

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

November 16, 2000

The Regents of the University of California met on the above date at Covell Commons, Los Angeles campus.

Present: Regents Atkinson, Connerly, Davies, Fong, Hopkinson, O. Johnson, S. Johnson, Kohn, Kozberg, Lansing, Lee, Miura, Montoya, Parsky, and Preuss (15)

In attendance: Regents-designate T. Davis, Morrison, and Seymour, Faculty Representatives Cowan and Viswanathan, Secretary Trivette, General Counsel Holst, Interim Treasurer Bowman, Senior Vice Presidents Darling and Mullinix, Vice President Hershman, Chancellors Berdahl, Carnesale, and Greenwood, and Recording Secretary Nietfeld

The meeting convened at 3:30 p.m. with Chairman S. Johnson presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETINGS

Upon motion duly made and seconded, the minutes of the meetings of September 14 and September 18, 2000 were approved.

2. PRESIDENT'S REPORT

President Atkinson presented the report on University activities and individuals. He noted the dedication of the Preuss School in San Diego. He also drew the Board's particular attention to the deaths of Shelly Wheeler Drake, chief campus counsel for the San Francisco campus, and of Dottie Kolligian, the wife of former Regent Leo Kolligian.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Upon motion of Regent Davies, duly seconded, the President's report was accepted, and it was directed that notes of thanks be sent to the donors of the gifts mentioned in the report, that congratulations be extended to those faculty and staff members who have been awarded honors, and that notes of sympathy and regret be sent to the families of those whose deaths were reported.

3. REPORT OF THE COMMITTEE ON FINANCE**A. *Appointment of Consulting Actuary to The University of California Retirement System by The Regents as Trustee***

The Committee recommended that Towers Perrin be appointed as Consulting Actuary to the University of California Retirement System on behalf of The Regents as Trustee for the period January 1 through December 31, 2001 and that the Secretary be authorized to execute necessary documents effecting the appointment and subsequent reappointments. It is also recommended that the Request for Proposal process continue to be undertaken every five to seven years.

B. *The University of California Retirement Plan: Proposed Benefit Improvements*

The Committee recommended that:

- (1) The University of California Retirement Plan be amended effective January 1, 2001 to revise the age factors for Safety Members.
- (2) The University of California Retirement Plan be amended effective January 1, 2001 to modify the definition of Eligible Employee to include employees who work 1,000 hours during a rolling 12-month period and to exclude floater appointments for those employees in UC-sponsored temporary employment pools.
- (3) Approval be granted in concept to allocate a fixed amount of Service Credit for certain employees for past time worked in a temporary position and to delegate the implementation of this provision to the President, with the concurrence of the Chairman of the Board.
- (4) The Defined Contribution Plan be amended effective July 1, 2001 to provide for contributions on academic appointees' summer salaries.

C. *Approval of Student-Sponsored Student Programs, Activities, and Resource Complex Fee, Los Angeles Campus*

The Committee recommended that:

- (1) A mandatory Student Programs, Activities, and Resource Complex Fee of \$28 per student per quarter (\$84 per year) be assessed to all undergraduate and graduate students enrolled at the Los Angeles campus, subject to the following:

- a. The fee revenue shall be used only for the following specific purposes: (i) construction of non-seismic renovations in the Men's Gymnasium building; (ii) construction of an expansion of the John Wooden Recreation Center; (iii) building maintenance, utilities costs, and future repair and improvement needs of these two projects; and similar needs of other student-fee supported activity and recreational facilities on the Los Angeles campus.
 - b. The fee shall be effective the year in which the remodeling and/or expansion are completed, currently projected to be 2004-05.
 - c. The fee amount shall be increased on a periodic basis of not less than every three years and not more than every five years to fund increases in the cost of building utilities, maintenance, repair, and improvement, with such increases based on the percentage increase in the U.S. Consumer Price Index in the same period, rounded to the nearest dollar.
 - d. Once the debt for either construction project is fully repaid, the amount of the fee attributable to the debt service for said project shall be discontinued; however, the remainder of the fee assessed in the last year in which debt service was paid shall be continued indefinitely and, therefore, be increased in the same manner described in (1) c. above to provide for the ongoing cost of building utilities, maintenance, repair, and improvement.
- (2) The existing student mandatory fee for the John Wooden Center building continue to be assessed indefinitely after the last year of repayment of external financing, scheduled to end in 2017-2018, and the amount of the fee be reduced from the current level of \$12.00 to \$11.33 per student per quarter (\$34.00 per year) to provide for ongoing costs of maintenance, utilities, building repair, expansion, or replacement of the Wooden Center and increased thereafter in the same manner as described in (1) c. above.

D. *Approval of Student-Sponsored Increase in Student Fees, Santa Barbara Campus*

The Committee recommended that, effective with the winter quarter 2001, the Associated Students Fee at the Santa Barbara campus be increased by \$1 per undergraduate student per quarter, from \$44 to \$45 per undergraduate student per quarter.

E. *Agreement with Theatre and Arts Foundation of San Diego County for Construction and Operation of Theatres, San Diego Campus*

The Committee recommended that:

- (1) The President be authorized to approve and the Secretary be authorized to execute an agreement (Agreement) with the Theatre and Arts Foundation of San Diego County, dba La Jolla Playhouse (Playhouse), a California non-profit corporation, for the purpose of planning, designing, constructing, operating, and maintaining a new theatre and related facilities, including a restaurant or food service facility, and continuing joint use, maintenance, and operation of two theatres and related spaces cooperatively with the Department of Theatre and Dance, San Diego campus, to include the following provisions:
 - a. The Agreement will supersede an existing, amended Agreement between the parties, approved by The Regents in February 1978, pursuant to which the parties have successfully collaborated to fund, design, build, and operate the Mandell Weiss Theatre and the Weiss Forum Theatre. These theatres were funded through private donations, are owned by the University, and are jointly used by the Playhouse and the Department of Theatre and Dance.
 - b. The Agreement will provide for private funding by the Playhouse for the planning, design, and construction by the University of an approximately 37,200-assignable-square-foot third theatre facility, including a "Black Box," or experimental theatre, additional rehearsal space, administrative offices, a restaurant or food service facility, and storage.
 - c. Ownership of the theatre and related facilities, other site improvements, and theatre equipment will vest in The Regents, subject to the rights to joint use by the Playhouse.
 - d. The University will have primary access to one to three theatres for its programs from the end of October through mid-April, and the Playhouse shall have primary access to one to three theatres from mid-April until late October. Both parties may produce during the entire year and overlap at the end of each of their primary production periods. Each party may use the theatres during the other's primary access period for occasional incidental uses with the other party's permission.

- e. The University will agree to be responsible for the maintenance, repair, and operation of the theatres, including associated University equipment and grounds.
 - f. The Agreement will formalize the artistic and educational relationships between the parties, including externships for students and the joint use of employees. Separate Memoranda of Understanding for these relationships will be executed covering operating details, which can be amended as needed over time:
 - (i) generally, the University agrees to incorporate Playhouse productions into its degree programs, and the Playhouse will provide residencies for the Department of Theatre and Dance's Master of Fine Arts students;
 - (ii) to benefit both parties by providing University employment to technical and other employees engaged in what would otherwise be seasonal work for two employers, both parties will share the services of specifically designated and recruited University employees on an approximately 50/50 basis; the Playhouse will reimburse the University for its share of the cost of these University employees when working under its supervision.
 - g. The term of the Agreement will be 50 years.
- (2) A separate agreement of shorter duration, for operation of a restaurant or food service facility, be negotiated between the parties and be approved and executed by the President or his designee per delegated authority.
 - (3) The President, after consultation with General Counsel, be authorized to approve and execute any other amendments or ancillary documents that do not substantially modify the terms of the Agreement.

Upon motion of Regent Preuss, duly seconded, the recommendations of the Committee on Finance were approved.

4. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS**

- A. *Certification of Environmental Impact Report and Approval of Design, Genome and Biomedical Sciences Facility, Davis Campus*

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Final Environmental Impact Report, the Committee reported its:

- (1) Certification of the Final Focused Tiered Environmental Impact Report.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of the Genome and Biomedical Sciences Facility, Davis campus.

[The Final Environmental Impact Report, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

B. *Approval of Negative Declaration and Approval of Design, Croul Hall, Irvine Campus*

Upon review and consideration of the environmental consequences of the proposed project as indicated in the Initial Study/Mitigated Negative Declaration, the Committee reported its:

- (1) Approval of the Tiered Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of Croul Hall, Irvine campus.

[The Tiered Initial Study/Mitigated Negative Declaration, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

C. *Adoption of Addendum to Environmental Impact Report, Amendment of Long Range Development Plan, and Approval of Design, Plant Physiology Replacement Building, Los Angeles Campus*

Upon review and consideration of the environmental consequences of the proposed project as evaluated in the Addendum to the Final Environmental Impact Report for the Academic Health Center Facilities Reconstruction Plan certified by The Regents in November 1998, the Committee recommended that The Regents:

- (1) Adopt the Findings and Environmental Impact Report Addendum.

- (2) Amend the campus Long Range Development Plan to transfer 12,400 gross square feet from the Health Sciences zone to the Botanical Gardens zone to accommodate the proposed project.
- (3) Approve the design of the Plant Physiology Replacement Building, Los Angeles campus.

[The Findings and Environmental Impact Report Addendum were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

D. *Certification of Environmental Impact Report, Amendment of Long Range Development Plan, and Approval of Design for Two Underhill Area Projects: Central Dining and Office Facility and College-Durant Student Housing, Berkeley Campus*

Upon review and consideration of the environmental consequences of the proposed projects as indicated in the Final Environmental Impact Report, the Committee recommended that The Regents:

- (1) Certify the Final Environmental Impact Report.
- (2) Adopt the Findings and Mitigation Monitoring Program including Statement of Overriding Considerations.
- (3) Amend the campus Long Range Development Plan to relocate 2612 Channing Way (the Fox Cottage) to a new site north of 2547 Channing Way (the Shorb House), the site of a surface parking area, and to designate the University-owned property covering the western third of the Underhill block for dining, student services, and offices.
- (4) Approve the design of the Central Dining and Office Facility, Berkeley campus, including the relocation of the Fox Cottage.
- (5) Approve the design of the College-Durant Student Housing, Berkeley campus.

[The Final Environmental Impact Report, Findings, and Mitigation Monitoring Program were mailed to all Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

Upon motion of Regent Kozberg, duly seconded, the reports and recommendations of the Committee on Grounds and Buildings were approved.

5. **REPORT OF THE COMMITTEE ON INVESTMENTS**

A. *Selection of Private Equity Consultant*

The Committee recommended that Cambridge Associates be selected as The Regents' Private Equity Consultant.

B. *Proposed Revision of Proxy Policy: Directly Invested and Index Funds*

The Committee recommended that the following proxy policy be adopted and that the proxy policy implemented by the Office of the Treasurer as of December 15, 1994 be rescinded:

- (1) In general, but with certain exceptions, proxy issues that are of a routine business management nature, such as election of directors and appointment of auditors, are voted in accordance with the recommendations of management.
- (2) Business and social issues of a more controversial nature will be reviewed on a case-by-case basis and will generally be voted according to the Treasurer's Office Guidelines (attached).
- (3) The Regents may review and revise the Guidelines at any time or elect to vote a specific way on any particular issue that may arise.
- (4) The Treasurer will continue to directly vote proxy items for all companies held in the actively-managed equity portfolios, according to the Guidelines.
- (5) For the Russell 3000 and MSCI Index Funds, The Regents shall adopt a customized voting arrangement with State Street Global Advisors (SSgA) and its proxy advisor, Institutional Shareholder Services (ISS).¹

¹ ISS is an established organization with expertise in the proxy voting and corporate governance fields used by numerous large institutions, including State Street, CalPERS, and CalSTRS.

- (6) SSgA and ISS will use the Guidelines in the voting of proxies.
- (7) Voting process:
 - a. For all shares held in the actively-managed equity portfolios, the Treasurer will vote all proxies directly, in accordance with the Guidelines;
 - b. For all shares held in the Russell 3000 Index fund in those companies that are also held in the actively-managed equity portfolios, the Treasurer will review ISS's recommended vote and either accept or override that vote in order to provide consistency with its own vote on the shares held in the actively-managed portfolios;
 - c. For all shares in companies held only in the Russell 3000 Index fund, ISS will vote all proxies directly, in accordance with the Guidelines.
 - d. For all shares in the MSCI EAFE Index fund, SSgA will vote The Regents' shares according to the recommendations of its proxy committee.²
- (8) SSgA and ISS will provide a written summary of all proxy votes on all Regents' holdings on an annual basis.

C. *Authority for State Street Bank and Trust to Invest Regents' Assets in Futures Contracts Related to Index Funds*

The Committee recommended that the State Street Bank and Trust Company (State Street), as Investment Manager of that portion of The Regents' equity portfolio to be invested by State Street in the Russell 3000 Index Account and in the MSCI EAFE Index Account under the terms of the Investment Management contract between State Street and The Regents, be authorized to invest in stock index futures under the following circumstances and conditions:

- (1) Futures would be used only to equitize dividends and receivables that accrue to the two accounts over time, as determined on an account basis for each of the two accounts.

² This area requires more specialized analysis for which the Treasurer's Office does not have current guidelines. Over time, a set of specialized foreign guidelines could be established by The Regents and included in the customized policy if so desired.

- (2) At no time will more than 3 percent of an account's assets be held in cash or in futures contracts.
- (3) Futures contract exposure will be limited to the value of cash in the account; that is, no leverage will be used.

D. ***Treasurer's Annual Report***

The Committee forwarded to the Board the **Treasurer's Annual Report** for the fiscal year ended June 30, 2000.

[The report was mailed to all Regents in advance of the meeting, and a copy is on file in the Office of the Secretary.]

Upon motion of Regent Hopkinson, duly seconded, the report of the Committee on Investments was approved.

6. **REPORT OF THE COMMITTEE ON HEALTH SERVICES**

Approval for UCSD to Consolidate Children's Services in San Diego with Children's Hospital—San Diego and Its Affiliated Physicians, Medical Center, San Diego Campus

The Committee recommended that the President, in consultation with the General Counsel and the Vice President for Clinical Services Development, be authorized to execute the following:

- A. A Master Affiliation Agreement and Managed Care Agreement between The Regents of the University of California and Children's Hospital and Health Center (CHHC), a California nonprofit public benefit corporation, and Children's Hospital of San Diego, whose sole corporate member is CHHC.
- B. A Medical Group Affiliation Agreement and Medical Group Managed Care Agreement between The Regents of the University of California and Children's Specialists of San Diego, a medical group.

Regent Kohn abstained from voting on the recommendation because he serves as a member of the staff of Children's Hospital.

Upon motion of Regent Preuss, duly seconded, the recommendation of the Committee on Health Services was approved.

7. **REPORT OF THE COMMITTEE ON OVERSIGHT OF THE DEPARTMENT OF ENERGY LABORATORIES**

Approval for Negotiations with the Department of Energy for the Operation of Los Alamos National Laboratory and Lawrence Livermore National Laboratory

The Committee recommended that the President be instructed to enter into negotiations with the Department of Energy to extend the current contracts with the Department of Energy for the continued operation of Lawrence Livermore National Laboratory and Los Alamos National Laboratory for a period not to exceed September 30, 2007.

Upon motion of Regent Miura, duly seconded, the recommendation of the Committee on Oversight of the Department of Energy Laboratories was approved.

8. **REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS AND THE COMMITTEE ON FINANCE**

A. ***Approval of University of California 2001-02 Budgets for Current Operations and Capital Improvements***

- (1) The Committee on Finance recommended that the expenditure plan included in the *2001-02 Budget for Current Operations* be approved.
- (2) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2001-02 Budget for Capital Improvements be approved as presented in the document titled *2001-02 Budget for Capital Improvements*.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program, and External Financing for Southwest Campus Housing and Parking Phase 1, Los Angeles Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: G. Southwest Campus Housing and Parking Phase 1 – preliminary plans, working drawings, and construction – \$147.77 million to be funded from external financing (\$143.27 million) and housing reserves (\$4.5 million).
- (2) The Treasurer be authorized to obtain financing not to exceed \$143.27 million to finance Southwest Campus Housing and Parking Phase 1 project, subject to the following conditions:

- i. interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - ii. with regard to the housing portion of the debt (\$117.8 million), as long as the debt is outstanding, University of California Housing System fees for the Los Angeles campus shall be established at levels sufficient to meet all requirements of the University of California Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and to meet the related requirements on the proposed financing;
 - iii. with regard to the parking portion of the debt (\$25.47 million), as long as the debt is outstanding, Los Angeles campus Parking System fees shall be established at levels sufficient to provide excess net revenues sufficient to pay the debt service and to meet the related requirements on the proposed financing;
 - iv. the general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law.
 - (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program, and External Financing for Men's Gym Seismic Repair and Program Improvements, Los Angeles Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Los Angeles: Men's Gym Seismic Repair and Program Improvements – preliminary plans, working drawings, and construction – \$37,908,000 to be funded from federal funds (\$13,832,000), campus funds (\$479,000), and external financing (\$23,597,000).

- (2) The Committee on Finance recommended that the Treasurer be authorized to obtain financing not to exceed \$23,597,000 to finance the Men's Gym Seismic Repair and Program Improvements project, subject to the following conditions:
 - i. interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
 - ii. repayment of the debt shall be from the Student Programs, Activities, and Resource Complex Fee approved by a student vote in May 2000 and by The Regents in November 2000 and a portion of the Los Angeles campus University Registration Fee, which shall generate net revenue sufficient to pay debt service and to meet all related financing requirements;
 - iii. the general credit of The Regents shall not be pledged;
- (3) The Officers of The Regents be authorized to provide certification to the lender that interest paid by The Regents is excluded from gross income for purposes of federal income taxation under existing law;
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

D. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program, and Amendment of External Financing for Colleges Nine and Ten Residence Halls, Santa Cruz Campus***

- (1) With the concurrence of the Committee on Finance, the Committee on Grounds and Buildings recommended that the appropriate Budgets for Capital Improvements and Capital Improvement Programs be amended to reflect the following changes:

From: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – \$73,122,000 to be funded from external financing (\$67,180,000), University of California Housing System Net Revenue Funds (\$4,423,000), University Center Reserves (\$1,012,000), gift funds (\$400,000), and Student Facilities Fee reserves (\$107,000).

To: Santa Cruz: A. Colleges Nine and Ten Residence Halls – preliminary plans, working drawings, construction, and equipment – \$82,945,000 to be funded from external financing

(\$73,503,000), University California Housing System Net Revenue Funds (\$7,923,000), University Center Reserves (\$1,012,000), gift funds (\$400,000), and Student Facilities Fee reserves (\$107,000).

- (2) The Committee on Finance recommended that the financing actions approved by The Regents in September 1991 and amended in March 1999 and May 2000 with respect to Colleges Nine and Ten Residence Halls, Santa Cruz campus, be amended as shown below, with the understanding that all other financing actions by The Regents regarding said project shall remain unchanged:

Deletions shown by strikeout, additions by shading

- a. The Treasurer be authorized to obtain financing not to exceed ~~\$67,180,000~~ \$73,503,000 to finance a portion of the construction and related costs of Colleges Nine and Ten Residence Halls, Santa Cruz campus, subject to the following conditions:
- i. interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period;
- ii. as long as the housing portion of the debt ~~(\$65,542,000)~~ (\$71,531,000) is outstanding, UC Housing System fees for the Santa Cruz campus shall be established at levels sufficient to meet all requirements of the UC Housing System Revenue Bond Indenture and to provide excess net revenues sufficient to pay the debt service and related requirements on the proposed financing;
- iii. as long as the student facilities portion of the debt ~~(\$1,638,000)~~ (\$1,972,000) is outstanding, the Student Facilities Fee shall be established at a level sufficient to meet all debt service and related requirements on the proposed financing;
- iv. the general credit of The Regents shall not be pledged.

Upon motion of Regent Preuss, duly seconded, the recommendations of the Committee on Grounds and Buildings and the Committee on Finance were approved.

9. REPORT OF THE COMMITTEE ON GROUNDS AND BUILDINGS, THE COMMITTEE ON FINANCE, AND THE COMMITTEE ON HEALTH SERVICES

Approval of the Allocation of Lease Revenue Bonds and State-Budgeted Infrastructure Funds to the University's Teaching Hospitals

- A. The Committees recommended the following allocation of \$600 million of funds generated from State lease revenue bonds for teaching hospitals at the University of California's five medical centers for compliance with the Hospital Facilities Seismic Safety Act, SB 1953 (Chapter 740):

UCDMC:	\$120,000,000
UCIMC:	\$235,000,000
UCLAMC:	\$180,000,000
UCSDMC:	\$ 40,000,000
UCSFMC:	\$ 25,000,000

- B. The Committees recommended the following allocation of \$50 million in General Funds for capital infrastructure projects for teaching hospitals at the University of California's five medical centers:

UCDMC:	\$ 5,000,000
UCIMC:	\$ 5,000,000
UCLAMC:	\$10,000,000
UCSDMC:	\$25,000,000
UCSFMC:	\$ 5,000,000

Upon motion of Regent Preuss, duly seconded, the recommendation of the Committee on Grounds and Buildings, the Committee on Finance, and the Committee on Health Services was approved.

10. **REPORT OF THE COMMITTEE ON FINANCE AND THE COMMITTEE ON INVESTMENTS**

Adoption of Expenditure Rate for the General Endowment Pool, Office of the President and Office of the Treasurer

With the approval of the Committee on Investments, the Committee on Finance recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for distribution in August 2001 for expenditure in the 2001-02 fiscal year be 4.45 percent of a sixty-month moving average of the market value of a unit invested in the GEP.

Upon motion of Regent Preuss, duly seconded, the recommendation of the Committee on Finance was approved.

11. **REPORT OF INTERIM ACTIONS**

Secretary Trivette reported that, in accordance with authority previously delegated by The Regents, interim action was taken on routine or emergency matters as follows:

- A. The Chairman of the Board and the President of the University approved the following recommendation:

Authorization to Approve and Execute Modification to the Department of Energy Contracts for Los Alamos National Laboratory and Lawrence Livermore National Laboratory to Add a New Clause Which Provides for an Appendix for Improvement Initiatives

That the President be authorized to approve and the Secretary be authorized to execute a modification to the provisions of contracts W-7405-ENG-36 and W-7405-ENG-48 in order to incorporate the following new clauses:

Clause 5.14 (LLNL only) – Reserved

Clause 5.15 – IMPROVEMENT INITIATIVES FOR SECURITY AND FACILITY OPERATIONS (SPECIAL)

- B. The Chairman of the Board, the Chair of the Committee on Investments, and the President of the University approved the following recommendations:

- (1) ***Approval of Conditional Authority of Investment Manager, State Street Bank and Trust Company, to Invest Regents' Assets in Futures Contracts***

That the State Street Bank and Trust Company (State Street), as Investment Manager of that portion of The Regents' equity portfolio to be invested by State Street in the Russell 3000 Index Account and in the MSCI EAFE Index Account under the terms of the Investment Management contract between State Street and The Regents, be authorized to invest in stock index futures under the following circumstances and conditions:

During the "Transition Phase" of State Street's management:

Futures contracts will be used only to cost-effectively help maintain benchmark characteristics in the transition portfolio; futures contracts will be used to maintain market exposure as stocks are sold and cash is

generated in the transition accounts; future contracts used to equitize cash in the domestic transition account would be S&P500, Midcap (S&P400), Russell 1000, and the Russell 2000, in combination approximating Russell 3000 exposure; futures contracts used for the international transition account would be those that have CFTC no-action letters, including Nikkei 300, Topix (Japan), FTSE100 (UK), CAC40 (France), All Ords (Australia), IBEX35 (Spain), MIB30 (Italy), Hang Seng (Hong Kong), DAX (Germany), Eurostoxx50 (pan Europe), MSCI Euro, MSCI Pan-Euro, and OMXCAP (Sweden), in a combination approximating EAFE exposure; futures contract exposure would be limited to the value of cash and receivables in the account – that is, no leverage would be used; and for the international transition account, currency forwards in major EAFE member currencies would also be used to gain currency exposure for cash holdings equitized by futures.

During the “Post-Transition Phase” of State Street’s management:

Futures would be used only to equitize dividends and receivables that accrue to the two accounts over time; as determined on an account basis for each of the two accounts, at no time will more than 3 percent of account's assets be held in cash or futures contracts; and futures contract exposure would be limited to the value of cash in the account – that is, no leverage would be used.

- (2) ***Approval of Authority of Investment Manager, State Street Bank and Trust Company, to Vote All Proxies on the Regents' Holdings in Index Accounts***

That State Street Bank and Trust Company, working through its Global Advisors division, as Investment Manager of that portion of The Regents' equity portfolio to be invested in the Russell 3000 Index Account and in the MSCI EAFE Index Account under the terms of the Investment Management contract between State Street and The Regents, be authorized to vote all proxies on The Regents' holdings in the Index Accounts during the transition period, subject to the recommendations of its Proxy Committee.

- C. The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, the Chair of the Committee on Finance, and the President of the University approved the following recommendations:

- (1) ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for the Center for Companion Animal Health, Davis Campus***

That, subject to the concurrence of the Chairman of the Board, the Chair of the Committee on Grounds and Buildings, and the Chair of the Committee on Finance, the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Davis: A. Center for Companion Animal Health – preliminary plans, working drawings, construction, and equipment – \$12,235,000, to be funded by gift funds (\$7,893,000) and campus funds (\$4,342,000).

- (2) ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for the Tahoe Environmental Research Center, Davis Campus***

That, subject to the concurrence of the Chairman of the Board, the Chair of the Committee on Grounds and Buildings, and the Chair of the Committee on Finance, the 2000-01 Budget for Capital Improvements and the 2000-03 Capital Improvement Program be amended to include the following project:

Davis: B. Tahoe Environmental Research Center – preliminary plans, working drawings, construction, and equipment – \$10,960,000, to be funded by gift funds.

D. The Chairman of the Board, the Chair of the Committee on Finance, and the General Counsel approved the following recommendations:

(1) ***Authorization to Pay Employee's Attorneys' Fees Related to Criminal Proceeding – San Diego***

That the General Counsel be authorized to approve payment of attorneys' fees and costs incurred by Lito Fojas, an employee at the UCSD Medical Center, in an amount not to exceed \$15,000 in connection with his arraignment and any resulting criminal prosecution for alleged sexual battery of a patient, subject to reimbursement by Mr. Fojas in the discretion of the General Counsel in the event of an adverse verdict.

(2) ***Authorization for Reimbursement of Attorney's Fees in Connection with Missing Hard Drive Investigation – Los Alamos National Laboratory***

That the President be authorized, with the concurrence of the General Counsel, to reimburse employees of the Los Alamos National Laboratory who have retained outside counsel in connection with the missing hard drive investigation for the resulting attorney's fees in an amount not to exceed \$100,000 for the entire group.

12. **REPORT OF PERSONNEL ACTION**

In accordance with Bylaw 14.7(b), Secretary Trivette reported the following personnel action taken at the September 18, 2000 special meeting. There was a roll call vote taken as required by State law on all action taken in meetings held by teleconference.

Appointment of DeWitt F. Bowman as Interim Treasurer and Vice President for Investments, effective September 18, 2000. The roll call vote was as follows: Regents Atkinson, Bagley, Davies, Hopkinson, O. Johnson, S. Johnson, Khachigian, Kohn, Lansing, Leach, Miura, Montoya, Moores, and Preuss voting "aye" (14).

13. **REPORT OF COMMUNICATIONS**

Secretary Trivette reported summaries of communications received subsequent to the September 2000 meeting. The residency appeals were referred to the General Counsel, and the remaining communications were referred to the President for response as appropriate.

14. **REPORT OF THE PRESIDENT**

The President reported that, on the dates indicated, the following informational reports were mailed to The Regents or to Committees:

To Members of the Committee on Finance

- A. Annual Report on Compensation: Principal Officers of The Regents and Officers of the University. November 3, 2000. (Schedule of Reports)

To Members of the Committee on Health Services

- B. Activity and Financial Status Report on Hospitals and Clinics as of July 31, 2000. September 27, 2000. (Schedule of Reports)
- C. Fiscal Year 1999-2000 Report on the University of California Clinical Enterprise Management Recognition Plan. October 11, 2000.
- D. Activity and Financial Status Report on Hospitals and Clinics as of August 31, 2000. October 19, 2000. (Schedule of Reports)
- E. UCLA Healthcare Annual Report for 1999. November 1, 2000.

The Regents of the University of California

- F. Newspaper articles on the proposed dual admission plan. September 27, 2000.
- G. A press release from Secretary Richardson and the President’s statement about the University’s contract to manage the DOE Laboratories. October 17, 2000.
- H. Audited financial statements that have been completed to date for the UC Medical Centers for fiscal year ended June 30, 2000.
- I. Copies of the *2001-02 Budget for Current Operations* and the *2001-02 Budget for Capital Improvements*. November 2, 2000.

The Regents went into Closed Session at 3:38 p.m.

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The meeting adjourned at 3:40 p.m.

Attest:

Secretary

TREASURER'S OFFICE GUIDELINES FOR PROXY VOTING*

I. Social Issues

Issues that are controversial or relate to social issues (i.e., tobacco issues, animal testing, military contracts, etc.) are reviewed on a case-by-case basis in light of their potential long-term economic impact on shareholders, along with ongoing review of company codes of conduct and social responsibility, any existing UC policies, and the advice of independent proxy monitor services. This may result in a vote against management if the company is not reasonably responsive to shareholder concerns.

II. Corporate Governance

The Treasurer's Office recommends the following:

- A. Classified Board (or staggered board proposals)
The Treasurer's Office recommends annual elections for directors and that classified boards not be allowed, as they tend to entrench management.
- B. Cumulative voting or restoration of cumulative voting issues.
In general, the Treasurer's Office recommends a vote in favor of cumulative voting. California law allows companies incorporated in the state to eliminate cumulative voting with shareholder vote.
- C. Preemptive Rights: restoration of limited preemptive rights.
Normally good for shareholders, the Treasurer's Office recommends a vote in favor.
- D. Confidential Voting Issues.
The Treasurer's Office recommends a vote with management, as existing voting safeguards are normally adequate to protect shareholder interests.
- E. Authorization of blank check preferred (poison pill): The Treasurer's Office recommends a vote against these anti-takeover measures as they overtly entrench management and have specific anti-takeover intent.
- F. Fair price super-majority proposals; the Treasurer's Office recommends a vote against supermajority proposals of 85 percent or more.
- G. Golden Parachutes: The Treasurer's Office recommends a vote against these incentives for management, as they are usually overly-rich rewards for executives upon a takeover of the company.

* Company-specific issues, such as past performance, shareholder responsiveness, etc. may result in a deviation from the standard recommendation.

III. Compensation Issues

The Treasurer's Office recommends the following:

- A. Stock option plans resulting in over 10 percent dilution shall be examined on a case-by-case basis to determine the dilution in the context of the peer group and norms. Plans with excessive dilution may be voted against.
- B. Stock options for non-employee directors are examined on a case-by-case basis. Excessively rich plans for non-employee directors, where the annual payments exceed the average for its peer group may be voted against.
- C. Compensation for non-employee directors which takes the form of retirement payments are normally voted against.
- D. Exchanging underwater options (granting lower-priced options to replace higher-priced options) issues are normally voted against.
- E. Granting stock options to executives to be exercised at less than fair market value are normally voted against.
- F. Employee Stock Purchase Plans normally are voted in favor as they involve a purchase of common shares at 85 percent of market value through payroll deduction. Plans at discounts of more than 15 percent (although there are very few) are examined on a case-by-case basis.