Minutes of the Formal Meeting
of the
Oakland University Board of Trustees
January 31, 2001

Present: Chair Ann V. Nicholson; Trustees Henry Baskin, Penny M. Crissman, David J. Doyle, David T. Fischer, Louis Grech-Cumbo and Rex E. Schlaybaugh

Absent: Trustee Robert N. Cooper

Also Present: President Gary D. Russi; Vice Presidents Louis Esposito, Lynne C. Schaefer, and Mary Beth Snyder; Acting Vice President Geoffrey C. Upward; General Counsel and Secretary to the Board of Trustees Victor A. Zambardi; Student Liaisons Bonefacio F. DeLaRosa and Cristina J. Kapustij; and Administrative Assistant Rhonda G. Saunders

I. Call to Order

Chair Ann V. Nicholson called the meeting to order at 2:15 p.m. in the Auditorium of the Elliott Hall of Business and Information Technology. She called on Mr. Kevin Shamoun, President of the Men's Hockey Club, who requested to address the Board prior to the meeting.

Mr. Shamoun reported that the hockey season commenced with tryouts in early September and a tournament at the Troy Sports Center in October with teams from the University of Michigan, Michigan State University, Western Michigan University, Lake Superior State University, Central Michigan University, and Illinois State University.
Mr. Shamoun commented that approximately 200 students attended the games. The club also participated in an international tournament held in Iceland, where they played Division I teams from Arizona University and the University of Southern California.
Mr. Shamoun stated that throughout the season fund raising was one of the greatest tasks for the team, raising approximately $90,000 to cover the club's expenses. The fund raisers included a successful raffle and program book advertisements.
Mr. Shamoun noted that presently the Oakland University Men's Hockey Club is ranked 4th regionally in the ACHA, which is an excellent ranking for a two-year old team.
He reported that with that ranking the team is now eligible to participate in the national tournament hosted in Indianapolis. Currently Ferris State University is ranked #1, Central Michigan University is ranked #2, Michigan State University is ranked #3, and Oakland University is ranked #4. With a win over Michigan State, Oakland will be eligible to go to the nationals. Mr. Shamoun concluded by stating that the club plans to

host another tournament in October and to travel to the Toronto tournament later in the year. He thanked the university community for their support.

Chair Nicholson and the Board congratulated the club for their successful season and fund raising efforts, and recognized the team members that were in the audience.

II. President's Report

President Gary D. Russi reported the following information:

- Mr. Thomas Papandrea was recognized as the January Employee of the Month.

- Mr. John-Paul White, Professor Music, Department of Music Theatre and Dance, was recognized for his teaching and research in voice, and specifically his work with individuals with vocal cord injuries. Professor White regularly sees referrals from Beaumont and Henry Ford Hospitals, and is a voice consultant for the Professional Voice Clinic at Henry Ford Hospital. He is a contributing author in the book entitled *Vocal Arts Medicine: The Care and Prevention of Professional Voice Disorders*. In May 2001, Professor White will make his Carnegie Hall debut in New York featured as the bass soloist in the Mozart *Requiem* and in Beethoven's *Mass in C.*

- Dr. Robert Jarski, Associate Professor of Exercise Science, was recognized as the founder and Director of the Complementary Medicine and Wellness Program of the School of Health Sciences. As a certified Physician Assistant, he has taken post-graduate training in general surgery and has extensive clinical experience dealing with patients having life-threatening illnesses such as multiple trauma and cancer. Dr. Jarski was nominated for the Teacher-of-the-Year Award and as Favorite Oakland University Faculty. He supervises the research projects and theses of exercise science students and physicians-in-training at two area hospitals affiliated with Oakland University. Dr. Jarski's physician training has resulted in a $271,000 extramural grant to the university. He serves as a referee and editorial board member of several professional journals; has published numerous articles in scientific journals and books; presents regularly at national, state and community conferences and seminars; and is a hospice volunteer. Currently he is a Principal Investigator for a $275,000 grant application to the National Institute of Health to investigate complementary therapies in nursing homes, a joint effort with Trinity Health.

- Ms. Susan Goepp was introduced as the new Vice President for University Relations and Executive Director of the Oakland University Foundation. She previously served as Director of External Relations in the Michigan State University College of Agriculture and Natural Resources. While there, her team was responsible for raising more than $10 million in private support, $7.5 million in current gifts, and an additional $3 million in planned gifts.

- Mr. Geoffrey Upward, Director of Communications and Marketing, was recognized for his service as Interim Vice President for University Relations during the past six months.

- Winter 2001 enrollment for the university has set another new headcount record of 14,359 students, for a 3.8 % overall increase.

Chair Nicholson thanked President Russi for his report and congratulated the honorees for their accomplishments and commendable service to the university. She also stated that, prior to the meeting, the Board of Trustees had a very enjoyable lunch with a group of students organized by the Student Congress and the Board of Trustees Student Liaisons. Chair Nicholson noted that it was a wonderful opportunity for the Board to interact with the students, and she thanked the Student Congress and Student Liaisons for their efforts in hosting the event.

III. Treasurer's Report

Ms. Lynne C. Schaefer, Vice President for Finance and Administration, presented the following treasurer's report for the second quarter investment performance of the University's Endowment Fund and Pooled Cash activities:

- Endowment Fund Investments - The endowment fund is invested 75% in the Commonfund's Multi-Strategy Equity and 25% in the Multi-Strategy Bond Funds. Over the second quarter and over the past year, the Multi-Strategy Equity Fund out-performed all the benchmarks for that fund, as a result of its broad diversification. The university benefited by being in small cap value and hedge funds during this period of time when the stock market is very volatile. However, the Multi-Strategy Bond Fund under-performed the Lehman Aggregate Index.

- Pooled Cash Investments - The fiscal-year-to-date return on pooled cash was 5.27% (not annualized) in the first six months of the year. The calendar year annual rate of return was 8.74%, compared to 2.68% in the prior year. The short and intermediate fixed income strategy is doing very well.

- Bank Conversion Activities - The university's conversion of its banking services to Comerica Bank is now well underway. The entire conversion will probably take place in the spring.

IV. Roll Call

Mr. Victor A. Zambardi, General Counsel and Secretary to the Board of Trustees conducted a roll call vote. All of the Board members were present, except Trustee Robert N. Cooper.

V. Action Items

A. Consent Agenda

Chair Nicholson moved the following recommendations:

1. Approval of the Minutes of the Meeting of December 6, 2000

2. Approval of Appointment of a Vice President for University Relations

RESOLVED, that upon the recommendation of the President, the Board of Trustees appoints Ms. Susan Goepp to the position of Vice President for University Relations effective February 1, 2001, at an annual salary of $136,240 and in accordance with the terms and conditions of Ms. Goepp's appointment which are set forth in the Agreement between Ms. Susan Goepp and Oakland University.

(A copy of the Agreement is on file in the Board of Trustees office.)

3. Approval of University Personnel Actions

New Appointment

Kusow, Abdi, Assistant Professor of Sociology, effective January 1, 2001 ($45,000).

Administrative Appointment

Postlewate, Carl (Rusty), Associate Vice President for Facilities Management, effective January 3, 2001 ($95,000).

Emeritus(a) Appointments

Mascitelli, David, Professor Emeritus of English, effective January 1, 2001.

Boddy, David, Professor Emeritus of Computer Science and Engineering, effective January 1, 2001.

Edgerton, Rogert, Professor Emeritus of Mechanical Engineering, effective January 1, 2001.

Botsas, Eleftherios, Professor Emeritus of Economics, effective January 1, 2001.

Change of Status

Polis, Michael P., Professor of Engineering and Dean, School of Engineering and Computer Science, to Professor of Engineering (on administrative leave, with full pay, through August 14, 2001), effective January 8, 2001.

Rapin, Ronald F., from Associate Professor of Spanish to Associate Professor of Spanish and Acting Chairperson, Department of Modern Languages and Literatures, effective January 1, 2001 through April 30, 2001.

4. Approval of Meadow Brook Subdivision Financing Guarantee

(The Meadow Brook Subdivision Financing Guarantee report is on file in the Board of Trustees office).

5. Recommendation to Accept Gifts to Oakland University and the Oakland University Foundation for the Period of November 1 through November 30, 2000 and to Accept Grants and Contracts to Oakland University for the Period November 15, 2000 through January 15, 2001

(A list of the gifts, grants and contracts is on file in the Board of Trustees office.)

Trustee Rex E. Schlaybaugh, Jr. inquired if the Board is being asked to approve the appointment or the contract of the Vice President for University Relations. President Russi clarified that the Board is approving the appointment and that the agreement is a standard employment agreement. Trustee Schlaybaugh seconded the motion. The motion was unanimously approved by those present.

B. Approval of Adoption of Academic Calendars for 2001-02, 2002-03, and 2003-04

Trustee David T. Fischer stated that the academic calendar sets the basic instructional rhythm of the university and provides the basis for scheduling university activities. He noted that the calendars have been reviewed by those offices and groups whose workloads are strongly dependent upon them. Trustee Fischer noted that they have also been submitted to the American Association of University Professors (AAUP) for consultation, to determine their compatibility with the AAUP Agreement. Like the calendars beginning in 1997-98, they reflect the recommendation of the University Senate to observe Martin Luther King, Jr. Day in January by suspending classes for that day. Trustee Fischer added that the calendars reflect two significant modifications from prior Oakland University calendars: (1) Fall Commencement is scheduled for December rather than September; making Oakland University consistent with all other state universities in Michigan. (2) Classes begin at 5 p.m. on the Tuesday after Labor Day; the President's Cabinet agreed that students would be well served if they have most of the day after Labor Day to attend to "business" matters and if the New Student Convocation does not conflict with scheduled classes.

Trustee Fischer moved approval of the following resolution:

RESOLVED, that the Board of Trustees approves the academic Calendars for 2001-02, 2002-03, and 2003-04 as presented in this agendum.

Trustee David J. Doyle seconded the motion.

Student Liaison Cristina J. Kapustij commented that some students have expressed support for having the Tuesday after Labor Day off. She also noted that students are concerned about the shortening of the study day, stressing the importance of enforcement of the policy that during the week before finals professors are not allowed to give exams. Dr. Louis Esposito, Vice President for Academic Affairs and Provost, responded to Ms. Kapustij's comment, noting that the university makes every effort to enforce the university policy that no exams be scheduled during the last week of classes. He stated that any time it is called to my attention that the policy is being violated, the matter is always dealt with rapidly and effectively. Dr. Esposito encouraged all the students on the campus, who may be aware of any possible violations, to notify the Provost Office. President Russi concurred with quick enforcement of this policy.

The motion was unanimously approved by those present.

C. Approval of Appointment of Bond Counsel

Trustee Henry Baskin stated that the university has determined that funds are needed, both from the State of Michigan and the private sector, to accommodate university expansion, growth, renovations and additions. He noted that it is anticipated that in Spring 2001 bonds will be issued to borrow money from the public to take care of the debt and to pay it back at appropriate interest rates. Trustee Baskin stated that in order to do that, one of the steps that has to be undertaken is to hire bond counsel, or lawyers, who specialize in this area, to advise the General Counsel and the Board of Trustees on appropriate measures to take and to write certain letters of guarantee. Trustee Baskin reported that the university issued a Request for Proposal (RFP) from six law firms in the greater Detroit area, who have all responded. The responses have been reviewed by the university's General Counsel and the Vice President and Associate Vice President for Finance and Administration, and the General Counsel and Trustees Schlaybaugh and Baskin have discussed the matter.

Trustee Baskin stated that Ms. Linda Bruton, of Lewis & Munday, was present to answer questions. He noted that Ms. Bruton has served as bond counsel and underwriter counsel for several educational institutions, including Wayne State University and Michigan State University.

Trustee Baskin moved approval of the following resolution:

WHEREAS, the university anticipates the need for bond counsel services in connection with the possible issuance of tax-exempt bonds during the 2001 calendar year; now, therefore, be it

RESOLVED, that the law firm of Lewis & Munday be retained as the university's bond counsel for the purpose of representing the university in the anticipated issuance of tax-exempt bonds according to the provisions of the university's request for proposals dated December 22, 2000 and Lewis & Munday's response dated January 8, 2001; and, be it further

RESOLVED, that the university's General Counsel is authorized to execute a retainer agreement with the law firm of Lewis & Munday to provide the foregoing bond counsel services, which shall be in compliance with the law and university policies and regulations, and shall conform to legal standards and policies of the Board of Trustees.

Trustee Schlaybaugh seconded the motion. The motion was unanimously approved by those present.

D. Approval of Authorization of Interest Rate Agreement

Trustee Schlaybaugh stated that in connection with the work of the Investment Advisory Committee and a December 6, 2000 Board action, the university's financial advisor, Lehman Brothers, has recommended that the university entertain a financing structure that would have the university issue variable rate bonds, and that the university swap the obligation to pay variable rate bonds for a fixed rate obligation and Lehman Brothers, or an affiliate, would in turn make the variable rate payment obligation that the university has on the bonds that it issues. Trustee Schlaybaugh reported that in discussions at the Investment Advisory Committee, it has been suggested by the university's financial advisor that the Board authorize the administration to enter into an interest rate exchange agreement in advance of issuance of the bonds, so that the university can take advantage of the historical low interest rates which are prevailing in the market today. He noted that the resolution provides that authorization and that it will protect the university when the bonds are issued within the next 60 to 90 days. The interest rates that are prevailing today that would be locked in through the interest rate swap arrangement would be the rates that would be on the bonds that are actually issued. Trustee Schlaybaugh added that the resolution recognizes several important parts of that swap arrangement with Lehman Brothers which deals with the requirement that the obligation of Lehman Brothers, or its affiliate, be collateralized or required to put certain government securities in a collateral account for the university's benefit equal to 104% of the market value of the transaction to protect against the ultimate and unlikely demise of that company during the 30-year period that the bonds would be outstanding. The resolution also recognizes that the agreement must obligate the counterparty, which is Lehman or an affiliate, to pay the underlying variable rate on the bonds that the university is obligated to pay. In other words, they are trading us a fixed rate obligation that we would then pay for our obligation to make the variable rate and they would undertake to make that payment.

Trustee Schlaybaugh moved approval of the following resolution:

WHEREAS, the Board of Trustees of Oakland University (the "Board) is a constitutional body corporate established pursuant to Article VIII, Section 6 of the Michigan Constitution of 1963, as amended ("the Constitution"), with general supervision of Oakland University (the "University") and the control and direction of all expenditures from the University's funds; and

WHEREAS, the Board proposes to undertake the acquisition of new student apartments, a new school of education and human services building, additions to University's electrical distribution system, and various other capital projects, all on the Oakland University Campus (together, the "Project"); and

WHEREAS, the Constitution as well as Section 6 of Act 35, Public Acts of Michigan, 1970, as amended ("Act 35"), authorizes the Board to issue bonds for the purpose of the Project, payable from the sources therein provided; and

WHEREAS, in the exercise of its constitutional duties, and in order to prudently control and direct expenditures from the University's funds, the Board determines it is necessary and desirable, and therefore intends to authorize the issuance and delivery of the Board's General Revenue Bonds, Series 2001 (the "Bonds"), pursuant to its constitutional and statutory authority in order to provide funds, which, together with other available funds, will be used to pay the costs of the Project, to fund capitalized interest, and to pay costs related to the issuance of the Bonds; and

WHEREAS, entering into an interest rate exchange agreement with a financially sound counterparty before, contemporaneously with, or after, the issuance of the bonds will be advantageous financially to the University; and

WHEREAS, pursuant to the competitive proposal process, the Board intends to engage Lehman Brothers or a wholly owned affiliate (the "Counterparty") to undertake preliminary market analysis and to present to the Authorized Officer (as hereinafter defined) an interest rate exchange agreement which may, if deemed appropriate, be in the form approved by the Board on June 8, 1995 in connection with the university's GENERAL REVENUE BONDS, SERIES 1995, (the "Swap Agreement") setting forth the terms and conditions upon which the Counterparty will exchange payment of a variable interest rate related to the bonds, or under certain circumstances to a specified index, for the payment of a fixed rate of interest by the University; and

WHEREAS, in order to be able to fix interest rates at the most opportune time, it is necessary for the Board to authorize the President of the University and the Vice President for Finance and Administration and Treasurer to the Board (each, an "Authorized Officer'), or either of them, to negotiate, execute and deliver on behalf of the Board, a swap agreement with respect to some or all of the bonds if deemed necessary and desirable by an Authorized Officer, all within the limitations set forth herein; and

WHEREAS, the financing of the Project will serve proper and appropriate public purposes; and

WHEREAS, the Board has full power under its constitutional authority and supervision of the University and control and direction of expenditures from the University funds, as well as under Act 35, to acquire and construct the Project, and to pay all or part of the cost of the acquisition, construction and installation of the Project by issuance of bonds, and to pledge general revenues of the University for payment of bonds, and to pledge general revenues of the University to secure the Board's obligations under the Swap Agreement;

NOW, THEREFORE, BE IT

RESOLVED, that the Board hereby expresses its intent to authorize the issuance, execution and delivery of bonds of the Board in one or more series to be designated General Revenue Bonds, Series 2001 with appropriate additional series designations, if any, in the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the aggregate original principal amount to be established by an Authorized Officer, but not to exceed the aggregate original principal amount of $45,000,000; and, be it further

RESOLVED, that an Authorized Officer is hereby authorized subject to the following parameters, in the name and on behalf of the Board, and as its corporate act and deed, to enter into the Swap Agreement, and all instruments and documents required by this resolution, or necessary, expedient and proper in connection with the entry into the Swap Agreement, payable from and secured by a pledge of general revenues of the university on a parity with, or subordinate to the bonds, as an Authorized Officer may authorize after review and approval and upon recommendation of University bond counsel in consultation with the University's General Counsel (which approval shall be conclusively evidenced by the execution of the Swap Agreement and all instruments and documents required by this resolution, or necessary, expedient and proper in connection with the entry into the Swap Agreement):

(a) The maximum interest rate payable to the provider of the Swap Agreement thereunder shall not be less than 25 basis points below the rate for fixed rate bonds on the date of the Swap Agreement, as evidenced by a written analysis presented by the Counterparty;

(b) The Counterparty or a wholly owned affiliate, or a guarantor of the Swap Agreement shall be an entity rated at the time of the execution of the Swap Agreement either not less than " A" by Standard & Poor's Ratings Group or not less than " A "by Moody's Investors Service, Inc., and such entity shall collateralize its obligations under the Swap Agreement with United States Treasury securities or securities of agencies of the United States fully guaranteed by the United States, at a level equal to 104% of the market value of the transaction executed thereunder;

(c) The Counterparty shall agree to pay the University the variable interest rate related to the bonds, or under certain circumstances to a specified index, in exchange for the university's agreement to pay the Counterparty a fixed rate of interest; and, be it further

RESOLVED, that the Authorized Officers or either of them and any other appropriate officer of the Board or the University are hereby authorized to perform, execute and/or deliver all instruments and documents for and on behalf of the university required by this resolution, or necessary, expedient and proper in connection with the entry into the Swap Agreement and to take any and all other necessary actions related thereto, as contemplated hereby; and, be it further

RESOLVED, that prior to the execution by any Authorized Officer or other officer of the Board or the University of instruments and documents authorized to be executed hereunder, University bond counsel in consultation with the University's General Counsel shall have reviewed and approved any and all such instruments and documents; and, be it further

RESOLVED, that all resolutions or parts of resolutions or other proceedings of the Board in conflict herewith are hereby repealed insofar as such conflict exists.

Trustee Louis Grech-Cumbo seconded the motion. Trustee Schlaybaugh stated that it is his understanding that the university could enter into an interest rate swap agreement as soon after the resolution as is appropriate, given the interest rate, with the intention that bonds would be issued 90 days down the road. He asked Ms. Schaefer what would happen if the university did not issue bonds, either because the university chose not to, which is very unlikely, but if something systemic happened either in the market or the economy where the university just could not issue it within that time frame. He also asked when the university would start incurring liability under the swap agreement, with doing that in advance of the bond issuance. Ms. Schaefer stated that, as she understands it, knowing that all of the agreements have not been worked out yet, the interest rate exchange agreement would have a date by which the Board will issue bonds, which will probably be June 1, to give the university the most time to take whatever action it chooses to take. That agreement will basically obligate the university, based on a certain amount of proposed money to issue in bonds, somewhere between $32 and $45 million, to pay a fixed rate of interest to Lehman and have them pay a variable rate to us. if the university ends up not issuing the bond, so there is no underlying financing for that swap agreement, the university would then be obligated to pay the difference between the fixed rate and the variable rate, or possibly lose if there is a difference between the fixed rate and the variable rate.

Trustee Fischer asked whether the university could put a collar around that number with the thought of this remote possibility. He stated that it would seem that they could define that number, and he asked if Ms. Schaefer could give the Board an idea of what that amount of money would be. Ms. Schaefer stated that when she spoke with Lehman last week, the fixed rate was about 5.06%, and the variable rate was 4.82%. She stated that the variable rate varies day by day, and that today it was 3.50%, so it could be substantial. Ms. Schaefer noted that the advice that she got this afternoon from Lehman was that if the university does not think it is going to enter into these bonds and if there is the remotest risk that the university will not enter into this bond issue, then the swap agreement should not be approved today, because the underlying instrument is needed to back up the swap agreement.

Trustee Schlaybaugh stated that, as a follow up, when he explored this issue with Ms. Schaefer, he tried to certainly read the sense of the Board, and he commented that he believes that the sense of the Board is to issue the bonds. So, it is really what are the external matters that could impact this timing. And the second point relating to that is the only reason that the university would enter into the swap now is to take advantage of the interest rates, rather than entering into it at the time the bonds are issued, and there may be no change whatsoever. Trustee Schlaybaugh stated that he views the matter as taking on some incremental risk to get the benefit of these historical low rates. However, he stressed the importance of the matter, noting that this is a risk that was not clearly discussed or understood by the committee. Ms. Schaefer stated that to get a sense of what that market looks like right now, the rates are close to 40 year lows. The market has really never gone below 5% on the fixed rate, so she really cannot see it going much lower than it is today, maybe a few basis points. It might go higher. That tends to be the direction it goes, so in 60 to 90 days there would be some risk and some likelihood that the rates wouldn't be as favorable as they are today.

Trustee Baskin asked whether this resolution, if adopted, would authorize an agreement for $45 million with Lehman Brothers. Trustee Schlaybaugh responded yes. Trustee Baskin stated that he was not really certain where the $45 million is going, so he questioned what the Board was doing first. Trustee Schlaybaugh stated that the way he views the swap, it is not dealing with the principal, but it is dealing with the interest payment obligation differential, so, using Ms. Schaefer's numbers, if the university did not issue bonds within that time frame for whatever reason, it would be obligated to pay the difference between the 5.06% and the 4.82% on $45 million, or the amount of exposure. Trustee Baskin stated that the university will then be obligated for $45 million to Lehman Brothers, not to the public, and he wanted to understand how the university arrived at the $45 million number. Trustee Schlaybaugh questioned what amount would actually be used in the swap agreement, because the Board has not set that amount and how the Board can determine the university's exposure. Trustee Fischer asked whether the Board sets the amount before the agreement. Ms. Schaefer stated that the amount has to be in the agreement, and that, in her opinion, the Board has two paths to follow. The Board could issue the swap agreement now at $45 million. The other choice, given that the university is not sure what is going to happen between now and the next 90 days, the Board could agree on the swap at $32,675,000, the amount for the three projects that have already been approved and are well underway – student apartments, education building, and the electric power upgrade.

Trustee Schlaybaugh asked whether the Board could reduce in 90 days the $45 million, if at the time the Board came to the bond issuance resolution and decided the Board did not want it, would there be exposure still on the swap agreement for the underfunding. Ms. Schaefer stated that if the swap agreement says $45 million, then there would be exposure if the issuance is less than that. Trustee Schlaybaugh asked whether under this resolution the university would swap at $45 million. Ms. Schaefer stated that with this resolution the university could swap for anything up to $45 million. Trustee Fischer asked whether it was the intention to go to $45 million, and Ms. Schaefer replied that it is a decision the Board has to make. If the Board is uncomfortable going for the whole $45 million at this point, maybe the university should back off to the $32 million and decide closer to the actual point of bond issuance what that total bond issue will be, and then the university we can swap at that time for the remainder. Trustee Baskin stated that what is being said is that the amount that is borrowed is going to drive the university in a direction that cannot be altered because it will be liable to Lehman Brothers. For example, if the Board does not approve Part 2 of the Design-Build Services for Student Apartments, and decides to refurbish the existing apartments, the university will still have to pay Lehman Brothers. So, the university would be obligated to go forward with this proposal that is reported to be a self-retiring debt for administration and the debt itself. Trustee Baskin stated that he is in a position now of voting for something and he does not know why he is voting for it, because not all of the items have been approved that add up to $45,000,000. He commented that he does not know why the university is borrowing $45,000,000 or committing to borrow $45,000,000. Trustee Baskin stated that if it is a variable rate that the university is paying, the swap agreement sounds interesting. He stated that he might defer to bond counsel the question of why it matters if the rate is variable and if the economy picks up and money gets tighter - money loosens up, it is going to vary anyway. Trustee Baskin stated that the university's obligation is not going to be unacceptable without a swap agreement.

Ms. Schaefer stated that the choices are between traditional fixed and the variable with a swap.

Trustee Baskin stated that the university has money that is making money, and if that money Ms. Schaefer talked about at the beginning of the meeting earns more money, then the university can afford to pay more money as the interest rates fluctuates. He stated that he understands that the university is borrowing cheap money, but he noted that money is cheap today and the money that the university has in the bank is cheap. Trustee Baskin commented that the original idea of a swap agreement was appealing to him because it is the university's insurance that it is not going to have to pay more than" X" amount, but his problem with it is that he does not want to commit $45,000,000 to that agreement.

Trustee Schlaybaugh stated that, since it was evident that the university would be spending additional money on projects, the committee encouraged the administration to look at whether it made sense to borrow the full amount under this issuance at such attractive rates rather than returning in a year to go through the same process. He noted that the question of whether the amount is $32 million or $45 million is a legitimate question for the Board. He stated that to him the troublesome aspect is, as Ms. Schaefer stated, if the Board agrees to go to $45 million on the swap agreement, it is pretty much committing to that amount 90 days down the road, resulting in some liability on the swap.

Trustee Baskin stated that there would also be a two-year period of time to use all of the money. He asked if that money could be deposited to the university to earn interest. Ms. Schaefer answered no, and stated that the university actually had five years to spend bond proceeds, and that the two years is the limit under the arbitrage provisions. She added that if the university does not spend the entire bond issue within two years, it cannot keep any arbitrage earnings. Trustee Schlaybaugh added that the university can keep up to the cost of the bond, but not the profit on the investment.

Trustee Doyle stated that if the Board approved the $45 million now and the agreement was entered into, and the university does what Trustee Baskin proposes and only approves $32 million worth of projects over the course of the next 90 days, is the liability the difference between $32 and $45 million for the 90 day period or is it for a 30 year period? Ms. Schaefer responded that it is her understanding that it would be for the 30 year period, and that it is not the difference between the $45 and the $32 million, it is the difference between the fixed rate and the variable rate on that principal amount with no underlying debt instrument. She recommended that, if the Board is not comfortable with issuing $45 million in bonds in the next 90 days, that only the swap is done right now for the three projects that have already been approved. Ms. Schaefer stated that the university has the next 60 to 90 days to look at the difference or the $45 million target to determine if there is interest in moving forward with projects at this time for that dollar amount. Then, another interest rate swap agreement can be done for that amount. And presumably there will still be favorable conditions for a swap agreement relative to a traditional fix at any time that the university moves forward with it. Trustee Schlaybaugh asked bond counsel if the university can include that in the same indenture or if the university goes with the $32 million swap, but decided to issue $45 million, if it would be as part of the same issuance. Ms. Bruton responded that she believes that the transaction could be structured to accomplish that. Chair Nicholson asked whether the university would need to go through the whole expensive process of issuing bonds a second time, and Ms. Bruton replied yes.

President Russi reminded Trustee Baskin that the university is in the process of looking at the next 10 years to isolate some key strategic initiatives for the university. Ultimately those come to the Board and the Board will be asked to choose some of those initiatives.

Trustee Baskin stated that he does not want the university to be tied to a project that the Board has not approved. So that if in 60 days the outside advisors advise us that another project is better for the university, the Board should be able to take that money and apply it toward another project. President Russi stated he thought that is precisely what Ms. Schaefer was talking about doing. Ms. Schaefer added that even those approved projects could change between now and then.

Trustee Schlaybaugh clarified that the resolution as presented only identifies the three projects which total to $32 million, and that there is no commitment as to specific projects beyond those even though $45 million would be raised. He noted that it would still come back to the Board to determine how that money would be spent.

Ms. Schaefer also clarified for Trustee Fischer that other projects have been discussed with the Board, but that it is merely a matter of prioritizing them before they are brought to the Board for approval, and that this proposal is simply trying to take advantage of the low rates to finance those projects..

Trustee Schlaybaugh asked what would keep the university from issuing bonds between now and the next 90 days, thereby triggering the liability. Ms. Schaefer stated that she believed it would be pretty drastic, affecting the university's and the State of Michigan credit rating. Ms. Bruton added that she thought that question is like asking bond counsel to look into a crystal ball. However, some catastrophe like war or the elimination of the budget for the university, or the Board deciding that the projects are not necessary, could lead to not issuing the bonds.

Trustee Baskin asked if the Board would accept an amendment for a minimum and a maximum amount. He noted that the recommendation mentions the education building and a power station. Ms. Schaefer stated that the cost of the education building is $7,875,000 and the cost of the is $4.8 million. Trustee Baskin stated that he does not understand how the university became committed to the student apartments with the bond issuance, when the university is only in Phase One of the project. He asked if the university decides to issue the bonds and borrow the money, could it decided to use the money for another project that is funded in part by the State of Michigan, and if so how long does it normally take to get the state to fund a project. Ms. Schaefer responded that actually a later agendum item will be presented to the Board on the student apartments. If that gets approved, then the university is on a path to potentially begin construction this spring, so any decision would have to be made before that time. She stated that in terms of the capital outlay process for the state, there is no specific process for when those decisions get made, but that it will not be within the next year or six months that a decision will be made on that.

Trustee Schlaybaugh asked Ms. Bruton if she is aware of any other issuers that have obligated themselves under a swap agreement in advance of approving the bond resolution. Ms. Bruton replied that she is not aware of any, and that it is probably not typical, but under the circumstances it is quite understandable, taking away the risk that the interest rate will go up. Ms. Schaefer stated that Lehman informed her that morning that they just did one with MIT yesterday under a similar arrangement.

Trustee Fischer asked what the interest rate will be on the bond, and Ms. Schaefer replied that it was 5.06% last Friday, but it depends on when the university enters into the agreement. She noted that today Lehman's was saying that it is relatively flat. However, today the Feds are meeting to talk about interest rates and the market will respond to that. Trustee Fischer reiterated that it is at a 40 year low. Ms. Schaefer added that it has never gone below 5%.

Understanding Trustee Baskin's concern about the apartments, Trustee Grech-Cumbo asked if there is any other downside to going with the $32 million. Ms. Bruton replied that there is no downside, other than a change in expectations in terms of doing the projects at $32 million, if a project is changed, removed or bumped down to a lower priority, that would be the risk.

Trustee Doyle stated that the Board is going to take a vote here next on the student apartments which will obligate the university to move towards construction this spring. He asked Trustee Baskin if he would be more comfortable if that item was dealt with first, and then return to this item. Trustee Baskin agreed to move on to the student apartments item at this time.

Chair Nicholson stated that if the Board approves the student apartments now, then the $32 million would be for definite projects.

E. Approval of Part 1 Design-Build Services for Student Apartments

Trustee Penny Crissman commented that her participation on the Student Apartments Committee has been an interesting and exciting experience. She stated that the administration proposed the development of up to 1,000 additional student beds on campus at the October 2000 Board meeting. The Board authorized the administration to proceed with the selection of a student apartments design-build development team through a RFP process, and to select a design-build team for the Phase One student apartments development. Trustee Crissman reported that the university sent out a Request for Qualifications (RFQ) to 34 firms and has received 12 responses. She stated that a 14-member selection committee, consisting of students, administrators, faculty and trustees, along with the consultant, Anderson Strickler LLC selected four firms to receive a very detailed RFP. Those were received on December 22, 2000, and the selection committee interviewed the three respondents on January 11, 2001 and determined that Capstone Development Corporation was the top choice for further negotiation.

Trustee Crissman stated that the scope of services for this project is divided into the following two parts: (1) Part 1 services will consist of preliminary design, which will help the university finalize the architectural program design concept and establish a guaranteed maximum price for the project. If the university reaches agreement with Capstone on all outcomes of Part 1 services, and wishes to proceed with the project, a request will be submitted to the Board of Trustees for approval of schematic design, guaranteed maximum price, and project budget. The university may cancel its relationship with Capstone at the end of Part 1 services. If that occurs, the university will only be obligated to Capstone for the $189,000 fee associated with Part 1 services, which will be completed in April 2001. (2) Part 2 services are the turnkey design and construction of the student apartment complex, to be completed in Summer 2002.

Trustee Crissman moved approval of the following resolution:

RESOLVED, that the Vice President for Finance and Administration be authorized to enter into the preliminary design-build agreement with Capstone Development Corporation for Part 1 services; and, be it further

RESOLVED, that consistent with Board policy, the schematic design, budget and financial feasibility shall be presented to the Board for approval prior to proceeding with construction.

Trustee Doyle seconded the motion. Trustee Crissman stated that she is very comfortable with the fact that this project is revenue generating. She added that Capstone Development is highly experienced in student housing.

Ms. Kapustij commented that she was privileged to serve on the Student Apartment Committee, and that the students have great interest in the student apartments, which she anticipates will always result in full capacity. She noted that Capstone definitely has a great design and was significantly less than the other bidders.

Trustee Baskin noted that Capstone is an Alabama company, and he inquired why a Michigan-based company was not considered for the project. Trustee Crissman agreed with Trustee Baskin's concerns, but stated that the Student Apartments Committee discovered that, although 34 RFPs were sent out, there are very few companies that build student apartments for campuses. She commented that Capstone stood out among the three finalists as the best company for the least cost. Chair Nicholson added that Capstone has somewhat of an advantage in that this is their business, which they do for colleges and universities around the country, so it is much harder for a local company that does a variety of building projects to compete with Capstone.

Trustee Crissman stated that due diligence checks were conducted on Capstone, with positive feedback on quality of construction and timeliness.

Trustee Baskin asked about the project total cost, and Ms. Schaefer responded that the guaranteed maximum price will be developed during the Part 1 services stage. She noted that Capstone's preliminary estimate was $18.5 million, and that the university is projecting a budget between $19 and $20 million to make it financially feasible. Ms. Schaefer added that the university will enter into a contract with the maximum price in the Part 2 services stage.

Trustee Crissman questioned whether there is a consensus of the Board to go forward with the student apartments, and Trustee Baskin replied that he believes the Board supports the project. Chair Nicholson reminded the Board that one of the basic reasons why the apartments are needed is to have an upper classmen presence living on campus to enhance the campus community. She added that two market studies supported the student body demand for student apartments.

Trustee Grech-Cumbo requested that, after the student apartments are on-line, annual self-funding reports should be presented to the Board.

Trustee Fischer stated that, after four years of discussion on this project, he is very pleased that is moving forward.

The motion was unanimously approved by those present.

D. Approval of Authorization of Interest Rate Agreement

Chair Nicholson stated that the Board has had a good discussion about this proposed venture with Lehman Brothers, and she asked if anyone wants to add anything more before a vote on this item.

Trustee Baskin asked for clarification about the state of the resolution at this point, and Chair Nicholson asked if Trustee Baskin actually made an amendment. Trustee Baskin stated that he did ask for a friendly amendment, and Trustee Schlaybaugh stated which is to change the language "up to $45 million" to the "$32 million". Trustee Baskin stated that he wanted to give the university the borrowing power, if other projects were identified over the next 90 days, up to $45 million, but no less than $32 million. Trustee Schlaybaugh stated that he does not believe that Ms. Schaefer should have the flexibility to sign the swap agreement up to the $45 million, as stated in the resolution. He did not believe that it is an appropriate level of discretion that she should exercise. Trustee Schlaybaugh noted that either the Board should determine whether it wants to enter into a swap for $45 million, which has some cushion for undefined projects, or just enter into a swap for the $32 million for the defined projects.

Trustee Baskin asked if the Board could enter into an agreement with Lehman Brothers for a minimum of $32 million and a maximum of $45 million, and Ms. Bruton replied that the Board could probably structure the agreement any way it wants, but the best way is to have a determined amount in the document. Ms. Schaefer again suggested that the Board consider the swap for up to $32,675,000, which accurately encompasses those three projects that are already approved. The economic conditions can be monitored over the next 60 or 90 days, and the Board can discuss priorities and whether to issue future bonds for additional projects up to that $45 million, and do another swap under the same terms and conditions at a little higher rate. Trustee Schlaybaugh stated that he would add a condition to that proposal that bond counsel would have to offer affirmative advice that it can be done in the same issuance. In other words, if bond counsel recommended doing another issuance for that add on amount, then he would not be comfortable with moving ahead with the swap right now because of the importance of taking advantage of the interest rates. Ms. Bruton stated that what would probably occur is that the university would just do an amendment to the first swap agreement to incorporate the entire amount. Trustee Schlaybaugh asked if it would all be issued under the same authorizing resolution and same indenture so that there is one set of costs, and Ms. Bruton stated that procedurally language may be added to the authorizing resolution that authorizes the amendment of the swap.

Trustees Baskin and Schlaybaugh commented that if the university commits to $32 million right now, and the apartments come in at $24 million, the university would be committed to do the apartments because it has already entered into a swap agreement even though it might decide to not do them if it was not encumbered under the swap agreement. Trustee Baskin stated that he does not like to have the swap agreement driving this university's policy, and that he needs to know what the price is before the commitment is made. Trustee Fischer stated that Trustee Baskin has a great point in that the university should not commit to $45 million without having a clear definition of where it will be spent. He added that the Board does know through the work of the committee that the apartments are going to come in very close to the number, and that the reason the Board is being asked to go to this next stage is just to nail that minor difference down. Chair Nicholson, Trustee Crissman, and Ms. Schaefer concurred with Trustee Fischer's statement. Chair Nicholson stated that although Capstone has given the university an approximate number, the guaranteed number should not be millions of dollars different. Trustee Baskin stated for the record that the Board has not been provided any numbers relative to the student apartments, even though the representation is that it is approximately $20 million. Trustee Schlaybaugh stated that he has the same concern, but the way he resolves that concern is to consider the lists of initiatives that the Board is aware of and the investment needed in this university. He commented that if the Board concluded that the apartments for whatever reasons were not within the level of acceptability, no doubt there are other equally worthwhile projects that could be supported. Ms. Bruton stated that because the swap agreement is being entered into prior to the issuance of the bonds, it would be incumbent upon everyone negotiating the swap to make sure that the swap amount is tied to the amount of bonds that are actually issued. She noted that, as a solution to the dilemma, a range of authorization should be added to the agreement prior to issuing the bonds, because one never knows exactly to the penny how much debt will be incurred until usually the final pricing date, which is two weeks to a month before closing for the actual delivery of the bond proceeds. So, there is typically in the bond authorizing resolution a range not to exceed number as stated in the resolution, so Lehman could be held, in terms of negotiating this contract, to a range that would be tied to the university's obligation on the swap, or the actual amount of bonds issued, and that should take care of it. Trustees Baskin and Schlaybaugh commented that Ms. Bruton's proposal would be a great solution.

Trustee Crissman stated one other issue in regards to the student housing is that a certain cost range must be maintained in order for it to be affordable housing for the students also, so the cost simply cannot get out of hand. Trustee Baskin agreed, noting that the occupants are paying for the maintenance of that building and retiring the debt, and that the package has to made attractive enough to rent the apartments out.

Trustee Schlaybaugh stated that in following bond counsel's suggestion, the resolution should be amended to reflect authorization in a swap agreement in the amount of the actual bonds issued. Ms. Bruton also stated that a range should be included authorizing the Board to issues bonds within those amounts.

Trustee Schlaybaugh suggested that the second Resolved which authorizes the swap should say that "a swap agreement and the liability under the swap agreement equal to the principal amount of bonds actually issued." He noted that the first Resolved covers the bond issuance and intent up to $45 million, and the second fixes liability under the swap to the actual amount of bonds issued. Ms. Schaefer and Ms. Bruton agreed that a lower threshold of $32,675,000 should be included in the range. Trustee Baskin stated that he is comfortable with that amendment, but equated the student apartments proposal to borrowing money to buy a house before one is found. He noted that the university is close to knowing the price, so he will defer to the committee which has said that it is between $18 to $20 million.

Ms. Bruton stated that if the Board does not think the bonds will be issued, then the agreement should not be authorized. Trustee Schlaybaugh stated that the Board understands that, but what it is looking for is notwithstanding the intent, trying to understand what circumstances could exist where the university would not be able to issue the bonds. He asked if the university's liability depends on Lehman's ability to sell the bonds, and Ms. Bruton stated yes, but that Lehman has done university higher education bond issuance for a long time and that the Board does not need to be worried about their inability to sell the bonds. She added that Oakland University has been in the bond market before, so that market has seen the university's credit before and she does not think that there would be any problems selling debt. Trustee Schlaybaugh stated that even if a dislocation in the credit market, a change of 300 basis points in the short term for example should not worry the university about any risk in the ability to issue the bonds, and the university is still protected because the rates are fixed on the swap, and Ms. Bruton stated that he was correct.

Ms. Schaefer proposed adding a Resolved clause under the terms and conditions as paragraph (d) that reads "the amount of the swap agreement will be not more than the amount of bonds actually issued by the Board. Minimum of $32,675,000 and maximum of $45,000,000." She stated that it is basically that limit that it is going to match whatever the Board actually issues.

Mr. Zambardi asked if perhaps the Board could pass on the amendment at this time and he and Ms. Bruton could write that provision and return with the revised language. Chair Nicholson agreed.

F. Approval of Oakland University Golf and Learning Center 2001, 2002 and 2003 Budgets

Trustee Baskin stated that at the Working Session, the Board was presented with the budgets, projections, income and revenue expectations by Mr. William Rogers, Director, Golf and Learning Center. He noted that the Golf and Learning Center's budgets for 2001, 2002 and 2003 project revenues of $2,616,996, $2,917,996, $2,998.786 respectively. The expenditures in those three years would be $2,454,155, $2,535,890, and $2,622,251 respectively, and capital improvements are budgeted at $156,625, $250,000, $250,000 respectively. Trustee Baskin commented that, with those projections, the operation of the Golf and Learning Center appears to be target.

Trustee Baskin moved approval of the following resolution:

WHEREAS, the fiscal year for the Oakland University Golf and Learning Center runs from January 1 through December 31; and

WHEREAS, the university administration believes it is prudent to establish a three-year budget to appropriately and separately monitor the budget of the Oakland University Golf and Learning Center; now, therefore, be it

RESOLVED, that the Board of Trustees accept the Oakland University Golf and Learning Center Budget for the calendar year ending December 31, 2001, and conditionally approve the budgets for the calendar years ending December 31, 2002, and 2003 with a budgeted operating expenditure level of $2,454,155, $2,535,890, $2,622,251, respectively and capital improvement expenditures of $156,625, $250,000, $250,000, respectively; and, be it further

RESOLVED, that any expenditure level in excess of the approved amount that is not funded by a direct revenue increase must have the prior approval of the President or his designee and these amounts shall be reported on a periodic basis to the Board of Trustees.

Trustee Fischer seconded the motion. The motion was unanimously approved by those present.

VI. Discussion of April 5, 2001, Board of Trustees Meeting Agenda

The Board reviewed the April 5, 2001, proposed agenda and made no changes.

VII. Other Items that May Come Before the Board

President Russi stated that the Provost has just recently gone through a consultative process to work through the issue of who might serve as the Interim Dean in the School of Engineering and Computer Science. He asked Mr. Esposito to talk about that process and the final recommendation, which will come before this Board as part of the personnel actions at the next formal Board meeting.

Mr. Esposito stated that over the last two weeks he has met with the faculty and staff of the School of Engineering and Computer Science in a large group meeting, numerous small group meetings, and numerous individual meetings. He also received numerous e-mails regarding who might best serve as the Interim Dean of the School of Engineering and Computer Science. Mr. Esposito stated that he received a lot of terrific and useful input from the faculty and the staff, and that, on the basis of that input and discussions with many senior faculty members in the School, he is recommending the appointment of the Associate Dean, Bushan Bhatt, to be the Interim Dean until a permanent Dean is appointed. Mr. Esposito stated that he plans to employ a search firm within the next two weeks to commence the search process.

Chair Nicholson thanked Mr. Esposito for the update.

Trustee Grech-Cumbo recommended that someone from the Board serve on the search committee as they have in other influential positions within the university. Chair Nicholson asked Trustee Grech-Cumbo to serve on behalf of the Board.

D. Approval of Authorization of Interest Rate Agreement

Chair Nicholson stated that the Board will now return to the Interest Rate Agreement item.

Mr. Zambardi proposed adding the following friendly amendment adding a subparagraph (d) to page 3 of the resolution:

> (d) The Swap Agreement shall be in the aggregate original principal amount equal to the principal amount of bonds approved by the Board; and, be it further

Trustee Baskin asked if that was the only change to the resolution, and Mr. Zambardi stated that it is. Trustees Baskin and Fischer asked about the range amount in the Resolved clause on page 2. Ms. Schaefer stated that she understood that a range was to be added to the swap agreement.

Trustee Schlaybaugh stated that the objective is to fix the university's liability under the swap so it coincides exactly with the principal amount of the bonds that are issued. He stated that the university will not know that answer for perhaps 60 to 90 days down the road. The university does know that it will be someplace between $32 and $45 million.

Ms. Schaefer stated that she though a minimum amount of $32,675,000 was going to be added to the resolution. Trustee Baskin stated that that is why he is looking at the first Resolved with $45 million. Ms. Bruton stated that it says not to exceed $45 million. Trustee Fischer stated that he does not think the Board is giving enough to work with here. How can the university enter into a swap agreement with an undefined amount of money? Ms. Schaefer stated that there needs to be a minimum of $32,675,000 and then the university will negotiate a range with Lehman. Remember the actual swap, the payment exchanges do not go into effect until the bonds are issued. Trustee

Schlaybaugh agreed, but stated that upon signing the swap Lehman is going out and fixing its position, and just as a matter of intellectual curiosity here at an institution of higher learning, how does Lehman fix its position? Ms. Bruton stated there has to be some uncertainty from Lehman's end anyway because it is not known until the bonds are actually priced, and the interest rate and amount of the bonds are set and the structure the transaction at the time of pricing just how much the university is going to issue, and there is always the potential that the transaction falls through. The bond authorizing resolution may not be approved, so there has to be some uncertainty on their end.

Trustee Doyle stated that presumably they will agree to some amount, and the university wants that amount to be as low as possible right up front and wants them to agree to a bigger range. The university can lock in at the $20 million rate and ultimately we end up at $45 million. It is going to be at whatever the lowest they agree to. Trustee Schlaybaugh stated that he thinks the Board feels comfortable that if the liability is actually what the bonds are issued from the university's standpoint, that is the best that can be accomplished here. Ms. Schaefer agreed with Trustee Schlaybaugh, noting that she cannot see Lehman agreeing to a broad range and guaranteeing the swap through $45 million, when it could be as low as $32 million. Trustee Schlaybaugh stated that he understands, but the university is just following bond counsel's suggestion. Trustee Fischer stated that the reason the Board was talking about $45 million in the first place is because there is an institutional need for that amount of money, and that he would feel comfortable with a $45 million authorization for the swap and then go ahead and issue the $32 million with time on the balance to prioritize needs that virtually have already been discussed with the Board but not approved. Trustee Fischer added that, when you look at a 40 year low in financing costs and the remote prospect of it going lower, this is a wonderful opportunity.

Chair Nicholson stated that there are two philosophical directions here. One is to borrow the money with the low interest rates, and the other is not to borrow more than the Board has already authorized, which would really put the projects down to the electrical distribution upgrade and the education building. Most Board members probably agree with including student apartments, which supports going with the $33 million.

Trustee Schlaybaugh stated that he believes it is important to reemphasize that if the university were to borrow the $45 million, it does not mean that the university is committing any money beyond the $32 million for any specific project that the Board will always have the ability within the next five years to designate where that money would be directed. Chair Nicholson added that the only risk is if the university does not use the money. Trustee Fischer noted that with five years to make these spending decisions and to spend the money, the university can look about the campus and equate the growth in the student population and the faculty needs to determine where those funds will be needed.

Trustee Baskin stressed the point that the university is just not coming into the $45 million, but that it has to pay it back. Trustee Fischer stated that the university is actually not borrowing that amount, but locking in a rate if it were to borrow it, and if all of it is not borrowed, the university owes a defined amount of money between 5.03% and 4.84% on $12 million.

Trustee Schlaybaugh stated that perhaps if the university borrows the money and determines it does not want to spend the money, it would be able to redeem the bonds associated with the unspent money without any cost or premium. Ms. Bruton stated that under the circumstances the university would be required to, if it did not spend it. She noted that from the brief reading of the information that she has on the SAVRS swap vehicle that Lehman offers, when the interest rate changes the university can redeem bonds at that point. Ms. Schaefer added that that occurs every 30 days. Ms. Bruton stated that the university is in a position of always being able to pay down the debt more regularly than in a traditional financing. Trustee Schlaybaugh stated that the only reason he wanted to correlate that is because it addresses Trustee Baskin's point and may provide an answer if the arbitrage earnings cover the costs of the interest, and the university can repay those bonds if it decides it does not want to spend the money every 30 days, then are there really any costs or is the university committing to that long term debt. He characterized it as taking advantage of a market opportunity that exists without really obligating the university for that 30 year period.

Chair Nicholson asked Mr. Zambardi to again present the amendment.

Mr. Zambardi stated that the following amendment adds subparagraph (d) on page 3:

> (d) The Swap Agreement shall be in the aggregate original principal amount equal to the principal amount of bonds approved by the Board.

Trustee Baskin questioned the effectiveness of the language.

Ms. Bruton answered that the way bond issues are sized in terms of the amount, it takes into consideration not just the amount that your projects are going to cost, but the amount of the financing, all your financing costs, the amount of printing for your advertising document, which is the official statement, the amount of premium for bond insurance, which you may choose to obtain, all the professionals, including bond counsel have their fees built into the amount of the bonds. That is another reason why I know that the principal amount of the bonds can't be determined prior to the actual sale date, and that's why we always have not to exceed numbers, and therefore the swap agreement, if it's being entered into prior to that date, there has to be some uncertainty as to the amount.

Trustee Schlaybaugh offered another amendment to the first Resolved so that the second to the last line reads "aggregate original principal amount to be established by the Board between $33 million and $45 million."

Trustee Grech-Cumbo seconded the motion.

The Board unanimously approved the amendment to paragraph (d).

The Board approved the amendment to the first Resolved clause with six affirmative votes and one negative vote by Trustee Baskin.

Trustee Schlaybaugh stated that what the resolution says as amended is that the university's liability under the swap agreement will be in an amount equal to the principal amount of the bonds that we actually issue.

The underlying motion, as amended, was approved with six affirmative votes and one negative vote by Trustee Baskin.

VIII. Adjournment

Chair Nicholson adjourned the meeting at 3:57 p.m.

Submitted,

Victor A. Zambardi

Victor A. Zambardi
Secretary to the Board of Trustees

Approved,

Ann V. Nicholson

Ann V. Nicholson
Chair, Board of Trustees