

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

March 12, 2004

A meeting of the Board of Regents of the University of Minnesota was held on Friday, March 12, 2004, at 9:00 a.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: David Metzen, presiding; Clyde Allen, Anthony Baraga, Peter Bell, Frank Berman, Dallas Bohnsack, John Frobenius, William Hogan, Richard McNamara, Lakeesha Ransom, and Maureen Reed.

Staff present: President Robert Bruininks; Chancellors Velmer Burton and Samuel Schuman; Senior Vice President and Provost Christine Maziar; Vice Presidents Kathryn Brown, Carol Carrier, Sandra Gardebring, Kathleen O'Brien and Richard Pfutzenreuter; Acting General Counsel William Donohue; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice President Gerald Fischer.

RECOGNITION OF MC KNIGHT LAND-GRANT PROFESSORS

Recognition was given to the recipients of the 2004-06 McKnight Land-Grant Professors. The goal of this program is to advance the careers of the University's most promising junior faculty at a crucial period in their professional lives. Recipients are honored with the title McKnight Land-Grant professor, an endowed chair which they will hold for two years. The recipients are:

Professor Baoquan Chen
Computer Science & Engineering

Professor Alec T. Habig
Physics, University of Minnesota Duluth

Professor Heiko O. Jacobs
Electrical & Computer Engineering

Professor Jonathan S. Marchant
Pharmacology

Professor Kristopher McNeill
Chemistry

Professor Joachim Mueller
Physics & Astronomy

Professor Aaron David Redish
Neuroscience

Professor J. B. Shank
History

Professor Kathleen M. Thomas
Child Development

RECOGNITION OF STUDENT REPRESENTATIVES TO THE BOARD OF REGENTS

Recognition was given to the 2002-03 Student Representatives to the Board of Regents:

Travis Amiot
Duluth

Cameron Brauer
Crookston

Joshua Colburn
Twin Cities

Jacob Elo
Twin Cities

Johanna Farmer
Morris

Gina Jennissen
Twin Cities

Andrew Sorsoleil
Twin Cities

APPROVAL OF MINUTES

A motion was made and seconded, and the Board of Regents voted unanimously to approve the minutes of the following meetings:

Audit Committee - February 12, 2004
Litigation Review Committee - February 12, 2004
Faculty, Staff & Student Affairs Committee - February 12, 2004
Finance & Operations Committee - February 12, 2004
Educational Planning & Policy Committee - February 12, 2004
Board of Regents Work Session - February 12, 2004
Board of Regents - February 13, 2004
Litigation Review Committee - February 26, 2004

REPORT OF THE PRESIDENT

President Bruininks provided a brief update on the legislative session and thanked the student representatives for their work during the past year, noting the importance of their input to the Board.

He also provided a brief update on the University's capital budget and an update on the process for assembling, consulting and approving the University's FY05 budget. He indicated that the administration has remained true to the principles articulated to guide the preparation of the budget. He reviewed the major components of the budget and the challenges of protecting the academic core of the institution and keeping tuition and fees as low as possible. He reported that a number of working groups have been appointed under the Budget Advisory Task Force to explore budget issues that the University will face in future.

A copy of the Report of the President is on file in the Board Office.

REPORT OF THE CHAIR

Chair Metzen reported the Board will not meet in April and encouraged all Board members to continue to talk to legislators regarding the University's budget request. He announced that he will appoint a third Board member to serve on the Presidential Performance Review Committee with the Chair and Vice Chair of the Board. Anyone interested in

serving should contact him during the next month.

Lastly, college commencements will occur in May. Staff from the Board Office will contact Board members regarding their participation in the ceremonies.

RECEIVE AND FILE REPORTS

Chair Metzen noted the receipt and filing of the Quarterly Report of Grant and Contract Activity.

BOARD CALENDAR ANNUAL REVIEW

Chair Metzen presented the Board of Regents calendar for annual review. The calendar lists required actions, reports, and other items routinely presented for consideration by the Board and its committees. It is reviewed annually as required by Board of Regents Policy: *Board Operations and Agenda Guidelines*.

It was noted in the docket material that the calendar was revised since it was last reviewed by the Board of Regents in March 2003. The revisions were made to bring the calendar into compliance with amended or new Board policies; to reflect existing practice; and to correct inaccuracies.

GIFTS

Associate Vice President Fischer presented the monthly list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation through January 31, 2004, as listed in the docket material and on file in the Board Office.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the receipt of gifts as presented.

Regent Hogan left the meeting at 9:50 a.m.

REPORT OF THE ALL-UNIVERSITY HONORS COMMITTEE

Regent Metzen stated that the Report of the All-University Honors Committee was forwarded to the Board in a letter from President Bruininks on February 27, 2004.

A motion was made and seconded and the Board of Regents voted unanimously to approve the Report of the All-University Honors Committee. A copy of the report is on file in the Board Office.

BOARD OF REGENTS POLICY: *STUDENT REPRESENTATIVES TO THE BOARD*

A motion was made and seconded to adopt the proposed revisions to the Board of Regents Policy: *Student Representatives to the Board*.

The Board of Regents voted unanimously to adopt the proposed revisions to the Board of Regents Policy: *Student Representatives to the Board*.

STUDENT REPRESENTATIVES TO THE BOARD of REGENTS

Student representatives to the Board of Regents (Board) present the student voice to the Board, providing a unique perspective that assists the Board in its deliberations.

SECTION I. REPRESENTATION AND ELECTION.

Subd. 1. Representation. There shall be seven student representatives. Four students shall be elected from the Twin Cities campus and one student each from the Crookston, Duluth, and Morris campuses. Of the Twin Cities representatives, one shall represent the Graduate and Professional Student Assembly (GAPSA) and three shall represent the Minnesota Student Association (MSA), one of whom shall be enrolled in one of the colleges based on the St. Paul

campus.

Subd. 2. Election. Student representatives from the coordinate campuses shall be elected by the elected student legislative bodies of their respective campuses. On the Twin Cities campus, student representatives shall be elected by GAPSA and MSA according to the parameters set forth in Subd. 1. of this section. Guidelines and policies for such election shall be created by the appropriate electing body and approved by an ad hoc policy committee composed of the University Student Senate Consultative Committee and the current student representatives. This policy committee shall be convened by the chair of the Student Senate Consultative Committee.

Subd. 3. Criteria for Election. The primary election criteria shall be the ability of the candidate to function as an effective advocate for the widest range of student concerns and commitment of the time necessary to participate in Board committee activities.

Subd. 4. Term of Office. Student representatives shall be elected and named during the spring semester of each year. They shall assume office May 1 and serve for a term of one year or until replaced. The executive director/secretary of the Board shall arrange an orientation. During orientation, the student representatives shall elect a chair and two vice chairs.

Subd. 5. Alternate Student Representatives. An alternate student representative shall be elected for each student representative and shall act in the event an elected student representative is absent, resigns, ceases to be enrolled (not including summer school), or is removed.

Subd. 6. Vacancies. In the event of a vacancy, the alternate shall become the student representative. If there is no alternate, the electing body, in accordance with Subd. 2 of this section, shall elect a replacement to serve for the remainder of the unexpired term.

Subd. 7. Removals. A student representative or alternate may be removed for unexcused absences or nonperformance of duties in accordance with procedures established by the student representatives and agreed to by the electing body.

SECTION II. PROCEDURES FOR STUDENT REPRESENTATIVES AT BOARD MEETINGS.

Subd. 1. Committee Assignments. There shall be two student representatives assigned to each of the following committees: Audit; Educational Planning and Policy; Facilities; Faculty, Staff and Student Affairs; and Finance and Operations.

Subd. 2. Flexibility in Representation. Student representatives are allowed flexibility in representation to the committees; i.e., a student representative may yield to another student representative who is not on the committee to speak on an issue under consideration.

Subd. 3. Voting and Motions. Student representatives shall not vote, but they may make suggestions that a Regent may affirm in the form of a motion.

Subd. 4. Reports. Student representatives may present the following reports to the Board:

- Report of the Student Representatives — The chair of the student representatives, upon recognition by the chair of the Board, may present the student representatives' viewpoint on appropriate issues before the Board.
- Semester Reports — Each semester the student representatives may present a report to the Board in writing and/or verbally. The executive director/secretary of the Board shall approve topics for reports and the methods of collecting data or requesting information.

Subd. 5. Agenda Items. Student representatives may submit agenda items for committees in the manner outlined in the Board's bylaws and policies so that proper docket materials are prepared for review by committee members in advance of the meeting.

Subd. 6. Dissenting Points of View. Student representatives may express a dissenting point of view on any report of a

standing committee presented to the Board. Upon recognition by the chair of the Board, the chair of the student representatives shall present the report, orally or in writing.

Subd. 7. Expenses of Student Representatives. Expenses of student representatives related to Board meetings shall be reimbursed by the Board Office in accordance with existing University expense policies and Board guidelines for permissible expenses.

Subd. 8. Expenses of Alternates. Upon request by the chair of the student representatives and good cause being shown, the executive director/secretary of the Board, after consultation with the chair of the Board, is authorized to reimburse expenses for alternates to participate, as members of the audience, in committee deliberations. The role of the alternate shall remain the same; that is, the alternate may participate in committee deliberations as a student representative to that committee only in the absence of the elected student representative from that campus.

Supersedes: The Role of Alternates dated February 11, 1977; Student Representatives to the Board of Regents dated December 8, 1989; Student Representative to the Committee of the Whole dated December 9, 1977; and Twin Cities Representatives dated December 10, 1976.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

Regent Allen, Vice Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the March 11, 2004 committee minutes.

Regent Reed recused herself and left the room during the vote on the above item due to a possible conflict of interest.

The Board of Regents voted unanimously to approve the recommendation of the Finance & Operations Committee.

Regent Allen reported that the committee also voted unanimously to recommend:

- Adoption of amendments to Board of Regents Policy: *Investment Transactions*.

INVESTMENT TRANSACTIONS

This policy governs the administration's authority to invest and deal in securities and to engage investment advisers.

Subd. 1. Definitions. For purposes of this policy, the terms below shall have the following meanings:

(a) Security shall mean a security as defined in the Securities Act of 1933, as amended, and shall include any note, stock, treasury stock, bond, debenture, or evidence of indebtedness; certificate of interest or participation in any profit-sharing agreement; collateral-trust certificate; preorganization certificate or subscription; transferable share; investment contract; voting-trust certificate; certificate of deposit for a security; fractional undivided interest in oil, gas, or other mineral rights; limited partnership agreement; or, in general, any interest or instrument commonly known as a security or any certificate of interest or participation in temporary or interim certificate for, receipt for, guarantee of, or warrant or right to subscribe to or purchase, any of the foregoing. The term security shall further include options, futures, swaps, and other derivative instruments.

(b) Investment adviser shall mean an investment adviser or manager or any other person or firm engaged to advise the University of Minnesota (University) on investment transactions, to execute investment transactions at its discretion on behalf of the University, or to otherwise manage the University's investments.

(c) Investment transactions shall mean:

- (1) the purchase, investment in, possession, or other acquisition of an interest in a security;
- (2) the sale, conversion, exchange, transfer, or other disposal of an interest in a security; or

(3) the pledge of a security.

(d) Emerging investment management firms shall mean investment management firms that manage institutional assets under \$250 million.

(e) Broker/dealer shall mean a firm or other person who executes investment transactions on behalf of the University upon the University's directive. Investment transactions may be executed in the open market or from the firm's inventory.

Subd. 2. Delegation of Authority. In accordance with Board of Regents Policy: Reservation and Delegation of Authority, the president or delegate shall have the authority and power to take all actions necessary to implement this policy, including, but not limited to, the following:

(a) to negotiate and enter into investment transactions with broker/dealers;

(b) to vote any voting securities owned by the University in accordance with relevant Board policies;

(c) to give to investment advisers written or oral instructions with respect to investment transactions;

(d) to bind and obligate the University to, and for the execution of, any contract, arrangement, or transaction that may be entered into by any such officer for and on behalf of the University with or through the investment advisers;

(e) to pay such sums as may be necessary in connection with any of the said transactions;

(f) to deliver securities to and deposit funds with investment advisers or broker/dealers;

(g) to order the transfer or delivery of a security to any other person whatsoever and/or to order the transfer or record of a security to the name of the University;

(h) to direct the sale or exercise of any rights with respect to a security;

(i) to execute, acknowledge, and deliver proper transfers, assignments, and letters of transmittal;

(j) to execute consents to reorganizations, modifications, or extension agreements and compromises;

(k) to execute, acknowledge, and deliver all powers of attorney or any other legal instruments for the purpose of splitting and issuance of new certificates in exchange, transferring, and disposing of or releasing any stocks, bonds, or other evidences of indebtedness held by the University or for any other purpose with relationship thereto in the ordinary course of business;

(l) to sign for the University all releases, powers of attorney, and/or other documents in connection with any such transaction and to agree to any terms or conditions to control any such account; and

(m) to direct investment advisers or broker/dealers to surrender a security to the proper agent or party for the purpose of effecting any exchange or conversion or for the purpose of deposit with any protective or similar committee.

Subd. 3. Authority to Engage Investment Advisers. The Board reserves to itself the exclusive authority and power on behalf of the University to engage an investment adviser, provided that, in exigent situations, the president or delegate shall have the authority to engage immediately an investment adviser. In such instance, the president or delegate shall seek Board approval of the engagement at the next regularly scheduled Board meeting. The president or delegate shall have the authority and power to terminate the engagement of an investment adviser.

Subd. 4. Targeted Investment Managers. The Board encourages the use of emerging investment management firms and investment management firms that are minority-owned and woman-owned, and encourages steps in this regard consistent with the financial and fiduciary responsibility of the University.

Subd. 5. Targeted Investment Reporting. The administration shall report annually all steps taken to provide

opportunities to emerging, minority-owned, and woman-owned investment management firms.

Subd. 6. **Binding Effect.** Action taken by the president or delegate pursuant to this policy shall be an act of and shall bind the Board.

Subd. 7. **Certificate of Authority.** The secretary of the Board shall certify the authority and power of the president or delegate to enter into investment transactions or to invest and deal in securities as provided in this policy.

Supersedes: Investment Managers dated November 9, 1990.

- Adoption of amendments to Board of Regents Policy: *Endowment Fund*.

ENDOWMENT FUND

SECTION I. INVESTMENT OBJECTIVES.

Subd. 1. **Overall Objectives.** The overall objectives for the University of Minnesota (University) endowment fund (endowment) shall be to:

- preserve the inflation-adjusted value of the endowment; and

(2) maximize total return (income plus capital appreciation) within acceptable risk parameters and a goal of at least 500 basis points annually above inflation (as measured by the Consumer Price Index) over three- and five-year trailing periods.

Subd. 2. **Investment Manager Objectives.** The objectives for the investment managers of the endowment shall be to exceed the investment performance of appropriately established benchmarks and rank consistently above the median for investment performance when compared to peers of similarly managed funds over three- and five-year trailing periods.

SECTION II. ASSET ALLOCATION GUIDELINES.

Subd. 1. **Domestic Equities.** The long-term target allocation for publicly traded domestic equities shall be 40 percent with a range around this target of 30-50 percent.

Subd. 2. **Foreign Equities.** The long-term target allocation for publicly traded foreign equities shall be 20 percent with a range around this target of 10-30 percent.

Subd. 3. **Fixed Income.** The long-term target allocation for fixed income shall be 20 percent with a range around this target of 10-30 percent.

Subd. 4. **Alternative Investments.** Alternative investments include all securities or investment partnerships other than long-only publicly traded stocks or bonds, stock or bond mutual funds, or index futures structures. Alternative investments shall include, but are not limited to, the following: private capital (such as private equity, venture capital, and distressed debt), real assets (such as real estate partnerships, timberlands, oil and gas partnerships, and other investable commodities), and marketable alternatives (such as hedge funds and mezzanine or high-yield debt). The long-term target allocation for alternative investments shall be 20 percent with a range around this target of 15-25 percent. Each new alternative investment shall be reported to the Board of Regents (Board).

Subd. 5. **Futures.** The purchase of futures contracts for purposes of obtaining equity markets exposure is permissible. Futures may only be employed on an unleveraged basis. Futures shall not be employed for speculative purposes.

Subd. 6. **Options.** The use of options shall be limited to the purchase of options for hedging purposes or the sale of covered options. The option exposure in aggregate shall be limited to 10% of the value of the endowment.

Subd. 7. Short-Selling of Securities. The aggregate market value of short sales shall not exceed 10 percent of the value of the endowment.

Subd. 8. Securities with No Public Market. No investments shall be made in securities without a public market, other than those defined as alternative investments in Subd. 4, unless specifically authorized by the Board.

Subd. 9. Management Control. The University shall make no direct investments for the purpose of exercising management control in the underlying companies. Control strategies are permissible in the context of investments in portfolio companies made by approved investment managers.

Subd. 10. Investment Management Firm Limit. A maximum of 25 percent of the endowment may be invested by any one investment management firm. The president or delegate shall make adjustments to a portfolio if an investment management firm exceeds this limit for 12 consecutive months.

Subd. 11. Calculations of Limits. Calculations of all percentage limitations shall be done on a market value basis.

SECTION III. SPENDING GUIDELINES.

Subd. 1. Distribution Level. Endowment distributions for expenditures in support of current operations shall be at an annual level that is approximately 5-6 percent of average market value on a three-year trailing basis. Distributions shall be made quarterly, based on the prior 12 quarter average market value on a total return basis taking into account capital appreciation as well as income.

- Adoption of amendments to Board of Regents Policy: *Investment of Reserves*.

INVESTMENT OF RESERVES

This policy governs the investment of short-term and long-term reserves of the University of Minnesota (University).

ARTICLE I

Short-Term Reserves

Subd. 1. Investment Objective. The primary investment objective for the University's short-term reserves, known throughout this article as the Temporary Investment Pool (TIP), is capital preservation. In addition, the following are priorities for the investment of short-term reserves:

- (a) maintaining sufficient liquidity to meet the near term funding and operations requirements of the University; and
- (b) maximizing current income and investment returns on these reserves.

Subd. 2. Overall Portfolio Characteristics. TIP funds are primarily invested in high quality, relatively short-term fixed income securities not exposed to significant market risk. TIP investments shall be guided by the following:

- (a) average duration of three years or less for the entire portfolio and maximum duration of seven years for any individual holding;
- (b) average credit quality of A1/A+ or better;
- (c) no use of leverage; and
- (d) security ratings of investment grade (defined as Baa2/BBB rating or better by Moody's or Standard & Poor's) unless the president or delegate specifically approves retention of a lower rated security. The Board of Regents (Board) must be notified of such approvals.

Subd. 3. Investment Guidelines for Specific Types of Securities. The following investment guidelines shall apply to specific types of securities:

- (a) Federal Government Securities – Investments in federal government securities shall be limited to U.S. Treasury obligations, federal agency securities, and obligations guaranteed or insured by an agency of the federal government, with no limitation on amount per agency or percent of overall portfolio.
- (b) Money Market Investments – Money market investments shall be limited to money market funds or fixed income mutual funds designed to maintain a stable unit value, with no limitation on percent of overall portfolio.
- (c) Corporate Obligations – Corporate obligations include commercial paper, intermediate or long-term bonds, bank paper, and master notes. In aggregate, corporate obligations shall not exceed 60% of the portfolio, with a maximum limitation of 7% for any single issuer, and shall be guided by the following:
 - (1) Commercial Paper – Commercial paper obligations shall include obligations of U.S.-based or foreign issuers whose commercial paper is rated A-1+, A-1, or A-2 by Standard & Poor’s or P-1 or P-2 by Moody’s.
 - (2) Intermediate or Long-Term Bonds – Intermediate or long-term bonds shall include bonds and flexible rate securities that are obligations of U.S. corporations only.
 - (3) Bank Paper – Bank paper shall include certificates of deposit, time deposits, bankers acceptances, letters of credit, and documented discount notes from U.S. or foreign issuers.
 - (4) Master Notes – Master note obligations shall include notes issued by U.S. corporations only, with a maximum limitation of 10% of the portfolio.

Subd. 4. Prohibited Securities. Investments in the following securities are prohibited:

- (a) equity and equity related alternatives;
- (b) securities convertible into equity;
 - non-investment grade high yield securities;
- (d) unrated securities;
- (e) financial futures;
- (f) fixed income options;
- (g) interest rate swaps;
- (h) other derivatives securities, private securities, or those not traded on a major exchange; and
- (i) any securities issued by a foreign government or corporation domiciled in a country that is not part of the Europe, Australasia, and Far East (EAFE) Index, or Canada.

ARTICLE II

Long-Term Reserves

Subd. 1. Investment Objective. The primary investment objective for the University’s long-term reserves, known throughout this article as the Group Income Pool (GIP), is to maximize income while preserving capital balances until such time as the principal is required to fund the intended use.

Subd. 2. Intended Use of GIP. GIP is used primarily to fund capital or infrastructure expenditures not

scheduled for at least three years or other nonrecurring funds intended for future use.

Subd. 3. Investment Guidelines. GIP funds shall be invested on a total return basis. The following are approved investment guidelines for GIP:

(a) Fixed Income Securities – Up to 100% of the portfolio may be invested in fixed income securities. The fixed income portion of the portfolio shall maintain an average duration that is +/- 20% of the duration of a selected broad market index, such as the Lehman Brothers Aggregate Index or the JP Morgan Global Index, and maintain an average credit quality of A or better as rated by Moody's and/or Standard & Poor's.

The fixed income portion of the portfolio shall be invested by outside professional managers and may include:

- (1) bonds, convertible bonds, mortgage-backed and/or asset-backed securities that are issued by governments, government agencies, or corporations in developed market countries;
- (2) securities, denominated in foreign currencies or U.S. dollars;
- (3) a maximum 10% allocation to securities rated below investment grade but with a minimum rating of B or better by Moody's and/or Standard & Poor's;
- (4) a maximum 10% exposure to emerging market debt;
- (5) mutual funds consistent in quality with these investment guidelines; and
- (6) futures, options, and interest rate swap agreements.

(b) Equity – Up to 33% of the overall portfolio may be invested in domestic equity securities and shall:

- (1) be invested by outside professional managers in a manner consistent with a broad market index, such as the Russell 3000 Index; and
- (2) exclude private placements or non-publicly traded securities.

(c) Money Market Funds – To the extent that money market funds are used in the portfolio, underlying assets in the fund shall have a minimum commercial paper rating of A2/P2 as rated by Standard & Poor's and Moody's.

Subd. 4. Prohibited Activities. Use of the following instruments and strategies shall be prohibited:

- (a) mortgage derivatives, including stripped mortgage pass through securities, such as interest-only and principal-only securities; and
- (b) leverage.

The Board of Regents voted unanimously to approve the recommendations of the Finance & Operations Committee.

Allen reported that the committee received a State of Minnesota economic update; reviewed amendments to Board of Regents Policy: *Central Reserves Emergency Fund*; received an annual investment consultants report from Cambridge Associates; and reviewed the Semi-Annual Management Report. The committee also reviewed a number of information items as described in the docket materials.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

Regent Reed, Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the March 11, 2004 committee minutes.

The Board of Regents voted unanimously to approve the recommendations of the Educational Planning & Policy Committee.

Reed reported that the committee also voted unanimously to recommend:

- Adoption of Board of Regents Policy: *Use of Royalty Income to Support Technology Commercialization*.

USE OF ROYALTY INCOME TO SUPPORT TECHNOLOGY COMMERCIALIZATION

This policy governs the provision of any financial support by the University of Minnesota (University) to non-University entities to encourage, promote, or assist in the commercialization of University technology.

Subd. 1. Definition. University technology means patentable inventions, copyrightable works, and all other forms of intellectual property created by University faculty, staff, and others and owned by the University in accordance with Board of Regents (Board) policies.

Subd. 2. Guiding Principles. Commitments of financial support to non-University entities under this policy shall adhere to each of the following principles:

(a) Relationship to University's Mission. Commercialization of University technology is consistent with the University's mission of research and discovery, teaching and learning, and outreach and public service. Financial support provided to non-University entities shall directly encourage, promote, or assist in such commercialization.

(b) Compliance. A commitment of financial support shall comply with all applicable laws, regulations, and policies of the University.

(c) Limitations on Financial Support. The source of financial support shall be royalty and other income the University earns from technology licensing. Such financial support must not impair or adversely affect the University's mission.

Subd. 3. Delegation of Authority. The president or delegate may authorize financial support for a particular project under this policy in an amount not to exceed \$250,000, consistent with Board of Regents Policy: Reservation and Delegation of Authority.

Subd. 4. Reporting. The president shall report to the Board each year on the commercialization of University technology, including a description of any financial support provided to non-University entities under this policy.

A motion was made and seconded to approve the adoption of the policy. Regent Reed noted that the committee had engaged in a lengthy discussion of the proposed policy. The policy before the Board includes an amendment deleting Subd. 2(c) of the proposed policy as presented in the docket materials that would limit eligible recipients to tax-exempt, nonprofit corporations.

Regent Berman expressed concern with the change indicating that he believes the University will be subject to increased liability and exposure if the policy extends to for-profit organizations.

Regent Bell stated he supported the policy. He believes the University should not restrict its field of potential relationships and that the administration should determine on a case-by-case basis its contractual relationships. President Bruininks added that any proposed relationship would be brought before the Board and any issues of concern would be addressed at that time.

After further discussion, the Board of Regents voted by a majority of 9 to 1 to adopt the Board of Regents Policy: *Use of Royalty Income to Support Technology Commercialization*. Regent Berman voted against the motion.

Reed reported that the committee reviewed amendments to Board of Regents Policy: *Sponsored Grants and Contracts*; reviewed a resolution that would authorize the University to provide University Enterprise Laboratories, Inc. with financial support; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FACILITIES COMMITTEE

Regent Bohnsack, Chair of the committee, reported that the committee voted unanimously to recommend:

- Approval of a resolution relating to the University of Minnesota Sports Fields and Facilities District Plan(s), Cooke Hall/Field House Renovation and Recreational Sports Addition, as follows:

WHEREAS, on September 6, 1996, the Board of Regents approved the *University of Minnesota Twin Cities Campus Master Plan 1996* (the Master Plan); and

WHEREAS, Section 5 of the Master Plan divides the Twin Cities campus into fifteen precincts (also known as districts) and a corridor; and

WHEREAS, based on the Structure Plan Elements and Policies developed in Section 4 of the Master Plan, the Precinct Plan Guidelines with accompanying illustrations in Section 5 of the Master Plan direct decision making at the level of the Precinct; and

WHEREAS, through the process described in Section 6, Implementation of the Master Plan, Precinct Plans are intended to be refined and amended over time, ensuring the Master Plan remains a current, living, and relevant decision making tool; and

WHEREAS, the *Resolution Related to the University of Minnesota Sports Fields and Facilities District Plan(s), Phase I* was approved by the Board of Regents in December 2002; and

WHEREAS, the *University of Minnesota Sports Fields and Facilities District Plan(s), Cooke Hall/Field House Renovation and Recreational Sports Addition* dated 2004 is based upon the principles contained in the Master Plan, the need for additional Recreational Sport facilities noted in the *Review of the Department of Recreational Sports – Twin Cities* report presented to the Board of Regents in May 2002 and the issues addressed by the *Regents of the University of Minnesota Resolution on Intercollegiate Athletics* approved by the Board of Regents in June 2002, and

WHEREAS, the *University of Minnesota Sports Fields and Facilities District Plan(s), Cooke Hall/Field House Renovation and Recreational Sports Addition* dated 2004 has been developed to guide decision making for Cooke Hall/Field House Renovation and the Recreational Sports Addition on the Twin Cities, Minneapolis, East Bank campus in response to future programmatic decisions within the Departments of Recreational Sports and Intercollegiate Athletics,

NOW, THEREFORE, BE IT RESOLVED that the Board of Regents accepts the *University of Minnesota Sports Fields and Facilities District Plan(s), Cooke Hall/Field House Renovation and Recreational Sports Addition* dated 2004 as a guide for the future Cooke Hall/Field House Renovation and the Recreational Sports Addition on the Twin Cities, Minneapolis, East Bank campus.

- Approval that appropriate administrative officers receive authorization to execute the appropriate documents providing for the purchase of 2221 University Avenue SE, Minneapolis, Minnesota.
- Approval of amendments to the FY04 Capital Budget by:

1. \$985,000 to incorporate funding for the Mondale Hall Classroom and Library Electrical Upgrade project located on the Twin Cities campus; and
2. \$400,000 to incorporate additional funding for the Housing Fire Protection project located on the Morris campus.

The Board of Regents voted unanimously to approve the recommendations of the Facilities Committee.

Bohnsack reported that the committee voted by a majority of 4 to 2 to recommend:

- Approval of the Consent Report for the Facilities Committee as presented to the committee and described in the March 11, 2004 committee minutes.

It was reported that the Consent Report contained one item -- an amendment to the Capital Budget in the amount of \$500,000 to incorporate funding for the Griggs Field Turf Replacement project on the Duluth campus.

Regent Berman stated that he voted against the motion at the committee. He indicated he believes that after a budget has been adopted it should not be amended unless it is absolutely necessary and that this particular expense should have been anticipated.

The Board of Regents voted by a majority of 8 to 2 to approve the motion with Regents Berman and Frobenius voting against the motion.

Bohnsack reported that the committee also reviewed information relating to the Twin Cities campus Facilities Condition Assessment findings and comparisons to peers and reviewed a number of information items as described in the docket materials.

The agenda item relating to a permanent easement for the Empire Wastewater Treatment Facility in Rosemount was delayed.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Berman, Chair of the committee, reported that the committee met on February 26, 2004 to discuss attorney-client privileged matters and no actions were taken at the meeting.

The meeting adjourned at 10:40 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary