

UNIVERSITY OF MINNESOTA

BOARD OF REGENTS

July 12, 2006

A meeting of the Board of Regents of the University of Minnesota was held on Wednesday, July 12, 2006, at 3:30 p.m. in the Boardroom, 600 McNamara Alumni Center.

Regents present: Anthony Baraga, presiding; Clyde Allen, Frank Berman, Dallas Bohnsack, John Frobenius, Steven Hunter, David Larson, Cynthia Leshner, David Metzen, Lakeesha Ransom, and Patricia Simmons.

Staff present: President Robert Bruininks; Chancellor Charles Casey; Senior Vice President and Provost Thomas Sullivan; Senior Vice President Frank Cerra; Vice Presidents Kathryn Brown, Carol Carrier, R. Timothy Mulcahy, Charles Muscoplat, and Kathleen O'Brien; Executive Director Ann Cieslak; Provost David Carl; and Associate Vice Presidents Terry Bock and Gail Klatt.

RECOGNITIONS

McKnight Presidential Professor in Law, Medicine & Public Policy

Recognition was given to Susan M. Wolf, recipient of the McKnight Presidential Professorship in Law, Medicine and Public Policy.

Civil Service Committee Chair

Vice President Carrier recognized the work of Matt Bowers, chair of the Civil Service Committee for FY2006.

Council of Academic & Professional Administrators Chair

Vice President Carrier recognized the work of Jaki Cottingham-Zierdt, chair of the Council of Academic and Professional Administrators (CAPA) for FY2006.

APPROVAL OF MINUTES

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

Educational Planning & Policy Committee – June 8, 2006
Finance & Operations Committee – June 8, 2006
Faculty Staff & Student Affairs Committee – June 8, 2006
Facilities Committee – June 8, 2006
Board of Regents Work Session – June 8, 2006
Board of Regents Work Session – June 8, 2006
Board of Regents Annual Meeting – June 9, 2006
Board of Regents – June 9, 2006

REPORT OF THE PRESIDENT

President Bruininks reported on activities relating to the Consortium for Post-secondary Academic Success. The consortium was established to coordinate the University's pre K-12 initiatives with the needs of the school districts and educational organizations to better prepare students for success when they enter colleges and universities. He noted the hiring of Kent Pekel as the Consortium's Executive Director and talked briefly about the summer programs for pre K-12 children already established by the University.

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

REPORT OF THE CHAIR

Chair Baraga presented the Report of the Presidential Review Committee. The report recognized the President's outstanding academic leadership, effective management style, successful fiscal management, and fundraising capabilities. The President has established trust and respect with internal and external constituencies. A copy of the report of the Presidential Review Committee is on file in the Board Office.

The Chair reported that Vice Chair Simmons and he also met with the President's spouse, Susan Hagstrum, regarding the volunteer work that she does for the University. Vice Chair Simmons provided a brief report on the number of activities Hagstrum is involved with in her role as the President's spouse and stated that the Board is grateful for her efforts.

Baraga also reported that Board members would be participating in a retreat at the Riverwood Conference Center on July 13-14, 2006 and the next scheduled meetings of the Board would be September 7-8, 2006.

RECEIVE AND FILE REPORTS

Chair Baraga noted the receipt and filing of the Civil Service Committee Report and the Council of Academic Professionals & Administrators Report.

APPOINTMENT OF REGENTS PROFESSORS

President Bruininks reported that the Regents Professor Nominating Committee has recommended three individuals to serve as Regents Professors. The recommendations were forwarded to the Board of Regents on June 26, 2006. The President recommends approval of the recommendations.

A motion was made, seconded, and the Board of Regents voted unanimously to approve the recommendations of the Regents Professor Nominating Committee.

GIFTS

Assistant Vice President Judy Kirk presented the list of gifts to the University of Minnesota, the University of Minnesota Foundation, the Arboretum Foundation, and the Minnesota Medical Foundation for May 2006 as included in the docket materials.

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

**STRATEGIC POSITIONING IMPLEMENTATION:
ACADEMIC & AMINISTRATIVE RECOMMENDATIONS REPORT**

President Bruininks, Senior Vice President & Provost Sullivan, and Vice President O'Brien provided an update on decisions and progress to date related to strategic positioning implementation. The presentation focused on academic and administrative initiatives as provided in the docket materials.

Bruininks asked Board members to consider the following policy questions with regard to the strategic positioning process:

- Are the aspirations, goals, priorities, and strategies appropriate to advance the excellence, responsiveness, and mission of the University of Minnesota?
- Is the overall strategic positioning effort moving forward expeditiously enough and on the kind of timeline the Board expects?
- Will this set of initiatives and projects undertaken sufficiently advance the University toward its goal of becoming a top three public research University?
- Are resources being optimized and appropriately leveraged to maximize impacts?

Information on strategic positioning decisions and progress to date was presented relating to the following areas: 1) exceptional students; 2) exceptional faculty and staff; 3) exceptional organization; and 4) exceptional innovation.

Sullivan and O'Brien provided a brief update on progress to date for each of the four areas and reported on the impact and consequences of the changes that are being made as a result of the strategic planning process.

Sullivan reported that the offices of academic affairs and facilities are working closely as the strategic positioning process proceeds to align the University's academic priorities with its physical plant needs. He added that they are also engaged in reviewing all aspects of the University to align priorities with opportunities for strategic development across the state of Minnesota.

The President noted that an integrated report on the strategic positioning process would be presented to the Board at its October 2006 meeting.

Nathan Wanderman, Chair of the Student Representatives, commented on the direction of the strategic planning effort. While students feel strongly that strategic positioning will strengthen the University, there is concern that the quest to become a top three public research institution will place research interests before student academic interests. Students would also stress continued focus on increasing graduation and retention rates as the strategic process continues.

REPORT OF THE EDUCATIONAL PLANNING & POLICY COMMITTEE

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

- a) Approval of the Consent Report for the Educational Planning & Policy Committee as presented to the committee and described in the July 12, 2006 committee minutes.
- b) Approval of a resolution relating to Tuition Waivers for War Orphans, as follows:

WHEREAS, the Minnesota State Legislature has determined that children of veterans who have died as a result of their service should receive a university-grade education up to completion of a bachelor's degree free of tuition;

WHEREAS, in accordance with Board of Regents Policy: *Tuition and Fees*, the Board of Regents (Board) has the authority to grant the terms and conditions of any new tuition waiver or tuition remission program.

NOW, THEREFORE, BE IT RESOLVED that the Board hereby endorses the President's recommendation to provide a tuition waiver beginning Fall 2006 for bachelor's degree students admitted to the University of Minnesota who are the children of veterans who have died as a result of their service in the United States Armed Forces and who meet the eligibility requirements set out in Minnesota Statutes §197.75 and further defined by the State of Minnesota Department of Veterans Affairs.

BE IT FURTHER RESOLVED that the Board delegates to the President the authority to determine eligibility for this waiver and implementation details.

- c) Adoption of amendments to Board of Regents Policy: *Research Involving Recombinant DNA and Hazardous Biological Materials*, as follows:

**Activities Involving
Recombinant DNA or Other
Potentially Hazardous Biological Agents**

SECTION I. SCOPE.

This policy applies to all research or teaching activities conducted at the University of Minnesota (University) involving recombinant DNA or other potentially hazardous biological agents.

SECTION II. DEFINITIONS.

Subd. 1. Biological Agent. *Biological agent* shall mean infectious agents, biologically-derived toxins, and recombinant DNA.

Subd. 2. Institutional Biosafety Committee. *Institutional Biosafety Committee* (IBC) shall mean the committee appointed by the president or delegate in accordance with National Institutes of Health guidelines and other applicable requirements and policies to review University activities involving recombinant DNA or other biological agents.

Subd. 3. Recombinant DNA. Recombinant DNA shall mean molecules (a) that are constructed outside living cells by joining

natural or synthetic DNA segments to DNA molecules that can replicate in a living cell or (b) that result from the replication of those molecules described in (a) or as defined by the National Institutes of Health.

SECTION III. GUIDING PRINCIPLE.

University faculty, staff, and students using potentially hazardous biological agents in research or teaching activities shall perform those activities as safely as possible and in ways that eliminate or reduce potential exposure of personnel, students, animals, and the environment.

SECTION IV. COMPLIANCE PROVISIONS.

Subd. 1. Responsibilities of the IBC. The president or delegate shall ensure that the IBC oversees research and teaching activities involving:

- (a) recombinant DNA in compliance with safety requirements established by the National Institutes of Health in the *Guidelines for Research Involving Recombinant DNA Molecules*, 51 Fed. Reg. 16,958 (1986, and as subsequently revised); and
- (b) other potentially hazardous biological agents in compliance with safety requirements established by the Centers for Disease Control/National Institutes of Health in the manual *Biosafety in Microbiological and Biomedical Laboratories* (4th edition May 1999 and subsequent editions).

Subd. 2. Compliance with University Policies. The president or delegate shall maintain administrative policies and procedures to implement this policy.

Supersedes: Hazardous Biological Materials Controls (DNA) Policy dated September 9, 1977.

- d) Adoption of amendments to Board of Regents Policy: *Reserve Officers Training Corps*, as follows:

Reserve Officers Training Corps

This policy governs Reserve Officers Training Corps (ROTC) programming at the University of Minnesota (University).

Subd. 1. Guiding Principles.

- (a) The University shall offer a military educational program leading to an officer's commission, in conjunction with educational programs leading to a bachelor's degree.
- (b) Students who qualify for ROTC may freely elect to participate in its programs.

Subd. 2. ROTC Faculty. The ROTC faculty shall include officers assigned to the University ROTC and approved by action of the appropriate faculty governance oversight committee.

Subd. 3. Credit for ROTC Courses. On the advice of the appropriate faculty governance committee, the University will grant credit for certain ROTC courses.

Subd. 4. Delegation of Authority. The president or delegate shall enter into agreements or contracts with the Department of Defense for the conduct of ROTC programs.

Subd. 5. Use of Facilities. ROTC educational activities shall be accorded the same access to University facilities that is provided to all other University educational programs.

Subd. 6. Scheduling of ROTC Activities. Nonacademic ROTC activities should not be scheduled in a manner that interferes with the educational programs of participating students.

- e) Adoption of proposed amendments to Board of Regents Policy: *College Constitutions*, as follows:

College Constitutions

This policy governs the creation and review of college constitutions, which, with other University policies, guide educational and administrative actions within a college.

Subd. 1. Guiding Principle. College constitutions establish the internal governance structure and embody the authority of colleges to govern their own educational and administrative affairs.

Subd. 2. Delegation of Authority. The president or delegate shall approve collegiate constitutions and any subsequent amendments.

Subd. 3. Consistency with Board of Regents Policies and Other University Policies. College constitutions must be consistent with all Board of Regents (Board) and other University policies and procedures. To the extent that any provision of a college constitution conflicts with a Board or other University policy or procedure, the Board or other University policy or procedure shall govern.

Subd. 4. Relationship to Employment Contracts. College constitutions are not intended to be and are not part of the contract terms or the conditions of employment for any University employee.

- f) Approval of a resolution relating to the Center for Allied Health Programs, as follows:

WHEREAS, the Allied Health Educational Models Task Force recommended in 2005 that a Center for Allied Health Programs (Center) be established within the University of Minnesota's Academic Health Center (AHC); and

WHEREAS, all necessary steps have been taken in planning the Center's academic and administrative structure, governance, degree programs, and curriculum and educational policy;

NOW, THEREFORE, BE IT RESOLVED that upon the recommendation of the President, the Center be approved by the Board of Regents.

- g) Approval of a resolution relating to an Exclusive Patent License Agreement, Share Subscription Agreement, and Related Agreements Between the University of Minnesota and Macular Regeneration, Inc., as follows:

WHEREAS, University of Minnesota (University) researchers have developed a patentable technology (*Technology*) that is potentially highly useful in the treatment of age-related macular degeneration; and

WHEREAS, making the Technology commercially available promotes the University's public service mission and may generate valuable financial resources for University research and teaching programs; and

WHEREAS, Macular Regeneration, Inc. (*Company*) is a for-profit, early-stage medical device company that will license University-owned intellectual property and develop, manufacture, and market the Technology; and

WHEREAS, the University shall make a fifty thousand dollar (\$50,000) repayable Ignition Grant to fund, among other things, the Company's completion of certain pre-clinical and clinical studies to determine the efficacy of the Technology; and

WHEREAS, through a proposed Exclusive Patent License Agreement (*License Agreement*) and a proposed Share Subscription Agreement the Company will license exclusively all University patent rights related to the Technology in consideration for the following:

- issuance of two million (2,000,000) shares of its common stock;
royalty payments on all sales, leases, or transfers for value of Technology-related products or services; and
- a seat on the Company's board of directors, with full and equal voting rights throughout the duration of the License Agreement;
and

WHEREAS, in recommending the Proposed Transaction (collectively, the License Agreement, the Share Subscription Agreement, the Ignition Grant, and related ancillary documents and agreements), the administration considered the following:

- the reasonably foreseeable financial effects on the University resulting from ownership of a controlling interest in the Company;

- the University's likely financial, legal, and reputational exposure through its appointment of a University-nominated individual to the Company's board of directors;
- the probability that the University may earn significant revenue relative to the attendant financial risks and alternative commercialization opportunities; and
- the potential for institutional or individual conflicts of interest;
and

WHEREAS, the administration has assured the Board that all necessary and appropriate steps have and will be taken to ensure strict compliance with Board of Regents Policy: *Institutional Conflict of Interest* and Board of Regents Policy: *Individual Business or Financial Conflict of Interest*;

NOW, THEREFORE, BE IT RESOLVED that the Board reserves to itself the authority to approve the License Agreement and Share Subscription Agreement.

BE IT FURTHER RESOLVED, that the Board has determined that approval of the Proposed Transaction is consistent with the University's policies and procedures, supportive of the University's public service mission, and is in the best interest of the University.

BE IT FURTHER RESOLVED, that the Board concludes that adherence to Board policies reasonably ensures that the Proposed Transaction will not expose the University or its faculty to unmanageable institutional or individual conflicts of interest, and that the Proposed Transaction will not expose the University or its assets to undue financial, legal, or reputational risk.

BE IT FURTHER RESOLVED, that the Board approves the License Agreement and the Share Subscription Agreement and authorizes the president or delegate to take the steps necessary to carry out the Proposed Transaction, including appointment and oversight of a University-nominated individual to the Company's board of directors.

BE IT FURTHER RESOLVED, that within a reasonable period of time the administration shall present to the Board for its consideration a proposed Board policy on University ownership of a controlling interest in start-up companies in connection with the licensing of University-owned inventions.

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

REPORT OF THE FACILITIES COMMITTEE

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

- a) Approval of the following real estate transaction as described in the docket materials:
 - 1. Purchase of 2324 University Avenue SE, Minneapolis, Twin Cities Campus
- b) Approval of an amendment to the FY07 Capital Budget by:
 - 1. \$11 million to incorporate funding for Phase I Renovation of 717 Delaware Street SE located on the Twin Cities Campus.
- c) Approval of schematic plans for the following:
 - 1. Plant Growth Facility East Addition, Twin Cities Campus
 - 2. 717 Delaware Street SE, Minneapolis Renovation, Twin Cities Campus
 - 3. Folwell Hall Exterior Stabilization, Twin Cities Campus

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

Metzen reported that the committee reviewed a proposed capital budget amendment for the Minnesota Molecular Therapeutics Center on the Twin Cities campus and reviewed a number of information items as described in the docket materials.

REPORT OF THE AUDIT COMMITTEE

Regent Frobenius, Chair of the committee, reported that the committee received a presentation on Board of Regents fiduciary responsibilities and reviewed the Internal Audit Plan.

REPORT OF THE FACULTY, STAFF, & STUDENT AFFAIRS COMMITTEE

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

- a) Adoption of Board of Regents Policy: *Outside Consulting and Other Commitments*, as follows:

Outside Consulting and Other Commitments

SECTION I. SCOPE.

This policy applies to outside commitments of all employees of the University of Minnesota (University).

SECTION II. DEFINITIONS.

Subd. 1. Outside Commitment. *Outside commitment* shall mean outside consulting or other activity, paid or unpaid, that is beyond the scope of the individual's University employment responsibilities.

Subd. 2. Outside Consulting. *Outside consulting* shall mean an outside commitment that is paid professional service intended to further the interests of an outside party, regardless of whether such

services are provided as an employee of the outside party, an independent contractor, a business owner, or a director or manager.

Subd. 3. Term of Appointment. *Term of appointment* shall mean the duration of an individual's University employment contract, as specified in administrative policy and procedures.

SECTION III. GUIDING PRINCIPLES.

Outside commitments by University employees may be beneficial as long as they do not interfere with employment responsibilities, compete with coursework offered by the University or services offered by the employee's unit, or exceed the time limits allowable for outside consulting by eligible faculty and academic professional and administrative (P&A) employees.

SECTION IV. RULES FOR OUTSIDE COMMITMENTS.

Subd. 1. Conflict of Interest. A potential conflict of interest resulting from an outside commitment shall be governed by Board of Regents Policy: *Individual Business or Financial Conflict of Interest* and Board of Regents Policy: *Institutional Conflict of Interest*.

Subd. 2. Restrictions. Except under limited circumstances specified in administrative policies and procedures, the following restrictions shall apply to University employee participation in outside commitments:

- (a) University employees shall not participate in outside commitments that interfere with the performance of regular duties, or compete with coursework offered by the University or services offered by the employee's unit.
- (b) University employees, when rendering service to or cooperating with an organization outside the University, may identify their employee status, but they shall not speak, act, or make representations on behalf of the University, nor may they express institutional endorsement in relation to the outside activity.
- (c) University employees shall not use the University name, marks, or logos for advertising purposes.
- (d) University employees shall not use the official stationery of the University or give as a consulting business address any building or department name when participating in outside commitments.
- (e) University employees shall not use University personnel, equipment, or services for outside commitments in a way that depletes University resources.

Subd. 3. Communication with Public Bodies. University employees who communicate with any public body or public official in writing or orally, shall indicate clearly whether they are speaking

for themselves, as a representative of the University, or for an outside organization.

SECTION V. OUTSIDE CONSULTING.

Full-time faculty and P&A employees may conduct outside consulting. These commitments shall not exceed, on the average, one day per seven-day week during the term of the employee's appointment. Outside consulting shall be reported and approved when required according to administrative procedures for outside consulting and commitments and shall comply with all applicable University policies and procedures.

SECTION VI. IMPLEMENTATION.

The president or delegate shall maintain administrative policies and procedures to implement this policy.

Supersedes: Outside Affiliations dated January 31, 1933; Outside Affiliations: Intercollegiate Athletics Staff dated September 5, 1980; and Outside Consulting, Service Activities, and Other Work dated July 9, 1982.

- b) Adoption of Board of Regents Policy: *Conflict Resolution Process for Academic Complaints*, as follows:

Conflict Resolution Process for Student Academic Complaints

The University of Minnesota (University) shall have an internal process for the good faith review and resolution of student academic complaints.

Subd. 1. Scope. This conflict resolution process shall apply to student complaints about the University's provision of academic services and education.

Subd. 2. Exclusions. This policy shall not apply in the following circumstances:

- (a) student complaints regarding University employment, which are covered by Board of Regents Policy: *Conflict Resolution Process for Employees*;
- (b) student complaints regarding disciplinary actions taken by the University, which are covered by Board of Regents Policy: *Student Conduct Code* and other administrative policies and procedures;
- (c) student complaints regarding grades; and
- (d) complaints regarding University admission decisions.

Subd. 3. Delegation of Authority. The president or delegate shall administer this policy and is authorized to adopt and amend administrative procedures to ensure its implementation.

Supersedes: Student Academic Grievance Dated January 13, 1995.

The Board of Regents voted unanimously to approve the recommendation of the Faculty, Staff, & Student Affairs Committee.

Bohnsack reported that the committee reviewed proposed amendments to Board of Regents Policy: *Alcoholic Beverages on Campus*; received a presentation on the role of deans; and reviewed a number of information items as described in the docket materials.

REPORT OF THE FINANCE & OPERATIONS COMMITTEE

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

- a) Approval of the Consent Report for the Finance & Operations Committee as presented to the committee and described in the July 12, 2006 committee minutes.
- b) Approval of a resolution relating to Issuance of Debt, as follows:

Issuance of Debt

WHEREAS, on June 9, 2006, the Board of Regents approved the 2007 Annual Capital Improvement Budget, which incorporates the 2006 Capital Request as submitted to the State of Minnesota and includes a new open-air football stadium to be constructed on the east bank of the Twin Cities campus, to be called TCF Bank Stadium (the "Stadium"), in the total amount of \$248,700,000;

WHEREAS, on May 24, 2006, Minnesota Laws 2006, Chapter 247, was signed into law by Governor Pawlenty, which provides that the State will transfer to the University up to \$10,250,000 per year for no more than 25 years (the "State Funding") to reimburse the University for the annual debt service on bonds of the University issued to finance a portion of the costs of the Stadium, provided that the bonds issued to pay the State's share of such costs shall not exceed \$137,250,000;

WHEREAS, it has been proposed that the University proceed with a plan of financing which involves, among other things, the issuance and sale by the University of indebtedness in the form of bonds issued in one or more series, the proceeds of which are to be used to finance the costs of the Stadium and to pay costs of issuance thereof, with the State Funding to be applied to reimburse the University for the debt service on the bonds;

WHEREAS, the bonds in one or more series will be issued pursuant to an Indenture of Trust between the University and a bank or trust company acting as trustee, or pursuant to an Order of the University; and

WHEREAS, the Indenture of Trust or Order pursuant to which any series of bonds will be issued will contain the terms of such bonds and agreements and covenants of the University with respect to the payment of the principal of, premium, if any, and interest on such bonds;

NOW, THEREFORE, BE IT RESOLVED, by the Regents of the University of Minnesota, as follows:

1. To provide financing for the State Funding and to pay costs of issuance thereof, the University hereby authorizes the issuance of bonds in one or more series in the principal amount of up to \$137,250,000 (the "Bonds"). The Bonds shall be indebtedness of the University and shall mature no later than July 1, 2031. The Bonds shall be general obligations of the University if the Treasurer determines that the Bonds shall be issued as general obligations of the University.

2. The Treasurer is authorized to negotiate with one or more banks, investment banking firms or financial institutions which is engaged by the Board of Regents as the underwriter for the Bonds, the terms and conditions upon which the Bonds shall be sold and issued, and to approve the terms of such sale and issuance, including if the Bonds shall be issued as general obligations of the University.

3. In connection with the issuance of any series of Bonds, the President and Treasurer are authorized to execute and deliver on behalf of the University the Indenture of Trust or Order of the University or any supplement or amendment thereto under which the Bonds are to be issued in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel, and the Secretary and Treasurer are authorized to execute and deliver the Bonds in accordance with such Indenture of Trust or Order of the University or any supplement or amendment thereto. The signatures of the Secretary and/or Treasurer on the Bonds may be by facsimile.

4. The President and Treasurer are authorized to execute and deliver a purchase agreement with the initial purchaser or purchasers of any series of Bonds in the form and containing such covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and General Counsel.

5. In addition, the Treasurer is further authorized to negotiate with one or more commercial banks, insurers or other credit support providers the terms and conditions of any credit support for any series of Bonds, and the President and Treasurer are authorized to execute and deliver any agreements of the University with the provider of any such credit support facility. Such agreements shall be in the form and contain such rights, obligations, covenants, agreements, representations and warranties of the University as may be approved by the Treasurer and the General Counsel.

6. The Treasurer is authorized to approve the Preliminary Official Statement and the final Official Statement or any supplements or amendments thereto to be prepared and distributed by the University to any purchaser or potential purchaser of a series of Bonds, and the President is authorized to execute and deliver the final Official Statement or any supplements or amendments thereto.

7. The appropriate University officers are authorized to execute and deliver all other documents, certificates and to take such action as may be necessary or appropriate in connection with the issuance and sale of the Bonds.

8. The Secretary and other officials of the University are authorized and directed to prepare and furnish to any purchasers of the Bonds certified copies of all proceedings and records of the University as may be required or appropriate to evidence the facts relating to the legality of the Bonds as such facts appear from the books and records in the officers' custody and control or as otherwise known to them; and all such certified copies, certificates and affidavits, including any heretofore furnished, shall constitute representations of the University as to the truth of all statements contained therein.

9. The execution of any document by the appropriate officers of the University herein authorized shall be conclusive evidence of the approval of such documents in accordance with the terms hereof. In the absence of the President or Treasurer, any Indenture of Trust, Order, final Official Statement, purchase agreement with the initial purchaser or purchasers of any series of Bonds or any other document to be executed by the President or Treasurer in connection with the Bonds may be executed by the Chair or Vice Chair instead of the President and by the Secretary instead of the Treasurer.

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

Allen reported that the committee voted by a majority of 5 to 1 to recommend:

- a) Adoption of amendments to Board of Regents Policy: *Endowment Fund*, as follows:

Endowment Fund

SECTION I. SCOPE.

This policy governs the management of investments in the University of Minnesota (University) endowment fund (endowment).

SECTION II. GUIDING PRINCIPLES.

The following principles shall guide the University's management of the endowment:

- (a) The University shall seek to maximize financial returns on invested assets while considering an appropriate degree of risk.

- (b) The University shall consider social responsibility in its investment decisions.

SECTION III. INVESTMENT OBJECTIVES.

Subd. 1. Overall Objectives. The overall objectives for the University endowment shall be to:

- (a) preserve the inflation-adjusted value of the endowment;
- and

(b) 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 IV. ASSET ALLOCATION GUIDELINES.

Subd. 1. Public Equities. The long-term target allocation for publicly traded equities, both domestic and international, shall be 40 percent with a range around this target of 35-45 percent.

Subd. 2. Fixed Income. The long-term target allocation for fixed income shall be 20 percent with a range around this target of 15-25 percent.

Subd. 3. Private Capital. The long-term target allocation for private capital (such as private equity, venture capital, and distressed debt) shall be 20 percent with a range around this target of 15-25 percent.

Subd. 4. Real Assets. The long-term target allocation for real assets (such as real estate partnerships, timberlands, oil and gas partnerships, and other investable commodities) shall be 20 percent with a range around this target of 15-25 percent.

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 percent 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. 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. 9. 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. 10. Calculations of Limits. Calculations of all percentage limitations shall be done on a market value basis.

SECTION V. SPENDING GUIDELINES.

Subd. 1. Endowment Distributions. The endowment distribution rate shall be set at a level that is supportive of University operations while enabling the endowment to grow at an inflation-adjusted rate that will provide for future distributions. Distributions shall be made quarterly.

The annual target distribution rate shall be 4.5 percent of the average of the endowment's trailing month-end market values for the prior 60 months. Effective with the adoption of this policy, both the target distribution rate and the payout calculation shall be phased in as specified in Board resolution.

SECTION VI. REPORTING.

The president or delegate shall report to the Board regarding the status and performance of endowment assets.

See Board of Regents Resolution Relating to Board of Regents Policy: *Endowment Fund* dated May 13, 2005.

Supersedes: Investment Social Concerns dated September 13, 1991.

A motion was made and seconded to adopt the amendments. Regent Berman noted his concerns, expressed at the committee meeting, regarding the proposed target of 40 percent in alternative assets and indicated that he believes the target is too high. Regent Allen reported that there had been extended discussions on the issue and that the 40 percent target had been reviewed and recommended by the Investment Advisory Committee and Cambridge Associates. He would recommend approval of the proposed amendments to the policy.

The Board of Regents voted by a majority of 10 to 1 to approve the recommendation of the Finance & Operations Committee with Regent Berman voting against the motion.

REPORT OF THE LITIGATION REVIEW COMMITTEE

Regent Berman, Chair of the committee, reported that the committee met on July 12, 2006 to discuss attorney-client privileged matters and no action was taken at the meeting.

The meeting adjourned at 11:25 a.m.

ANN D. CIESLAK
Executive Director and
Corporate Secretary