harper reported that the recommended fee assessments for MSA and school and college governments would remain the same as those in 2010-11. However, it is recommended that the Student Legal Services fee be increased by \$2.50, for a total of \$8.50 per student per term. She gave an overview of the history, purpose, and benefits of Student Legal

Services, and said that an external review had recommended establishment of a sustainable funding model for this organization. The proposed fee increase is designed to sustain SLS until FY 2016.

2011-2012 University Health Service Fee

Vice President Harper submitted a recommendation for a 0.7% increase (\$1.20) in the Health Service fee, bringing the total fee to \$172.40 per student per term.

Proposed FY 2012 University of Michigan Hospitals and Health Centers (UMHHC) Operating Budget

Mr. Doug Strong, chief executive officer of the UMHHC, presented the proposed FY 2012 UMHHC operating budget. He described the “Balance of Excellence” used by the UMHHC to gauge its performance, and gave examples of the Hospitals and Health Centers’ successes and challenges in each of these areas. The elements include quality and safety, being a provider of choice and employer of choice, providing benefit to the community, having an external presence, preparing for the future, and financial success. He reported that the UMHHC is the only health system in the state to have seen patients from every county in state in FY 2011.

Mr. Strong noted that activities levels have continued to rise over time. The rate of increase of revenues per adjusted case has diminished over time, and the rate of increase in total expense per case has decreased accordingly. Productivity has improved, and activity growth trends for FY 2012 are expected to be at historical levels. He noted that additional capacity will be created in FY 2012 with the opening of the C.S. Mott Children’s Hospital and Von Voigtlander Women’s Hospital, the expanded adult emergency services, redeployment of services in the University Hospital to Cancer Services, and expansion of ambulatory care in the Taubman Center.

Mr. Strong reviewed the challenges and uncertainties inherent in the FY 2012 budget. These include state and federal budget reductions, the pace of economic recovery in Michigan, expected activity levels, continuation of the pace for productivity improvements, and the complexities of activating the new children's and women's hospitals.

Mr. Strong displayed a chart illustrating operating revenues and expenses. The operating margin in FY 2010 was 3.2%, while the forecast margin of 2.1% for FY 2011 is less than had been expected. For FY 2012, the forecasted operating margin before the cost of activation of the new hospitals and information systems is 3.0%, but taking the net activation impact into account, it will yield an operating margin of -1.1% (-\$23.5 million). He concluded that the institution remains financially strong, and while revenue pressures are expected to continue, UMHHC has a robust plan to improve its financial performance over the next 2-3 years after the new facility has been opened and is fully operational.

FY 2012 University of Michigan Department of Athletics Operating Budget

Mr. David Brandon, Donald R. Shepherd Director of Athletics, reported that the Athletic Department's budget surplus has allowed the department to make significant investments in its facilities. The department also continues to fund a \$4.5 million allowance for deferred maintenance. He reported that Michigan Stadium premium seats are sold out, and projects totaling more than \$134 million are in process. Mr. Brandon said that the department is in a sound financial position, with \$310 million in net assets, strong endowment balances, and a total debt (\$197 million) that is well within its debt capacity. There is sufficient funding to add men's and women's lacrosse teams as varsity sports. The FY 2011-2012 budget calls for revenues of \$121,218 and expenses of \$109,835, yielding an operating surplus of \$11,383,000.

Mr. Brandon reported that the Athletics Department had recently undergone a strategic planning process, which included the development of a new mission statement (“Relentlessly striving to make Michigan Athletics the leaders and best in every way”) and a number of guiding principles and long range goals.

Regent Richner asked how many Division 1 athletic departments are self-supporting; Mr. Brandon responded that the University of Michigan is unique in being not only self-supporting in operations, but also in facilities. Regent Newman pointed out that the Athletic Department does not receive any money from the General Fund, and Mr. Brandon confirmed that the department also contributes about \$1.8 million per year to the General Fund. Regent Newman said that the University of Michigan is unique in this financial model.

Proposed Ann Arbor FY 2011-2012 Student Tuition and Fee Rates

Regent Richner asked Provost Hanlon how large the proposed tuition and fee increase would have been if the University would have had to use tuition and fees increases to cover the entire loss in state appropriation. Provost Hanlon said this would have required an additional increase of about 6% beyond the current proposal.

Regent White moved approval of the proposed Ann Arbor FY 2011-2012 student tuition and fee rates. Regent Maynard seconded the motion.

Comments from Regent Ilitch. Regent Ilitch noted that the University is proposing a tuition increase for the 14th year in a row, and this time, there will be a higher percentage increase for Michigan undergraduates than non-resident undergraduates. She expressed agreement with a recent *Detroit News* editorial, that this “is a destructive cycle that has been ongoing in Michigan, as college costs have nearly doubled every decade.”

Regent Ilitch expressed her firm commitment to advocate for “an affordable, accessible and quality education at the University of Michigan for all” and she expressed concern that “this is becoming out of reach for our middle class and working families.” Tuition increases, she pointed out, “are particularly harmful to Michigan families who have lost 22% of their household incomes in the past decade” and also impact the diversity of the student body.

Regent Ilitch said that while the University has made “terrific strides” with cost containment and financial aid, and through savings that “have come from greater sharing of health benefit costs, procurement initiatives, expanded energy conservation efforts and reorganizations in facilities management, ... we need to look deeper into our academic enterprise for efficiency opportunities” and “aggressively pursue greater savings.” Regent Ilitch continued that “It is most critical that we start the process of creating a strategic plan for the long term that changes continued reliance of raising tuition on the backs of our students to find new revenue. We must look for new ways to address the skyrocketing costs of tuition.”

Regent Ilitch stated that she is confident that “we can find solutions that will keep a U of M education affordable and accessible to Michigan working families” and noted that she would not be supporting the proposed tuition increase. She expressed the hope that more would be done “to cut costs and enhance revenue, but not on the backs of students.”

Comments from Regent Deitch. Regent Deitch stated that he would be voting against the proposed Ann Arbor General Fund budget and student tuition and fees rates for the first time in his 19 years on the Board of Regents. He stated his opposition to the governor’s “cut and cap” budget, which cut higher education funding and imposed a cap on tuition increases in order to receive that funding. He said that he recognizes the cuts that have been made and the importance of maintaining excellence, but expressed concern about the higher percentage increase for

residents than that for nonresidents, and how this would affect middle class Michigan families who may not qualify for financial aid. His dissenting vote is meant to convey the idea that “when in doubt, the benefit should go to Michigan people.”

Regent Deitch also noted that comparisons of the University of Michigan’s tuition rates to those of other Big Ten universities rather than private institutions do not accurately reflect the institutions Michigan actually competes with for nonresident undergraduate students. That is why he advocated either a higher increase for nonresidents or an equal rate for residents and nonresidents. So his dissention is based on his belief that “the benefit of the doubt should go to Michigan residents in a time of economic difficulty.” However, he will support the proposed increases for the Flint and Dearborn campuses because they do not have the resources available on the Ann Arbor campus.

In response to a question from Regent Richner, Regent Deitch stated that his proposal would be revenue neutral. Regent Richner asked Provost Hanlon what the impact of Regent Deitch’s proposal would be. Provost Hanlon responded that there was anecdotal evidence from deans that the cost for nonresidents was having an impact on competitiveness. Another, measurable factor is the negative effect on the socio-economic diversity of the student body created by the fact that the University is not able to meet the full demonstrated financial needs of nonresident students.

Comments from Regent Darlow. Regent Darlow spoke in support of the FY 2011-2012 Ann Arbor General Fund operating budget and student tuition and fee rates. She pointed out that even with the discrepancy in percentage increases for resident and nonresident students, the dollar amount of the increase for nonresidents is still more than twice that for residents. Her support for the 2011-2012 tuition and fee rates is based on the amount of financial aid allocated

for Michigan residents, and this aid is applied for income levels of \$80,000 and less, which is above the median state income level. She noted that students who have been receiving aid will be better off than they were the previous year, which has been the case for the past couple of years. However, Regent Darlow suggested that in the future, more attention ought to be paid to financial aid for nonresidents and the issue of improving the economic diversity of the student body. She also cautioned that she does not believe the current rate of tuition increase is sustainable, given that real family incomes in Michigan are decreasing.

Regent Deitch said that he agrees with Provost Hanlon's concern about economic diversity, but noted that profound initiatives would be required to be able to provide financial aid for out-of-state students, since current out-of-state students are mostly at the higher end of the income spectrum. That is the basis of his belief that the price differential should be geared more toward Michigan students.

Comments from Regent Newman. Regent Newman suggested that it would be interesting to see data on how out-of-state students decide whether to come to Michigan. Provost Hanlon responded that admitted students are surveyed to determine the factors that inform their decision on whether to come to Michigan. Regent Newman suggested that this would help determine whether other Big Ten schools are significant competitors.

Regent Newman observed that her decisions on whether to support tuition and fee increases are made on a year-by-year basis and she only supports increases when actually necessary. While she is "concerned about pricing our students out of an education, this year is one of those years when we need to support the increase because the steep budget cuts made by the legislature this year are impossible to make up under current scenarios." She noted that even though she doesn't like the fact that students need to sacrifice along with the rest of the state's

population to achieve the objectives of the budget cuts, “I have to put the interest of the institution and the future of the institution ahead as a regent. So I believe that the tuition increase this year is necessary and that in order to do my duty, I will support the tuition increase.”

Comments from Regent Maynard. Regent Maynard said she supports the tuition increase, but noted that the issues being raised highlight the fact that in the future, financial aid must be a consideration for both in-state and out-of-state students. She noted that the University of Michigan must continue to be accessible to future generations of students from out-of-state, as exemplified by the noted playwright, Arthur Miller.

The vote was then taken on the motion to approved the Ann Arbor FY 2011-2012 student tuition and fee rates, and it was approved, with Regents Darlow, Maynard, Newman, Richner, Taylor, and White in favor and Regents Deitch and Ilitch opposed.

Revenue and Expenditure Operating Budgets for FY 2011-2012

Regent White moved approval of the revenue and expenditure operating budgets for FY 2011-2012. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Maynard, Newman, Richner, Taylor, and White in favor and Regents Deitch and Ilitch opposed.

Proposed Ann Arbor General Fund Operating Budget for FY 2011-2012

Regent White moved approval of the proposed Ann Arbor General Fund operating budget for FY 2011-2012. Regent Maynard seconded the motion and it was approved, with Regents Darlow, Maynard, Newman, Richner, Taylor, and White in favor and Regents Deitch and Ilitch opposed.

Proposed Dearborn Campus FY 2011-2012 General Fund Operating Budget

Regent White moved approval of the proposed Dearborn campus FY 2011-2012 General Fund operating budget. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor and Regent Ilitch opposed.

Proposed Dearborn Campus FY 2011-12 Student Tuition and Fee Rates

Regent White moved approval of the proposed Dearborn campus FY 2011-12 student tuition and fee rates. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor and Regent Ilitch opposed.

Proposed Flint Campus FY 2011-2012 General Fund Operating Budget

Regent Maynard moved approval of the proposed Flint campus FY 2011-2012 General Fund operating budget. Regent White seconded the motion, and it was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor and Regent Ilitch opposed.

Proposed Flint Campus FY 2011-2012 Student Tuition and Fee Rates

Regent Maynard moved approval of FY 2011-2012 tuition and fee rates for the Flint campus. Regent White seconded the motion and it was approved, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor and Regent Ilitch opposed.

Proposed 2011-2012 Fee Assessments for Michigan Student Assembly (MSA), School/College Governments, and Student Legal Services (SLS)

Regent White moved approval of \$7.19 per student per term for MSA (no change from 2010-11), \$1.50 per student per term for school and college governments (no change from 2010-

11), and \$8.50 per student per term for SLS (an increase of \$2.50 from the rate for 2010-11). Regent Maynard seconded the motion, and it was approved unanimously.

2011-2012 University Health Service Fee

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved a fee assessment of \$172.40 per student per term (0.7% increase) for the University Health Service.

Proposed FY 2012 University of Michigan Hospitals and Health Centers (UMHHC) Operating Budget

On a motion by Regent Taylor, seconded by Regent Darlow, the regents unanimously approved the proposed FY 2012 University of Michigan Hospitals and Health Centers operating budget, as described in the regents communication.

Michigan Student Assembly (MSA) Financial Report

Vice President Harper submitted the financial report for the Michigan Student Assembly for December 31, 2010 and December 31, 2009.

Committee Reports

Finance, Audit and Investment Committee. Regent White, chair of the Finance, Audit and Investment Committee, reported that attendees at that morning's meeting had included Regents Maynard and Taylor, Executive Vice President Slottow. The committee met with Carol Senneff, executive director of University audits, to review the FY 2011 Internal Audit University risk assessment and audit status and the FY 2012 Audit Plan. Ms. Senneff remained in attendance for the duration of the meeting. The committee next met with Associate Vice President Hank Baier and Terry Alexander, executive director of the Office of Emergency Preparedness, to review emergency notification, business continuity, and disaster recovery plans.

Personnel, Compensation and Governance Committee. Regent Richner, chair of the Personnel, Compensation and Governance Committee, reported that he and Regent Ilitch had received an update from the provost on searches, reviews, and appointments. They also reviewed proposed “housekeeping” bylaw amendments submitted by Vice President Churchill and reviewed with her the Regental approval process for personnel actions. The committee also held its annual session with the Committees on the Economic Status of the Faculty from the Dearborn, Flint, and Ann Arbor campuses.

Regent Richner introduced Timothy Meyer, chancellor of Oakland Community College, who was in the audience observing the meeting.

Health Affairs Committee. Regent Deitch reported that he and committee members Regents Newman and Darlow had participated in the meeting. It included a session on quality and safety, which provided information on the quality and safety website that is updated twice a year. The committee also received a briefing on personnel matters and held a discussion on strategic initiatives underway in the 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 May 19, 2011.

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

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Projects Established, July 1 – May 31, 2011. He reported that the University is likely to set another record in FY 2011 for research revenues.

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 their support.

University of Michigan-Flint. Chancellor Person reported that the joint Ann Arbor-Flint Master of Public Health degree program had just been inaugurated.

Regent Deitch left the meeting at this point.

University of Michigan-Dearborn. Chancellor Little called attention to the recommendation for the appointment of Jeff Evans as vice chancellor for business affairs. Regent Newman noted how pleased she was by this appointment. Chancellor Little reported that the Dearborn campus has joined with institutions in the six-county Detroit metropolitan area to compete for a \$1 million prize in a nation-wide “Talent Dividend” competition. The prize will be awarded to the region which has the greatest success in increasing the percentage of college-educated adults over a three-year period.

Michigan Student Assembly Report. Mr. DeAndree Watson presented the report of the Michigan Student Assembly. He expressed the hope that the University will be able to maintain the rich diversity of the Michigan student body that so defines the campus and will remain accessible to students from all walks of life. He also praised the work of the Office of Financial Aid.

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

Personnel Actions/Personnel Reports. Provost Hanlon submitted a number of personnel actions and personnel reports. He also thanked the board for its support of the FY 2011-2012 budget proposals.

Retirement Memoirs. Vice President Churchill submitted 11 faculty retirement memoirs.

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 Ilitch, the regents unanimously approved the consent agenda.

Report of University Internal Audits

Executive Vice President Slottow submitted the report of the Office of University Audits activities for the period February through April 2011.

Alternative Asset Commitment

Executive Vice President Slottow informed the regents of follow-on commitments that have been made to the following previously approved partnerships: \$15 million to El Fund V, L.P.; \$10 million to Hampshire Partners REIT VII, Inc.; \$20 million to JOG V, L.P., \$12.5 million to Matrix Partners India II, LLC; and \$12.5 million to Matrix Partners China II, L.P.

Yost Ice Arena Seating Replacement and Fan Amenities Improvement

On a motion by Regent White, seconded by Regent Darlow, the regents unanimously approved the Yost Ice Arena Seating Replacement and Fan Amenities Improvement Project as described and authorized commissioning Rossetti Architecture Inc. for its design.

Institute for Social Research Addition

On a motion by Regent Darlow, seconded by Regent Ilitch, the regents unanimously approved issuing the Institute for Social Research Addition Project for bids and awarding construction contracts providing they are within the approved budget.

Medical Science Unit II Integrative Physiology Department Renovations

On a motion by Regent Darlow, seconded by Regent Taylor, the regents unanimously approved the Medical Science Unit II Integrative Physiology Department Renovations Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers Parkview Medical Center and Scott and Amy Prudden Turner Memorial Clinic Building Demolition Project

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved the University of Michigan Hospitals and Health Centers Parkview Medical Center and Scott and Amy Prudden Turner Memorial Clinic Building Demolition Project as described, authorized commissioning the architectural firm of SmithGroup for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers University Hospital Kitchen Renovations for Room Service Protocol

On a motion by Regent Maynard, seconded by Regent Ilitch, the regents unanimously approved the University of Michigan Hospitals and Health Centers University Hospital Kitchen Renovations for Room Service Protocol Project as described, authorized commissioning the architectural firm of Integrated Design Solutions LLC for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Regent Taylor left the meeting at this point.

Conflict of Interest Items

President Coleman announced that the agenda includes 8 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent White, seconded by Regent Richner, all six regents present unanimously approved the following agreements:

License Agreement between the University of Michigan and CSquared Innovations LLC

The regents approved a license agreement with CSquared Innovations LLC (“Company”) to allow the company to license from the University of Michigan the University’s rights associated with the following technologies: UM OTT File No. 4306, “In-Situ Plasma/Laser Hybrid Scheme”; UM OTT File No. 4422, “Coaxial Laser Assisted Cold Spray Nozzle;” and UM OTT File No. 4462, “Manufacturing of Li Ion Battery Electrodes by Plasma/Laser Hybrid Technique.” Because Pravansu Mohanty and Nicholas Moroz, 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 agreement are the Regents of the University of Michigan and CSquared Innovations LLC.
2. Agreement terms include granting 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. Mohanty and Mr. Moroz arise from his ownership interest in CSquared Innovations LLC.

License Agreement between the University of Michigan and Electric Field Simulations Corporation (formerly known as EngXT)

The regents approved a license agreement with Electric Field Simulations Corporation (“Company”) to allow the company to license from the University of Michigan the University’s rights associated with the following technologies: UM OTT File No. 3545, “A Miniature Sensor for Electric Field Measurements in Dusty Environments.” Because Nilton Renno and Steven Rogacki, 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 Electric Field Simulations Corporation.
2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay an upfront fee, royalties and patent costs incurred during the term of the license agreement. 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 Dr. Renno and Mr. Rogacki arise from their ownership interest in Electric Field Simulations Corporation. For this specific file (3545) Dr. Renno and Mr. Rogacki are inventors and will be considered for any share of revenue received by the University.

Option Agreement between the University of Michigan and FlexDex LLC

The regents approved a option agreement with FlexDex LLC (“Company”) to allow the company to obtain an option for an exclusive license from the University of Michigan of the University’s rights associated with the following technologies: UM OTT File No. 3864, “Minimally Invasive Surgical Tool with Enhanced Dexterity.” Because James Geiger and Shorya Awtar, 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 FlexDex 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 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. Geiger and Awtar arise from their ownership interest in FlexDex.

License Agreement between the University of Michigan and ImBio, LLC

The regents approved a license agreement with ImBio, LLC (“Company”) to allow the company to license from the University of Michigan the University’s rights associated with the following technologies: UM OTT File No. 5014, “Pixel-based analysis of registered medical images for assessing bone integrity” and UM OTT File No. 5015, “Voxel-based analysis of registered medical images acquired from multiple phases.” Because Brian Ross, a University of Michigan employee, is also a principal 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 ImBio, LLC.
2. Agreement terms include granting 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, 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. Ross arise from his ownership in the ImBio, LLC.

Reassignment of International Patent Rights to Dr. Richard Laine

The regents approved a reassignment agreement with Dr. Richard Laine under which the University of Michigan will reassign the international rights for Canada and Europe (hereafter referred to as “International Patent Rights”) for the following technology invented by Dr. Laine: UM OTT File No. 4208, “Properties Tailoring in Silsesquioxanes.” Because Dr. Laine 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 to the agreement are the Regents of the University of Michigan and Dr. Richard Laine.
2. Agreement terms include granting to Dr. Laine the University of Michigan’s entire right, title and interest to International Patent Rights. All patent costs for International Patent Rights will be paid for personally by Dr. Laine and the University will receive a percentage of any payments received by Dr. Laine in conjunction for licensing or commercial development 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 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. Laine arise from their ownership interest in the International Patent Rights.

Option Agreement between the University of Michigan and NanoBio Corporation

The regents approved a option agreement with NanoBio Corporation (“Company”) to allow the company to obtain an exclusive option from the University of Michigan for the following technology invented by Dr. Harry Mobley: UM OTT File No. 3550, “Vaccine for Urinary Tract Infections” and UM OTT File No. 4649, “E. Coli Virulence Factors Associated with Urinary Tract Infections.” Because Dr. James R. Baker, Jr., a University of Michigan employee, is also an owner, director and officer of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and NanoBio.
2. Agreement terms include giving the Company an option to obtain an exclusive license. The Company will sponsor additional evaluation research in Dr. Mobley’s laboratory and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. 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. Baker arise from his ownership interest in NanoBio. Dr. Mobley has no ownership interest in NanoBio.

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

The regents approved a option agreement with ONL Therapeutics, LLC (“ONL”) to allow the company to obtain an option for an exclusive license from the University of Michigan for the University’s rights associated with the following technologies: UM OTT File No. 4319, “Small Peptide Inhibitor of Photoreceptor Apoptosis.” Because David Zacks, a University of Michigan employee, is also a partial owner of ONL, 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.

2. Agreement terms include granting ONL an option to obtain an exclusive license with the right to grant sublicenses. ONL 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. Zacks arise from his ownership interest in ONL.

Option Agreement between the University of Michigan and Xondas, LLC

The regents approved a option agreement with Xondas, LLC (“Xondas”) to allow Xondas to obtain an option from the University of Michigan for the University’s rights associated with the following technology: UM OTT File No. 3679, “Apparatus for Sub-Wavelength Near-Field Focusing of Electromagnetic Waves.” Because Roberto Merlin, Anthony Grbic, and John Whitaker, University of Michigan employees, are also a partial owner of Xondas, 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 Xondas.
2. Agreement terms include granting Xondas an option to obtain an exclusive license with the right to grant sublicenses. ONL 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 Drs. Merlin, Grbic, and Whitaker arise from their ownership interest in Xondas.

Bylaws of the University of Michigan Hospitals and Health Centers Executive Board (HHCEB)

On a motion by Regent Ilitch, seconded by Regent Maynard, the regents unanimously approved an amendment to Section 3.1 of the HHCEB Bylaws to make the chief medical officer of the University of Michigan Health System a voting member of the HHCEB.

Michigan Health Corporation Annual Business Plan

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved the Michigan Health Corporation FY 2012 annual business plan and budget.

Public Comments

The regents heard comments from the following people, on the topics indicated: Douglas Smith, alumnus, on misconduct; C.W. Kauffman, citizen, on DPS oversight; and Daniel K. Benefiel, citizen, on globalism and U of M policies and practices.

There being no further business, the meeting was adjourned at 5:30 p.m. The next meeting will take place July 21, 2011.

Appendix to June 2011 Minutes

STATEMENT CONCERNING RESOLUTION OF MAY 19, 2011

The Regents named below present this statement to complete and correct the record in connection with a motion that passed at our May 19th public meeting.

To be clear, the Regents of the University of Michigan did not vote to allow graduate student research assistants to form a union. Rather, we voted to support the right of these 2,100 employees to choose whether or not they wish to be represented by the existing Graduate Employees Organization, which has represented graduate student employees within the University for more than 30 years. The effect of our action was merely to terminate the University's efforts (in a proceeding before the Michigan Employment Relations Commission) to stop the graduate student research assistants, or GSRAs, from even considering the question. We did this because we believed that there is no defensible factual basis for preventing their right to choose.

The motion, which passed 6-2, reads: "Resolved, that consistent with the University of Michigan's proud history of strong, positive and mutually productive labor relations, the Board of Regents supports the rights of University Graduate Student Research Assistants, whom we recognize as employees, to determine for themselves whether they choose to organize."

We took this action because GSRAs are employees as well as students. As employees, they provide significant benefit to the University, and they have legal rights including collective bargaining rights, if they so choose. Proof of their employee status includes:

1. They receive W-2s;
2. In its own materials, including its faculty handbook, the University refers to these individuals as employees;
3. Post-doctoral fellows who often do the same work as GSRAs are considered employees by the Administration; and
4. Their salaries are identical to those of the graduate student instructors, who are members of the Graduate Employees Organization.

Based on the hard evidence, it would have been factually incorrect and wrong to have University attorneys argue in an administrative proceeding that these employees are solely students.

This matter has been discussed within the University since last year. During public comment at the Regent's public meeting on February 17, three months before the adoption of the resolution, GSRA and Graduate Employee Organization representatives asked the Board to support University neutrality in the matter, and three Regents voiced their support for the rights of these student workers to organize. Since then, numerous informal discussions took place among President Coleman and individual members of the Board. We explained our belief that

the GSRAs are employees as well as students and have a right to choose. We asked for compromise, yet she declined.

Prior to the May 19 meeting, the Board Chair reached out to report fully to all Regents and to explain a draft of the one sentence resolution. There were no surprises. The day of the vote, we followed procedure during a two-hour discussion with the Administration. Following the making of the motion, President Coleman articulated her opposition. After she spoke, Regents supporting it said:

While we disagree on this issue, we have consistently supported the President;
Our vote is an affirmation of participatory democracy and the right to choose;
Our vote expresses no opinion on whether or not employees should vote to form a union;
and

If the employees are to vote for a union, we support the University's right to enter only into contracts where its legitimate interests are fully protected.

It is critical to note that if the GSRAs choose to form a union, this matter will be revenue neutral to the University. GSRAs make the same wages as their fellow graduate student employees. Over the last ten years, the wage increases for the University's unionized instructional employees have been significantly less on a percentage basis than those for tenured and tenure-track faculty.

Research assistants are either organized or allowed to organize at the lead research universities in the following states: Minnesota, Wisconsin, Washington, Massachusetts, New Jersey (Rutgers), Iowa, Oregon and Florida.

Finally, it is noteworthy that the Administration has received assurances that the GSRAs support the student researcher appointment process and value the time-honored faculty-student mentoring relationship that exist today, as do we. We believe that the process and the relationship can and should be preserved, regardless of the outcome of the organizing question.

We remain steadfast in our commitment to the excellence of the research enterprise of the University, which has now passed the annual \$1 billion mark. We are proud to be members of the Board that has supported building the Life Sciences Institute, expanding the Institute for Social Research, and acquiring the Pfizer research campus and we have staunchly resisted incursions into stem cell research.

In adopting the resolution, our goal was to provide clear policy guidance. We followed University procedure in its consideration and engaged in rigorous debate. While it is unfortunate we did not reach unanimity, the majority's statement and vote are consistent with the University of Michigan's standards and tradition and are backed both by fact and sound policy.

Respectfully submitted,

Regent Julia Donovan Darlow
Regent Laurence B. Deitch

Regent Denise Ilitch
Regent Olivia P. Maynard
Regent S. Martin Taylor
Regent Katherine E. White