

**JUNE MEETING, 2012**

*The University of Michigan  
Ann Arbor  
June 21, 2012*

The regents convened at 3:00 p.m. in the Rogel Ballroom, Michigan Union. 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, Interim Vice President Kowich, Executive Vice President Slottow, and Vice President Wilbanks.

**Call to Order**

President Coleman called the meeting to order and announced that the June meeting marks the nomination and election of the new chair and vice chair of the board. She commented on the critical importance of the leadership and counsel provided by the board chair, and noted how much she valued and appreciated Regent Ilitch's wisdom and advice during the past year. She thanked Regent Ilitch for her leadership as chair, and Regent Deitch for his contributions as vice chair, during the past year. She then called on Regent Ilitch.

**Comments from Regent Ilitch**

Regent Ilitch said it had been a privilege to work with President Coleman on a closer basis and thanked her for her tireless efforts and commitment to the University. She thanked each regent in turn for their work on the committees on which they serve and their devotion to other aspects of their duties as board members. She presented Regent Deitch with a gavel in anticipation of his upcoming service as chair.

Regent Ilitch announced that at her request, Michigan Creative, part of the Office of the Vice President for Global Communications and Strategic Initiatives, had prepared a video recognizing events at the University and accomplishments of the regents during the past year. She acknowledged the producers of the video, who are members of Filmic Productions, an award-winning group of student filmmakers who are serving as summer interns at Michigan Creative. The video was then presented.

**Election of Board Officers for 2011-2012.** Regent Deitch thanked Regent Ilitch for her extraordinary leadership and service. He noted that she is a person who “does not typically buy into the conventional wisdom when it doesn’t make sense to her,” and commented on her good judgment.

Regent Ilitch noted that the Regents’ Bylaws state that the positions of chair and vice chair of the board rotate based on seniority until all members of the board have had the opportunity to serve in these positions. She therefore moved the nomination of Regent Laurence Deitch as chair of the Board of Regents and Regent Andrea Newman as vice chair, effective July 1, 2012, through June 30, 2013. Regent White seconded the motion, and it was approved unanimously.

**Introductory Comments Regarding Proposed 2012-2013 Revenue and Expenditure Operating Budgets**

President Coleman commented that the agenda includes the review and approval of the University’s 2012-13 budgets. She noted that the overall objective in developing the budgets is the continued excellence of the University, and the proposed budget demonstrates the shared commitment of the University’s leadership to maintaining the institution’s strengths in teaching, research, and patient care, while making its academic environment available to all students regardless of financial need. She thanked Provost Hanlon for his work on the budget, which

continues to maintain the highest standards while working within very tight economic constraints. She reported that with the board's approval, resident students with financial need will pay less to attend the University than was the case eight years ago, and that the financial aid budget will cover the full impact of the tuition increase for the neediest students. Furthermore, the aid will be in the form of grants, not loans, reducing student debt burden. She then called on Executive Vice President Tim Slottow.

### **2012-2013 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 noted that adhering to sound financial principles and policies is critical to protecting the overall health of the balance sheet, and as a foremost principle, it is crucial that recurring budget gaps be filled with recurring revenues and recurring cost reductions, as opposed to being funded with one-time fund balances or ignored. Maintaining strong internal controls is also crucial for protecting the balance sheet, and he reported that the University has completed its seventh year of annual certification by 42 senior executives of academic and administrative units. Each year, additional areas are identified that require certification.

Turning to the balance sheet, Executive Vice President Slottow pointed out that the relationship between total assets and total liabilities is strong, with total net assets of \$11.1 billion compared to total liabilities of \$4.8 billion. However, he pointed out that the majority of financial assets are long-term assets with restricted uses, which limits flexibility. Another weakness of the balance sheet is the approximately \$600 million in deferred maintenance. This year, it is likely that this year the University will receive about \$75 million in capital outlay from the state, for the first time in a number of years. Other threats to the balance sheet are more

difficult to project and to develop strong strategies against. With the direction and advice of the regents, however, actions have been taken to protect the university from such threats as rising health care costs, post-retirement health benefits, adjustments to the endowment spending rule, and issuing bonds.

Executive Vice President Slottow noted that the Long Term Portfolio consists of approximately 7,000 unique endowments. At the behest of the regents, a strategic effort to grow endowment to support the General Fund began 7 years ago. This effort has so far raised \$233 million in new endowment, providing \$12 million in new annual revenue for the General Fund in FY2012 and on-going General Fund support of approximately \$217 million in FY2012, primarily for scholarships, professorships, and academic programs. Overall, about 10.5% of the General Fund is supported by endowment distribution. Other revenue strategies to supplement the General Fund include identifying additional recurring and one-time external revenue sources and internal reallocations. In FY2012, \$69 million in annual revenues and \$40 million in one-time revenues were used to supplement the General Fund in FY2012.

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 of about \$500 million annually 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 has yielded decreased use of total energy, emissions, and water usage when normalized per person from FY2004-FY2011. The Planet Blue initiative has resulted in an 8% reduction in energy costs. Other initiatives, such as purchase of hybrid buses, adoption of new construction standards, new lighting systems, and a bike rental program, have also been adopted to further the University's sustainability goals.

Executive Vice President Slottow then turned to human capital, noting that more than 65% of operating budgets are expended on salaries and benefits. Administrators are cognizant of the fact that 40% of faculty and staff are eligible for retirement in the next five years, so leadership training and succession planning will be a key focus. He reported that the ongoing MHealthy initiative has resulted in statistically-significant movement of participants from high-risk to low-risk categories for health and well-being.

Executive Vice President Slottow reported that the University's highest possible credit ratings were recently reaffirmed by Standard & Poor's and Moody's. The debt plan calls for assuming up to \$2.2 billion in debt over the next eight years, and the current cost of debt is about 2.3% on the current portfolio of \$1.8 billion. This prudent debt management policy has helped provide relief for the operating budget, while restructuring of post-retirement health benefits over the past several years has resulted in a significant reduction of this liability.

Executive Vice President Slottow concluded that the proposed budgets are completely consistent with maintaining the financial health of the University. He acknowledged all of the individuals from across the University who had contributed to the development of various segments of the overall budgets.

### **2012-2013 Operating Budgets—All Campuses**

Provost Hanlon reported that total recommended operating revenues will increase from \$6 billion to \$6.3 billion in FY 2012-2013, an increase of 5.4%. General Fund revenues are projected to increase by 4.1%, the Designated Fund by a negligible amount, the Auxiliary Fund by 9%, and the Expendable Restricted Fund is projected to decline by 1.2%. Total budgeted expenditures do not equal total revenues, due to the fact that auxiliary funds operate with a small negative margin.

## **Proposed Ann Arbor General Fund Operating Budget and Student Tuition and Fee Rates for FY 2012-2013**

Provost Hanlon commended the budget teams from the provost's office and CFO's office who work with academic administrators to develop the budget, noting that "this is the finest such pair of teams in all of higher education." He reported that the Ann Arbor campus general fund budget follows an integrated academic strategy and financial plan. Budget priorities include innovation in teaching and research, maintaining academic excellence, and ensuring access and affordability. The budget continues the practice of strong fiscal discipline, aggressive cost containment, and building on the continuing success of generating philanthropic resources.

Provost Hanlon noted that the leadership skills today's graduates will need include not only the traditional skills of college graduates, but also include having the ability to re-invent themselves, to have command of new information technologies, to have the confidence to innovate and take risks, the ability to lead in small groups and flat organizations, and to work effectively with people from diverse backgrounds and cultures and in new settings. He described two Michigan programs that impart these skills: an experiential learning and research project for undergraduate and graduate students in Kenya in conjunction with the University of Nairobi, and the College of Engineering design immersion project for new freshmen students.

Provost Hanlon noted that the proposed 2012-2013 General Fund budget provides key investments in academic excellence (recruiting and retaining faculty, enhancing students' academic experience, planning for the renewal of key facilities, and maintaining the distinction of the library collection) and financial aid (an increase in centrally awarded financial aid, including 10.1% increase in centrally-awarded undergraduate financial aid). Funding for the renewal of aging buildings will be financed from reductions in spending. Provost Hanlon pointed out that with the additional financial aid, typical resident students with financial need

will see no increase in the cost of attendance. Furthermore, financial aid for the lowest income students is completely covered with grants and scholarships, as opposed to loans. Overall, the loan burden incorporated into financial aid packages has declined in recent years. Provost Hanlon reported that the University's efforts to maintain access and affordability have proven effective, as shown by the fact that its net price increase is lower than 567 of 650 public institutions surveyed in a recent U.S. Department of Education report on college affordability and transparency.

Provost Hanlon reported that the budget assumes a state appropriation of \$273.1 million, an increase of \$4.3 million (1.6%) over FY2012. While the University appreciates the state's recent efforts to invest in higher education, taken in context, the FY2013 state appropriation is comparable to that of 1992 in nominal dollars, 1964 in inflation-adjusted dollars, and per student, has declined by more than 50% over the past decade. In 1960, almost 80% of the general fund came from state appropriation, and 20% in tuition and fees. Currently, however, state appropriation makes up only about 17% of the general fund and tuition and fees about 70%. Provost Hanlon noted that ongoing cost containment efforts have saved \$235 million in recurring General Fund costs since FY2004, and this year's recommendation incorporates an additional cost reduction of 1.9%, or over \$30 million.

The recommended tuition increase for resident undergraduate students is 2.8%, and for non-resident undergraduate students is 3.5%. Resident and non-resident graduate student tuition will increase by 3.0%. The recommended FY 2013 General Fund budget for the Ann Arbor campus is \$1,649,140, an increase of 3.9% over FY 2012. The expenditure budget focuses on the core mission of academics; the largest categories of increase are 5.1% for schools and

colleges, 82.9% for the capital renewal fund for academic buildings (being developed over a three-year period), and 7.8% for financial aid. The lowest increases are in administrative areas.

Provost Hanlon concluded that the proposed budget will maintain academic excellence and affordability, even during a period of historic reductions in public support. This has been made possible because of the board's continuing insistence on cost containment, efficiency of operations, and multi-year planning.

### **Proposed Dearborn Campus FY 2012-2013 General Fund Operating Budget**

Chancellor Little reported that the primary goals in developing the Dearborn campus budget were to continue to maintain the high quality of its academic programs, to maintain and attempt to expand affordability and access, and to maintain a fair and equitable work environment for faculty and staff. The campus is committed to financial stability and sustainability, and for this it must rely on recurring revenues and recurring cost reductions.

The proposed tuition increase of 3.7% for undergraduate and graduate students is made possible by a larger than expected state appropriation increase of 4.2%. The budget includes a 2% salary program and 1% for contingency funds. The financial aid budget will increase by 15%, and funding is being proposed to address enrollment growth costs.

### **Proposed Flint Campus FY 2012-2013 General Fund Operating Budget**

Chancellor Person reported that the University of Michigan-Flint budget incorporates a three-year strategy, through 2015, focusing on identifying new revenue streams and cost savings. The campus is planning for an enrollment increase of between 2-4% in three years, to be accomplished partly by developing new programs, increasing the number international students and veterans, and other initiatives. She noted that investments are being made to improve energy efficiency that will save money in the long run. The proposed budget assumes an enrollment



increase of 0.7% for undergraduates and 7.9% for graduate students. Proposed tuition and fees for 2012-2013 will increase by 3.6% for undergraduate students and 2.8% for graduate students, and a 5.8% increase in financial aid. The budget also incorporates a 2% salary program for faculty and staff. Chancellor Person noted that tuition on the Flint campus has consistently been in the bottom third state-wide.

### **2012-2013 University Housing Residence Hall and Northwood Community Apartments Rates**

Vice President Harper noted that ongoing capital needs and operating support for the residential communities requires that University Housing maintain a proper balance between adequate revenues and affordable room and board rates and apartment rental fees. The division continually strives to recommend minimal rate increases without sacrificing key services and programs. For FY2013, University Housing has identified cost savings of about \$1.7 million, enabling it to recommend an average room and board rate increase of 1.0% for operations and 2.0% for renovations included in the Residential Life Initiative, an increase of about \$284 per year. Northwood Community Apartments rates will increase by 1.0%, or about \$10.00 per month.

### **Proposed 2012-2013 University of Michigan-Flint Residence Hall Rates**

Chancellor Person submitted a recommendation for an average room and board rate increase on the Flint campus of 3.0%.

### **2012-2013 Fee Assessments for Central Student Government (CSG), Student Legal Services (SLS), and School/College Governments**

Vice President Harper recommended no change in student fee assessments, and requested reauthorization of the current rates of \$7.19 per student per term for CSG, \$8.50 per student per term for SLS, and \$1.50 per student per term for school and college governments.

## **2012-2013 University Health Service Fee**

Vice President Harper submitted a recommendation for a 1.4% increase (\$2.50) in the University Health Service fee, bringing the total fee to \$174.90 per student per term.

## **Proposed FY 2013 University of Michigan Hospitals and Health Centers (UMHHC) Operating Budget**

Mr. Doug Strong, chief executive officer of the UMHHC, presented the proposed FY 2013 UMHHC operating budget. Mr. Strong noted that during FY2012, the UMHHC opened the new children's and women's hospital and a renovated and enlarged emergency department, and had undertaken a multi-year electronic health record data ("MiChart") project. Patient care quality and safety and patient satisfaction scores had improved. He noted that the financial and operating plan embedded within the Health System strategic plan, along with the proposed budget, will enable the achievement of the Health System's long term vision and will position it for future success.

Mr. Strong described UMHHC 3-year initiatives in support of the strategic and financial plan. He noted that the FY2012 operating margin results are anticipated to be substantially better than the original budget, resulting in a forecasted -0.5% margin for FY12 and an improvement in the FY2013 plan yielding a positive operating margin of 0.5%, for an improvement of about 1%. He pointed out that low operating margins have historically been associated with the opening of major new facilities. The expectation is that in the future, the operating margin will stabilize at about 4%.

Mr. Strong noted that the University of Michigan is the only health system in the state that sees patients from every county in the state. The UMHHC has had a 10-year trend of growth in the number of adjusted cases over time, with a compound growth rate of over 4%. Revenue per adjusted case has also increased, although it is anticipated to drop in FY2013 due to

constraints imposed by payers. While total expense per adjusted case increased during the past year due to the opening of the children's and women's facility, this metric is expected to decrease to a more favorable level during FY2013. He reviewed recent activity growth trends, forecasts for FY2012, and plans in each category for FY2013.

Mr. Strong reviewed plans for capacity creation in FY2013. Challenges facing the health system include reimbursement uncertainties, the ability to sustain patient activity growth, continued implantation of electronic health records, and execution of productivity improvements. He also reviewed a three-year plan for operating improvements for FY2013-FY2016, which include initiatives to create clinical capacity and foster revenue growth. Mr. Strong concluded that the UMHHC is a financially health organization that is well-positioned to respond to the challenging environment so that its success will be assured for years to come.

#### **FY 2013 University of Michigan Department of Athletics Operating Budget**

Mr. David Brandon, Donald R. Shepherd Director of Athletics, reported that the department's sustained operating margins have allowed it to significantly invest in facilities. The department is in a sound financial position and has sufficient funds to be able to continue investing in its physical plant. For FY2012, the department experienced a 6.2% increase in revenue growth and a projected surplus of more than \$15 million. In FY2013, facilities revenues will be increasing, but revenues from spectator admissions will decrease due to fewer home football games. Thus, for FY2013 the budgeted revenue surplus will decrease to about \$5.8 million. He pointed out that the Athletic Department is assuming responsibility for the Radrick Farms golf course, which will increase both revenues and costs. The expense budget for FY2013 is about \$124.5 million.

Mr. Brandon pointed out that it will be important going forward for the department to continue to manage its considerable debt load, while at the same time, continuing to invest in facilities. He noted that recent major facility projects have significantly increased depreciation expenses, but the department is nevertheless continuing to grow its investments in plant and equipment. He concluded by describing future projects that are in the planning stages, including the renovation of Schembechler Hall, renovation and expansion of the field hockey facility, painting Michigan Stadium, an addition to the softball stadium, and development of a facility for men's and women's lacrosse, among other projects.

### **Comments on Proposed 2012-2013 Budgets**

**Regent Ilitch.** Regent Ilitch noted that tuition “continues to skyrocket, and the burden on our students continues to be brutal.” She observed that students at the University of Michigan and across the state have to “pay a constant premium to receive a Michigan education,” which fewer can afford to do, as indicated by the fact that 60% of Michigan college graduates have loan debt upon graduation. Noting that higher education in general is becoming a luxury that is out of reach to more and more individuals, Regent Ilitch commended President Coleman and Provost Hanlon for the progress they have made in “acting in a more economically astute fashion.” However, she said it is important “to find new ways to add revenue, to continue to act in a more efficient fashion, and to change the paradigm to approach this challenging problem.”

She noted that it is no longer possible for students to work their way through public universities without assuming an unreasonable debt burden, and said, “I won't ask students to pay more if I think we can do more.” The state's constant trend of not investing in higher education “is inexcusable and appalling,” she said. “We must invest in education on all fronts,

and lift our young people so we have a highly educated generation to complete globally and flourish in the years to come.’

**Regent Darlow.** Regent Darlow commented that she shares with Regent Ilitch and the other regents the concern about affordability and access for middle and lower income students. However, she noted that the focus on the “sticker price” of tuition ignores progress that has been made in affordability for middle-income resident students (those with incomes of \$100,000 or less). She pointed out that because of increases in financial aid in recent years, middle income students are actually paying less than they would have paid in 2004, despite any increases in the “sticker price.” She urged that the difference between the sticker price and net price be communicated to potential students state-wide.

Regent Darlow said she supports this budget because it “addresses and serves the needs of our middle income students” by either maintaining the status quo or improving their financial aid status over previous years, and praised the efforts of all who have worked on it.

### **Proposed Ann Arbor Campus 2012-2013 General Fund Operating Budget**

Regent White moved approval of the proposed Ann Arbor Campus 2012-2013 general fund operating budget. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Maynard, Richner, Taylor, and White in favor and Regents Deitch, Ilitch, and Newman opposed.

### **Proposed Ann Arbor FY 2012-2013 Student Tuition and Fee Rates**

On a motion by Regent White, seconded by Regent Maynard, the regents approved the proposed Ann Arbor FY 2012-2013 student tuition and fee rates. Regents Darlow, Maynard, Richner, Taylor, and White voted in favor, and Regents Deitch, Ilitch, and Newman were opposed.

### **Proposed Dearborn Campus FY 2012-2013 General Fund Operating Budget**

Regent White moved approval of the proposed Dearborn campus FY 2012-13 General Fund operating budget. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Maynard, Richner, Taylor, and White in favor and Regents Ilitch, Deitch, and Newman opposed.

### **Proposed Dearborn Campus FY 2012-2013 Student Tuition and Fee Rates**

Regent White moved approval of the proposed Dearborn campus FY 2012-2013 student tuition and fee rates. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Maynard, Richner, Taylor, and White in favor and Regents Ilitch, Deitch, and Newman opposed.

### **Proposed Flint Campus FY 2012-2013 General Fund Operating Budget**

Regent White moved approval of the proposed Flint campus FY 2012-2013 General Fund operating budget. Regent Maynard seconded the motion, and it was approved, with Regents Darlow, Maynard, Richner, Taylor, and White in favor and Regents Deitch, Ilitch, and Newman opposed.

### **Proposed Flint Campus FY 2012-2013 Student Tuition and Fee Rates**

Regent White moved approval of the FY 2012-2013 student tuition and fee rates for the Flint campus. Regent Maynard seconded the motion and it was approved, with Regents Darlow, Maynard, Richner, Taylor, and White in favor and Regents Deitch, Ilitch, and Newman opposed.

### **Proposed 2012-2013 University Housing Residence Hall and Northwood Community Apartments Rates**

On a motion by Regent White, seconded by Regent Maynard, the regents approved rate increases of 3% for residence hall room and board rates and 1% for Northwood Community

Apartments rates, with Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White in favor and Regent Ilitch opposed.

### **Proposed 2012-2013 University of Michigan-Flint Residence Hall Rates**

On a motion by Regent White, seconded by Regent Maynard, the regents approved a 3.0% rate increase for University of Michigan-Flint residence halls for 2012-2013. Regents Darlow, Deitch, Maynard, Newman, Richner, Taylor, and White voted in favor and Regent Ilitch was opposed.

### **Proposed 2012-2013 Fee Assessments for Central Student Government, School/ College Governments, and Student Legal Services (SLS)**

Regent White moved approval of fees of \$7.19 per student per term for CSG (no change from 2011-2012), \$1.50 per student per term for school and college governments (no change from 2011-2012), and \$8.50 per student per term for SLS (no change from 2011-2012). Regent Maynard seconded the motion, and it was approved unanimously.

### **Proposed 2012-2013 University Health Service Fee**

Regent White moved approval of a fee assessment of \$174.90 per student per term (1.4% increase from 2011-2012) for the University Health Service. Regent Maynard seconded the motion.

Regent Richner commented that this fee had originally been established some time ago, when there were different funding models for health care. Now, 91% of students have private health insurance that covers many of the services provided by the University Health Service, and he believes this fee is redundant and unnecessary. He would like to see the University look at different models for funding student health care that would avoid families being charged twice for health insurance for their students.

Regent Deitch pointed out that the University Health Service also “does tremendous work in prevention and awareness, particularly as it relates to mental health, in this potentially vulnerable population,” and he believes it is important to support these efforts.

The vote was then taken, and the motion was approved, with Regents Darlow, Deitch, Ilitch, Maynard, Taylor, and White in favor and Regents Newman and Richner opposed.

### **Proposed FY2013 University of Michigan Hospitals and Health Centers (UMHHC) Operating Budget**

On a motion by Regent White, seconded by Regent Newman, the regents unanimously approved the proposed FY 2013 University of Michigan Hospitals and Health Centers operating budget, as set forth in the regents communication.

### **Revenue and Expenditure Operating Budgets**

On a motion by Regent White, seconded by Regent Maynard, the Regents approved the revenue and expenditure operating budgets for FY 2012-2013 as submitted, with Regents Darlow, Maynard, Richner, Taylor, and White in favor, and Regents Deitch, Ilitch, and Newman opposed.

### **Central Student Government (CSG) Financial Report**

Vice President Harper submitted the financial report for the Central Student Government for December 31, 2011 and December 31, 2010.

Regent Richner left the meeting at this point.

### **Comments from Regent Ilitch**

Regent Ilitch made the following statement:

*In February, the Board of Regents made a motion in response to the six-month gap in reporting a Health System employee’s potential possession of child pornography. The board called for a thorough external review of the matter. Based on results of an initial internal audit, the board also voted to bring in a management consultant to examine the current organizational structure for law enforcement and security*



*across campus. The board asked me and President Coleman to assume responsibility for identifying the firms to accomplish these goals. I would like to provide an update on progress to date.*

*After review of several candidates, the law firm of Latham and Watkins was selected to conduct the external review. The review is being led by Zachary Fardon, a member of the firm who is a former federal prosecutor with deep experience. The firm has reported excellent cooperation throughout the University regarding access to information and in-depth interviews. At the same time, the University brought on the firm of Margolis, Healy and Associates to examine the organization and operations of the three major units responsible for campus safety and security: the Department of Public Safety, Hospital Security, and Housing Security. The Margolis firm has been working with several campus teams to develop recommendations for the board's review. I want to note that we, the board, are pleased with the pace of the reviews, but there is still more work to be done. We believe that everything will be completed in time for a board discussion in the fall.*

## **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 Richner and Executive Vice President Slottow. The committee met with Carol Senneff, executive director of University audits, to review the Internal Audit University risk assessment and audit status and the FY 2013 Audit Plan. The committee next met with Associate Vice President Rowan Miranda, and Nancy Hobbs, director of procurement services, regarding enterprise risk and sourcing policy related to procurement.

**Personnel, Compensation and Governance Committee.** Regent Taylor, 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 discussed draft meeting evaluation forms for formal and informal meetings. The third agenda topic was the possibility of scheduling a board retreat that would involve meeting with major donors. The final agenda item involved security at board meetings. It was decided to continue to meet at venues outside of the Fleming Building, and to consider whether further security measures are necessary for regents' meetings.

**Health Affairs Committee.** Regent Darlow reported that she and committee members Regents Newman and Deitch had participated in the meeting. Participants included President

Coleman, Executive Vice President Pescovitz, Dean Woolliscroft, Vice Presidents Churchill and Wilbanks, and legal counsel. The agenda included various scheduling matters, various operational, financial, and legal matters, and various strategic initiatives.

President Coleman then turned to the consent agenda.

### **Consent Agenda**

**Minutes.** Vice President Churchill submitted for approval the minutes of the meeting of May 17, 2012.

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

**Litigation Report.** Interim Vice President Kowich submitted the Litigation Report.

**Research Report.** Vice President Forrest submitted the Report of Projects Established, July 1, 2011 – May 31, 2012.

**University of Michigan Health System.** Executive Vice President Pescovitz announced that today the *Detroit News* had named a Health System physician, Dr. Lisa Newman, as Michiganiaan of the Year for her outstanding work with African American women who have breast cancer.

**Division of Student Affairs.** Vice President Harper thanked the regents for their support of fees for the University Health Service, housing, and student government. She said concerns raised about health service fees had been noted and would be taken under consideration.

**University of Michigan-Flint.** Chancellor Person reported that the campus had recently hosted an appearance by Governor Snyder.

**University of Michigan-Dearborn.** Chancellor Little called attention to the recommended appointment of Mallory Simpson as vice chancellor for institutional advancement on the Dearborn campus.

**Central Student Government Report.** Mr. Manish Parikh presented the report of the Central Student Government. He commented on the increased funding for higher education approved by the state legislature, along with the minimal tuition increase and increase in financial aid approved by the regents for the upcoming year. He described various initiatives being planned by CSG for the coming year.

**Voluntary Support.** Vice President May submitted the reports of voluntary support for March, April, and May 2012.

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

**Retirement Memoirs.** Vice President Churchill submitted 4 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 Ilitch, seconded by Regent Maynard, 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 2012.

## **Alternative Asset Commitment**

Executive Vice President Slottow informed the regents of follow-on commitments that have been made to the following previously approved partnerships: \$100 million to Capital Realty Advisors LLC, and \$15 million to Westbrook Real Estate Fund IX, L.P.

## **University of Michigan Hospitals and Health Centers Cancer Center Backfill Renovations**

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the University of Michigan Hospitals and Health Centers Cancer Center Backfill Renovations Project as described, authorized commissioning the architectural firm of Ann Arbor Architects Collaborative for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

## **Conflict of Interest Items**

President Coleman announced that the agenda includes 8 conflict of interest items, each of which requires 6 votes for approval. Regent Deitch requested recusal from voting on the request having to do with NanoBio Corporation. On a motion by Regent White, seconded by Regent Newman, the regents present unanimously approved the following 7 agreements:

### **Authorization for University to transact with Avicenna Medical Systems, Inc.**

The regents authorized the University of Michigan Health System to transact with Avicenna Medical Systems, Inc. (“Avicenna”) for programming services. Because Frank Pelosi, Erdwing Coronado, and Khaled El-Safty, University of Michigan employees, are also owners of Avicenna, 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 Avicenna.

2. The agreement is for services required to modify and test existing patient tracking software required to successfully integrate with EPIC. The duration will not exceed 6 months and the total cost is \$4,990.
3. The pecuniary interests of Frank Pelosi, Erdwing Coronado, and Khaled El-Safty arise from their status as owners of Avicenna.

#### **Authorization for University to enter into a consulting agreement with Arborlight, LLC**

The regents approved the Institute for Research on Labor, Employment, and the Economy Department, Michigan Initiative for Innovation & Entrepreneurship Program to enter into a consulting agreement with Arborlight, LLC. Because Max Shtein and Pei-Cheng Ku, University of Michigan employees, are also partial owners of Arborlight, LLC, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and its Institute for Research on Labor, Employment, and the Economy Department, Michigan Initiative for Innovation & Entrepreneurship Program, and Arborlight, LLC.
2. The agreement is for two months and a cost of \$10,500.
3. The pecuniary interest arises from the fact that Max Shtein and Pei-Cheng Ku, University of Michigan employees, are also partial owners of Arborlight, LLC.

#### **Amendment to License Agreement between the University of Michigan and Ascenta Therapeutics, Inc.**

The regents approved an amendment to a license agreement with Ascenta Therapeutics, Inc. (“Company”) to allow the company to add to its license from the University of Michigan of the University’s rights associated with the following technology: UM OTT File No. 5234, “Biomarkers for small-molecule Smac mimetics.” Because Shaomeng Wang, 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 Ascenta Therapeutics, Inc.

2. Agreement terms include granting the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales, certain milestone payments, 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 interest of Dr. Wang arises from his ownership interests in Ascenta.

### **Option Agreement between the University of Michigan and EXO Dynamics, LLC**

The regents approved an option agreement with EXO Dynamics, LLC (“Company”) to allow the company to option from the University of Michigan the University’s rights associated with the following technology: UM OTT File No. 5307, “Active Spinal Orthotic Treatment Method and Device.” Because Daniel Johnson, Jorge Sanz-Guerro, Maren Bean, and Pat Milligan, 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 EXO Dynamics, LLC.
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 ongoing patent expenses. The University may receive equity in the Company, along with the right to purchase more equity. 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. Johnson, Mr. Sanz-Guerrero, Ms. Bean, and Mr. Milligan arise from their ownership interest in EXO Dynamics, LLC.

### **Option Agreement between the University of Michigan and Opsidio, Inc.**

The regents approved an option agreement with Opsidio, Inc. (“Company”) to allow the company to option from the University of Michigan the University’s rights associated with the following technology: UM OTT File No. 4063, “Therapeutic for Attenuation of Fibrosis.” Because Nicholas Lukacs, Steven Kunkel, and Cory Hogaboam, 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 Opsidio, Inc.
2. Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. The University may receive equity in the Company, along with the right to purchase more equity. 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. Lukacs, Kunkel, and Hogaboam arise from their ownership interest in Opsidio, Inc.

### **Option Agreement between the University of Michigan and Photon Affinity, LLC**

The regents approved a option agreement with Photon Affinity, LLC (“Company”) 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. 3406, “Novel Photonic Crystal Sensor” and UM OTT File No. 4669, “Photonic Crystal-Metallic Structures and Applications.” Because Theodore Norris, James Baker Jr., and Yunbo Guo, 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 Photon Affinity, LLC.
2. Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the agreement may be amended by consent of the parties, such as adding related technology. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. The pecuniary interests of Drs. Norris, Baker, and Guo arise from their ownership interest in Photon Affinity, LLC.

**Option Agreement between the University of Michigan and Superior Rehabilitation and Assessment Solutions, Inc.**

The regents approved a option agreement with Superior Rehabilitation and Assessment Solutions, Inc. (SupRA) (“Company”) 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 technology: UM OTT File No. 5323, “Upper Limb Training and Assessment Board.” Because Susan H. Brown, a University of Michigan employee, is also a partial owner of SupRA, 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 SupRA.
2. Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. The University may receive equity in the Company, along with the right to purchase more equity. 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. Brown arise from her ownership interest in SupRA.

On a motion by Regent Maynard, seconded by Regent White, the regents approved the following agreement with NanoBio Corporation, with Regents Darlow, Ilitch, Maynard, Newman, Taylor, and White voting in favor. Regent Deitch recused himself from voting due to a conflict of interest.

#### **Fourth Amendment to License Agreement between the University of Michigan and NanoBio Corporation**

The regents approved an amendment to a license agreement with NanoBio Corporation (“Company”) to amend its current license agreement to the University’s rights associated with certain technologies by adding the following technologies: UM OTT File No. 4731, “Nanoemulsion Vaccines; ” UM OTT File No. 5262, “Immunogenic Apoptosis Inducing Nanoemulsion;” and UM OTT File No. 5312, “Nanoemulsion-Based Vaccine.” 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 Corporation.
2. Agreement terms include giving the Company an exclusive license with the right to grant sublicenses. The Company will pay a royalty on sales and reimburse patent costs. The University will retain ownership of the licensed technology and may continue to further develop it and use it internally. 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 interest of Dr. Baker arise from his ownership interest in NanoBio.

#### **Henry Russel Awards for 2013**

President Coleman informed the regents that the Russel Awards Faculty Advisory Committee had selected two faculty members to receive Henry Russel Awards for 2013: Allison

Steiner, assistant professor of atmospheric, oceanic and space sciences and assistant professor of earth and environmental sciences, and Angela Violi, associate professor of mechanical engineering, associate professor of chemical engineering, associate professor of biomedical engineering, and associate professor of macromolecular science and engineering.

### **Henry Russel Lecturer for 2013**

President Coleman informed the regents that the Russel Awards Faculty Advisory Committee had selected James S. House as the Henry Russel Lecturer for 2013. Professor House is Angus Campbell Distinguished University Professor of Survey Research, Public Policy and Sociology, professor of sociology, and professor of public policy.

### **Michigan Health Corporation Annual Business Plan**

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the Michigan Health Corporation FY 2013 annual business plan and budget and an increase in MHC capitalization to \$45 million, as described in the regents communication.

### **Public Comments Policy**

On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved “housekeeping” revisions to the Public Comments Policy. The revised policy follows:

#### **Public Comments Policy\*** *As revised June, 2012.*

1. As a part of their regular monthly meeting agenda, the Regents will set aside time for the purpose of enabling individuals to address the Board. It should be understood that the Board will not necessarily respond to such comments, since they may require study and recommendations on the part of others at the University.
2. Requests to address the Board of Regents must be submitted to the vice president and secretary of the University prior to the Regents’ meeting. The requests must be in writing, preferably through the form provided on the website [www.regents.umich.edu](http://www.regents.umich.edu). Requests to speak must identify the individual making the presentation, the subject matter of the presentation, the individual’s relationship, if any, to the University, and the organization they are representing, if any. There shall be no substitutions of speakers without approval by the vice president and secretary, which may only be granted prior to the deadline for signing up to speak that is referenced at [www.regents.umich.edu](http://www.regents.umich.edu).

3. All requests to address the Regents must be received before the deadline posted on the website. Requests will be scheduled on a first come, first served basis until the available time is used up. No waiting list will be kept from month to month.
4. Individuals who have addressed the board within the previous two regularly-scheduled monthly meetings will be allowed to speak only if there is an available slot remaining after the signup deadline has passed.
5. Speakers will have up to five minutes to address the board. There will be a limit of ten speakers per session and five speakers on the same topic except as provided in Paragraph 6.
6. Two additional speaker slots will be available to individuals who sign up after the agenda is posted to the website to speak about an item on that month's agenda. The other provisions of this policy are applicable to these two additional speaker slots.

\*Supersedes "Formal Guidelines for Members of the Public Who Wish to Address a Meeting of the Regents," adopted March 1977 and revised June 2007.

### **Approval of Flint Campus Academic Calendar for 2014-2015**

On motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the Flint campus academic calendar for 2014-15.

### **Public Comments**

There were no public comments.

There being no further business, the meeting was adjourned at 5:10 p.m. The next meeting will take place July 19, 2012.