

JANUARY MEETING, 2003

*The University of Michigan
Ann Arbor
Thursday, January 16, 2003*

The Regents convened at 2:35 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, Taylor, and White. Also present were Provost Courant, Interim Executive Vice President Greenfield, Vice President Harper, Chancellor Little, Chancellor Mestas, Vice President Rudgers, Interim Chief Financial Officer Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Vice President and General Counsel Krislov was absent.

Announcements from President Coleman

President Coleman called the meeting to order. She introduced newly-elected Regent Andrew Richner, who is attending his first Regents' Meeting, and welcomed him to the Board.

President Coleman then read the following statement in response to comments made by President Bush on January 15, 2003, regarding the lawsuits against the University's admissions policies.

Response to White House Statement of January 15, 2003

On behalf of the University, I want to talk for a few minutes about the admissions lawsuits and yesterday's news that the White House will file a brief in opposition.

First, I was happy to hear the President strongly support the importance of diversity in America's colleges and universities.

He recognized that racial prejudice is a reality in America.

Race still matters.

He said, and we know this to be true from our research, that the values of respect, understanding and goodwill are strengthened when students live and learn from people from many backgrounds.

And we agree wholeheartedly that universities have a responsibility to seek out diversity and consider a broad range of factors in admissions, including a student's potential and life experiences.

In fact, we do just that in our admissions policies. We consider the whole student. Our admissions policies here at the University of Michigan look at a broad range of factors and a student's entire background.

And let's set the record straight: We do not have — nor have we ever had — quotas or numerical targets in either the undergraduate or the law school admissions system. By far the overwhelming consideration is academic qualification.

Here's important data to share about our undergraduate selection index and its point system. 110 points out of a possible 150 are given for academic factors including grades, test scores and the strength of the high school curriculum. It is true that a perfect SAT score yields just 12 points in that system. That is because we feel the GPA is a much better indicator of a student's potential and performance than standardized tests. A perfect GPA yields 80 points on its own.

Grades matter.

Every student we admit is qualified and prepared to do the work.

We consider many other factors in addition to academics, including race. Geographic diversity is important, too; so if you come from Michigan's upper peninsula you earn 16 points. A student who is socioeconomically disadvantaged earns 20 points. We look at leadership, at service and extra-curricular activities, at life experiences, among others. Overall, we strive for a student body that is richly diverse in many ways because it enriches each student's learning environment.

In making decisions at the Law School, we also carefully review individual experiences and interests in a highly competitive process. Every applicant competes fairly for every seat. There are no numerical targets, and the actual enrollment of underrepresented minorities at the Law School over the past 10 years has ranged from 12.5 to 20 percent. (Our enrollment of students from California has ranged from 11 to 15 percent during that same time; but I don't imagine anyone would think we had a numerical target for Californians!)

Also, I want to talk a bit about the percentage plans now in place in a couple of states. They are not a panacea, and I firmly believe they would not work at all here at Michigan and for most other highly selective universities across the country. These programs have hardly been an unqualified success. In fact, yesterday I read an Associated Press story citing that minority enrollment at the University of Texas flagship Austin campus is still lower than it was before the court barred consideration of race. And the most selective graduate schools seem to be particularly hard hit.

For Michigan it would be especially problematic. We are an individual institution, not part of a system, and we simply wouldn't be able to guarantee admission to a certain percentage of students from every high school in the State. We have over 25,000 applications for about 5,000 seats.

In Texas, this sort of plan might work to some degree for undergraduate schools because it is a system and because many K-12 schools in Texas are racially segregated. So, admitting the top ten percent guarantees some number of minority students. But if the nation's goal is to end segregation as identified in *Brown v. Board of Education*, how can we be in the business of relying on it for college diversity?

Also, the percent plans select high school students solely on the basis of their high school grades — not on their leadership abilities, activities, teacher recommendations, nothing. It is a one-dimensional approach that fails to see students as whole people. It doesn't allow for an evaluation of their full capabilities or their potential contributions.

Finally, I want to underscore just how critical this Supreme Court review is — not just for Michigan but for all of higher education. Although critics of affirmative action have painted Michigan's admissions processes as extreme over these past few years, in fact ours is a moderate approach, carefully considered under the guidelines of the 1978 *Bakke* decision. Our policies are similar to most other selective colleges and universities across the country — public and private.

Bakke said that universities could not use quotas but could consider race as one of many factors in order to achieve real diversity. And in fact, we conform to that decision. The Sixth Circuit, in our law school case, said Michigan's admissions policy is indistinguishable from the Harvard plan that the court held up as the model to follow.

So the Supreme Court decision from our cases has the potential to affect all of higher education — in everything from admissions policies to financial aid to mentoring and enrichment programs. As the Justices review the Bakke decision, the Court will determine whether or not colleges and universities can take any consideration of race into account when recruiting and nurturing its student body.

I believe *Bakke* is good law. It has formed the basis for governmental guidelines that higher education has relied on over these years. It has been implemented fairly and effectively since 1978; and it has worked to create real diversity in our classrooms and on our campuses.

We look forward to filing our briefs with the Supreme Court in February. We will be joined by institutions representing a broad spectrum of American society as they file “friend of the court” briefs articulating the value of diversity in education, religious and corporate environments, among others.

The debate will be important and robust, and in the end, we believe the Supreme Court will find our admissions policies to be fair and legal under the Constitution of the United States of America.

President’s Opening Remarks

President Coleman highlighted several newsworthy items regarding University of Michigan faculty and students, and noted that C.S. Mott Children’s Hospital had been ranked 5th on a list of the nation’s top 10 children’s hospitals.

Annual Report on Research, Scholarship, and Creative Activity

Vice President Ulaby thanked all of the individuals who had helped prepare the report and introduced key colleagues in the Office of the Vice President for Research. He noted that the report would be divided into two parts: a profile of activities in research for the past year, and a report on the transformation of the University’s technology transfer operations.

Report on Research Activities. Vice President Ulaby noted that total research expenditures for FY 2002 reached \$656.0 million, an increase of almost 11% over the previous year (6.9% adjusted for inflation). This increase was observed across all major disciplines. Federal sources accounted for 69.5% of the total, and University sources accounted for 15.8% of the funding. The remainder of the funding was derived from industry, foundations, state and local governments, and other sources. Nationally, the University ranked first in research expenditures in 1999 and second in 2000, the latest year for which data are available.

Research awards in FY 2002 increased by 8.3%, to a total of \$741 million. For the past three years, while the average annual growth in federal research spending was 4.5%, federal research expenditures at the University of Michigan had an average annual growth of 10.7%. He noted that even in smaller units, such as the School of Nursing and School of Natural Resources and Environment, research expenditures had increased dramatically, by over 28% each, over the past 10 years, and he explained the factors that had led to this improvement.

Comparing 1980 with 2002, Vice President Ulaby noted that in 1980, the total University budget was \$407.6 million, and research expenditures comprised 26.7% of that total (\$108.8 million). In 2002, with a total University budget of \$1.95 billion, research expenditures had risen to \$656.0 million, 33.6% of the total budget.

Vice President Ulaby explained that the reason so much emphasis is placed on research is that research quality affects the University reputation, which affects faculty quality and student quality. He noted that the University of Michigan is among the top ten “highest impact” universities in the United States, based on frequency of citations in academic journals.

Vice President Ulaby pointed out some of the consequences to the University of rapid research growth, which include the need to provide additional administrative support services and increased regulatory oversight. This, in turn, requires more staff and resources, better coordination across units, and extensive staff training.

Vice President Ulaby called attention to the Undergraduate Research Opportunity Program (UROP) and the Women in Science and Engineering (WISE) program, both of which have received Presidential Awards for Excellence in Science, Mathematics and Engineering Mentoring. He announced that the Office of the Vice President for Research will be funding a

new, refereed, research journal devoted exclusively to research conducted by undergraduate students. The first edition will be published in Fall 2003.

Report on Technology Transfer Transformation. Vice President Ulaby noted that the Office of Technology Transfer had undergone a five-year transformation process. He reviewed the history of technology transfer at the University of Michigan, noting that from its beginning in 1980 until 1995, technology transfer was regarded as peripheral and unimportant. In 1996 the Regents approved a policy on technology transfer, stating that “the University recognizes and supports technology transfer and intellectual property development activities as an integral component of its mission.” Since that time, there has been a radical transformation in technology transfer activities at the University of Michigan. Support for technology transfer has grown from \$1.5 million to \$3.9 million, and staffing has increased from 14 to 24 people. He introduced the leaders of the University’s technology transfer initiatives, including Ken Nisbet, executive director of the Office of Technology Transfer, Elaine Brock, director of technology transfer involving the Medical School, Tim Faley, director of technology transfer in the College of Engineering, and Robin Rasor, the director of licensing for the Office Technology Transfer.

He explained the steps taken that have resulted in the successful transformation of the University’s technology transfer operations, and displayed charts indicating increases in the number of disclosures, patents, licensing, and revenues over the past three years as compared to the three year period preceding that. He noted that this year’s revenue is up 47% over the same period last year, and discussed the University’s relative rankings according to a number of indices. He noted that technology transfer activities on the Flint and Dearborn campuses are also coordinated through the Office of the Vice President for Research.

Vice President Ulaby noted that a number of start-up companies with Michigan headquarters had been created, and described three of them: Arbor Networks, HandyLab, and IntraLase. He noted that the OVPR holds an annual “Celebrate Invention Day,” which last year had over 500 participants.

He reported that a 12-person UM Technology Transfer National Advisory Board was established in 2002, consisting of people from the west coast as well as Michigan and the Midwest. He introduced Rick Snyder, chair of the national advisory board, who noted that the purpose of the board is to demonstrate the partnership that exists between the University and the private sector by providing counsel and connections. The board plans to hold two meetings per year and has established four working committees to address key strategic issues.

Regent White complimented Vice President Ulaby on the excellent presentation. Regent Richner observed that technology transfer is important to the future of the state, and said he appreciates the efforts being made to promote these activities.

Relation of Current Capital Projects to North Campus Master Planning

Interim CFO Slottow noted that in October 2002 three projects had been approved for the College of Engineering on North Campus. At that time, it was requested that the Regents be briefed about how these projects fit into the existing North Campus Master Plan. He commented that this presentation was in response to that request but that it would also provide an overview of the common themes that have been prevalent in North Campus master planning over the past 50 years, and how these themes have continued to serve as a guide for the development of North Campus. He introduced Sue Gott, University planner.

Ms. Gott gave a presentation that included a historical overview of North Campus master planning, covering the 1950s, 1980s, and 1990s. Common themes among all of these planning

efforts include respecting the natural environment, increasing density in the campus core, and remaining flexible to accommodate future programmatic requirements. Guiding planning principles common to all plans include development patterns, pedestrian and vehicular circulation, open spaces, and utilities.

Ms. Gott displayed maps showing the location of already approved North Campus projects, as well as some tentative sites for proposed projects and a storm water retention pond. She noted that these are all compatible with earlier master plans and with the goals of respecting the natural environment, increasing density in the campus core, and remaining flexible to accommodate future programmatic requirements.

Regent Deitch inquired about a proposed student housing project that is being planned by a private developer near North Campus. Associate Vice President Hank Baier noted that the project will consist of 700 units (900 beds), and indicated the location with respect to North Campus on a map. It was noted that the students who live in this complex will have access to the University bus system.

Regent Deitch commented that he believes there is growing frustration with the University's current housing options, and this is coupled with a growing trend toward increased amenities in student housing. He noted that the last residence hall built by the University was completed in the 1960s, and that it is time for the issue of new residence hall construction to be brought to the fore. The fact that there is a demand in this area that has yet to be met, whether through private or University resources, needs to be fully considered in light of the University's value system.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the December 2, 2002 special meeting and the December 12, 2002 regular meeting.

Reports. Interim Chief Financial Officer Slottow submitted reports on investment, plant extension, and the Regents Report on Non-Competitive Purchases over \$5,000 from Single Sources, September 16 through December 15, 2002.

Human Resources and Affirmative Action Report. Provost Courant noted that the Lecturers Employee Organization (LEO) had filed a petition with the Michigan Employment Relations Commission (MERC) on December 20, 2002, asking for certification as the exclusive bargaining agent for most non-tenured instructional staff on all three campuses. He noted that the LEO had defined the unit as including “all non-tenure track instructional staff excluding the Medical School, Law School, dental school, and Ann Arbor business school.” The approximate size of this unit would be 1,500 people. A meeting has been set between the parties to come to agreement on a bargaining unit.

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of Projects Established, November 25 - December 18, 2002.

University of Michigan Health System. Interim Executive Vice President Greenfield noted that the Health System had received a gift for the study of childhood anxiety disorders from a couple whose son had died as a result of the attack on the World Trade Center on September 11, 2001.

Division of Student Affairs. Vice President Harper noted that the student housing complex being developed by a private developer is being folded into the overall comprehensive

plan for University housing. Regent Deitch reiterated that the University should consider whether to take a more active role in this area or whether the private plan represents an acceptable solution. Interim CFO Slottow commented that there are important trade-offs involved in taking care of existing stock as opposed to adding new facilities.

University of Michigan-Dearborn. Chancellor Little reported on the accomplishments of faculty and students on the Dearborn campus. He also that a Women's Resource Center has been established on the campus, whose purpose is to provide a receptive, nurturing, and responsive environment for women students and to address the needs and concerns of women faculty and staff.

University of Michigan-Flint. Chancellor Mestas introduced Mr. George Wendt, newly appointed vice chancellor for institutional advancement. He also introduced Mr. Carlos Alvas, an ACE (American Council on Education) fellow placed at the University of Michigan-Flint during the current academic year. He noted that a Nobel-Prize-winning playwright will be visiting the campus during African American History Month.

Michigan Student Assembly Report. MSA President Sarah Boot reported on MSA activities and accomplishments during the past month and described some upcoming activities. She noted that the bus transportation system to the airport for the winter break had been a huge success and would be repeated for the spring break. MSA will be working to ensure that this program becomes institutionalized.

Ms. Boot also described the MSA online book exchange and reviewed MSA's initiatives in improving tenant counseling services.

Voluntary Support. Vice President Wilbanks submitted the report of voluntary support for December 2002.

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

Retirement Memoirs. Vice President Tedesco submitted memoirs for three retiring faculty members.

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

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

Approval of Consent Agenda. On a motion by Regent White, seconded by Regent McGowan, the Regents unanimously approved the Consent Agenda.

Regent Taylor left the meeting at this point, at 3:45 p.m.

Alternative Asset Commitment

Interim CFO Slottow informed the Regents of the University's recent commitment of \$637,500 from the Long Term Portfolio to purchase secondary interests in ComVentures V CEO Fund, L.P.

Refinancing of Outstanding Bonds Backed by Portions of General Revenues

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved adoption of the following resolution authorizing the interim chief financial officer or interim treasurer to 1) Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel; 2) Obtain and approve a final proposal for the bonds; 3) Obtain and accept a final proposal for any "swaps," and any liquidity requirements for any new University's variable rate debt, and execute and deliver the required documentation for the transaction.

**RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN
AUTHORIZING THE ISSUANCE OF GENERAL REVENUE BONDS
AND PROVIDING FOR OTHER MATTERS RELATING THERETO**

WHEREAS, the Regents of the University of Michigan (the “Issuer”) is a constitutional body corporate established pursuant to Article VIII, Section 5 of the Michigan Constitution of 1963, as amended, with general supervision of the University of Michigan (the “University”) and the control and direction of all expenditures from the University’s funds; and

WHEREAS, the Issuer has previously issued its General Revenue Bonds, Series 2002 (the “Series 2002 Bonds”), and other obligations secured by a lien on General Revenues, and has reserved the right to issue additional series of General Revenue Bonds, secured on a parity basis with the Series 2002 bonds by General Revenues (as defined in Trust Agreement pursuant to which the Series 2002 Bonds were issued); and

WHEREAS, the Issuer has previously issued and has outstanding bonds, notes or other obligations (collectively, the “Senior Lien Indebtedness”) payable from and secured by liens on certain revenue streams of the University, including Student Fees, Housing System Revenues, Parking System Revenues, and Medical Service Plan Revenues (sometimes known as Patient Care Revenues), and it may be appropriate and economic to refund all or a part of the Senior Lien Indebtedness; and

WHEREAS, the Issuer has authorized to be issued and expects to have outstanding Commercial Paper Notes, Series D (the “Series D Notes”), and Series E (Taxable), (the “Series E Notes”, and together with the Series D Notes, the “Notes”), which will be payable from and secured by General Revenues and it may be appropriate and economic to refund all or a part of the outstanding principal of the Series D Notes; and

WHEREAS, the refunding of all or a portion of the Senior Lien Indebtedness and all or a portion of the Series D Notes through the issuance of General Revenue Bonds will serve proper and appropriate public purposes; and

WHEREAS, in the exercise of its constitutional duties, and in order to control and direct prudently expenditures from the University’s funds, the Issuer determines it is necessary and desirable to authorize the issuance of General Revenue Bonds (the “Bonds”) in order to provide funds which, together with other available funds, will be used to pay all or part of the costs of refunding all or a portion of the Senior Lien Indebtedness and all or a portion of the Series D Notes, and costs incidental to the issuance of the Bonds and the refunding; and

WHEREAS, a trust indenture (the “Trust Indenture”) must be entered into by and between the Issuer and a trustee (the “Trustee”) to be designated by an Authorized Officer (hereinafter defined), pursuant to which the Bonds will be issued and secured; and

WHEREAS, it is necessary to authorize the Authorized Officers to negotiate the sale of the Bonds with an underwriter or group of underwriters to be selected by an Authorized Officer (collectively, the “Underwriter”) and to enter into a bond purchase agreement (the “Bond Purchase Agreement”) and, if deemed appropriate, a Remarketing Agreement (the “Remarketing Agreement”) or a Broker Dealer Agreement (the “Broker Dealer Agreement”) with the Underwriter setting forth the terms and conditions upon which the Underwriter will agree to purchase the Bonds and the interest rates thereof and the purchase price therefor; and

WHEREAS, in order to be able to market the Bonds at the most opportune time, it is necessary for the Issuer to authorize the Chief Financial Officer, the Associate Vice President for Finance and the Treasurer (each an “Authorized Officer”) or any one of them individually, to negotiate, execute and deliver on behalf of the Issuer, the Trust Indenture, the Bond Purchase Agreement, the Remarketing Agreement or Broker Dealer Agreement, and other related documents, to establish the specific terms of the Bonds and to accept the offer of the Underwriter to purchase the Bonds, all within the limitations set forth herein; and

WHEREAS, the Issuer has full power under its constitutional authority for supervision of the University, and control and direction of expenditures from the University funds, to refund all or a portion of the Senior Lien Indebtedness and all or a portion of the Series D Notes, and to pay all or a portion of the costs thereof by issuance of the Bonds, and to pledge General Revenues (as hereinafter defined) for payment of the Bonds;

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN, AS FOLLOWS:

1. Any Authorized Officer is authorized to determine (i) the portion (which may be the entire amount of any series of the Senior Lien Indebtedness) of the Senior Lien Indebtedness to be refunded from the proceeds of the Bonds (the “Bonds to be Refunded”) and (ii) the portion (which may be the entire amount) of the Series D Notes to be refunded from the proceeds of the Bonds (the “Notes to be Refunded”), and to provide for the call for redemption or payment at maturity of the portion so determined to be refunded.

2. The Issuer hereby authorizes the issuance, execution and delivery of the Bonds in one or more series to be designated GENERAL REVENUE BONDS, with appropriate series designations, if any, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the principal amount necessary to produce proceeds of sixty seven million Dollars (\$67,000,000). The Bonds shall be dated as of the date or dates established by an Authorized Officer, and shall be issued for the purpose of providing funds which, together with other available funds, will be used to pay the costs of refunding the Bonds to be Refunded and the Notes to be Refunded and the costs related to the issuance of the Bonds and the refunding, including bond insurance premiums, if appropriate. The Bonds shall be serial Bonds or term Bonds, which may be subject to redemption requirements, or both, as shall be established by an Authorized Officer, but the first maturity shall be no earlier than October 1, 2003 and the last maturity shall be no later than December 31, 2020. The Bonds may bear no interest or may bear interest at stated fixed rates for the respective maturities thereof as shall be established by an Authorized Officer, but the highest yield (computed using the stated coupon and the stated original offering price) for any maturity shall not exceed 7.0% per annum, and the Bonds may be issued in whole or in part as capital appreciation bonds, which for their term or any part thereof bear no interest but appreciate in principal amount over time at compounded rates (not in excess of 7.0% per annum) to be determined by an Authorized Officer. Alternatively, all or part of the Bonds may bear interest at a variable rate of interest for all or a portion of their term, and the variable rate of interest shall not exceed the lesser of the maximum rate permitted by law or the maximum rate, if any, to be specified in the Trust Indenture. In addition, all or part of the Bonds may be issued in related series, one of which bears interest at a variable rate and one of which bears interest at a residual rate determined by subtracting the variable rate from the fixed rate paid by the Issuer, but the combined rate on such Bonds, taking the two related series together, which shall be determined by an Authorized Officer, shall not exceed 7.0% per annum. The Bonds may be subject to redemption or call for purchase prior to maturity at the times and prices and in the manner as shall be established by an Authorized Officer, but no redemption premium shall exceed 3% of the principal amount being redeemed. Interest on the Bonds shall be payable at such times as shall be specified by an Authorized Officer. The Bonds shall be issued in fully registered form in denominations, shall be payable as to principal and interest in the manner, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Trust Indenture. The Bonds shall be sold to the Underwriter pursuant to the Bond Purchase Agreement for a price to be established by an Authorized Officer (but the Underwriter’s discount, exclusive of original issue discount, shall not exceed 0.8% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof. The Bond Purchase Agreement may provide for a deferred delivery of all or a portion of the Bonds, in which event the Issuer may be required to pay certain penalties if it fails to deliver the Bonds when required.

In relation to the debt service on the Bonds any of the Authorized Officers may, at any time, on behalf of and as the act of the Issuer, enter into an interest rate swap, cap or similar agreement or agreements (collectively, the “Swap Agreement”) with a counter-party or counter-parties to be selected by the Authorized Officer. Such Swap Agreement shall provide for payments between the Issuer and the counter-party related to interest on all or a portion of the Bonds, or to indexed or market established rates. If the Swap Agreement is entered into in connection with the issuance of the Bonds, the expected effective interest rates on the Bonds, taking into account the effect of the Swap Agreement, shall be within the limitations set forth herein.

Any or all of the Bonds may be made subject to tender for purchase at the option of the holder thereof. The obligation of the Issuer to purchase any Bonds subject to tender options may be made payable from General Revenues, from available cash reserves of the University, subject to such limitations as may be specified in the Trust Indenture, or from a letter of credit, line of credit, standby bond purchase agreement or other liquidity device, or one or more of the same, or any combination thereof (collectively, the “Liquidity Device”), all as shall be

determined by an Authorized Officer. The Liquidity Device, or any part thereof, may also be used to provide liquidity for any other indebtedness or obligations of the Issuer, including the Notes, any variable rate Senior Lien Indebtedness and any variable rate Hospital Revenue Bonds. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not a general obligation of the Issuer, payable from and secured by a pledge of General Revenues. Any portion of the Liquidity Device which provides liquidity for any Senior Lien Indebtedness or Hospital Revenue Bonds may, but shall not be required to, be additionally payable from and secured by a lien on any revenue stream securing the obligations for which the liquidity is provided. Any Authorized Officer is authorized to execute and deliver, for and on behalf of the Issuer, any agreements or instruments necessary to obtain, maintain, renew or replace, and provide for repayments under, any Liquidity Device deemed by such officer to be required for the purposes of this Resolution. In the alternative, any or all of the Bonds may be subject to rights on behalf of the holders thereof to tender their Bonds for purchase by the market through a dutch auction procedure, subject to a specified maximum interest rate not in excess of the lesser of the maximum rate specified by law or the rate specified in the Trust Indenture.

3. The Bonds, and the obligations of the Issuer under the Swap Agreement and the Liquidity Device, if any (except as specifically provided otherwise in Section 2 hereof), shall be limited and not general obligations of the Issuer payable from and secured, by a lien on the General Revenues (as shall be defined in the Trust Indenture in a manner generally consistent with the definition thereof contained in the Trust Agreement Authorizing the issuance of the Series 2002 Bonds), subject only to the senior liens on portions of General Revenues securing the respective series of Senior Lien Indebtedness (until each respective series of such Senior Lien Indebtedness is paid or defeased in accordance with its terms). The lien on General Revenues securing the Bonds shall be on a parity basis with the lien securing the Series 2002 Bonds, other obligations secured by a parity lien on General Revenues and the Notes. The Bonds and the obligations of the Issuer under the Swap Agreement and the Liquidity Device, if any may also be payable from and secured by a lien on moneys, securities or other investments from time to time on deposit in certain funds created pursuant to the Trust Indenture or agreements entered into in connection with the Swap Agreement or Liquidity Device.

No recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds, the Swap Agreement or the Liquidity Device, or any claim based thereon against the State of Michigan, or any officer or agent thereof or of the Issuer or the University, as individuals, either directly or indirectly, nor, except as specifically provided in the Trust Indenture or the instruments entered into in connection with the Swap Agreement or the Liquidity Device, if any, against the Issuer, nor shall the Bonds and interest with respect thereto, or any obligations of the Issuer in connection with the Swap agreement or Liquidity Device, if any (except as otherwise specifically provided in Section 2 hereof), become a lien on or be secured by any property, real, personal or mixed of the State of Michigan or the Issuer, other than the General Revenues and the moneys from time to time on deposit in all or part of the funds established by the Trust Indenture or the agreements entered into in connection with the Swap Agreement or Liquidity Device, if any.

Any pledge of General Revenues, and funds specified in the Trust Indenture or agreements entered into in connection with the Swap Agreement or Liquidity Device, if any, shall be valid and binding from the date of the issuance and delivery of the Bonds or such agreements, and all moneys or properties subject thereto which are thereafter received shall immediately be subject to the lien of the pledge without physical delivery or further act. The lien of said pledge shall be valid and binding against all parties (other than the holders of any outstanding bonds, notes or other obligations secured by a senior or parity lien on any portion General Revenues, and the holders of the Series 2002 Bonds, other obligations secured by a parity lien on General Revenues and the Notes, which are secured on a parity basis with the Bonds) having a claim in tort, contract or otherwise against the Issuer, irrespective of whether such parties have notice of the lien.

Notwithstanding anything herein to the contrary, any obligations of the Issuer under the Swap Agreement or any agreement with respect to the Liquidity Device may, if determined appropriate by an Authorized Officer, be payable and secured on a subordinated basis to the Bonds and other General Revenue obligations of the Issuer.

4. The right is reserved to issue additional bonds, notes or other obligations payable from and secured on a parity basis with the Bonds from the General Revenues, upon compliance with the terms and conditions, if any, as shall be set forth in the Trust Indenture.

5. Any Authorized Officer is hereby authorized and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to select the Trustee, and to negotiate, execute and deliver the Trust Indenture. The

Trust Indenture may contain such covenants on behalf of the Issuer and terms as such officers deem appropriate, including, but not limited to, covenants with respect to the establishment of General Revenues at levels expressed as a percentage of debt service on the Bonds or all General Revenue Bonds, with respect to the issuance of additional bonds, notes or other obligations payable from and secured by General Revenues, and with respect to limitations on or prohibitions against the issuance of additional Senior Lien Indebtedness. In addition, any Authorized Officer is hereby authorized, empowered and directed to negotiate, if necessary and expedient for the issuance of the Bonds, for acquisition of bond insurance and to execute and deliver an insurance commitment or other documents or instruments required in connection with such insurance.

6. Any Authorized Officer is hereby authorized and directed, in the name and on behalf of the Issuer and as its corporate act and deed, to select the Underwriter and to negotiate, execute and deliver the Bond Purchase Agreement and Remarketing Agreement or Broker Dealer Agreement, if necessary, with the Underwriter setting forth the terms of the Bonds and the sale thereof, all within the limitations set forth herein.

7. The Chief Financial Officer, or in the event of his unavailability, the President or any one of the other Authorized Officers, is hereby authorized, empowered and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to execute the Bonds by placing his or her facsimile or manual signature thereon, and to deliver or cause to be delivered the Bonds to the Underwriter in exchange for the purchase price thereof, as provided in the Bond Purchase Agreement.

8. Any Authorized Officer is hereby authorized to solicit ratings on the Bonds from any national rating service which the Authorized Officer deems appropriate and to cause the preparation of a Preliminary Official Statement, if necessary, and an Official Statement with respect to the Bonds, and to execute and deliver the Official Statement. The Underwriter is authorized to circulate and use, in accordance with applicable law, the Preliminary Official Statement, if any, and the Official Statement in connection with the offering, marketing and sale of the Bonds.

9. The President, the Authorized Officers, the Secretary or Assistant Secretary, the Vice President and General Counsel and any associate general counsel, and any other appropriate officer of the Issuer or the University are hereby authorized to perform all acts and deeds and to execute and deliver for and on behalf of the Issuer all instruments and documents required by this resolution, the Trust Indenture, or the Bond Purchase Agreement, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds, as contemplated hereby. Any reference to an officer of the Issuer or the University herein shall include any interim or acting officer appointed by the Issuer. Any action required under the Trust Indenture, Bond Purchase Agreement, Swap Agreement, agreement entered into in connection with the Liquidity Device or other instrument related to the Bonds may be taken by and on behalf of the Issuer by any Authorized Officer.

10. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Issuer may be required in connection with the issuance of the Bonds to enter into a Disclosure Undertaking for the benefit of the holders and beneficial owners of the Bonds. Any Authorized Officer is authorized to cause to be prepared and to execute and deliver, on behalf of the Issuer, the Undertaking.

11. All resolutions or parts of resolutions or other proceedings of the Issuer in conflict herewith be and the same are hereby repealed insofar as such conflict exists.

Sale of Commercial Paper by the University

On a motion by Regent White, seconded by Regent Brandon, the Regents unanimously approved the following resolution for the issuance of up to \$120 million of commercial paper supported by a pledge of general revenues and the increase of up to \$73 million in the commercial paper outstanding; and authorized the interim chief financial officer or interim treasurer to execute all the documentation for the establishment and issuance of the Series D and E

commercial paper and the rollover of the outstanding commercial paper into the proposed Series D program, and to negotiate a liquidity facility, if appropriate.

**RESOLUTION OF THE REGENTS OF THE UNIVERSITY OF MICHIGAN
AUTHORIZING THE ISSUANCE AND DELIVERY OF
COMMERCIAL PAPER NOTES, SERIES D AND SERIES E, AND
PROVIDING FOR OTHER MATTERS RELATING THERETO**

WHEREAS, the Regents of the University of Michigan (the “Issuer”) constitutes a constitutional body corporate established pursuant to Article VIII, Section 5 of the Michigan Constitution of 1963, as amended, with the general supervision of the University of Michigan (the “University”) and the control and direction of all expenditures from the University’s funds; and

WHEREAS, the Issuer has determined it is necessary and desirable to provide for the temporary financing of capital projects of the University currently under way or to be undertaken within the next succeeding eighteen months, through the issuance of Regents of the University of Michigan Commercial Paper Notes, Series D (the “Series D Notes”) and Regents of the University of Michigan Commercial Paper Notes, Series E (Taxable) (the “Series E Notes”, and together with the Series D Notes, the “Notes”) in principal amount outstanding from time to time not to exceed \$120,000,000; and

WHEREAS, the Issuer has determined it is necessary and appropriate to refund through the issuance of Series D Notes the outstanding balance of the Issuer’s Commercial Paper Notes, Series C (the “Prior Notes”), and all or a portion of the outstanding bonds of the Issuer designated Major Capital Projects Student Fee Bonds, Series 1993A, 1993B and 1993C, Student Fee Refunding Bonds, Series 1993, Housing Revenue Bonds, Series 1993A, and Parking System Revenue Refunding Bonds, Series 1993A (the portion thereof to be refunded to be determined by an Authorized Officer and to be herein called the “Bonds to Be Refunded”); and

WHEREAS, the Issuer has approved certain capital projects to be temporarily financed in whole or in part through the issuance of the Notes, and may approve additional projects to be so financed in the next eighteen months (all such projects, together with the projects financed or refinanced with the proceeds of the Prior Notes being herein called the “Projects”); and

WHEREAS, in order to provide for the issuance of the Notes, it will be necessary for one or more of the Chief Financial Officer, the Associate Vice President for Finance, or the Treasurer (each an “Authorized Officer”) to execute and deliver one or more Commercial Paper Issuance Certificates (collectively, the “Issuance Certificate”), one or more Commercial Paper Issuing and Paying Agent Agreements (collectively, the “Paying Agent Agreement”) with a bank to be selected by an Authorized Officer, one or more Dealer Agreements (each a “Dealer Agreement”) with a dealer or dealers (collectively, the “Dealer”) to be designated by an Authorized Officer, and, if deemed appropriate by an Authorized Officer, an agreement or agreements relating to a liquidity facility; and

WHEREAS, the Notes are to be limited and not general obligations of the Issuer, payable from and secured by a pledge of General Revenues (as shall be defined in the Issuance Certificate in a manner generally consistent with the definition thereof in the Trust Agreement pursuant to which the Issuer’s General Revenue Bonds, Series 2002 were issued) and to be additionally payable from Available Investments (as shall be defined in the Issuance Certificate); and

WHEREAS, The Issuer has previously issued certain series of bonds or notes (the “Senior Lien Indebtedness”) secured by and payable from Student Fees or other revenue streams (other than Hospital Gross Revenues) which comprise a portion of General Revenues, and it is intended that each series of the Senior Lien Indebtedness remain outstanding and continue to be secured, until paid or defeased, by its respective revenue stream on a senior lien basis to the Notes and other General Revenue indebtedness previously or subsequently issued, but that no new Senior Lien Indebtedness is to be issued; and

WHEREAS, it is necessary for the Issuer to delegate to each of the Authorized Officers the power to designate certain Authorized Representatives and Authorized Persons (each as defined in the Issuance Certificate or Paying Agent Agreement) to undertake certain actions with respect to the issuance of Notes; and

WHEREAS, the Notes authorized hereby are to finally mature on or before the date three years after the date of issuance of the first Notes hereunder, and are intended to be replaced by permanent General Revenue financing on or prior to such date; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Issuer determines it is necessary and desirable to authorize the issuance of the Notes to provide funds to temporarily finance and refinance all or part of the costs of the Projects, to refund the Prior Notes and the Bonds to be Refunded, and to pay certain costs incurred in connection with the issuance and sale of the Notes and the refunding; and

WHEREAS, in order to be able to market the Notes, it is necessary for the Issuer to authorize an Authorized Officer to prepare, execute and deliver, on behalf of the Issuer, an Offering Memorandum (as supplemented from time to time, the "Offering Memorandum") to be circulated and used in connection with the marketing, sale and delivery of the Notes, and to take, together with other appropriate officers, agents and representatives of the Issuer or the University, additional actions necessary to accomplish the sale and delivery of the Notes, the administration of the commercial paper program of which the Notes are a part, and the purposes hereof, all within the limitations set forth herein; and

WHEREAS, the financing and refinancing of the Projects and the refunding of the Prior Notes and the Bonds to be Refunded will serve proper and appropriate public purposes; and

WHEREAS, the Issuer has full power under its constitutional authority for supervision of the University, and control and expenditures from the University funds, to authorize and acquire the Projects, to refund the Bonds to be Refunded and the Prior Notes, to finance by the issuance of the Notes the costs of the Projects and the refunding, and the costs related to the issuance of the Notes and the refunding, and to pledge the General Revenues of the University for payment of the Notes and to covenant to pay the Notes from Available Investments.

NOW, THEREFORE, BE IT RESOLVED BY THE REGENTS OF THE UNIVERSITY OF MICHIGAN, AS FOLLOWS:

1. The Issuer hereby authorizes the issuance, execution and delivery of the Notes of the Issuer, in multiple issuances on various dates, to be designated REGENTS OF THE UNIVERSITY OF MICHIGAN COMMERCIAL PAPER NOTES, SERIES D, and REGENTS OF THE UNIVERSITY OF MICHIGAN COMMERCIAL PAPER NOTES, SERIES E (TAXABLE), in the aggregate principal amount outstanding from time to time as shall be designated by any two Authorized Officers, but not in excess of \$120,000,000, to be dated as of a date of issuance of each Note, or otherwise as shall be determined by an Authorized Officer, for the purpose of financing and refinancing all or part of the Projects, refunding the Prior Notes and the Bonds to be Refunded, and paying all or part of the costs incidental to the issuance of the Notes and the refunding. The Projects as a whole are hereby determined by the Issuer to constitute a single governmental purpose of the Issuer. The Notes shall not be subject to redemption prior to maturity. Each Note shall mature not later than 270 days after its date of issuance, as shall be determined as provided in the Issuance Certificate and Paying Agent Agreement, and all Notes must mature on or before the date three years after the date of issuance of the first Notes hereunder. Interest on each Note shall be payable on the maturity date thereof, at the rate, not in excess of 12% per annum in the case of the Series D Notes and not in excess of 15% in the case of the Series E Notes, to be determined as specified in the Issuance Certificate and Paying Agent Agreement. The Notes shall be issued in fully registered form, or registered to bearer, in the denominations, shall be subject to transfer and exchange, and shall be executed and authenticated, all as shall be provided in the Issuance Certificate. The Notes shall be sold at par through the Dealer selected by an Authorized Officer, as provided in the Dealer Agreement.

2. The Notes shall be limited and not general obligations of the Issuer payable from and equally and ratably secured by a lien on General Revenues on a parity basis with the lien securing the Issuer's General Revenue Bonds, Series 2002 and other obligations secured by a parity lien on General Revenues, now or hereafter outstanding, subject only to the senior liens on portions of General Revenues securing the respective series of Senior Lien Indebtedness (until each respective series of such Senior Lien Indebtedness is paid or defeased in accordance with its terms), and moneys from time to time on deposit in the Note Payment Fund created pursuant to the Issuance Certificate, as provided therein. The Notes shall also be payable from Available Investments, as provided in the Issuance Certificate. The Issuer shall covenant in the Issuance Certificate that so long as any of the Notes remain outstanding, the Issuer will not issue any new series of Senior Lien Indebtedness.

In support of its obligation to repay the Notes, the Issuer may, if deemed appropriate by an Authorized Officer, enter into a letter of credit, line of credit, note purchase agreement or other liquidity facility (the "Liquidity Facility"). Any reimbursement obligation (including interest) for draws under the Liquidity Facility shall be a limited and not general obligation of the Issuer, payable from General Revenues, and may be secured by a pledge of General Revenues. The Authorized Officers are, or any one of them is, authorized to negotiate, execute and deliver, for and on behalf of the Issuer, such agreement or agreements (the "Liquidity Agreement") as an Authorized Officer may deem appropriate to acquire the Liquidity Facility and to provide for the repayment of draws thereunder, as provided herein.

No recourse shall be had for the payment of the principal amount of or interest on the Notes, or under the Liquidity Agreement, or any claim based thereon against the State of Michigan, or, except as provided in the Issuance Certificate and the Liquidity Agreement, the Issuer, or against any officer or agent of the Issuer or of the University, as individuals, either directly or indirectly, nor shall the Notes and interest with respect thereto nor the obligations under the Liquidity Agreement, become a lien on or be secured by any property, real, personal or mixed of the State of Michigan, the Issuer, or the University, other than the General Revenues and the moneys from time to time on deposit in the Note Payment Fund created by the Issuance Certificate.

3. The right is reserved to issue additional bonds, notes or other obligations payable from and secured by General Revenues on a parity basis with the Notes and other General Revenue bonds and obligations as to the lien on General Revenues, but subject to the prior liens on portions thereof securing Senior Lien Indebtedness.

4. The Authorized Officers are, or any one of them is, hereby authorized and directed to select a bank to be Issuing and Paying Agent, and one or more Dealers, and any two of the Authorized Officers are authorized and directed, in the name of the Issuer and as its corporate act and deed, to negotiate, execute and deliver the Issuance Certificate, the Paying Agent Agreement and one or more Dealer Agreements, consistent with the terms of this Resolution, as the Authorized Officers executing the same shall approve, which approval shall be conclusively evidenced by the execution of the respective documents.

5. The Authorized Officers are, or any one of them is, hereby authorized and directed to designate employees or agents of the University to act as Authorized Representatives with respect to the issuance of Notes, and to designate Authorized Persons, who may be employees or agents of the University or employees or agents of the Dealer, to take certain actions with respect to the issuance of Notes, all as provided in the Issuance Certificate, the Paying Agent Agreement, or the Dealer Agreement.

6. The Authorized Officers are, or any one of them is, hereby authorized, empowered and directed, in the name and on behalf of the Issuer, and as its corporate act and deed, to execute the Notes by manual or facsimile signature and to deliver the Notes to the purchaser in exchange for the purchase price thereof, as provided in the Issuance Certificate and the Paying Agent Agreement. The Notes may be issued in the form of one or more Master Notes, as provided in the Paying Agent Agreement.

7. The Authorized Officers are, or any one of them is, hereby authorized to cause to be prepared and circulated the Offering Memorandum with respect to the Notes, and to update, or cause to be updated the Offering Memorandum, through supplements or otherwise, as an Authorized Officer shall deem appropriate, or as may be required by law. Any Dealer is authorized to circulate and use, in accordance with applicable law, the Offering Memorandum, as the same may have been updated or supplemented from time to time, in the offering, sale and delivery of the Notes.

8. The Authorized Officers are, or any one of them is, hereby authorized to select the portions of the Issuer's outstanding bonds referred to in the preambles hereto as the "Bonds to be Refunded" and to provide for the call for redemption of such bonds, to provide for the final payment date or dates of the Prior Notes, and to take any and all actions necessary and appropriate to provide for the payment when due of all amounts with respect to the Prior Notes and the Bonds to be Refunded, from the proceeds of the Notes or other available funds of the University.

9. The Authorized Officers, the Secretary, representatives of the University's General Counsel, and any other appropriate officer of the University are each hereby authorized to perform all acts and deeds and to execute and deliver all instruments and documents for and on behalf of the Issuer or the University required by this Resolution or the documents authorized hereby, or necessary, expedient and proper in connection with the issuance, sale and delivery of the Notes, from time to time, all as contemplated hereby or in connection with subsequent elections,

approvals or determinations under the Issuance Certificate or other documents. Any reference to any specified officer of the Issuer or the University in this Resolutions shall include any interim officer occupying such position.

10. All resolutions or parts of resolutions or other proceedings of the Issuer in conflict herewith be and the same are hereby repealed insofar as such conflict exists.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent White, the Regents unanimously approved commitment of \$10.0 million from the Long Term Portfolio to Cabot Industrial Value Fund, L.P., a real estate fund.

Gift of Real Estate

The Regents were informed that a gift of real property at 4660 Wylie Road, Dexter, Michigan, had been received from the Alexander Kirsons Revocable Living Trust. The real property, valued at \$176,000, as well as the personal contents, will be sold and the Regents will be notified of the transactions after they have been completed.

Dental Building and W.K. Kellogg Institute Renovation for Pre-Clinical Simulation Laboratory

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved the Dental Building and W.K. Kellogg Institute Renovation for Pre-Clinical Simulation Laboratory Project as described in the Regents Communication, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Argus Building Radiation Oncology Leasehold Improvements

On a motion by Regent McGowan, seconded by Regent Brandon, the Regents unanimously approved the UMHHC Argus Building Radiation Oncology Leasehold Improvements Project. This project involves leasehold improvements and relocation of radiation oncology research activities from the Medical School and hospital into leased space in the Argus Building.

There is a corresponding conflict of interest action request since William C. Martin, an University employee, is a partner in the ownership of the building. The Department of Radiation Oncology will be responsible for the lease payments and will fund the leasehold project from its discretionary account.

Construction Estimate Agreement with O'Neal Construction/C-3 Partners for Leasehold Improvements that May Provide Benefit to C-3 Partners

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved a construction estimate agreement with O'Neal Construction/C-3 Partners for leasehold improvements that may provide benefit to C-3 Partners, as described in the Regents Communication. Because William C. Martin is both a partner in C-3 Partners and 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. The parties to the contract, which provides some residual benefit after expiration of the five-year lease to the landlord, C-3 Partners, are the Regents of the University of Michigan, C-3 Partners, and O'Neal Construction.
2. The service to be provided is a leasehold improvement that may provide permanent value to the landlord, after expiration of the five-year lease. The estimated cost to fit out the research space is approximately \$1.4 million and will be reimbursed by the University.
3. The pecuniary interest arises from the fact that William C. Martin, a University of Michigan employee, is a partner of C-3 Partners.

Purchasing Contract with Valley View Farm (*Pediatric Endocrinology*)

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved a purchasing contract with Valley View Farm for the Department of Pediatric Endocrinology. Because the owner of Valley View Farm is also a University of Michigan employee, this contract 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 its Department of Pediatric Endocrinology, and Valley View Farm.
2. The service to be provided is boarding and maintenance of sheep for the purpose of medical research, with the sheep to be provided for the period beginning September 1, 2002 and ending August 31, 2003, for a total dollar amount of \$20,000.00.
3. The pecuniary interest arises from the fact that Douglas Doop, a University of Michigan employee, is the sole owner of Valley View Farm.

Purchasing Contract with Valley View Farm (*Obstetrics and Gynecology*)

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved a purchasing contract with Valley View Farm for the Department of Obstetrics and Gynecology. Because the owner of Valley View Farm is also a University of Michigan employee, this contract 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 its Department of Obstetrics and Gynecology, and Valley View Farm.
2. The service to be provided is boarding and maintenance of sheep for the purpose of medical research, with the sheep to be provided for the period beginning June 1, 2002 and ending June 3, 2003, for a total dollar amount of \$4,480.00.
3. The pecuniary interest arises from the fact that Douglas Doop, a University of Michigan employee, is the sole owner of Valley View Farm.

Purchasing Agreement with Clark MXR

On a motion by Regent McGowan, seconded by Regent Maynard, the Regents unanimously approved a purchasing agreement between the University's Center for Ultrafast Optical Science and Clark MXR. Because Gerard Mourou, a University of Michigan employee, is also a stockholder and board member of Clark MXR, 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 its Center for Ultrafast Optical Science and Clark MXR.

2. The product to be provided is a replacement amplifier. The cost for the amplifier is \$10,000.
3. The pecuniary interest arises from the fact that Gerard Mourou, a University of Michigan employee, is a stockholder and board member of Clark MXR.

Research agreement between the University of Michigan and BioMimetic Pharmaceuticals, Inc.

On a motion by Regent Brandon, seconded by Regent Richner, the Regents unanimously approved a research agreement between the University of Michigan and BioMimetic Pharmaceuticals, Inc. (“Company”). Because Dr. William Giannobile is both an owner of the Company and 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 University of Michigan and BioMimetic Pharmaceuticals, Inc.
2. The terms of the proposed agreement conform to University policy. David Sarment, clinical assistant professor, Department of Periodontics, Prevention and Geriatrics, School of Dentistry, will be the principal investigator for the project at the University. The project is to be conducted over a twelve-month period at an estimated total cost of \$64,214, including indirect cost at appropriate industry rates. Dr. Giannobile will not participate in the project in his capacity as an owner of the Company.
3. Dr. Giannobile’s pecuniary interest arises from his status as an owner of the Company.

Research Agreement between the University of Michigan and JTM Research, LLC

On a motion by Regent Maynard, seconded by Regent White, the Regents unanimously approved a research agreement between the University of Michigan and JTM Research, LLC. Because Dr. James R. Baker, Jr., is both a University of Michigan employee and part owner of JTM Research, LLC (“Company”), this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and JTM Research, LLC.

2. The terms of the proposed agreement conform to University policy. Dr. Bradford Orr, professor of physics, will be the principal investigator for the project at the University to be conducted over a three-year period at an estimated total cost of \$250,620 including indirect cost at standard industry rates. The Company and the University will append details of work statements to the agreement from time to time over the life of the agreement. Dr. Baker will not participate in the project in his capacity as a University employee. Approval has been obtained for the use of animals in this study.
3. Dr. Baker's pecuniary interest arises from his status as part owner of the Company.

Research Agreement between the University of Michigan and Velcura, Inc.

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved a research agreement between the University of Michigan and Velcura, Inc. Because Dr. Michael Long is a University of Michigan employee and a partial owner of Velcura, Inc. ("Company"), this agreement falls under the State of Michigan Conflict of Interest Statute. The following information is provided in compliance with statutory requirements:

1. Parties to the agreement are the University of Michigan and Velcura, Inc.
2. The terms of the proposed agreement conform to University policy. The agreement will cover two projects. One project, to be directed by Dr. David States, professor of bioinformatics, will be conducted over a three-year period at an estimated total cost of \$411,588 including indirect cost at the MLSCF rate of 20%. The second project is to be directed by Dr. Steven Goldstein, professor of orthopaedic surgery, over a three-year period at an estimated cost of \$414,000 including indirect cost at the MLSCF rate of 20%. Approval has been obtained for the use of animals in this study. Dr. Long will not participate in either project in his capacity as a University employee.
3. Dr. Long's pecuniary interest arises from his status as partial owner of Velcura, Inc.

Reassignment Agreement between the University of Michigan and Victor C. Li

On a motion by Regent White, seconded by Regent Maynard, the Regents unanimously approved a reassignment agreement between the University of Michigan and Victor C. Li for the invention, "A New Use of Strain Hardening Cementitious Composites for Underground Structures with Auto-Adaptive Response." Because Victor Li is 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 University of Michigan and Victor Li (“Inventor”).
2. Terms of the agreement include:

The Inventor will be responsible for paying all patent or copyright expenses to protect the technology.

The Inventor will provide an annual report of all activities related to the program.

The University will maintain a royalty free license to use the program for research and academic purposes.

The University will obtain a 15% share of any income received by the Inventor.
3. The Inventor’s pecuniary interest arises from his ownership of the technology.

License Agreement between the University of Michigan and GMP Diagnostic Disease Management, Inc.

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved a license agreement between the University of Michigan and GMP Diagnostic Disease Management, Inc. (“GMP”), for practicing and commercializing inventions developed and owned by the University of Michigan. Because the University of Michigan holds an equity interest in the proposed licensee and Dr. Arul Chinnaiyan participates in the sharing of revenue received by the University from GMP, 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 GMP Diagnostic Disease Management, Inc.
2. Licensing terms include:

Field of Use: in vitro diagnostic use

Grant: Exclusive

License Fee: \$25,000

Royalties: 2% of net sales of licensee, affiliates and sublicensee, 10% of the remaining sublicensing revenues

Annual License: \$10,000 per year from 2004 to 2007

Maintenance Fees: \$25,000 per year from 2008 to 2009
\$50,000 per year thereafter during the term of the Agreement

Milestone Fees: \$50,000 for the first clinical assay
\$50,000 for the first application for a clinical assay approved by the
FDA
\$200,000 when cumulative Net Sales reach \$4,000,000

Equity Shares: 8% of shares of Company's common stock when the funding for the
Company is or exceeds \$3,000,000.

Performance criteria: Specified milestones must be met in order to maintain the rights
granted by the license.

The University will retain ownership of the licensed technology and may continue to
further develop it, use it for research and academic purposes and license it for *in vivo*
diagnostic and therapeutic uses.

Term of the agreement is for the life of the patents.

No use of University services or facilities, nor any assignment of University employees,
is obligated under the agreement.

3. The pecuniary interest of the University of Michigan arises from its ownership interest in
GMP Diagnostic Disease Management Inc. Dr. Arul Chinnaiyan participates in the
sharing of revenue received by the University from the company.

Henry Russel Lecturer for 2004

President Coleman informed the Regents that Maris A. Vinovskis, A.M. and H.P.
Bentley Professor of History and professor of history in the College of Literature, Science, and
the Arts; senior research scientist in the Center for Political Studies, Institute for Social
Research; and professor of public policy in the Gerald R. Ford School of Public Policy, as the
Henry Russel Lecturer for 2004.

Public Comments

The Regents heard comments from David Boyle, alumnus, on the topic of "Diversity in
Deans: Post Lehman Possibilities."

President Coleman called attention to the appointment of Jerry May as vice president for
development.

There being no further business, the meeting was adjourned at 4:20 p.m. The next meeting will take place February 20, 2003.