

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

March 16, 2006

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

Present: Regents Dynes, Gould, Hopkinson, Island, Johnson, Juline, Kozberg, Lansing, Lozano, Marcus, Parsky, Pattiz, Preuss, Rominger, Rosenthal, Schilling, and Wachter (17)

In attendance: Regents-designate Coombs, Ledesma, and Schreiner, Faculty Representatives Brown and Oakley, Secretary Trivette, General Counsel Holst, Interim Treasurer Berggren, Acting Provost Hume, Senior Vice Presidents Darling and Mullinix, Vice Presidents Foley and Hershman, Chancellors Birgeneau, Bishop, Carnesale, Córdoba, Drake, Fox, Tomlinson-Keasey, Vanderhoef, and Yang, and Recording Secretary Nietfeld

The meeting convened at 1:00 p.m. with Chairman Parsky presiding.

1. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion of Regent Preuss, duly seconded, the minutes of the meetings of January 2006 were approved.

2. REPORT OF THE PRESIDENT

President Dynes presented the report concerning University activities and individuals.

Upon motion of Regent Preuss, 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.

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

At the President's invitation, Faculty Representative Oakley introduced Professor Michael Brown, the new Interim Vice Chair of the Academic Assembly. Professor Brown is a Professor of Counseling, Clinical, and School Psychology at the Santa Barbara campus and the chair of the Board of Admissions and Relations with Schools.

3. RESOLUTION IN APPRECIATION – JOSEPH P. MULLINIX

Upon motion duly made and seconded, the following resolution was approved.

WHEREAS, Joseph P. Mullinix has served effectively and with distinction for more than five years as the University of California's Senior Vice President–Business and Finance, ably overseeing vital functions that have advanced the University's ability to fulfill its mission of teaching, research, and public service; and

WHEREAS, the University, as a multi-campus system of enormous complexity and critical importance to the state and society, has been fortunate to have a person with his outstanding leadership ability and considerable experience overseeing its broad array of business and financial systems during an exceedingly difficult financial time for the state and higher education; and

WHEREAS, in the face of continuing fiscal challenges, he has set consistently high standards of integrity, promulgating innovative procedures and business systems that have resulted in the wise and economical use of University resources, among them debt restructuring, reductions in the cost of risk, implementation of an initiative to reduce the costs of capital projects, realization of a vast Universitywide strategic sourcing initiative, and formulation of one of the most visionary sustainability policies in higher education; and

WHEREAS, his ability to be tough-minded and highly principled, coupled with his rare insight, wise judgment, keen intelligence, and exceptional grasp of the array of issues facing UC have helped shape not only University policy but the bright future of this great institution, adding immeasurably to its strength and well being; and

WHEREAS, in addition to his incisive stewardship of the University's business operations, he has contributed his personal talents and professional skills to higher education on the national level as Chair of the Board of Directors of the National Association of College and Business Officers, as well as a contributing member of the Forum for the Future of Higher Education, the Big Ten Business Officers, and the California Association for Research in Astronomy;

NOW, THEREFORE, BE IT RESOLVED that the Regents convey to Joseph P. Mullinix their best wishes as he embarks upon new challenges as Deputy President for Administration at the National University of Singapore, as well as their regret over his departure, knowing that the special combination of experience, knowledge, and vision that he brought to the University of California will be sorely missed;

AND BE IT FURTHER RESOLVED that the Regents extend to Diane Abbott and Joe Mullinix their warmest good wishes for a full and happy life and success in all

their future endeavors, and direct that a suitably inscribed copy of this resolution be presented to them as a symbol of the Regents' high regard and lasting friendship.

Regent Marcus observed that Senior Vice President Mullinix had always been available to the Regents and had strived to make complex financial issues more understandable. He worked closely with students and other constituencies with divergent interests to create a Green Policy for UC's buildings. Regent Marcus expressed the Regents' gratitude for Mr. Mullinix's contributions to the University.

4. **REPORT OF THE COMMITTEE ON FINANCE**

A. ***Adoption of Expenditure Rate for the General Endowment Pool***

With the concurrence of the Committee on Investments, the Committee recommended that the expenditure rate per unit of the General Endowment Pool (GEP) for expenditure in the 2006-07 fiscal year shall be 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

B. ***Adoption of Endowment Administration Cost Recovery Rate***

With the concurrence of the Committee on Investments, the Committee recommended that an endowment administration cost recovery rate of 25 basis points (0.25 percent) be approved to apply to the distributions from the General Endowment Pool (GEP) to be made after July 1, 2006, from the eligible assets invested in the GEP to defray, in part, the cost of administering and carrying out the terms of endowments on the campuses and at the systemwide offices.

Upon motion of Regent Hopkinson, the report of the Committee on Finance was approved.

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

A. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Student Athlete High Performance Center, Berkeley Campus***

The Committee recommended that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Berkeley: Student Athlete High Performance Center – preliminary plans – \$5.6 million, to be funded from gifts.

B. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Health and Wellness Center, Davis Campus***

The Committee recommended that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Davis: Health and Wellness Center – preliminary plans – \$2.1 million, to be funded from Referendum Fee reserves.

C. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Robert Mondavi Institute for Wine and Food Science, Davis Campus***

The Committee recommended that:

- (1) The 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Deletions shown by strike out, additions by underscore

Davis: Robert Mondavi Institute for Wine and Food Science – preliminary plans, working drawings and construction – ~~\$55,435,000~~ \$73,935,000 to be funded from State funds (~~\$33,635,000~~) (\$36,809,000), campus funds (\$1,800,000), external financing \$9,326,000, and gift funds (~~\$20,000,000~~) (\$26,000,000).

Pursuant to Standing Order 100.4 (nn)

- (2) The President be authorized to obtain external financing not to exceed \$9,326,000 to finance the Robert Mondavi Institute for Wine and Food Science project, subject to the following conditions:
- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. Repayment of any financing shall be from the Davis campus' share of the University Opportunity Fund.
 - c. 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 Sierra Terraces Housing Project, Merced Campus***

The Committee recommended that:

- (1) The 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

Deletions shown by strike out, additions by underscore

Merced: Sierra Terraces Housing Project – preliminary plans, working drawings, construction, and equipment – ~~\$21,942,000~~ \$25,950,000, to be funded from external financing.

- (2) The President be authorized to obtain external financing not to exceed ~~\$21,942,000~~ \$25,950,000 to finance the Merced Sierra Terraces Housing Project, subject to the following conditions:
 - a. Interest only, based on amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. As long as the debt is outstanding, University of California Housing fees for the Merced campus shall be established at levels appropriate to provide excess net revenues sufficient to pay the debt service and to meet the related requirements of the proposed funding.
 - c. 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 taxation under existing law.
- (4) The Officers of The Regents be authorized to execute all documents necessary in connection with the above.

E. ***Amendment of the Budget for Capital Improvements and the Capital Improvement Program for SB1953 Mount Zion Buildings A, B, and D Seismic Upgrades and Clinical Expansion, San Francisco Campus***

The Committee recommended that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: SB 1953 Mount Zion Buildings A, B, and D Seismic Upgrades and Clinical Expansion – preliminary plans – \$13.5 million, to be funded from hospital reserves.

F. ***Certification of Environmental Impact Report and Approval of Design, Cancer Center Expansion, UC Davis Medical Center***

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

- (1) Certification of the Final Focused Tiered Environmental Impact Report.
- (2) Adoption of the Mitigation Monitoring Plan, Findings, and Statement of Overriding Considerations.
- (3) Approval of the design of the Cancer Center Expansion, University of California, Davis Medical Center.

[The Final Focused Tiered Environmental Impact Report, Mitigation Monitoring Plan, Findings, and Statement of Overriding Considerations were mailed to Regents in advance of the meeting, and copies are on file in the Office of the Secretary.]

G. ***Adoption of Mitigated Negative Declaration and Approval of Design, UCSD Medical Center Cardiovascular Center and Thornton Hospital Expansion, San Diego Campus***

Upon review and consideration of the environmental consequences of the proposed project as indicated in the environmental document, the Committee reported its:

- (1) Adoption of the Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Mitigation Monitoring Program and Findings.
- (3) Approval of the design of the UCSD Medical Center Cardiovascular Center and Thornton Hospital Expansion.

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

H. ***Adoption of Mitigated Negative Declaration and Approval of Design, Student Academic Support Services Building, Riverside Campus***

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

- (1) Adoption of the Initial Study/Mitigated Negative Declaration.
- (2) Adoption of the Findings and Mitigation Monitoring Program.
- (3) Approval of the design of the Student Academic Support Services Building, Riverside campus.

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

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

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

The Committee presented the following from its meeting of February 14, 2006:

Investment Policy, Guideline, and Benchmark Review for the University of California Retirement Plan and the General Endowment Pool

The Committee recommended that the attached Investment Policy Statement for the **University of California Retirement Plan** and the **General Endowment Pool** be approved.

Upon motion of Regent Wachter, the recommendation of the Committee on Investments was approved.

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

A. ***Authorization to Approve and Execute Modification to the Department of Energy Contract for Los Alamos National Laboratory to Amend Clauses and Approval of Contract Closeout Authority for Contract W-7405-ENG-36 for the Operation of Los Alamos National Laboratory Between January 1, 1943 and May 31, 2006***

The Committee recommended that:

- (1) The President be authorized to execute a modification to the provisions of Los Alamos National Laboratory contract W-7405-ENG-36 in order to incorporate revisions to clauses.
- (2) The President be authorized to take such actions as may be required to perform a termination of contract W-7405-ENG-36 for the management and operation of the Los Alamos National Laboratory between January 1, 1943 and May 31, 2006, including but not limited to execution of amendments and revisions of the contract during closeout, agreements to transfer obligations, and entering into final settlements of any outstanding claims by or against the University provided, however, nothing in this action authorizes the President to make any changes to the University of California retirement program.

B. ***Adoption of Regents' Policy on Appointments of Individuals to the Los Alamos National Security, LLC Executive Committee of the Board of Governors, Los Alamos National Laboratory***

The Committee recommends that the following policy on appointments to the Board of Governors of Los Alamos National Security, LLC be adopted:

- (1) When a vacancy occurs or is imminent with respect to a University position on the Board of Governors of Los Alamos National Security, LLC, the Chairman and the President will identify one or more candidates for appointment to such position, along with any proposed terms or conditions of the appointment. Candidates may be drawn from the ranks of Regents, University officers and senior managers, or others having expertise and experience pertinent to the management and operation of the Department of Energy National Laboratories. The President will confer with appropriate organizations within the University regarding the identification of candidates and applicable terms and conditions of the appointment.
- (2) Following such consideration, the Chairman and the President will recommend the selected candidate to The Regents through the Committee on

Oversight of the Department of Energy Laboratories for consideration and approval.

Upon motion of Regent Pattiz, the recommendations of the Committee on Oversight of the Department of Energy Laboratories were approved.

8. **REPORT OF THE COMMITTEE ON AUDIT**

Approval of External Audit Plan for the Year Ending June 30, 2006

The Committee recommended that the scope of the external audit for the year ending June 30, 2006, including the expanded external audit coverage of the National Laboratories, be approved, as shown in the attached **University of California Audit and Communications Plan**.

Upon motion of Regent Marcus, the recommendation of the Committee on Audit was approved.

9. **REPORT OF THE SPECIAL COMMITTEE ON REGENTS' PROCEDURES**

A. *Proposed Revisions to the Schedule of Reports to Regents*

The Committee recommended that the attached **Schedule of Reports** be approved; each committee, as appropriate, shall consider existing reports or the addition of any new reports the committee requires and whether these reports should be presented at a meeting or distributed as a mailing between meetings.

B. *Amendments to the Current Organization of Regents Meetings*

The Committee recommended that, beginning with fiscal year 2007, the organization of Regents meetings be amended in the following ways:

Regents Meetings

The format will be six two-day meetings. A portion of the two-day meeting will be spent on critical and current issues facing the University.

The Committee reports its intention at the May meeting to address the issue of holding two meetings per year on the campuses, informed by the costs associated with meeting on a campus.

Upon motion of Regent Marcus, the recommendations of the Special Committee on Regents' Procedures were approved.

10. **REPORT OF THE SPECIAL COMMITTEE ON COMPENSATION**A. ***Process and Timetable for Annual Performance Review of Officers Reporting Directly to The Regents***

The Special Committee recommended that The Regents approve the process and timetable for annual performance reviews of the Officers reporting directly to The Regents, as detailed in the attached **Process and Timetable for Annual Performance Review of Officers Reporting Directly to The Regents**.

B. ***Consideration of Future Reinstatement of Contributions to the University of California Retirement Plan***

The Special Committee recommended that The Regents update the funding policy for the University of California Retirement Plan (UCRP) to provide for:

- (1) A targeted funding level of 100 percent over the long term, and for University and UCRP member contributions at the rates necessary to maintain that level within a range of 95 percent to 110 percent.
- (2) A multi-year contribution strategy under which contribution rates will increase gradually over time to 16 percent of covered earnings, based on UCRP's current normal cost.
- (3) The resumption of UCRP contributions effective July 2007, subject to funding and completion of the budget process.

[Note: An advisory group to the President is evaluating alternative strategies for the reinstatement of contributions. It is anticipated that in May 2006, specific recommendations for action by The Regents will be made on the reinstatement of contributions, to be effective July 2007, subject to funding and completion of the budget process, to include:

- (1) A year-by-year schedule of total UCRP contributions through 2013.
- (2) The specific cost sharing of these contributions between the University and UCRP members through 2010.

The goal is for The Regents to take action on the recommended reinstatement of contributions strategy by May 2006. Implementation of member contributions is subject to available funding and collective bargaining requirements, as applicable.]

Upon motion of Regent Hopkinson, the recommendations of the Special Committee on Compensation were approved.

11. REPORT OF INTERIM ACTIONS

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

The Chairman of the Board, the Chair of the Committee on Grounds and Buildings, and the President of the University concurred in the following recommendations:

A. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program and Approval of External Financing for Mission Bay Utilities and Distribution Phase 1, San Francisco Campus*

Pursuant to Standing Order 100.4(q)

- (1) The President, subject to the concurrence of the Chairman of the Board and the Chairman of the Committee on Grounds and Buildings, authorize that the 2005-06 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

San Francisco: Mission Bay Utilities and Distribution Phase 1 – preliminary plans, working drawings, construction, and equipment – \$16.4 million, to be funded from external financing (\$10 million) and campus funds (\$6.4 million).

- (2) The President approve and authorize external financing not to exceed \$10 million to finance the project listed in (1) above, subject to the following conditions:
- a. Interest only, based on the amount drawn down, shall be paid on the outstanding balance during the construction period.
 - b. Repayment of any financing shall be from the San Francisco campus' share of Federal Indirect Cost Recovery deposited to Fund 19933, which shall be in amounts sufficient to pay debt service and to meet the related financing requirements.
 - c. The general credit of The Regents shall not be pledged.
- (3) The Officers of The Regents provide certification 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.

(The project is the first phase, or 30 percent, of the construction of a centralized utility system for Mission Bay and includes boilers and chillers.)

B. *Amendment of the Budget for Capital Improvements and the Capital Improvement Program for Sproul Repairs and Refurbishment, Los Angeles Campus*

Pursuant to Standing Order 100.4(q)

The President, subject to the concurrence of the Chairman of the Board and the Chair of the Committee on Grounds and Buildings, amend the 2005-06 Budget for Capital Improvements and the Capital Improvement Program to include the following project:

Los Angeles: Sproul Repairs and Refurbishment – preliminary plans, working drawings, and construction – \$18,843,000 to be funded by Housing Reserves.

(The project will replace and repair systems in this 1960 building.)

12. REPORT OF COMMUNICATIONS

Secretary Trivette presented summaries of communications received subsequent to the January 2006 meeting. Unless instructed otherwise, the residency appeals will be referred to General Counsel Holst, and the remaining communications may be referred to President Dynes for response as appropriate.

Secretary Trivette also presented communications that were received concerning *Divestment of University Holdings in Companies with Business Operations in Sudan*.

13. SUPPLEMENTAL REPORT ON COMPENSATION

Approval of Job Slotting for Positions at University of California Medical Centers and in the Office of the Treasurer of The Regents with Current Salaries Above the Indexed Compensation Level and for Designated Positions in the Office of the Secretary of The Regents, at Lawrence Berkeley National Laboratory, and at Lawrence Livermore National Laboratory

The Committee recommended approval of individual salary grades for 118 positions within the interim salary range structure approved by The Regents for all Senior Leadership Compensation Group positions during which interim period, consultation with interested parties will occur. ([Attachment](#))

[Note: Senior Leadership Compensation Group positions are designated by title or occupied by incumbents whose base salaries are above the Indexed Compensation Level, which is currently \$168,000 per annum, or whose total cash compensation is above \$200,000.]

Upon motion of Regent Hopkinson, the Supplemental Report on Compensation was approved.

14. DIVESTMENT OF UNIVERSITY HOLDINGS IN COMPANIES WITH BUSINESS OPERATIONS IN SUDAN

In light of The Regents' decision of November 2005 to adopt a policy of divestment from a foreign government only when the United States government declares that a foreign regime is committing acts of genocide and The Regents' findings that the U.S. government has determined that there is ongoing genocide in the Darfur region of Sudan, it was recommended that The Regents:

- A. Divest all shares of the following nine companies: Bharat Heavy Electricals Ltd., China Petroleum and Chemical Corp. (Sinopec), Nam Fatt Co. Bhd., Oil & Natural Gas Co. Ltd., PECD Bhd., PetroChina Company Ltd., Sudan Telecom Co. Ltd. (Sudatel), Tatneft OAO, and Videocon Industries Ltd., held within separately managed equity portfolios of the University of California Retirement Plan (UCRP) and the General Endowment Pool (GEP). The proposed policy would apply to both indexed and actively managed, publicly-traded equity portfolios
- B. Prohibit future purchase of shares in the above nine companies until such time as the Office of the Treasurer reports to the Committee on Investment that either there is compelling information that a company has materially improved its operation and is no longer thought to be contributing to the suffering in the Darfur region of Sudan, or that the situation in the Darfur region has improved to such a point that the prohibition on investment is no longer thought to be in the best interests of the people of Sudan.
- C. Condition implementation of the proposed divestment policy upon enactment by the California legislature and signature by the Governor of legislation providing

indemnification for past, present, and future individual Regents, and the University, its officers, agents, and employees, for all costs and defense of any claim arising from the decision to divest.

- D. Instruct the Office of the Treasurer to contact the management of several other companies identified by the Sudan Divestment Study Group to ask them to ensure that their business operations in Sudan, while providing beneficial effects for the people of Sudan, do not inadvertently contribute to the campaign of genocide.
- E. Instruct the Office of the Treasurer to report on the status of this policy to the Committee on Investments as part of the annual review of the Investment Policies for the UCRP and GEP.
- F. Divest all shares held in the nine companies within an 18-month period commencing once indemnification legislation has been enacted.
- G. Communicate the decision to divest shares held in the nine companies to the managers of commingled accounts in which assets of the UCRP and GEP are invested, with a request that they consider the University's stand on this issue as they make their investment decisions.
- H. Communicate the decision to divest shares held in the nine companies to the Investment Committees of the Campus Foundations so that they may consider adopting similar policies for their Funds.

Chairman Parsky invited Mr. Jason Miller and Mr. Adam Sterling, co-chairs of the UC Sudan Divestment Task Force, to the table. He referred to the cooperation that had existed among students, Regents, and the administration in addressing this important issue.

Mr. Sterling recalled that, in addition to the United States, multiple human-rights groups and members of the European Parliament had declared that there was ongoing genocide in the Darfur region of Sudan. The UC Sudan Divestment Task Force sought action on the part of the University while recognizing that economic development is an important tool for democratization and improved living standards in impoverished countries. As a result, the task force formulated its proposal in a way that would target only those companies that seemed to contribute most substantially to government revenue that is funding the genocide. The representatives of the task force on the study group worked toward that goal.

Assemblyman Paul Koretz commented that it had always been his expectation that no genocide would occur in his lifetime. He voiced his support for the University's divestment from companies doing business in Sudan. Despite the scale of the genocide, the international community has failed to respond adequately. Mr. Koretz reported that he had introduced a bill in February which would prohibit the Public Employees' Retirement System and the State Teachers' Retirement System from investing in any company doing

business with Sudan. He believed that if The Regents acts to divest, other public entities will follow suit.

Senior Vice President Mullinix recalled that at its November 14, 2005 meeting, the Committee on Investments unanimously approved the following resolution, proposed by Regent Rosenthal:

That the President present to The Regents at the January 2006 meeting a comprehensive plan for the University of California Retirement Plan (UCRP) and the General Endowment Pool (GEP) to divest from the following foreign companies engaged in significant business relations with the government of Sudan: PetroChina, Sinopec, Tatnef, and ABB, Ltd. Regent Rosenthal further recommended that a policy of divestment from a foreign government shall be adopted by the University only when the United States government declares that a foreign regime is committing acts of genocide.

At the January 19, 2006 Regents meeting, the administration reported on the issues surrounding potential divestment. The Regents voted to contact firms and managers to express concerns about Sudan activities, noting their consideration of divestment, and seeking information regarding Sudan activities and responses to stated concerns. The Regents also approved the formation of a study group to develop a divestment plan and report back to The Regents by the March 2006 meeting.

Charge to the Sudan Divestment Study Group

The study group was charged with analyzing the issues raised by proposals to divest investments in companies doing business in Sudan from the portfolios of the UCRP and the GEP. The issues to be addressed included:

- Criteria for identifying companies to be divested and identification of companies proposed for divestment.
- The scope of the proposed divestment (including direct and indirect investments).
- The financial impacts of the proposed divestment.
- The legal implications of any proposed divestment.

Chronology of the Sudan Divestment Study Group's actions:

- February 2, 2006: Inaugural meeting of the Sudan Divestment Study Group. Established two subcommittees: the Voice Subcommittee, charged with crafting letters to be sent to investment managers and companies, and the Criteria Subcommittee, charged with identifying how to evaluate companies. An expansion of the list of companies, beyond the original four in the November 17, 2005 resolution approved by The Regents, was proposed.

- February 10, 2006: The Sudan Divestment Study Group's second meeting. The group approved the recommendations of the Voice and Criteria Subcommittees' work. A list of companies to be evaluated, using the approved criteria (see below), was established, and agreement was reached that these companies should be contacted in writing. Agreement was also reached to use Institutional Shareholder Services (ISS), an outside research firm, to provide reports on the identified companies.
- February 13, 2006: Letters were sent to all UCRP and GEP equity managers expressing concerns about the activities in Sudan of the companies identified by the Sudan Divestment Study Group and asking for any relevant information on the identified companies.
- February 16, 2006: Letters were sent to executives at the identified companies expressing concern and asking for an explanation of their operations in Sudan.
- February 20, 2006: The Sudan Divestment Study Group's third meeting. The group reviewed actions taken and the status of contract negotiations with ISS. A third subcommittee was established and charged with applying the approved criteria to the list of companies
- February 24, 2006: The Office of the Treasurer entered into a contract with ISS for customized research based on the Sudan Divestment Study Group's criteria on the identified companies.
- March 1, 2006: The Office of the Treasurer received research reports from ISS on the identified companies and distributed the information to members of the Sudan Divestment Study Group.
- March 2, 2006: The subcommittee charged with applying the approved criteria to the list of companies met to review and discuss all available information on the companies. The subcommittee classified all companies into one of three categories of potential action: divestment, continued dialogue, and no action.
- March 4, 2006: The subcommittee's suggested classification and all supporting company analysis was delivered to study group members.
- March 6, 2006: The Sudan Divestment Study Group's fourth meeting. The group refined the subcommittee's recommendations and discussed an initial draft of an action item for the March Regents meeting.
- March 7, 2006: The financial impact analysis of the proposed Divestment Policy for UCRP and GEP was prepared by the Office of the Treasurer and delivered to the Office of the General Counsel.

- March 8, 2006: The Office of the General Counsel analyzed the proposed divestment policy and the Treasurer's report to assess the legal implications, including whether The Regents will satisfy the standards of conduct to which it is subject by implementing the proposed divestment policy.

General Counsel Holst reported that there had been intensive examination of the legal issues related to divestment both by the Office of the General Counsel and the law firm of Morrison & Foerster. Mr. Holst recalled that he had offered the following in a letter to the Regents:

It is the opinion of the General Counsel's Office that if the Regents adopt the recommendation, they will have fulfilled their responsibility to act in good faith in the exercise of their business judgment with respect to investments in the General Endowment Pool and will have satisfied the prudent investor standard applicable with respect to investments in the University of California Retirement Plan.

Sudan Divestment Study Group's Criteria

The following criteria were applied by the Study Group to the list of companies doing business in Sudan to determine the appropriate action: divest, continued dialogue, or no action:

In deciding which companies would not be permitted in the portfolio, the adverse effects caused by a company's business with the government of Sudan (or with government owned companies or consortiums) were weighed against any benefits the company provides to the people of Sudan.

The decision to engage a company in continued dialogue was more likely if that company provides material benefit to the social or economic welfare of Sudanese citizens exclusive of the government, military, or government-supported militias.

The decision to recommend a company for divestment was more likely if that company provides revenue to the government of Sudan (either directly or through a government-owned company or consortium). In addition to companies providing revenue to the government of Sudan, any company found to provide arms or military equipment to the government or government-supported militia would be recommended for divestment.

Ultimate divestment candidates were clearly shown to be providing monetary or military support to the government, while showing little or no interest in the situation in Darfur or in helping to improve the welfare of the Sudanese people.

In response to a question from Regent Schilling, Mr. Mullinix stated that while it would be his preference not to disclose in open session the total amount of assets to be divested, the study group does not believe that it will have a significant impact on the overall portfolio.

In response to a question from Regent Juline, Mr. Mullinix explained that the 18-month period was chosen in order to give some flexibility in the sale of assets.

Regent-designate Schreiner observed that if the Regents vote to divest, the decision could potentially have a profound effect on many people. He was satisfied that the Regents would be fulfilling their fiduciary duties if they vote for the proposal. In addition, failure to do so would do harm to the prestige and credibility of the University.

Chairman Parsky observed that the University could be proud of the way this issue had been approached, with careful attention being paid to the obligation to maintain the health of the portfolio. The proposal responds in an appropriate way to an issue that needs to be addressed by a leading institution. He asked that the recommendation incorporate the conditions adopted by The Regents in November.

Assemblyman Koretz informed the Regents of his intention to alter his legislative language to have it conform to the resolution before the Board.

Chairman Parsky recognized Regent Rosenthal for his leadership role. Regent Rosenthal noted that this would be the only the second time in 138 years that the Board of Regents had put human rights at the forefront of the agenda. The vote will send a message to the U.S. government, to other universities, to pension funds, and also to the government of Sudan.

(For speakers' comments, see the minutes of the March 15 and 16 meetings of the Committee of the Whole.)

The recommendation was put to a vote and approved, Regents Dynes, Gould, Hopkinson, Island, Johnson, Juline, Lansing, Lozano, Marcus, Parsky, Pattiz, Preuss, Rominger, Rosenthal, Schilling, and Wachter (16) voting "aye."

15. **REPORT OF THE PRESIDENT**

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

To Members of the Committee on Finance

- A. *Annual Report on University Employee Housing Assistance Programs for 2004-05.* January 20, 2006. (Schedule of Reports)
- B. Report regarding the change in approval thresholds for real property rental agreements based on the percentage change in the Consumer Price Index-All Urban Consumers, U.S. City Average from November 2004 to November 2005 as specified in Standing Order 100.4(cc)(4). January 27, 2006.

To Members of the Committee on Grounds and Buildings

- C. Major Capital Projects Implementation Report for fiscal year 2005-05.
February 16, 2006. (Schedule of Reports)

To Members of the Committee on Health Services

- D. Activity and Financial Status Report for the UC Medical Centers for the five months ended November 30, 2005. January 12, 2006 (Schedule of Reports)

The Regents of the University of California

- E. Press release on the impact of the Governor's State budget proposal for 2006-07 fiscal year on the University. January 10, 2006.
- F. Report on review of the current third-party vendors of investment options to UC Retirement Savings Program participants for the period ending June 30, 2005.
January 17, 2006.
- G. A series of articles from *The Chronicle of Higher Education Special Report on "Higher Education 2016"* and an article from *The Economist*, "The Brains Report."
January 25, 2006.
- H. Report on important developments regarding the UCI Irvine Medical Center and its Liver Transplant program. January 31, 2006.
- I. UCI Medical Center Liver Transplant Program, Summary of Findings.
February 7, 2006.
- J. President Dynes' testimony before the Legislature in Sacramento, February 8, 2006.
February 8, 2006.
- K. Letter from California State Senator Abel Maldonado and President Dynes' response.
February 15, 2006.
- L. Report on the *Mortgage Origination Program*. February 23, 2006.

BOARD OF REGENTS

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The meeting adjourned at 1:35 p.m.

Attest:

Secretary