

UNIVERSITY OF MINNESOTA
BOARD OF REGENTS
Educational Planning & Policy Committee
July 12, 2006

A meeting of the Educational Planning and Policy Committee of the Board of Regents was held on Wednesday, July 12, 2006 at 10:15 a.m. in the West Committee Room, 600 McNamara Alumni Center.

Regents present: Peter Bell presiding; Dallas Bohnsack, David Larson, David Metzen, Lakeesha Ransom, and Patricia Simmons. Regents Clyde Allen, Frank Berman, John Frobenius, Steven Hunter, and Cynthia Leshner joined the meeting for the discussion of the resolution related to agreements between the University of Minnesota and Macular Regeneration, Inc.

Staff present: President Robert Bruininks; Chancellor Charles Casey; Senior Vice President & Provost Thomas Sullivan; Senior Vice President Frank Cerra; Vice Presidents R. Timothy Mulcahy and Charles Muscoplat; General Counsel Mark Rotenberg; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice President Richard Bianco.

Student Representatives present: Desiree Price and Will Kellogg.

**RESOLUTION RELATED TO
TUITION WAIVER FOR WAR ORPHANS**

Senior Vice President & Provost Sullivan reminded the committee that the resolution provides for a waiver of tuition for bachelor's degree students who are the children of veterans who died as a result of service in the United States Armed Forces. The resolution also delegates to the president the authority to implement the waiver and determine eligibility.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution.

**BOARD OF REGENTS POLICY:
RESEARCH INVOLVING RECOMBINANT
DNA AND HAZARDOUS BIOLOGICAL MATERIALS**

Senior Vice President & Provost Sullivan led the discussion of proposed amendments to Board of Regents Policy: *Research Involving Recombinant DNA and Hazardous Biological Materials*. He noted that changes to the policy include a new title, the removal of specific responsibilities to administrative policy and procedures, and expansion of the scope of the policy to include teaching.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to this policy.

**BOARD OF REGENTS POLICY:
RESERVE OFFICERS' TRAINING CORPS**

Senior Vice President & Provost Sullivan led the discussion of Board of Regents Policy: *Reserve Officers' Training Corps*. He stated that the proposed policy reaffirms the University's commitment to the program. It also clarifies delegations of authority and eliminates dated references addressed by other policies.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to this policy.

**BOARD OF REGENTS POLICY:
COLLEGE CONSTITUTIONS**

Senior Vice President & Provost Sullivan led the discussion of Board of Regents Policy: *College Constitutions*. He indicated that the policy has been reformatted and edited to conform to the style of Board policies and clarifies the relationship between college constitutions and the prerogatives and policies of the Board.

A motion was made and seconded, and the committee voted unanimously to recommend adoption of proposed amendments to this policy.

**RESOLUTION RELATED TO
THE CENTER FOR ALLIED HEALTH PROGRAMS**

Senior Vice President & Provost Sullivan introduced Frank Cerra, Senior Vice President for Health Sciences, who led the discussion. Cerra reviewed the history of allied health programs at the University, which began with the creation of the medical technology program in 1922 and now includes training in such areas as dental hygiene, mortuary science, and physical and occupational therapy. Allied health programs have expanded to more than 200 categories in several schools in and outside of the Academic Health Center, but historically, the University has prepared a relatively small percentage of these practitioners for Minnesota's health care workforce.

A revised resolution related to the Center for Allied Health Programs (Center) was distributed. Cerra noted that the proposal to create a Center emerged from discussions of workforce needs, the often inefficient and ineffective geographic distribution of allied health professionals, and career challenges, such as low pay, poor working conditions, and job dissatisfaction. He described the Center's educational approach, its goals in meeting workforce needs, and the proposed timeline for its inauguration.

In response to questions from the committee, Cerra stated that the Center's activities will be based both in the Twin Cities and Rochester, but that it will function as one unit of the University. With respect to administrative functions, the process of allocating responsibilities between the Center and the Office of the Senior Vice President for Health Sciences is already underway.

Cerra observed that the Center is designed to provide access to the educational platform from any approved institution. Winona State University (WSU), the first approved institution, will take advantage of the Center's learning platform by offering courses that have been reviewed and agreed to in advance so that credits will be interchangeable with courses offered by the University. Negotiations are already under way to add additional entry points from the University of Minnesota Duluth, St. Cloud State University, and an as yet undetermined location in northwest Minnesota. The

goal will be to recruit students locally, train them on the learning platform, and match their training with the allied health profession needs of their communities.

Dr. Barbara Brandt, Assistant Vice President for Education and Health Sciences, indicated that one goal of ongoing negotiations with the Minnesota State Colleges and Universities System is to address allied health professional geographic disparities. The development of regional hubs, efforts to establish prerequisites to meet the needs of multiple health professions, and ongoing discussions across Minnesota's higher education and health care systems will continue to be critical components of this initiative.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the revised resolution.

**RESOLUTION RELATED TO AGREEMENTS BETWEEN
THE UNIVERSITY OF MINNESOTA &
MACULAR REGENERATION, INC.**

Senior Vice President & Provost Sullivan introduced Vice President Mulcahy and General Counsel Mark Rotenberg, who led the discussion. Mulcahy reported that two faculty members, Professor Timothy Olsen (Ophthalmology) and Professor Arthur Erdman (Mechanical Engineering), have developed the Olsen/Erdman Device (Device), which has the potential to cure age-related macular degeneration, a serious eye disease. Because it is unlikely the Device will be commercialized through either of the University's traditional commercialization strategies, the administration is proposing a new strategy designed to (a) seek the most promising research to serve society, generate meaningful licenses, and transform licenses into successful companies; (b) identify and nurture worthy projects into fundable business opportunities; and (c) encourage the availability of return-on-investment driven, seed-stage venture capital that can launch high-risk, high-reward start-ups. He added that the administration believes that in certain circumstances it would be in the University's best interest to assume initial control of such start-ups (materials in the docket).

Mulcahy stated that the University's Office of Business Development (OBD) has created Macular Regeneration, Inc. (MRI) as the vehicle to commercialize the Device. In exchange for a worldwide, exclusive license to practice the University's patents covering the Device, MRI will:

- issue to and in the name of the University two million voting common shares, representing fifty-seven percent (57%) of the total number of issued and outstanding shares at the time of issuance;
- agree to pay the University a royalty of 1.75% on all gross sales of products incorporating the Device;
- guarantee the University at least \$500,000 in the event of a change of control; and
- agree to place a University-nominated individual with full voting rights on the board of directors of MRI.

Mulcahy advised that the resolution has been brought to the committee in advance of a more general discussion scheduled for Fall 2006 because of the great potential of the Device, MRI's rapid business development, and growing interest among investors.

Mulcahy noted that the University has held minority equity positions in start-up companies, but that this proposal for the first time (a) grants the University a controlling interest in the early-stage development of a start-up company; (b) establishes a voting position for the University on the board of directors of a start-up

company; and (c) awards the start-up with a \$50,000 Ignition Grant to nurture development of MRI in its earliest stages. He also provided a national context, stressing that equity positions are increasingly common at American universities; that controlling equity positions are a growing national trend; and that local and national experts have recommended that the University exert more assertive, proactive control in the early stages of company development in order to raise its 20-year start-up success rate from 4%, which lags success rates nationally (8%) and at top-tier universities (16%).

Rotenberg maintained that the MRI proposal satisfies the policy and legal considerations detailed in the docket materials, but he suggested the need for further discussion in the areas of financial accountability, ownership of a controlling interest in a for-profit company, for-profit board membership, and conflict of interest. University relationships with for-profit licensees continue to evolve. Most universities neither prohibit nor explicitly provide for the acquisition of a controlling equity interest in such organizations, but many do permit it. Especially critical will be the development of appropriate policies to manage and inform appropriate risk-taking.

In response to questions from Regent Larson, Mulcahy confirmed that the University would appoint two members to the MRI board of directors and that the University would continue to own the intellectual property associated with the Device should MRI fail to meet their obligations under the licensing agreement. He also indicated that responsibility for the project would reside with the Office of the Vice President for Research (OVPR), but that any future recommendations regarding additional financial commitments would be brought to the Board after consultation with the president, the provost's Research Advisory Counsel, the Office of the General Counsel, and OBD experts. The administration does not anticipate that kind of future investment, but it will be important to include that issue in the broader discussion of policies and procedures planned for Fall 2006.

In response to questions from Regent Bell, Mulcahy explained that the University had negotiated a somewhat lower royalty payment in exchange for a controlling equity position on the basis of an internal assessment and external advice. This kind of decision must be made case-by-case, but the ability to tap expertise in the Carlson School and the OBD gives the University an advantage over many of its peers, who must seek external advice. He also stated that the 2 million MRI shares currently have no value, but as valuation increases, the shares will be managed in-house by the University's Office of Asset Management, which is completely separate from OVPR.

Regent Simmons commented that it would be ideal to have all the necessary policies and procedures in place before the University makes a commitment to MRI, but that delay is not appropriate in this case because its potential benefits include improving lives and helping to fund the University's core mission. She emphasized that an important outcome of this fall's discussion will be the Board's codification of the process for selection and oversight of board members and the source of additional capital calls to ensure accountability regarding where dollars are, who controls them, and the approvals necessary for their use.

In response to questions from Bell, Mulcahy explained that under the University's current conflict of interest policies, neither faculty nor any individuals involved in MRI would be allowed to invest in the company during the venture capital stage. In the fall, the administration will return with an explicit recommendation regarding the ability of such individuals to invest once the company is publicly traded. Rotenberg reminded the committee that nothing in current Board policy addresses investments by faculty, but that the question is materially different for Regents, whose actions would be governed by Board of Regents Policy: *Code of Ethics*.

Rotenberg acknowledged that the University will be a major shareholder to lend credibility and provide confidence to investors, but its position would be very different

should MRI default or should the Device prove injurious. The issues of financial, reputational, and legal exposure will continue to be important ones, but these risks have been appropriately managed and the careful structuring of the University's relationship with the company provides no reasonable basis to consider the University a promoter of company shares.

Simmons stressed that another important issue to be addressed is the creation of an environment that allows failure. At the nation's top universities, more than 80% of start-ups don't become productive and successful, so the parameters for failure must be considered.

In response to a question from Regent Bohnsack, Mulcahy stated that the University's intellectual property commercialization program relies heavily on external advisers, including an engaged corporate community. Also, within the University are a substantial number of individuals who have previous experience in this area and a network of connections interested in helping the University succeed.

Regent Metzen urged that the administration's future policy discussions include a strategy to keep the Board informed of developments in this area so that it can be a partner in what is a major undertaking with critical implications for the future of the University.

A motion was made and seconded, and the committee voted unanimously to recommend approval of the resolution.

CONSENT REPORT

A motion was made and seconded, and the committee unanimously recommended approval of the following academic program changes, as described in the docket materials:

New Academic Programs:

- Graduate School (Twin Cities Campus) – Create a post-baccalaureate certificate in Technical Communication
- School of Nursing (Twin Cities Campus) – Create a Master of Nursing (M.N.) professional degree

Academic Program and Unit Name Changes:

- College of Education and Human Service Professions (Duluth Campus) – Offer existing Master of Education (M.Ed.) degree in online format
- College of Food, Agricultural, and Natural Resource Sciences (Twin Cities Campus) – In Bachelor of Science (B.S.) degree in Nutrition, discontinue Coordinated Program in Dietetics track and change name of Nutrition option to Nutrition and Dietetics.
- College of Liberal Arts (Twin Cities Campus) – Change name of Bachelor of Arts (B.A.) degree and minor in Women's Studies to Bachelor of Arts (B.A.) degree and minor in Gender, Women, and Sexuality Studies
- Graduate School (Twin Cities Campus) – Merge Doctor of Philosophy (Ph.D.) program in Geological Engineering with Doctor of Philosophy (Ph.D.) program in Civil Engineering
- Graduate School (Twin Cities Campus) – Change names of graduate degrees in Work, Community, and Family Education to Work and Human Resource Education for Doctor of Philosophy (Ph.D.), Doctor of Education (Ed.D.), and Master of Arts (M.A.) degrees

- Graduate School (Twin Cities Campus) – Add track in Culture and Teaching to Doctor of Philosophy (Ph.D.) degree in Education, Curriculum and Instruction

Existing Programs at New Sites:

- College of Education and Human Development (Twin Cities Campus) – Offer existing Master of Education (M.Ed.) degree in Human Resource Development and existing certificate in Human Resource Development in Amman, Jordan
- School of Public Health (Twin Cities Campus) – Offer existing Master of Health Administration (M.H.A.) degree in Rochester, Minnesota

INFORMATION ITEMS

There were no information items this month.

The meeting adjourned at 11:40 a.m.

**ANN D. CIESLAK
Executive Director and
Corporate Secretary**