

NOVEMBER MEETING, 2004

*The University of Michigan
Ann Arbor
Thursday, November 18, 2004*

The Regents convened at 2:45 p.m. in the Regents' Room. Present were President Coleman and Regents Brandon, Deitch, Maynard, McGowan, Newman, Richner, and White. Also present were Provost Courant, Vice President Harper, Executive Vice President Kelch, Vice President Krislov, Chancellor Little, Vice President May, Chancellor Mestas, Vice President Rudgers, Executive Vice President Slottow, Vice President and Secretary Tedesco, Vice President Ulaby, and Vice President Wilbanks. Regent Taylor was absent; Regent White left at about 4:00 p.m.

Call to Order and Opening Remarks

President Coleman called the meeting to order at 2:40 p.m. She commented on some recent, noteworthy University events, including the groundbreaking for Weill Hall which was attended by President Ford. She called attention to the Hill Dining Center request that is on the agenda, as well as several other items. President Coleman also commented on the importance of maintaining the University's core academic quality while continuing its commitment to affordability. She noted that a recent study had concluded that after the various types of financial aid are considered, the real cost of a public university education among the state's 15 higher education institutions, including the University of Michigan, is less now than it was in 1998. This is the result of the University's commitment to providing financial aid at a rate equal to or greater than tuition increases each year.

Committee Reports

Finance, Audit, and Investment Committee. Regent Brandon reported that the committee had met that morning, with Regent White in attendance and Regent Taylor absent. The committee received written reports on the first quarter of FY05 for the Life Sciences Institute and the University of Michigan Hospitals and Health Centers. He noted that the UMHHC results are above budget and congratulated the leadership on this accomplishment. Other agenda items included a discussion with Carol Senneff, executive director of University audits, and a discussion of the overall University debt structure and strategy with Associate Vice President Peggy Norgren, Treasurer Greg Tewksbury, and Assistant Treasurer Milagros Dugan. He commented that the balance sheet is very strong in every category compared to competitive benchmarks.

Compensation and Personnel Committee. Regent Maynard reported that the committee had met that morning. In addition to herself and committee members Regent Deitch and Regent Richner, participants had included Regent McGowan, Vice President Tedesco, and President Coleman. The committee had conducted a final review of its proposed revised charter and bylaws. It had also reviewed the status of current dean searches with Provost Courant and had discussed the annual report of SACUA with chair Stan Berent.

College of Engineering Strategic Assessment

Provost Courant noted that after becoming provost, he had begun a process involving regular strategic assessment of all academic units at a rate of about two per year. Assessments are conducted by two committees, one internal to the University but external to the school or college, and the other external to the University. He noted that the overall assessment of the College of Engineering had been highly positive, and introduced Dean Stephen Director.

Dean Director gave a slide presentation describing the college and its programs. He noted that all of its departments are ranked among the top ten nationally, and highlighted some of the notable achievements of its graduates. He commented that although the college has twice the national average of women and underrepresented minority undergraduate students, it is committed to enrolling more. To that end, the college has developed a partnership with the Atlanta University Consortium, under which it has enrolled its first class of dual-degree engineering program students from Morehouse and Spellman Colleges. The college is also committed to increasing the diversity of its graduate student body and its faculty.

Dean Director described some of the entities created to address the “grand challenges” that provide a focal point for research in the college. These include the NSF Engineering Research Center (ERC) in Reconfigurable Manufacturing Systems, the NSF ERC for Wireless Integrated MicroSystems, the Automotive Research Center, and the Dioxin Exposure Study. Other advances developed by College of Engineering faculty include engineered cementitious composite (used for bridges), “animal on a chip,” and advanced brain machine interfaces. Dean Director commented that almost 50% of the University’s technology transfer activities are generated by the College of Engineering.

Dean Director concluded by noting that the college’s participation in the “Michigan Difference” campaign had been dubbed “Progress and Promise,” and would allow the college to achieve its vision through construction of new facilities and enhancement of educational programs.

Regent Deitch observed that the College of Engineering is “one of our gems” that has gone from strength to greater strength, and asked about the dean’s goals for the coming years. Dean Director responded that the college will focus on addressing the grand societal challenges.

This will require significant technological innovation and collaboration with other schools and colleges. Other challenges will include continuing to provide educational programs that will allow students to go on and have an impact on the world.

Regent White commented on the number of international students in the doctoral programs. Dean Director responded that 47% of the college's graduate students are international, which is low compared to many other colleges of engineering. He noted that it is desirable for the college to have a large percentage of international students, as those who attend the University of Michigan are among the best in the world. However, the college has also been working hard to continue to attract American students.

Regent Richner inquired as to how the college had responded to the difficult budget situation of recent years. Dean Director responded that the administration was able to take some measures centrally to reduce the impact of budget cuts on programs, although some programs have had to be reduced and some classes consolidated. The college was able to absorb some of the impact of budget strain by increasing the number of students and increasing research funding.

In response to a question from Regent Brandon about the challenges faced by the college over the next five years, Dean Director responded that he mostly sees opportunities. The most notable challenges involve recruiting and retaining outstanding faculty and ensuring the college's accessibility for students. With respect to recruiting and retaining women and minority faculty, he noted that to ensure that the environment is supportive, the college has worked on improving family-friendly policies and addressing the needs of dual career couples. Increasing the number of minority faculty has been a difficult challenge, one which requires continued attention.

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

Professor Stanley Berent, chair of SACUA, delivered the committee's annual report. He pointed out that the relationship between formal faculty governance and the University's executive officers is exemplary. He identified the following seven issues that represent the current focus of SACUA's work: 1) faculty quality of life issues; 2) evaluation of administrators by faculty; 3) tenure/non-tenure track faculty; 4) the importance of tenure to the institution; 5) shared governance; 6) grade inflation and alteration; and 7) research support for junior faculty.

Professor Berent also described some of the recent SACUA activities, including the annual Faculty Governance Luncheon, the annual meeting, the work of the Administration Evaluation Committee, the Regent Candidates Forum, and the Davis, Markert, Nickerson Lecture on Academic and Intellectual Freedom. He acknowledged with appreciation the role of faculty representation that the Regents has granted to SACUA, noting that the positive atmosphere of collegiality that results allows an informed faculty perspective to influence important institutional decisions.

Annual Operating Requests to the State

Ann Arbor Campus. Provost Courant reported that state officials had indicated that no funding would be available for new initiatives, and pointed out that the University's costs are expected to increase in FY 2006 by \$30-\$35 million. The request for the Ann Arbor campus is for restoration of as much as possible of the \$43.5 million in appropriation that had been reduced since FY2002, and that the state not tie its action on the state appropriation to tuition restraint. Regarding the criteria that should be used in determining the amount of state appropriation, he noted that the University of Michigan leads the state in such measures as number of degrees awarded, graduation rates, spin-off companies, amount spent on financial aid for Michigan

residents, ability to attract sponsored research from outside the state, and jobs created in the state.

Dearborn Campus. Chancellor Little noted that the cumulative effect of reductions in appropriations on the Dearborn campus has been extremely harmful. The campus is requesting restoration of the \$3.1 million that has been cut over the last three years and an increased allocation of \$1 million.

Flint Campus. Chancellor Mestas said that the Flint Campus is requesting funding that will allow it to continue to provide an excellent education at a reasonable cost. Specifically, funding is needed to increase the number of faculty positions, to continue to expand campus technology, and to enhance community partnerships. Although the request reflects the genuine need of the institution, they realize this level of funding is not likely to be met.

The Regents then turned to the regular agenda.

Consent Agenda

Minutes. Vice President Tedesco submitted for approval the minutes of the meeting of October 21, 2004.

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

Litigation Report. Vice President Krislov submitted the Litigation Report.

Research Report. Vice President Ulaby submitted the report of projects established, October 31, 2004. He reported that expenditures are up 5.5% compared to this time last year.

University of Michigan Health System. Executive Vice President Kelch commented that the Hospitals and Health Centers had recently completed the joint accreditation commission survey and that the outcome was remarkably positive. He called attention to the appointment of

Karin Muraszko as chair of the Department of Neurosurgery. Provost Courant concurred that this was a “spectacular” appointment recommendation.

Division of Student Affairs. Vice President Harper observed that the business agenda includes a request for approval of another significant step in the Residential Life Initiative: the renewal of residence hall dining operations. The Hill Dining Center will allow the University to offer a dining program that is better suited to their preferences and expectations, and will include a “marketplace” dining environment.

University of Michigan-Dearborn. Chancellor Little called attention to the reappointment of Subrata Sengupta as dean of the College of Engineering and Computer Science.

University of Michigan-Flint. Chancellor Mestas commented that four alumni of the University of Michigan-Flint had been either elected or re-elected to office during the recent election. He also reported that Provost Renate McLaughlin had announced her retirement, and praised the leadership she had provided during her long tenure.

Michigan Student Assembly Report. Jason Mironov, president of MSA, introduced Amy Keller, president of the Residence Halls Association. Ms. Keller announced that the University of Michigan had just been named “School of the Year” by the Great Lakes Affiliate of College and University Residence Halls. Mr. Mironov noted that Ms. Keller had also won the “Student of the Year Award” by the residence halls association.

Mr. Mironov commented that MSA mid-term elections were underway. He informed the Regents that MSA would be requesting a fee increase for fiscal year 2004-05, noting that the organization was only able to fill 23% of the funding requests it had received this year. He said that a new framework is being developed for making internal funding decisions.

Voluntary Support. Vice President May thanked the Regents and executive officers for their support of the building dedication events for the Gerald R. Ford School of Public Policy.

Personnel Actions/Personnel Reports. Provost Courant submitted a number of personnel actions and personnel reports. He called attention to the appointment of Carol J. Boyd as director of the Institute for Research on Women and Gender and on the reappointments of John King and Bryan Rogers as deans, respectively, of the School of Information and School of Art and Design.

Retirement Memoirs. Vice President Tedesco submitted one faculty retirement memoir.

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

Degrees. President Coleman submitted for approval recommendations for two honorary degree recipients: Elizabeth Eisenstein, Doctor of Humane Letters, and Robert Moses, Doctor of Laws. Provost Courant submitted for approval the December 2004 doctoral degree list.

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

The Regents then turned to consideration of the regular agenda. Regent White left the meeting at this point, at about 4:00 p.m.

Alternative Asset Commitment

On a motion by Regent McGowan, seconded by Regent Brandon, the Regents unanimously approved commitment of up to €25.0 million from the Long Term Portfolio to Orion European Real Estate Fund II, C.V., a European real estate fund.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent Richner, the Regents unanimously approved commitment of \$20 million from the Long Term Portfolio to Kayne Anderson Energy Fund III, L.P., a private equity energy fund.

Alternative Asset Commitment

On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved commitment of \$15 million from the Long Term Portfolio to Lotus China Investment Partners, L.P., a private equity fund.

Alternative Asset Commitment

On a motion by Regent Brandon, seconded by Regent McGowan, the Regents unanimously approved commitment of up to Yen 2.7 B from the Long Term Portfolio to Longreach Capital Partners I, a private equity fund.

Electrical Engineering and Computer Science Building Solid State Electronics Lab Addition and Renovation Project

Mr. Paul Urbanek, vice president and director of design for Smithgroup, reviewed the schematic design for the Electrical Engineering and Computer Science Building Solid State Electronics Lab addition. Mr. Urbanek displayed an aerial photograph of North Campus showing the location of the new addition in relation to other buildings, and a photograph of the building indicating the location of the addition. He then displayed schematics of each floor, describing the activities that will take place in each area. He showed a rendering of the exterior, noting that as part of the redevelopment of the entrance area, people will be able to view the activities taking place in the clean room from outside of the room.

On a motion by Regent Newman, seconded by Regent Brandon, the Regents unanimously approved the schematic design for the Electrical Engineering and Computer Science Building-Solid State Electronics Lab Addition and Renovation Project as presented at the meeting.

Hill Dining Center Project

Executive Vice President Slottow indicated that this project is one of the first major capital projects to be implemented as part of the Residential Life Initiative (“RLI”). He announced that the State Fire Marshall’s office had sent a letter praising the University for the ongoing fire safety and life safety upgrades that are also part of the RLI.

The exact location of the Hill Dining Center Project will be determined once the architect has been appointed. The schematic design is scheduled to be presented to the Regents in April 2005.

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved the Hill Dining Center Project as described in the Regents Communication and authorized commissioning Goody Clancy & Associates for its design.

E.H. Kraus Building Room Renovations

On a motion by Regent Maynard, seconded by Regent Richner, the Regents unanimously approved a project to renovate Rooms 1003, 1009 and 1012A in the E.H. Kraus Building, as described in the Regents Communication.

Dental Building and W.K. Kellogg Institute Third Floor Renovations

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the Dental Building and W.K. Kellogg Institute Third Floor Renovations

Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

Refinancing of a Portion of the Commercial Paper and Prior Bond Issues, and Financing of New Projects

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved adoption of the following resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or treasurer to:

- Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel.
- Obtain and approve a final proposal for the bonds.
- Obtain and accept a final proposal for any “swaps,” and any liquidity requirements for the 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, in the exercise of its constitutional duties and in order to properly serve the needs of students attending the University, the Issuer has authorized the acquisition, construction, installation and equipping of the capital improvements described in Exhibit A (collectively, the “Project”); and

WHEREAS, the Issuer has previously issued its General Revenue Bonds (the “Outstanding Bonds”), in several series, 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 Outstanding Bonds and other obligations by General Revenues (as defined in Trust Agreements pursuant to which the Outstanding 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 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 issued and has outstanding Commercial Paper Notes, Series F (the “Series F Notes”), and Series E (Taxable), (the “Series E Notes”, and together with the Series F Notes, the “Notes”), which are 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 F Notes; and

WHEREAS, the financing of all or a portion of the Project and the refunding of a portion of the Senior Lien Indebtedness and the Series F 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 the Project, the costs of refinancing a portion of the Senior Lien Indebtedness and the Series F Notes, and costs incidental to the issuance of the Bonds and the refinancing; 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 Executive Vice President and 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 acquire, construct, furnish and equip the Project, to pay all or a portion of the costs of the Project and the costs of refinancing a portion of the Senior Lien Indebtedness and the Series F Notes 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 specific amount of the cost of each component of the Project to be financed from the proceeds of the Bonds, (ii) the portion of the Series F Notes to be refinanced using the proceeds of the Bonds, and (iii) the portion of the outstanding Senior Lien Indebtedness to be refinanced using the proceeds of the Bonds, based on whether such refinancing would produce interest costs savings, more favorable debt service schedules, or more flexible documentation, and to cause to be called for redemption such of the Senior Lien Indebtedness as is appropriate and consistent with the foregoing objectives. The Issuer may subsequently approve additional components of the Project and specify that such additional components shall be financed in whole or in part from the proceeds of the Bonds, upon which occurrence such components shall thereupon become components of the Project hereunder.
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 One Hundred Million Dollars (\$100,000,000). 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 all or a portion of the costs of the Project, all or a portion of the costs of refinancing a portion of the Series F Notes, all or a portion of the costs of refinancing a portion of the Senior Lien Indebtedness

and the costs related to the issuance of the Bonds and the refinancing, including capitalized interest, if any for such period as an Authorized Officer may determine appropriate, and 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 April 1, 2005 and the last maturity shall be no later than December 31, 2037. 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 weighted average yield (computed using the stated coupons and the stated original offering price) for the Bonds shall not exceed 6.5% 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 0.7% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

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, forward starting swap, option, swaption 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 at approximately the same time as 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 Swap Agreement in the form of an option, swaption or forward starting swap, may, if the Bonds to which such agreement relates are not ultimately issued, be required to be terminated, with a possibility of a resulting termination payment due by the University.

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, the Outstanding Bonds, 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 may be 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 or alternatively payable from, and may be 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 Agreements pursuant to which the Outstanding Bonds were issued), 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 Notes and the Outstanding Bonds. 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) 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 Executive Vice President and Chief Financial Officer, or in the event of his unavailability, the President, 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, including, if deemed appropriate, an escrow deposit agreement with an escrow agent to be designated by an Authorized Officer. Each Authorized Officer is hereby authorized to designate and empower the escrow agent or the Underwriter to subscribe for United States Treasury Obligations, State and Local Government Series, on behalf of the Issuer, as may be necessary in connection with any refunding or refinancing authorized 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.

EXHIBIT A

PROJECT

The Project consists of the components set forth below:

- Ann Street Parking Structure
- Cardiovascular Center Project – Phase 1 and related projects
- Central Campus and Medical Center – Electrical Substation and Underground Distribution System
- ITCS/ITCOM Projects
- Housing Fire Safety/Infrastructure
- Literature Science and the Arts Building Renovation
- School of Engineering Projects
- School of Public Health Buildings Renovations
- Recreational Sports Projects
- UM-Dearborn Engineering Laboratory Building
- UM-Dearborn Science Building
- Utility Tunnel Piping Project-Central Power Plant to Victor Vaughn Building

Financing of the University of Michigan Hospitals and Health Centers Cardiovascular Center Project - Phase I and Related Projects

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved adoption of the following resolution authorizing the executive vice president and chief financial officer or the associate vice president for finance, or treasurer to:

- Develop the terms, and negotiate and execute the legal documentation for the financing with the assistance of the underwriter and outside legal counsel.
- Obtain and approve a final proposal for the bonds.
- Obtain and accept a final proposal for any “swaps,” and any liquidity requirements for the 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 AND DELIVERY OF HOSPITAL REVENUE BONDS, 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 entered into a master indenture, as supplemented (the “Master Indenture”) dated as of May 1, 1986 with U.S. Bank National Association (successor to Comerica Bank) as Master Trustee (the “Master Trustee”), pursuant to which revenue obligations for the benefit of the University of Michigan Hospitals (the “Hospital”) have been and will be issued and secured; and

WHEREAS, the Issuer has issued and has outstanding Commercial Paper Notes, Series F (the "Series F Notes") which are payable from and secured by General Revenues (as defined in the instruments authorizing the Series F Notes), the proceeds of which, in part provided for interim financing or refinancing for the Project (hereinafter defined), and it may be appropriate and economic to refund all or a part of the outstanding principal of the Series F Notes; and

WHEREAS, in the exercise of its constitutional duties and in order to properly serve the needs of the University, and its students and constituents, the Issuer has authorized the acquisition, construction, installation and equipping of the capital improvements described in Exhibit A (collectively, the "Project"), all of which are or will become part of, or otherwise will benefit the Hospital; 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 a series of hospital revenue obligations (the "Bonds") to provide funds which, together with other available funds, may be used to pay all or a portion of the costs of the Project, to pay all or a portion of the costs of refinancing a portion of the Series F Notes, and to pay certain costs incurred in connection with the issuance and sale of the Bonds and the refinancing; and

WHEREAS, the Bonds will be issued pursuant to a trust indenture (the "Series Indenture") to be entered into by and between the Issuer and a trustee (the "Series Trustee") to be selected by the Executive Vice President and Chief Financial Officer, Associate Vice President for Finance, or Treasurer of the University (each an "Authorized Officer") as a series of revenue obligations under the Master Indenture; 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

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 Bonds of the Issuer to be designated as shall be determined by an Authorized Officer (but which designation shall include the words "HOSPITAL REVENUE BONDS") with appropriate series designation, 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 \$160,000,000, to be dated as of the date or dates established by an Authorized Officer, for the purpose of providing funds which, together with other available funds, may be used to pay all or a portion of the costs of the Project, to pay all or a portion of the costs of refinancing a portion of the Series F Notes, and to pay costs incidental to the issuance of the Bonds and the refinancing, including capitalized interest, if any for such period as an Authorized Officer may determine appropriate, and bond insurance premiums, if any. Any Authorized Officer is authorized to determine the specific amount of the cost of each component of the Project to be financed from the proceeds of the Bonds, and the portion of the Series F Notes to be refinanced with the proceeds of the Bonds. The Issuer may subsequently approve additional components of the Project and specify that such additional components shall be financed in whole or in part from the proceeds of the Bonds, upon which occurrence such components shall thereupon become components of the Project hereunder. 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 June 1, 2005 and the last maturity shall be no later than December 31, 2037. 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 weighted average yield (computed using the stated coupons and the stated original offering price) for the Bonds shall not exceed

6.5% 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 Series 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 Series 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 0.7% of the principal amount thereof) plus accrued interest, if any, from the dated date of the Bonds to the date of delivery thereof.

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, forward starting swap, option, swaption 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 at approximately the same time as 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 Swap Agreement in the form of an option, swaption or forward starting swap, may, if the Bonds to which such agreement relates are not ultimately issued, be required to be terminated, with a possibility of a resulting termination payment due by the University.

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 Hospital Gross Revenues, from available cash reserves of the University, subject to such limitations as may be specified in the Series 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. Any reimbursement obligation for draws under the Liquidity Device shall be a limited and not a general obligation of the Issuer, payable from Hospital Gross Revenues (as defined in the Master Indenture), and may be secured by a pledge of Pledged Hospital Gross Revenues (as defined in the Master Indenture), and may, additionally or alternatively, be payable from General Revenues and may be secured by a pledge of General Revenues, as an Authorized Officer shall determine appropriate. 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 Series Indenture.

2. The Bonds and the Issuer's obligations under any Swap Agreement and (except as otherwise provided in the last paragraph of the preceding Section 1) any Liquidity Device shall be limited and not general obligations of the Issuer payable from Hospital Gross Revenues and equally and ratably secured with all other Revenue Obligations (as defined in the Master Indenture) by an irrevocable pledge of the Pledged Hospital Gross Revenues, and the funds from time to time on deposit in certain of the funds created

pursuant to the Master Indenture and may be additionally secured by the funds from time to time on deposit in certain of the funds created pursuant to the Series Indenture or the Swap Agreement or documents entered into in connection with the Liquidity Device.

Except as provided in the Master Indenture and the Series Indenture, or the Swap Agreement or documents entered into in connection with the Liquidity Device, no recourse shall be had for the payment of the principal amount of or interest or premium on the Bonds or any obligation of the Issuer under the Master Indenture or the Series Indenture, or under the Swap Agreement or Liquidity Device, or any claim based thereon against the State of Michigan, the Issuer, or any officer or agent thereof, as individuals, either directly or indirectly, nor shall the Bonds or any obligation of the Issuer under the Master Indenture or the Series Indenture, or under the Swap Agreement or Liquidity Device, become a lien on or be secured by any property, real, personal or mixed of the State of Michigan or the Issuer or the University, other than the Pledged Hospital Gross Revenues and the moneys from time to time on deposit in certain of the funds established by the Master Indenture and the Series Indenture or the Swap Agreement or documents entered into in connection with the Liquidity Device; provided, that as set forth above, the Issuer's obligations under the Liquidity Device may be made payable from, and may be secured by a pledge of, General Revenues.

Any pledge of Pledged Hospital Gross Revenues, General Revenues, and funds specified in the Master Indenture, Series Indenture, Swap Agreement or agreements entered into in connection with the 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 pledges shall be valid and binding against all parties (other than the holders of any outstanding bonds, notes or other obligations secured by a parity or superior lien on Pledged Hospital Gross Revenues or a parity or superior lien on General Revenues or a portion thereof) 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 Hospital Revenue obligations or General Revenue obligations of the Issuer.

3. The right is reserved to issue additional bonds, notes or other obligations payable from Hospital Gross Revenues, or secured on a parity basis with the Bonds from the Pledged Hospital Gross Revenues, upon compliance with the terms and conditions set forth in the Master Indenture.

4. 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 Series Trustee, and to negotiate, execute and deliver the Series Indenture. 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.

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 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.

6. The Executive Vice President and Chief Financial Officer, or in the event of his unavailability, the President, 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.

7. Either Authorized Officer is hereby authorized to prepare or arrange to be prepared the Preliminary Official Statement, if necessary, with respect to the Bonds and to prepare or arrange to be prepared, and to execute and deliver on behalf of the Issuer, the Official Statement with respect to the Bonds and such supplements or amendments to the Official Statement as may be required pursuant to the Bond Purchase Agreement. The Underwriter is hereby authorized to circulate and use the Preliminary Official Statement and the Official Statement, as the same may be so supplemented or amended, in accordance with applicable law, in the offering, marketing and sale of the Bonds.

8. Each of the Authorized Officers, the Secretary, the General Counsel, and any other appropriate officer of the University are 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, the Master Indenture, the Series Indenture, or the Bond Purchase Agreement, or the Swap Agreement or documents entered into in connection with the Liquidity Device. or necessary, expedient and proper in connection with the issuance, sale and delivery of the Bonds or any issue or series thereof, and the ongoing operation of the financing programs represented by the Bonds, all 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.

9. In accordance with the requirements of Rule 15c2-12 of the United States Securities and Exchange Commission, the Issuer is 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. Either Authorized Officer is authorized to cause to be prepared and to execute and deliver, on behalf of the Issuer, the Undertaking.

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.

EXHIBIT A

PROJECT

The Project consists of the components set forth below:

- Cardiovascular Center Project – Phase 1 and related projects
- Central Campus and Medical Center – Electrical Substation and Underground Distribution System

University of Michigan Hospitals and Health Centers (UMHHC) University Hospitals Pharmacy Services Renovation Project

On a motion by Regent Maynard, seconded by Regent Richner, the Regents unanimously approved the University of Michigan Hospitals and Health Centers (UMHHC) University Hospital Pharmacy Services Renovation Project as described, and authorized issuing the project for bids and awarding construction contracts providing that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) Rachel Upjohn Building

On a motion by Regent McGowan, seconded by Regent Richner, the Regents unanimously approved issuing the University of Michigan Hospitals and Health Centers (UMHHC)

Rachel Upjohn Building for bids and awarding construction contracts provided that bids are within the approved budget.

University of Michigan Hospitals and Health Centers (UMHHC) University Hospital Exterior Weatherproofing Project

On a motion by Regent Maynard, seconded by Regent Brandon, the Regents unanimously approved the University of Michigan Hospitals and Health Centers (UMHHC) University Hospital Exterior Weatherproofing 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 Student Housing Facility

Executive Vice President Slottow noted that a developer-partner is being sought to design, construct, furnish, and manage an on-campus student housing apartment facility of approximately 240-300 beds on the Flint campus. The request for proposal will be issued to identify potential terms, conditions, and financial feasibility. On a motion by Regent Newman, seconded by Regent Maynard, the Regents unanimously approved the University of Michigan-Flint Student Housing Facility Project as described and authorized issuing the request for proposal.

Conflict of Interest Items

President Coleman announced that the agenda includes 7 conflict of interest items, each of which requires 6 votes for approval. On a motion by Regent Richner, seconded by Regent Maynard, all six Regents present voted unanimously approved each of the following items:

Option Agreement between the University of Michigan and Innovational Therapeutics, Inc.

The Regents approved an option agreement enabling Innovational Therapeutics, Inc., to further develop a device developed by Dr. Nasser Razack (“A Novel Device for the

Endovascular Treatment of Intracranial Aneurysms”, UM File No. 2779). Innovational Therapeutics, Inc. was co-founded by Dr. Razack and Ewen Nichol. Because Nasser Razack and Ewen Nichol are University of Michigan employees and also hold an equity interest in Innovational 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 to the agreement are the Regents of the University of Michigan (“MICHIGAN”) and Innovational Therapeutics, Inc.

2. Option terms include:

Field of Use: Interventional radiology, endovascular surgery, cardiology and other therapeutic fields involving minimally invasive procedures.

Grant: Exclusive right for 12 months to exercise option to negotiate license of patent rights.

Consideration: Innovational Therapeutics, Inc., will pay an up front fee to MICHIGAN. The parties will negotiate the terms of a license agreement after exercise of the option.

Exercise of Option: In order to exercise its option to negotiate a license agreement with MICHIGAN, Innovational Therapeutics, Inc. Must demonstrate: i) an identified and committed, experienced and capable management team; ii) an appropriate commercialization strategy, and iii) a capitalization plan indicating sufficient access to capital to enable the commercialization plan to be executed.

Other terms: Innovational Therapeutics, Inc., shall receive a limited license that will enable the company to evaluate the technology through research and development. Standard disclaimers of warranties and indemnification apply.

The University will retain ownership of the technology and optioned patent rights and may continue to further develop it and use it for research and academic purposes. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement.

3. The pecuniary interests of Dr. Razack and Mr. Nichol arises from their ownership interest in Innovational Therapeutics, Inc. Pursuant to University policy, Dr. Razack will waive any personal participation in the sharing of revenue received by the University from the company.

License Agreement between the University of Michigan and Triana, LLC

The Regents approved a license agreement with Triana, LLC, for the following files:

“Protein Mapping” (UM File No. 1836), “Protein Mapping” (UM File No. 1836C1), and

“Multidimensional Protein Separation System” (UM File No. 2358). Because Drs. Samir Hanash and Gilbert Omenn are University of Michigan employees and also hold an equity interest in Triana, 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 Triana, LLC.
2. The terms of the license agreement include use in the areas of instrumentation and techniques for the multi-dimensional fractionation and mapping of protein or peptide mixtures based on the protein or peptide charge, hydrophobicity, or molecular weight in chromatography and/or mass spectroscopy applications.

Triana will pay a license fee upon execution of the agreement and will pay a royalty on its net sales and a percentage of all revenue received from sublicenses. Triana will also pay annual minimum royalties throughout the life of the agreement.

This agreement grants exclusive patent rights covering UM File No. 2358 and non-exclusive patent rights covering UM File Nos. 1836 and 1836C1. Triana will pay all ongoing patent costs during the license.

Specific product, business, and capitalization milestones must be met in order to maintain the rights granted by the license.

The University will retain ownership of the technology and optioned patent rights and may continue to further develop it and use it for research and academic purposes. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement.

3. The pecuniary interests of Drs. Hanash and Omenn arise from their ownership interest in Triana, LLC. Dr. Hanash has waived any personal participation in the sharing of revenue received by the University from the company, and Dr. Omenn is not an inventor on any of the licensed files.

License Agreement between the University of Michigan and McCreadie Group, Inc.

The Regents approved a license agreement with McCreadie Group, Inc., for the use of PharmDoc.net software (OTT File No. 2786). Because Scott McCreadie and Barbara McCredie are University of Michigan employees and founders of McCreadie Group, 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 to the agreement are the Regents of the University of Michigan and McCreadie Group, Inc.
2. The terms of the license include an up-front license issue fee and royalty on sales. The University will retain ownership of the licensed software technology and may continue to further develop it and use it internally. No use of University services or facilities, nor any assignment of University employees, is obligated or contemplated under the agreement. Standard disclaimers of warranties and indemnification apply, and the contract may be amended by consent of the parties.
3. The pecuniary interests of Mr. McCreadie and Ms. McCreadie arise from their ownership interest in McCreadie Group, Inc. Mr. McCreadie has waived any personal participation in the sharing of revenue received by the University from the company as required by University policy.

Option and License Agreement between the University of Michigan and Neural Intervention Technologies (NIT)

The Regents approved an option and license agreement with Neural Intervention Technologies (NIT) for “Hydrogels and water soluble polymeric carriers for drug delivery” (UM File Nos. 1622 and 1622d1) and “Controlled growth factor release from synthetic extracellular matrices by mechanical signaling” (UM File No. 1985). Because Dr. Daryl Kipke is a University of Michigan employee and partial owner of NIT, 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 Neural Intervention Technologies.
2. The option terms include use for vascular treatment applications for 12 months. NIT will pay an option fee and patent costs during the term of the option.

The license terms include use for vascular treatment applications with an exclusive, worldwide grant and the right to grant sublicenses for the life of the patents. NIT will pay royalty on net sales and 30% of any revenue not based on net sales, 50% of historic patent costs within 1 year, and an exercise payment of \$20,000 due within 30 days.
3. The pecuniary interest of Dr. Kipke arises from his ownership interest in NIT. Dr. Kipke has not waived any personal participation in the sharing of revenue received by the University from the company since he is not an inventor for the above stated technologies.

Subcontract Agreement between the University of Michigan and Opteos, Inc.

The Regents approved a subcontract agreement with Opteos, Inc., to support research entitled “Miniaturized Electro/Magneto-Optic Sampling Probes for Broadband-RF-Sensing Applications.” Because Drs. John Whitaker and Kamal Sarabandi are University of Michigan employees and also hold an equity interest in Opteos, 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 to the agreement are the Regents of the University of Michigan and Opteos, Inc.
2. The terms of the agreement include a total subcontract to the University of \$30,000 for the period September 1, 2004 through May 31, 2005. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interests of Drs. Whitaker and Sarabandi arise from their ownership interest in Opteos, Inc.

Subcontract Agreement between the University of Michigan and Neighborhood Services Organization

The Regents approved a subcontract agreement with Neighborhood Services, Inc., for the “Covering Michigan Kids and Families” initiative. Because Dr. Richard Lichtenstein is a University of Michigan employee and a member of the board of directors of Neighborhood Services, 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 to the agreement are the Regents of the University of Michigan and Neighborhood Services, Inc.
2. The terms of the agreement are acceptable and conform to University policy. The amount of the subcontract to the University is \$35,000, and the period of performance is six months (June 2, 2004 through November 30, 2004). Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.

3. The pecuniary interest of Dr. Lichtenstein arises from his membership on the board of directors of Neighborhood Services, Inc.

Subcontract Agreement between the University of Michigan and Opteos, Inc.

The Regents approved a subcontract agreement with Opteos, Inc., for supporting research entitled “Near-Field Probing of Magnetic-Field Signals with a Fiber-Coupled Magneto-Optic Probe.” Because Drs. John Whitaker and Kamal Sarabandi are University of Michigan employees and also hold an equity interest in Opteos, 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 to the agreement are the Regents of the University of Michigan and Opteos, Inc.
2. The terms of the agreement include a total subcontract to the University of \$30,000 for the period August 1, 2004 through January 31, 2005. Since research agreements are often amended, the agreement includes provisions for changes in time, amount, and scope. University procedures for approval of these changes will be followed and additional review by the Conflict of Interest Committee will be done as appropriate.
3. The pecuniary interests of Drs. Whitaker and Sarabandi arise from their ownership interest in Opteos, Inc.

Annual Operating Request to the State for the University of Michigan Ann Arbor Campus for FY 2006

On a motion by Regent Brandon, seconded by Regent Maynard, the Regents unanimously approved the FY 2006 annual operating request to the state for the University of Michigan Ann Arbor campus.

Annual Operating Request to the State for the University of Michigan-Dearborn Campus for FY 2006

On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved the FY 2006 annual operating request to the state for the University of Michigan-Dearborn.

Annual Operating Request to the State for the University of Michigan-Flint Campus for FY 2006

On a motion by Regent Newman, seconded by Regent McGowan, the Regents unanimously approved the FY 2006 annual operating request to the state for the University of Michigan-Flint.

University of Michigan Hospitals and Health Centers (UMHHC) Revision of the Medical Staff Bylaws and Medical Staff Bylaws Supplement

Executive Vice President Kelch called attention to the summary statement describing the revisions to the Medical Staff Bylaws and Medical Staff Bylaws Supplement. He commented that they were driven by patient safety, quality of care issues, and compliance issues, among other factors. He noted they had been approved by a number of internal bodies.

Regent Brandon moved approval of the revisions to the Medical Staff Bylaws and Medical Staff Bylaws Supplement, as submitted. Regent McGowan seconded the motion, and it was approved unanimously.

Clements Library Associates Board of Governors

Provost Courant stated that the Clements Library Associates Board of Governors was seeking approval for increasing the number of active members and to revise the authorization document to allow the board's officers to serve for a period of longer than a year. On a motion by Regent Brandon, seconded by Regent Newman, the Regents unanimously approved the following revised Clements Library Associates Authorization Document (additions are underlined; deletions are crossed out).

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 ~~twenty-seven~~ 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, from October 1 to September 30. They shall elect a chair and such other officers as needed from their membership ~~annually~~. 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.

Public Comments

The Regents heard comments from the following individuals, on the topics indicated: Jacqueline Kuehn, staff member, regarding discrimination and violation of patient confidentiality; Carol Dunitz, alumna, regarding her book, *Louder Than Thunder*; Jim Mogensen, citizen, regarding the town-gown relationship; Bonnie Halloran, faculty and member of the Lecturers' Employee Organization (LEO), regarding LEO contract implementation; and Caroline Beslock Smith, alumna, Raymond Detter, alumnus and chair of the DDA Citizen's Advisory Council, Christine Crockett, citizen and president of the Old Fourth Ward Association, Susan Wineberg, alumna and member of the Ann Arbor Historic District Commission, and Ellen Thackery, citizen and member of Historic Preservation Network, all on the topic of the demolition of the Frieze Building.

There being no further business, the meeting was adjourned at 5:15 p.m. The next meeting is scheduled for December 16, 2004.