

NOVEMBER MEETING, 2011

*The University of Michigan
Ann Arbor
November 17, 2011*

The regents met at 3:20 p.m. in the Regents' Room. Present were President Coleman and Regents Darlow, Deitch, Ilitch, Maynard, Newman, Richner, Taylor, and White. Also present were Vice President and Secretary Churchill, Vice President Forrest, Provost Hanlon, Vice President Harper, Chancellor Little, Vice President May, Chancellor Person, Vice President Rudgers, Vice President Scarnecchia, and Vice President Wilbanks. Executive Vice President Slottow was absent.

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She announced that University alumna Jesmyn Ward had just received the National Book Award for fiction, for her book, *Salvage the Bones*. She also congratulated Executive Vice President Pescovitz for being elected to the Institute of Medicine. President Coleman also reported on the newly formed Michigan Corporate Relations Network, in which 6 universities, including the Ann Arbor and Dearborn campuses, have come together to connect university resources with businesses from throughout the state. She concluded by noting the death in October 2011 of Regent Emeritus Deane Baker.

Statement by Regent Ilitch

Regent Ilitch made the following statement on behalf of the Board of Regents: *"The regents wholeheartedly support President Coleman's recent statement regarding Penn State. Over the coming months, we intend to use this tragic situation as a catalyst for a thoughtful reexamination of our institutional values, our culture, and our priorities."*

Presentation: “Expect Respect” Public Service Announcements

Vice President Harper introduced four students: Josh Buoy, Chris Duncan, Stephanie Hamel, and Rodney Hyduk, whose company, Filmic Productions, had been hired to produce four public service announcements focusing on the “Expect Respect” theme. The students discussed the process of producing the films and screened each one.

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

Professor Kate Barald, chair of SACUA, delivered the committee’s annual report, urging the regents to avail themselves of the vast repository of expertise and knowledge possessed by the faculty.

Committee Reports

Finance, Audit and Investment Committee. Regent White, chair of the Finance, Audit and Investment Committee, reported that the committee, consisting of her and Regents Maynard and Richner, had met that afternoon. The first agenda item, University Unions internal audit follow up, was discussed with Vice President Harper, Associate Vice President Miranda, Associate Vice Presidents Ruhlman and Anturkar, and Brent Haase, internal controls compliance manager. The second topic, internal control certification letters, was reviewed with Mr. Haase and Associate Vice President Miranda. The final item, an update of the Athletic Department five-year strategic operating/capital plan, was discussed with Athletic Director David Brandon and Assistant Athletic Director Jim Balgooyen.

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 Provost Hanlon on a number of various faculty-related issues. The committee also met with Martin Philbert, dean of the School of Public Health. Regent Taylor

reported that this school is a national leader on a number of measures of quality, and the committee would like to have Dean Philbert report on the school at a formal board meeting. The final agenda item was a discussion with Kate Barald, chair of SACUA, about that body's annual report.

Health Affairs Committee. Regent Darlow, chair of the Health Affairs Committee, reported that Regents Deitch and Newman had joined her at the meeting, along with Executive Vice President Pescovitz, Health System CEO Doug Strong, and Medical School dean Woolliscroft. Agenda items included a discussion of the committee calendar and future agenda topics, including joint meetings with the Finance, Audit and Investment Committee, an update from Dr. Pescovitz, and a review of various strategic items under consideration.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of October 13, 2011.

Reports. The Investment Report, Plant Extension Report, and University Human Resources Reports were submitted on behalf of Executive Vice President Slottow.

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, July 1, 2011 – October 31, 2011.

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

Division of Student Affairs. Vice President Harper noted that two residence hall renewal projects were on today's agenda: Vera B. Baits Houses II, and East Quadrangle. She

reported that the closure of these two halls would not create an overall shortage of beds in 2012-2013, and all first-year students who desire to live in on-campus housing would be accommodated. She noted that East Quad houses 850 students, the Residential College, and the Michigan Community Scholars Program, and the schematic design for its renovation was being presented that day.

Vice President Harper observed that officials have been working hard to enhance the vibrancy and appeal of North Campus. The proposed renewal of Vera B. Baits II will improve and enhance the infrastructure and the community living spaces. She noted that the Baits II renewal is even more important in light of the decision to discontinue the use of Baits I as a housing facility. The East Quad and Baits II projects are both included in the Residential Life Initiative.

Regent Newman commented that she would like to see a longer-term strategic plan for the entire housing system, including all current residence halls and quality of life components such as recreation centers. She said she does not think the University is devoting enough “attention to or solutions for student life, whether it’s a freshman or a married couple, with or without children.” She pointed out that it is important to our competitive position to address these issues.

Vice President Harper said she agreed with Regent Newman’s concerns, and that there are plans to bring forward a proposed housing plan that will address these issues, including residential life, recreational sports, and other issues related to student life. Regent Newman noted that because there are no specific funding streams directed to residential life areas, it does not receive enough attention. Thus, as a board member, she believes it is important to call attention to these areas.

In response to a question from Regent Richner about how next year's housing needs would be addressed, Vice President Harper noted that Northwood III would be upgraded and the first year living/learning experience that is already a part of Northwood I and II would be expanded to Northwood III. In addition, Alice Lloyd would be coming back on line. Officials are working with the Residence Hall Association to determine how to accommodate the remaining 300 students for whom spaces have not yet been identified.

Regent Deitch noted that while the University does the best it can with the existing residence hall stock, it really needs to focus on building more facilities that are of a caliber equal to that of North Quad. He urged consideration of public/private partnerships to accomplish this.

A discussion then followed about the perception of North Campus as an undesirable location in which to live. Vice President Harper pointed out that the main challenge for students living on North Campus is being able to go back and forth to Central Campus in a reasonable amount of time. The pros and cons of housing students on North Campus whose classes are mostly held there was discussed. It was noted that many classes taken by students in schools housed on North Campus are LS&A classes held on main campus, and that consideration should be given to moving more LS&A classes to North Campus. Regent White pointed out that many students enrolled in colleges housed on North Campus, such as those in the College of Engineering, might not find it desirable to stay on North Campus for most of their classes.

Vice President Harper and President Coleman thanked the board for expressing their concerns about improving the student residential and social experience. It was agreed that these issues, including housing, transportation, meal service, and other areas important to student life, would be brought back for discussion.

University of Michigan-Dearborn. Chancellor Little commented on how pleased he was that the Dearborn campus is part of the Michigan Corporate Relations Network. He reported on the visit to campus by Tawakkul Karmen, a Nobel-Prize-winning Yemeni human rights activist, who spoke to a large audience of campus and community members, and reported about the “E-Cities” conference held on campus.

University of Michigan-Flint. Chancellor Person reported that the campus has been undergoing a master planning process that is expected to be completed early in the new year.

Michigan Student Assembly Report. Mr. DeAndree Watson, president of the Michigan Student Assembly, updated the regents on recent activities of MSA.

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

Personnel Actions/Personnel Reports. Provost Hanlon called attention to the request by him and Executive Vice President Pescovitz to reappoint Dr. James Woolliscroft for a second term as dean of the Medical School. He also submitted a number of personnel actions and personnel reports.

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

Memorials. Vice President Churchill submitted memorials for two faculty members.

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

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

Report of University Internal Audits, July – September 2011

The regents received the report of the Office of University Audits activities for the period July – September 2011.

Public Equity

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved PS Opportunities Offshore Ltd. as an emerging and frontier markets equity specialist, with an initial commitment of \$25 million from the Long Term Portfolio

Vera B. Baits Houses II Renewal

On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved the Vera B. Baits Houses II Renewal Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

East Quadrangle Renovation

Vice President Harper introduced Chuck Lewis, principal, Integrated Design Solutions LLC, to present the schematic design for the East Quadrangle Renovation Project. Mr. Lewis noted that the key improvements are focused on infrastructure updates, including new plumbing, ventilation, fire alarms, fire suppression, electrical distribution, lighting, building security, roofing, exterior restoration, additional insulation, and finishes in the public and residential areas. Dining operations will also be upgraded. He displayed proposed schematic designs for each floor, noting that the bed count of 860 will be maintained. He displayed photographs and renderings illustrating how mechanical infrastructure improvements will be incorporated into the existing roofs. He said that the design for improvements to the theatre addition will blend with the existing design. On a motion by Regent White, seconded by Regent Maynard, the regents

unanimously approved the schematic design for the East Quadrangle Renovation Project as presented at the meeting.

Conflict of Interest Items

President Coleman announced that the agenda includes 8 conflict of interest items. Each of these items requires 6 votes for approval. On a motion by Regent White, seconded by Regent Taylor, the regents unanimously approved the following 8 items:

Lease Agreement and Relationship Agreement with Silicium Energy Inc.

The regents approved a lease agreement with Silicium Energy Inc. for space in the North Campus Research Complex start-up accelerator, located at 1600 Huron Parkway, 2nd floor, Ann Arbor, and a relationship agreement defining the relationship between the University of Michigan and Silicium Energy Inc. at the accelerator. Because Akram Boukai, a University of Michigan employee, also has 19 percent ownership of Silicium Energy, 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 Silicium Energy Inc..
2. The service to be provided is the lease of modular laboratory and office space in the North Campus Research Complex start-up accelerator on the second floor of Building 520, located at 1600 Huron Parkway, Ann Arbor, Michigan, for twelve months. The lease will begin in late fall 2011 and will use the standard University of Michigan accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 4); \$65 per month for each cubicle (maximum of 4); and \$2,150 per month for each half bay of laboratory space (maximum of 2). Silicium Energy Inc. will be responsible for providing monthly updates concerning its business progress to the University of Michigan Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.
3. The pecuniary interest arises from the fact that Akram Boukai, a University of Michigan employee, holds 19 percent ownership of Silicium Energy Inc.

Lease Agreement and Relationship Agreement with Arborlight LLC

The regents approved a lease agreement with Arborlight LLC for space in the North Campus Research Complex start-up accelerator, located at 1600 Huron Parkway, 2nd floor, Ann Arbor, and a relationship agreement defining the relationship between the University of Michigan and Arborlight LLC at the accelerator. Because Pei-Cheng Ku and Max Shtein, University of Michigan employees, each own 47 percent 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 involved in the agreement are the Regents of the University of Michigan and Arborlight LLC.
2. The service to be provided is the lease of modular laboratory and office space in the North Campus Research Complex start-up accelerator on the second floor of Building 520, located at 1600 Huron Parkway, Ann Arbor, Michigan, for one year. The lease will begin in late 2011 and will use the standard University of Michigan accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 4); \$65 per month for each cubicle (maximum of 4); and \$2,150 per month for each half bay of laboratory space (maximum of 2). Arborlight LLC will be responsible for providing monthly updates concerning its business progress to the University of Michigan Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.
3. The pecuniary interest arises from the fact that Pei-Cheng Ku and Max Shtein, University of Michigan employees, each hold 47 percent ownership of Arborlight LLC.

Lease Agreement and Relationship Agreement with Possibilities for Change LLC

The regents approved a lease agreement with Possibilities for Change LLC for space in the North Campus Research Complex start-up accelerator, located at 1600 Huron Parkway, 2nd floor, Ann Arbor, and a relationship agreement defining the relationship between the University of Michigan and Possibilities for Change LLC at the accelerator. Because Jennifer Salerno, a University of Michigan employee, is also sole owner of Possibilities for Change 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 involved in the agreement are the Regents of the University of Michigan and Possibilities for Change LLC.
2. The service to be provided is the lease of modular laboratory and office space in the North Campus Research Complex start-up accelerator on the second floor of Building 520, located at 1600 Huron Parkway, Ann Arbor, Michigan, for one year. The lease will begin in late fall 2011 and will use the standard University of Michigan accelerator lease template. Tenant will pay the standard accelerator rates of: \$200 per month for each office (maximum of 4); \$65 per month for each cubicle (maximum of 4); and \$2,150 per month for each half bay of laboratory space (maximum of 2). Possibilities for Change LLC will be responsible for providing monthly updates concerning its business progress to the University of Michigan Office of Technology Transfer, and will have access to Office of Technology Transfer personnel for advice concerning obtaining technology assessment, business consulting, technical assistance, capital raising, or other business services.
3. The pecuniary interest arises from the fact that Jennifer Salerno, a University of Michigan employee, is sole owner of Possibilities for change LLC.

Authorization to Enter into a Promotional Event with The Ark

The regents approved a collaboration between the University of Michigan Unions Arts and Programs and The Ark for a one-time concert performance by Vienna Teng at the Power Center for the Performing Arts. Because Kathryn Huss, a University of Michigan employee, is also a volunteer and unpaid chair of the Board of Directors of The Ark, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties involved in the agreement are the Regents of the University of Michigan and its University Union Arts and Programs and The Ark.
2. The request is to enter into a joint venture with The Ark to co-produce the concert at the Power Center for the Performing Arts. All expenses and revenues to be split 50/50. The revenues totaled \$22,2000 and expenses totaled \$20,058.24, which resulted in a net revenue to the University of \$1,070.88.
3. The pecuniary interest arises from the fact that Kathryn Huss, a University of Michigan employee, is a volunteer and unpaid chair of the Board of Directors of The Ark.

Option Agreement between the University of Michigan and ImBio, LLC

The regents approved an option agreement with ImBio, LLC (“Company”) to allow the company to option from the University of Michigan the University’s rights associated with the following technologies: UM OTT File No. 4225, “Peptides Targeting Neoplastic Barrett’s Esophagus” and UM OTT File No. 4803, “Peptides Targeting Dyplastic Colonic Mucosa.” Because Brian Ross and Al Rehemtulla, University of Michigan employees, are also principal owners of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. The parties to the contract are the Regents of the University of Michigan and ImBio, LLC.
2. Agreement terms include granting the Company an option to negotiate 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. Ross and Rehemtulla arise from their ownership interest in the ImBio, LLC.

Amendment to License Agreement between the University of Michigan and NeuroNexus Technologies, Inc.

The regents approved an amendment to a license agreement with NeuroNexus Technologies, Inc. (“Company”) which will allow the Company to add the following technology into its existing license: UM OTT File No. 3298, “Polymer-based neural probes for extended recording lifetime.” Because Daryl Kipke, a University of Michigan employee, is also partial owner, president, CEO and member of the board of directors of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and NeuroNexus Technologies, Inc.
2. Agreement terms include granting the Company an exclusive license, adding the above-referenced file, with the right to grant sublicenses. The Company will pay a royalty on sales, reimburse patent costs, and pay a license fee. 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. Kipke arise from his ownership interest in NeuroNexus Technologies, Inc.

Option Agreement between the University of Michigan and RiskWatch LLC

The regents approved an option agreement with RiskWatch LLC (“Company”) which will allow the Company to option from the University of Michigan the University’s rights associated with the following technologies: UM File No. 3498, “Intensive Care Unit Manager,” and UM OTT File No. 4513, “RiskWatch – Real-Time Visual Alert Display for Use During Anesthesia or Critical Care.” Because Kevin Tremper, a University of Michigan employee, is also partial owner of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and RiskWatch LLC.
2. Agreement terms include granting the Company an option to obtain an exclusive license with the right to grant sublicenses. The Company will pay an option fee and reimburse patent costs. The University will retain ownership of the optioned technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the agreement may be amended by consent of the parties, such as adding related technology. University procedures for approval of these changes will be followed and additional conflict of interest review will be done as appropriate.
3. The pecuniary interests of Dr. Tremper arise from his ownership interest in RiskWatch LLC.

Option Agreement between the University of Michigan and Silicium Energy

The regents approved an option agreement with Silicium Energy (“Company”) which will allow the Company to option from the University of Michigan the University’s rights associated with the following technologies: UM File No. 5066, “Silicon Based Thermoelectric Devices Using Block Copolymer Nanolithography.” Because Akram Boukai, a University of Michigan employee, is also partial owner of the Company, this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and Silicium Energy.
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 during the term of the option. 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. Boukai arise from his ownership interest in Silicium Energy.

Fiscal Year 2013 Budget Development, Ann Arbor Campus

Provost Hanlon submitted the response of the Ann Arbor campus to a request from the State Budget Office regarding the 2013 budget development process. He noted that the request emphasizes the University’s unwavering effort to cut costs, and the campus’s continuing efforts to generate entrepreneurial activity on campus and stimulate growth of the regional economy, and responds to the state’s request for input on how to structure formula funding for universities, which is a change that the state is considering.

A discussion followed about proposed changes in the state's funding mechanism for higher education, through which higher education would be funded from the "school aid" fund that also provides funding for K-12 education and community colleges. Regent Taylor also expressed concern about the proposal to establish a performance funding formula for allocating funding for higher education. Vice President Wilbanks reviewed the recent history and current status of higher education funding and noted that the University has expressed concern to the legislature about these issues. Provost Hanlon agreed that because of the varying missions of the state's public higher education institutions, formula funding "becomes very difficult to imagine, and we bring up some of these points in our request."

Vice President Wilbanks observed that one of the challenges of formula funding is that consistency and predictability that institutions rely on in planning their budgets become very problematic in the formula funding approach to the appropriations process. Regent Richner also expressed concern about the University's maintaining its AAA bond rating if the funding process were to become inconsistent and unreliable. President Coleman pointed out that University officials have gone to great lengths to express their concerns about this issue to legislators, budget officials, and the governor, especially in light of the fact that funding has decreased by 30% in real terms during the past ten years.

Regent Taylor pointed out that the response to the state budget office does not express the University's concerns about the possible change to a formula funding mechanism. He urged the provost, president, and chancellors to consider adding language that would add such language to the request.

Regent Ilitch moved approval of the Fiscal Year 2013 Ann Arbor campus budget development letter to the state budget director. Regent White seconded the motion, with the

caveat that language be added to the letter expressing the concerns about formula funding that have been expressed during this discussion. The vote was then taken, and the motion as restated by Regent White was approved.

Fiscal Year 2013 Budget Development, Dearborn Campus

Chancellor Little commented that the Dearborn campus's letter expresses specific concerns about formula funding proposals and offers alternative methodology. On a motion by Regent White, seconded by Regent Ilitch, the regents unanimously approved the proposed Fiscal Year 2013 budget development letter for the Dearborn campus, with language to be added expressing the concerns about a formula funding that have been expressed during the meeting discussion.

Fiscal Year 2013 Budget Development, Flint Campus

Chancellor Person observed that formula funding would also put the Flint campus at a disadvantage. On a motion by Regent Darlow, seconded by Regent Newman, the regents unanimously approved the proposed Fiscal Year 2013 budget development letter for the Flint campus, with language to be added expressing the concerns about a formula funding that have been expressed during the meeting discussion.

Public Comments

The regents heard comments from the following individuals, on the topics indicated: Douglas Smith, alumnus, on sexual harassment by student athletes; Stephen Raiman, student and founder of Students Against GSRA Unionization, on GSRA unionization; and Courtney Mercier, student and founder of Michigan Student-Athletes for Sustainability, on sustainability in the Athletic Department.

Adjournment

There being no further business, the meeting was adjourned at 4:40 p.m. The next meeting will take place December 15, 2011.