

OCTOBER MEETING, 2011

*The University of Michigan
Ann Arbor
October 13, 2011*

The regents met at 2:00 p.m. on the campus of the University of Michigan-Flint. Present were President Coleman and Regents Darlow, 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 Scarnecchia, Executive Vice President Slottow, and Vice President Wilbanks. Regents Deitch and Ilitch, and Vice President Rudgers, were absent.

Call to Order and President's Opening Remarks

President Coleman called the meeting to order. She thanked Chancellor Person and Flint faculty, staff, and students for hosting the meeting, and for their deep commitment to Flint and Genesee County. President Coleman also reiterated some new initiatives that had been announced since the last board meeting, including new sustainability goals, the "MINTS" (Michigan Investing in New Technology Startups) program, and the Third Century Initiative. President Coleman also recognized three faculty members who had recently received MacArthur Foundation fellowships: Tiya Miles, Melanie Sanford, and Yukiko Yamashita.

Presentation: "Celebrating Civic Engagement at the University of Michigan-Flint"

President Coleman introduced Chancellor Ruth Person, who presented a video underscoring why the campus was selected by the Carnegie Foundation for the Advancement of Teaching for its 2010 Community Engagement Classification.

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 morning with Executive Vice President Slottow. President Coleman was also present. The committee first met with Chief Investment Officer Erik Lundberg to review the FY 2011 Annual Report on Investment Performance. Carol Senneff, executive director of University Audits, and Associate Vice President Rowan Miranda were also present.

Regent White gave an overview of the 2011 investment report. As proof that the establishment of the investment office in 1999 has paid off, she noted that for the year ending June 30, 2011, the University's long term investment portfolio had returns of 24.3%, outpacing the benchmark by 3%. Annualized over 10 years, the return yielded 9.2%, which is 3% above the benchmark and in the top quartile of investment returns among other university endowments. As of June 30, 2011, the endowment was valued at \$7.8 billion, among the highest of all college and university endowments and up from \$6.6 billion in FY 2010. She pointed out that over the past five years, the endowment has generated over \$1.2 billion in support of University operations, with \$266 million in distributions in FY 2011. Regent White recognized Mr. Lundberg and his team for their extraordinary work, along with University Treasurer Greg Tewksbury, Controller Cheryl Soper, and Tax Director Ed Jennings.

The committee also discussed the debt program, with Associate Vice President Miranda, Treasurer Tewksbury, and Assistant University Treasurer Milagros Dougan, and received a bi-monthly update from Carol Senneff, executive director of University Audits.

Personnel, Compensation and Governance Committee. Regent Taylor, chair of the Personnel, Compensation and Governance Committee, reported that he and Regent Ilitch had

met with Provost Hanlon, who presented an update on dean and major director reviews and searches and a report on faculty recruitment and retention on the Ann Arbor campus. Chancellor Person and Flint Provost Gerard Volland reported on faculty recruitment and retention on the Flint campus. The committee also was briefed by Vice President Scarnecchia and her associate, Fiona Linn, on a proposed policy on institutional conflicts of interest.

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, Medical School dean Woolliscroft, and Pat Warner, executive directive of C.S. Mott Children's Hospital and Von Voigtlander Women's Hospitals. The committee received a report on the C.S. Mott Children's Hospital and Von Voigtlander Women's Hospitals, along with an update on Hospitals and Health Centers Executive Board proceedings and on ongoing matters from Executive Vice President Pescovitz.

President Coleman then turned to the consent agenda.

Consent Agenda

Minutes. Vice President Churchill submitted for approval the minutes of the meeting of September 15, 2011.

Reports. Executive Vice President Slottow submitted the Investment Report, Plant Extension Report, the University Human Resources Report, and the Regents Report on Non-Competitive Purchases over \$5,000 from Single Sources, June 16, 2011 through September 15, 2011.

Litigation Report. Vice President Scarnecchia submitted the Litigation Report.

Research Report. Vice President Forrest submitted the Report of Awards Established, July 1, 2011 – September 30, 2011.

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

Division of Student Affairs. There was no additional report regarding the Division of Student Affairs.

University of Michigan-Flint. Chancellor Person welcomed the board on behalf of the Flint campus. President Coleman thanked Chancellor Person for the outstanding hospitality shown by the Flint community.

University of Michigan-Dearborn. Chancellor Little reported that the College of Engineering and Computer Science had received a \$1 million grant from the Department of Energy. He also noted that the campus has established an honors program for transfer students, the “Transfer Innovators Program.”

Michigan Student Assembly Report. Mr. DeAndree Watson, president of the Michigan Student Assembly, updated the regents on recent activities of MSA. Mr. Felipe Andrez, president of the UM-Flint student government, gave a report of student government activities on the Flint campus.

Voluntary Support. Vice President May submitted the report of voluntary support for September 2011. He commented on a recent gift from Sandy Robertson, a member of the Investment Advisory Committee, to establish a scholarship in the School of Music, Theatre & Dance.

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

Retirement Memoirs. Vice President Churchill submitted memoirs for 5 retiring faculty members.

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

Degrees. President Coleman submitted recommendations for the following individuals to receive honorary degrees: Jill Abramson, executive editor, *The New York Times*, *Doctor of Humane Letters*; Leslie Benet, biopharmaceutical scientist, *Doctor of Science*; Nancy Cantor, chancellor, Syracuse University, *Doctor of Laws*; and Robert Putnam, political scientist and professor, Harvard University, *Doctor of Science*.

Provost Hanlon submitted final degree lists for the August 2011 commencements, and changes to previously approved degree lists.

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

Alternative Asset Commitments

Executive Vice President Slottow informed the regents of the following follow-on investments that had been made to previously-approved partnerships: \$10 million to The Värde Fund X, L.P.; \$15 million to Thackeray Partners Realty Fund III, L.P.; \$6.0 million to Accel XI, L.P.; and \$10.0 million to Accel Growth Fund II, L.P.

Alternative Asset Commitment

On a motion by Regent White, seconded by Regent Newman, the regents approved commitment of \$35 million from the Long Term Portfolio to Related Real Estate Recovery Fund, L.P.

University of Michigan Financial Statements for the Year Ended June 30, 2011

Executive Vice President Slottow thanked Cheryl Soper, University Controller, and Rick Stover, senior partner of PricewaterhouseCoopers (PWC), for their efforts in overseeing the process of compiling the auditing the financial statements. He noted that PWC had issued a clean audit opinion. On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved adoption of the University of Michigan financial statements for the year ended June 30, 2011.

Central Power Plant Distributed Control System Upgrades

On a motion by Regent Richner, seconded by Regent Taylor, the regents unanimously approved the Central Power Plant Distributed Control System Upgrades 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-Flint Northbank Center Elevator Replacement

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the University of Michigan-Flint Northbank Center Elevator Replacement Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Yost Ice Arena Seating Replacement and Fan Amenities Improvement

Executive Vice President Slottow introduced Matt Rossetti, president of Rossetti Architecture Inc., to present the proposed schematic design for this project. Mr. Rossetti noted that the enhancement of Yost Ice Arena involves exterior window replacement, improvement of fan amenities, including seating replacement, accessibility and circulation improvements, and updating of the infrastructure. He displayed renderings of the interior and exterior to illustrate

the proposed improvements. It was noted that the project will be completed in fall of 2012, prior to the start of the hockey season.

On a motion by Regent Maynard, seconded by Regent White, the regents unanimously approved the schematic design for the Yost Ice Arena Seating Replacement and Fan Amenities Improvement Project as presented at the meeting, and authorized issuing contracts for early procurement packages provided those bids are within the approved budget.

University of Michigan Hospitals and Health Centers C.S. Mott Children's and Von Voigtlander Women's Hospitals Cardiac Catheterization Laboratory

On a motion by Regent White, seconded by Regent Maynard, the regents unanimously approved the University of Michigan Hospitals and Health Centers C.S. Mott Children's and Von Voigtlander Women's Hospitals Cardiac Catheterization Laboratory Project as described, authorized commissioning the architectural firm of Fishbeck, Thompson, Carr & Huber Inc. for its design, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

910 Maiden Lane, Ann Arbor, Michigan

On a motion by Regent White, seconded by Regent Newman, the regents unanimously approved acquisition of the property at 910 Maiden Lane, Ann Arbor, Michigan, at the negotiated price of \$75,000, subject to the University satisfying itself with the environmental condition of the site and otherwise completing due diligence.

University of Michigan Hospitals and Health Centers Domino's Farms Leasehold Improvements for Sleep Disorders Center

On a motion by Regent White, seconded by Regent Richner, the regents unanimously approved the University of Michigan Hospitals and Health Centers Domino's Farms Leasehold Improvements for Sleep Disorders Center Project as described.

Conflict of Interest Items

President Coleman announced that the agenda includes 7 conflict of interest items. Each of these items requires 6 votes for approval. On a motion by Regent Newman, seconded by Regent White, the regents unanimously approved the following 7 items:

Lease Agreement and Relationship Agreement with CSquared Innovations LLC

The regents approved a lease agreement with CSquared Innovations 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 CSquared Innovations LLC at the accelerator. Because Pravansu Mohanty, a University of Michigan employee, is also the owner of an equity interest in CSquared Innovations, 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 CSquared Innovations 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 twelve months. 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 2); \$65 per month for each cubicle (maximum of 2); and \$2,150 per month for each half bay of laboratory space (maximum of 1). CSquared Innovations 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 Pravansu Mohanty, a University of Michigan employee, is the owner of an equity interest in CSquared Innovations LLC.

Lease Agreement and Relationship Agreement with Diapan Therapeutics

The regents approved a lease agreement with Diapan Therapeutics 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 Diapan Therapeutics at the accelerator. Because Yuqing Chen, a University of Michigan employee, is also the owner of an equity interest in Diapan Therapeutics, 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 Diapan Therapeutics.
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 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). Diapan Therapeutics 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 Yuqing Chen, a University of Michigan employee, is the owner of an equity interest in Diapan Therapeutics.

Lease Agreement and Relationship Agreement with Tissue Regeneration Systems Inc.

The regents approved a lease agreement with Tissue Regeneration Systems 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 Tissue Regeneration Systems Inc. at the accelerator. Because Stephen Feinberg, Scott Hollister, and Frank La Marca, University of Michigan employees, are also partial owners of Tissue Regeneration Systems Inc., 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 Tissue Regeneration Systems 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 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). Tissue Regeneration Systems 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 Stephen Feinberg, Scott Hollister, and Frank La Marca, University of Michigan employees, are also owners of an equity interest in Tissue Regeneration Systems Inc.

Lease Agreement and Relationship Agreement with SenSigma LLC

The regents approved a lease agreement with SenSigma 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 SenSigma LLC at the accelerator. Because Jyotirmoy Mazumder and Lijun Song, University of Michigan employees, are also partial owners of SenSigma 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 SenSigma 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 twelve months. 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), and \$65 per month for each cubicle (maximum of 4). SenSigma 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 Jyotirmoy Mazumder and Lijun Song, University of Michigan employees, are partial owners of SenSigma LLC.

Purchase of Services from Holbrook Design

The regents approved purchase of services from Holbrook Design to design, develop, and produce the 2011-2012 Quality Improvement for Complex Chronic Conditions (QUICCC) Annual Report. Because Latisha Holbrook, a University of Michigan employee, is also the owner of Holbrook Design, 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 contract are the Regents of the University of Michigan, UMHS Department of General Medicine, Internal Medicine and Holbrook Design.
2. The agreement is to purchase services to design, develop and produce the 2011-2012 QUICCC Annual Report totaling \$1,896.
3. The pecuniary interest arises from the fact that Latisha Holbrook, a University of Michigan employee, is also owner of Holbrook Design.

Master Subrecipient Research Agreement between the University of Michigan and Arbor Research Collaborative for Health

The regents approved a master subrecipient research agreement with Arbor Research Collaborative for Health (“ARBOR”) which will allow the University to support research projects and use facilities of the University for projects that will be described from time to time related to its mission. The roles of the University employees in each project will be described in a project statement and approved conflict of interest management plans. Because Dr. Robert Merion and Dr. Robert Wolfe, University of Michigan employees, are also president and member of the board of directors of ARBOR (Merion) and vice president of biostatistics at ARBOR (Wolfe), this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the Regents of the University of Michigan and Arbor Research Collaborative for Health.
2. The University will enter a Master Agreement with the Company that will cover standard procedures for performance of projects as well as provisions implementing University and federal policies related to intellectual property and publication. The Master Agreement will cover an initial five-year period (9/1/2011-8/31/2016) with a total authorization not to exceed \$5,000,000. The University will use standard

sponsored project accounting procedures to determine the cost of each project. Budgets will be reviewed and approved by authorized representatives of each department and school/college where projects are to be performed. The Master Agreement will allow the University and the Company to specify projects that the University will conduct under terms of the master agreement. Since sponsored projects are often amended, the Master Agreement includes provisions for changes in time, amount, and scope of each supported project. University procedures for approval of each project will be followed and additional conflict of interest review will be done as appropriate on a project-by-project basis.

3. Dr. Merion and Dr. Wolfe have no pecuniary interest in this master agreement.

Reassignment of Patent Rights to Eugene Daneshvar

The regents approved an agreement to reassign the patent rights for the invention “Pivot Probe” (UM OTT File No. 4204) to its co-inventor, Eugene Daneshvar. Because Eugene Daneshvar 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 Eugene Daneshvar.
2. Agreement terms include granting to Eugene Daneshvar the University of Michigan’s entire right, title and interest to Patent Rights. All patent costs will be paid for by Eugene Daneshvar and the University will receive a percentage of any payments received by Eugene Daneshvar in conjunction with licensing or commercial development of the 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, 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 Eugene Daneshvar arise from his ownership interest in the Patent Rights.

Henry Russel Awards for 2012

President Coleman informed the regents that the following faculty members have been selected to receive Henry Russel Awards for 2012: Lada Adamic, associate professor of information and assistant professor of electrical engineering and computer science; Aaron Pierce,

associate professor of physics; and Haoxing Xu, assistant professor of molecular, cellular and developmental biology.

Henry Russel Lecturer for 2012

President Coleman informed the regents that the recipient of the 2012 Henry Russel Lectureship is Rebecca J. Scott, Arthur F. Thurnau Professor, Charles Gibson Distinguished University Professor of History, professor of history, and professor of law.

Clements Library Associates Board of Governors

On a motion by Regent White, seconded by Regent Taylor, the regents approved a revised authorization document for the Clements Library Associates Board of Governors that will increase the term length of active members from one year to three years. The revised authorization follows:

Clements Library Associates Authorization Document

Membership: Membership in the Clements Library Associates shall be extended to persons who indicate their interest in the purposes of the organization by making such annual contribution as shall be determined by the Board of Governors.

Board of Governors: The direction of the Clements Library Associates shall be entrusted to a Board of Governors consisting of the director of the Clements Library, *ex officio*, or his designated representative; two members of the Committee of Management, and such additional members from the general membership of the Associates not exceeding fifty, as the Regents may from time to time fix on the recommendation of the President after suggestions from the Board of Governors. The members of the Board of Governors shall serve for ~~one year~~ three years, from October 1 to September 30. They shall elect a chair and such other officers as needed from their membership. The Regents may also appoint, upon suggestions by the Board of Governors and recommendation by the President, any number of honorary members of the Board.

Funds: Funds contributed to the University of Michigan through the Clements Library Associates for the purpose of the Associates shall, unless otherwise specified by the donor, be placed in a trust fund to be designated the Clements Library Associates Fund. The Clements Library Associates fund shall be expended at the direction of the Board of Governors.

Revision of 2011-2012 UM-Flint Academic Calendar

On a motion by Regent White, seconded by Regent Taylor, the regents unanimously approved changing the date of the 2012 Flint Campus spring commencement from Sunday, May 6, 2012 to Sunday, April 29, 2012.

Public Comments

No individuals had requested to speak at the public comments session.

Adjournment

There being no further business, the meeting was adjourned at 3:00 p.m. The next meeting will take place November 17, 2011.