

UNIVERSITY OF MISSOURI  
Columbia . Kansas City . Rolla . St. Louis



BOARD OF CURATORS

Minutes of the Board of Curators Meeting  
June 26-27, 2012  
Reynolds Alumni Center, University of Missouri  
Columbia, Missouri

**BOARD OF CURATORS MEETING – PUBLIC SESSION**

A meeting of the University of Missouri Board of Curators was convened in public session at 12:47 P.M., on Tuesday, June 26, 2012, in Columns C, D & E of the Reynolds Alumni Center on the University of Missouri campus, Columbia, Missouri, pursuant to public notice given of said meeting. Curator David R. Bradley, Chairman of the Board of Curators, presided over the meeting.

Present

The Honorable David R. Bradley  
The Honorable Donald L. Cupps  
The Honorable Don M. Downing  
The Honorable Warren K. Erdman  
The Honorable Wayne Goode  
The Honorable David L. Steward

The Honorable Pamela Q. Henrickson was absent for the meeting.

Also Present

Mr. Timothy M. Wolfe, President  
Mr. Stephen J. Owens, General Counsel  
Ms. Cindy Harmon, Secretary of the Board of Curators  
Miss Amy G. Johnson, Student Representative to the Board of Curators  
Dr. Gary Allen, Vice President for Information Technology  
Dr. Brady J. Deaton, Chancellor for University of Missouri  
Dr. Thomas F. George, Chancellor for University of Missouri – St. Louis  
Dr. Steven Graham, Senior Associate Vice President for Academic Affairs  
Mr. Stephen C. Knorr, Vice President for Government Relations

Ms. Natalie "Nikki" Krawitz, Vice President for Finance and Administration  
Mr. Leo E. Morton, Chancellor of University of Missouri – Kansas City  
Dr. Michael F. Nichols, Vice President for Research and Economic Development  
Dr. Betsy Rodriguez, Vice President for Human Resources  
Dr. Cheryl B. Schrader, Chancellor for Missouri University of Science and Technology  
Dr. Robert W. Schwartz, Chief of Staff  
Ms. Jennifer Hollingshead, Chief Communications Officer, UM System  
Media representatives

### **General Business**

Review of Consent Agenda – no discussion

### Resolution for Executive Session of the Board of Curators Meeting

It was moved by Curator Goode and seconded by Curator Downing, that there shall be an executive session with a closed record and closed vote of the Board of Curators meeting, on June 26-27, 2012 for consideration of:

- **Section 610.021(1), RSMo**, relating to matters identified in that provision, which include legal actions, causes of action or litigation, and confidential or privileged communications with counsel; and
- **Section 610.021(2), RSMo**, relating to matters identified in that provision, which include leasing, purchase, or sale of real estate; and
- **Section 610.021(3), RSMo**, relating to matters identified in that provision, which include hiring, firing, disciplining, or promoting of particular employees; and
- **Section 610.021(12), RSMo**, relating to matters identified in that provision, which include sealed bids and related documents and sealed proposals and related documents or documents related to a negotiated contract; and
- **Section 610.021 (13), RSMo**, relating to matters identified in that provision, which include individually identifiable personnel records, performance ratings, or records pertaining to employees or applicants for employment; and

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.

Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Board of Curators standing committee meetings were convened at 12:50 P.M. and concluded at 4:50 P.M.

### **Compensation and Human Resources Committee**

Chairman Cupps provided time for discussion of committee business.

#### Action

1. Amendment to Collected Rules and Regulations 530.010, Retirement, Disability and Death Benefit Plan
2. Approval of New Collected Rules and Regulations 530.030, Employee Retirement Investment Plan (new 401(a))
3. Amendment to Collected Rules and Regulations 570.010, 401(a) Supplemental Retirement Plan Document
4. Amendment to Collected Rules and Regulations 590.010, 403(b) Tax Deferred Annuity Plan Document
5. Amendment to Collected Rules and Regulations 580.010, 457(b) Deferred Compensation Plan Document

#### Amendment to Collected Rules and Regulations 530.010, Retirement, Disability and Death Benefit Plan

It was recommended by Vice President Rodriguez, endorsed by President Wolfe, recommended by the Compensation and Human Resources Committee, moved by Curator Cupps, and seconded by Curator Erdman, that the following action be approved:

that Collected Rules and Regulations, Section 530.010, Retirement, Disability and Death Benefit Plan be amended as indicated in the attached document containing proposed language changes (and as on file with the minutes of this meeting).

Roll call vote of Board of Curators:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Approval of New Collected Rules and Regulations 530.030, Employee Retirement Investment Plan (new 401(a))

It was recommended by Vice President Rodriguez, endorsed by President Wolfe, recommended by the Compensation and Human Resources Committee, moved by Curator Cupps, and seconded by Curator Erdman, that the following action be approved:

that a new 401(a) defined contribution retirement plan for employees hired after September 30, 2012 and to be known as Section 530.030, Employee Retirement Investment Plan (ERIP) be adopted and added to the Collected Rules and Regulations. The language of the ERIP shall be as indicated in the document containing proposed language which was provided to the Board of Curators in preparation for its meeting of June 26-27, 2012 (and as on file with the minutes of this meeting).

Roll call vote of Board of Curators:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Amendment to Collected Rules and Regulations 570.010, 401(a) Supplemental Retirement Plan Document

It was recommended by Vice President Rodriguez, endorsed by President Wolfe, recommended by the Compensation and Human Resources Committee, moved by Curator Cupps, and seconded by Curator Erdman, that the following action be approved:

that Collected Rules and Regulations, Section 570.010, 401(a) Supplemental Retirement Plan be amended as indicated in the document containing proposed language which was provided to the Board of Curators in preparation for its June 26-27 meeting (and as on file with the minutes of this meeting).

Roll call vote of Board of Curators:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Amendment to Collected Rules and Regulations 590.010, 403(b) Tax Deferred Annuity Plan Document

It was recommended by Vice President Rodriguez, endorsed by President Wolfe, recommended by the Compensation and Human Resources Committee, moved by Curator Cupps, and seconded by Curator Erdman, that the following action be approved:

that Collected Rules and Regulations, Section 590.010, 403(b) Tax Deferred Annuity Plan be amended as indicated in the document containing proposed language which was provided to the Board of Curators in preparation for its meeting of June 26-27, 2012 (and as on file with the minutes of this meeting).

Roll call vote of Board of Curators:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Amendment to Collected Rules and Regulations 580.010, 457(b) Deferred Compensation Plan Document

It was recommended by Vice President Rodriguez, endorsed by President Wolfe, recommended by the Compensation and Human Resources Committee, moved by Curator Cupps, and seconded by Curator Erdman, that the following action be approved:

That Collected Rules and Regulations, Section 580.010, 457(b) Deferred Compensation Plan be amended as indicated in the document containing proposed language which was provided to the Board of Curators in preparation for its meeting of June 26-27, 2012 (and as on file with the minutes of this meeting).

Roll call vote of Board of Curators:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

**Audit Committee**

Curator Downing, acting on behalf of Chairwoman Henrickson, provided time for discussion of committee business.

Information

1. Internal Audit Quarterly Report, UM (information on file)

Action

1. Approval of 2013 Internal Audit Engagement

It was recommended by Vice President Krawitz, endorsed by President Wolfe, recommended by the Audit Committee, moved by Curator Downing, seconded by Curator Erdman, that the following action be approved:

That the Vice President for Finance and Administration be authorized to employ the firm of PricewaterhouseCoopers LLP to provide Internal Audit services to the University of Missouri for a one-year term from November 1, 2012 through October 31, 2013, for a fee of \$990,000, plus expenses not to exceed 15% of fees annually unless approved by the University, with the option to renew on an annual basis over a period of up to two (2) additional years.

Roll call vote:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

### **Academic, Student and External Affairs Committee**

Chairman Steward provided time for discussion of committee business.

#### Information

1. Government Relations Report (slides on file)

#### Action

1. Degree, Bachelor of Music – Jazz Studies, UMKC
2. Adoption of Collected Rule and Regulation 220.025 Revocation of a Degree, Diploma and/or Certificate, UM

#### Degree, Bachelor of Music – Jazz Studies, UMKC

It was recommended by Senior Associate Vice President Graham, endorsed by President Wolfe, recommended by the Academic, Student and External Affairs Committee, moved by Curator Steward, seconded by Curator Erdman, that the following action be approved:

that the University of Missouri-Kansas City be authorized to submit the proposal for a Bachelor of Music, Jazz Studies to the Coordinating Board for Higher Education for approval.

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Adoption of Collected Rule and Regulation 220.025 Revocation of a Degree, Diploma and/or Certificate, UM

It was recommended by Senior Associate Vice President Graham, endorsed by President Wolfe, recommended by the Academic, Student and External Affairs Committee, moved by Curator Steward, seconded by Curator Erdman, that the following action be approved:

that the Collected Rules & Regulations 220.025 be adopted as below (and as on file with the minutes of this meeting).

220.025 Revocation Of  
A Degree, Diploma And/Or Certificate

- A. **Adequate cause for revocation of a degree**, diploma and/or certificate includes, without limitation, the following:
1. The degree, diploma and/or certificate was awarded based, in whole or in part, upon the student's satisfying the academic requirements for the award of the degree, diploma and/or certificate by or through actions which constitute academic dishonesty, as defined in the University's Standards of Conduct, as set forth in Section 200.010 of the Collected Rules and Regulations of the University of Missouri;



2. The degree, diploma and/or certificate was awarded based, in whole or in part, upon the student's satisfying the academic requirements for the award of the degree, diploma and/or certificate by or through actions which involve falsification, misrepresentation, fabrication or other mischaracterization of the nature of or number of credit hours or degrees earned at the University of Missouri or at other institutions of higher education for which the University of Missouri has given credit;
3. The degree, diploma and/or certificate was awarded based, in whole or in part, upon the student's obtaining a waiver of the academic requirements for the award of the degree, diploma and/or certificate by or through actions which involve falsification, misrepresentation, fabrication or other mischaracterization of the reasons for such waiver of the academic requirements for the award of the degree, diploma and/or certificate or the forgery, falsification, fabrication or mischaracterization of the necessary approval of such waiver of the academic requirements for the award of the degree, diploma and/or certificate;
4. The degree, diploma and/or certificate was awarded despite the student's failure to satisfy the academic requirements for the award of the degree, diploma and/or certificate in existence at the time the degree, diploma and/or certificate was awarded and without regard to whether or not the student's conduct contributed, in whole or in part, to the erroneous award of the degree, diploma and/or certificate;
5. Violation of the University's Standards of Conduct, as set forth in Section 200.010 of the Collected Rules and Regulations of the University of Missouri, or applicable Honor Code as provided by Section 200.020E.7. of the Collected Rules and Regulations of the University of Missouri, prior to the award of the degree, diploma and/or certificate under circumstances which, if the University had been aware of such violations prior to the award of the degree, diploma and/or certificate, would, in a majority of violations of that section of the University Standards of Conduct during the five-year period immediately preceding the initiation of proceedings, likely have resulted in the imposition on the student of University dismissal or University expulsion, as those terms are defined in Section 200.020C of the Collected Rules and Regulations of the University of Missouri or applicable Honor Code.

#### **B. Initiation of Procedure**

1. The procedure for revocation of a degree, diploma and/or certificate may be initiated by the Chancellor of one the campuses of the University, based upon the recommendation of the Provost of the campus from which the recipient received the degree, diploma and/or certificate. Before submitting a recommendation to the Chancellor to initiate the procedure for revocation of a degree, diploma and/or certificate, the Provost shall consult with the appropriate faculty group or body which recommended the award of the degree, diploma and/or certificate originally and after considering the advice provided by said faculty group or body shall make a recommendation to the Chancellor.
  2. If the Chancellor concurs with the recommendation of the Provost that the procedure for revocation of a degree, diploma and/or certificate should be initiated, the Chancellor, in consultation with the Provost, shall appoint an appropriate University administrator or other appropriate University employee to present the information supporting the reason(s) for revoking the degree, diploma and/or certificate (hereinafter referred to as “the Relator”). The Relator shall have the responsibility for preparing written charges setting forth the basis for the Provost’s belief that such degree, diploma and/or certificate should be revoked (hereinafter referred to as “Charge”) and containing sufficient detail so as to provide the recipient of said degree, diploma and/or certificate (hereinafter referred to as “the Respondent”) with a reasonable opportunity to understand the charges and to respond thereto; for serving a copy of said written charges on the Respondent, by hand delivery or by certified or registered mail, along with a notice of an opportunity for the Respondent to request a hearing of the charges before the Campus Degree Revocation Committee (hereinafter referred to as the “Committee”), appointed by the Chancellor; and for representing the Provost at any formal hearing or proceeding conducted as a part of the revocation procedure.
- C. **Campus Degree Revocation Committee** -- There shall be a Standing Committee on each campus of the University which shall have jurisdiction to consider any case in which revocation of a degree, diploma and/or certificate is proposed. Such Standing Committee shall be called the Campus Degree Revocation Committee. Four (4) members of the Campus Degree Revocation Committee and an alternate to serve in the event one of the four (4) members cannot serve, shall be appointed annually by the Chancellor after consultation with the Faculty Council or Faculty Senate. Each of the members of the Committee and the alternate shall be a faculty member on continuous

appointment at the rank of Professor or Associate Professor. In the event that the Chancellor approves the initiation of the procedures for revocation of a degree, diploma and/or certificate, the Chancellor shall appoint a fifth member of the Campus Degree Revocation Committee, who shall also be a faculty member at one of the campuses of the University of Missouri System on continuous appointment at the rank of Associate Professor or Professor and who shall be from the same discipline or a related discipline as the department faculty who recommended the award of the degree, diploma and/or certificate, but who shall not be a faculty member in such department. The Campus Degree Revocation Committee shall elect a Chair from among its five (5) members.

**D. Request for Hearing and Other Pre-Hearing Procedures**

1. If the Respondent desires a hearing, the Respondent shall give written notice of this request to the Provost within sixty (60) consecutive calendar days from the receipt of the formal notice from the Relator. The Respondent shall also send copies of this request for hearing to the Relator and to the Chair of the Committee. The Relator shall thereupon file a copy of the Charge with the Chair of the Committee. Failure by the Respondent to make a timely written request for a hearing shall constitute a waiver of the Respondent's right to a hearing before the Committee.
2. Within thirty (30) consecutive calendar days after submitting the request for a hearing before the Committee to the Provost, the Respondent shall file an Answer to the written charges with the Provost, the Relator and the Chair of the Committee. Such Answer shall specifically admit or deny the allegations contained in the Charge. A failure to answer or to deny an allegation of fact in the Charge may be considered by the Committee as an admission of such fact.

**E. Hearing by Committee**

1. If the Respondent makes a timely written request for a hearing by the Committee, the Chair of the Committee shall notify in writing the Respondent and the Relator of the date, time, and place of hearing before the Committee, which shall be within a reasonable time but not less than twenty (20) consecutive calendar days after the date of the receipt of the request for hearing.
2. Any request for continuance shall be made by the Respondent or Relator in writing to the Chair of the Committee, who shall have discretionary authority to continue the hearing upon determining that the request is timely and made for good cause. Any continuance of more than thirty (30) days shall require the approval of the Committee and of the Provost.

3. In accordance with applicable laws and University policies related to the privacy rights of students, such hearings shall not be open to the public. Except for such simple announcements as may be required, covering the time of the hearing and similar matters, public statements and publicity about the case by the Relator, the Respondent, the Committee, or administrative officers will be avoided until the proceedings have been completed, including final appeal.

**F. Conduct of Hearing**

1. The Chair of the Committee shall preside at the hearing, call the hearing to order, call the roll of the Committee in attendance, ascertain the presence or absence of the Respondent and the Relator, read the notice of hearing, read the Charge and Answer, verify the receipt of the notice of the Charge by the Respondent, report any continuances requested or granted, establish the presence of an advisor or counselor of either party, call to the attention of the Respondent and Respondent's advisor any special or extraordinary procedures to be employed during the hearing, and permit the Respondent to suggest or object to procedures. Formal rules of evidence shall not be required.
2. **Opening Statements**
  - a. The Relator shall make opening remarks outlining the general nature of the case. Such remarks shall not be considered as evidence. The Relator may give evidence, but only if called to testify as a witness.
  - b. The Respondent may also make an opening statement to the Committee about the charge, either at this time or at the conclusion of the Relator's presentation of evidence, at the Respondent's election. Such remarks shall not be considered as evidence. The Respondent may give evidence, but only if called to testify as a witness.
3. **Relator's Evidence**
  - a. Relator's witnesses are to be called and identified and evidence or written statements or reports introduced as appropriate.
  - b. The Committee may question witnesses or examine evidence at the conclusion of the Relator's presentation of those witnesses or of that evidence. Respondent may question the Relator or witnesses.
4. **Respondent's Evidence**
  - a. Respondent's witnesses are to be called and identified and evidence or written statements or reports introduced as appropriate.

- b. The Committee may question witnesses or examine evidence at the conclusion of Respondent's presentation of those witnesses or of that evidence. Relator may question the Respondent or witnesses.
5. **Rebuttal Evidence** -- The Committee shall permit the Relator or the Respondent to offer any matter in rebuttal of the other's presentation.
  6. **Rights of Committee** -- The Committee shall have the right:
    - a. To determine the relevancy and admissibility of any evidence offered at the hearing.
    - b. To permit a stipulation of agreed facts by the Relator and the Respondent.
    - c. To permit the incorporation in the record by a reference of any document, affidavit or other exhibit produced and desired to be incorporated in the record by the Relator or the Respondent.
    - d. To require the Relator and the Respondent to provide to the Committee prior to the hearing a list of the persons they expect to call as witnesses at the hearing.
    - e. To question witnesses or evidence introduced by either the Relator or the Respondent at any time.
    - f. To call additional witnesses.
    - g. To dismiss any action or permit informal disposition at any stage of the proceeding if agreed to by Relator, Respondent, and the Provost.
    - h. To permit at any time amendment of the Charge or Answer so as to include matters which may come to the attention of the Committee before its final recommendation concerning the case, provided however, that in such event the Committee shall grant to the Respondent or the Relator such time as the Committee may determine reasonable under the circumstances to answer or explain such additional matters.
    - i. To dismiss any person from the hearing who interferes with or obstructs the hearing or fails to abide by the rulings of the Chair of the Committee.
    - j. To have present a legal advisor to the Committee, who shall be designated by the General Counsel of the University of Missouri System.
  7. **Rights of the Parties** -- At any hearing before the Committee pursuant to formal notice of a Charge, Relator and Respondent shall have the right:

- a. To be present at the hearing, which right may be waived by failure to appear.
  - b. To have present at the hearing any legal or other advisor or counselor and to consult with such advisor or counselor during the hearing.
  - c. To present evidence by witnesses and by properly identified written statements or reports in support of or in defense to the Charge.
  - d. To hear or examine evidence presented by the other party.
  - e. To question witnesses present and testifying for the other party.
  - f. To make any statement to the Committee in support of or in defense to the Charge.
  - g. To be informed in writing of the findings of the Committee and its recommendation on the Charge.
8. **Other Procedural Questions** -- Procedural questions which arise during the hearing and which are not covered by these general rules shall be determined by the Chair of the Committee, whose ruling shall be final unless the Chair shall present the question to the Committee at the request of a member of the Committee, in which event, the ruling of the Committee by majority vote shall be final.
9. **General Rules of Decorum** -- The following general rules of decorum shall be adhered to:
- a. All requests to address the Committee shall be made to the Chair.
  - b. The Chair shall rule on all requests and points of order and may consult with the Committee's legal advisor prior to any ruling. The Chair's ruling shall be final and all participants shall abide thereby unless the Chair shall present the question to the Committee at the request of a member of the Committee, in which event the ruling of the Committee by majority vote shall be final.
  - c. An advisor or counselor of either the Relator or the Respondent shall be permitted to address the Committee and to question witnesses. An advisor or counselor may request clarification of a procedural matter or may object on the basis of procedure at any time by addressing the Chair after recognition.
10. **Recommendation by Committee** -- The Committee shall make its findings and recommendations by majority vote in executive session out of the presence of the Relator and Respondent. Separate findings of fact are to be made as to each count of the Charge, and a recommendation

made based upon the findings on all charges. The burden of proof shall be on the Relator. Before recommending revocation of a degree, diploma and/or certificate, the Committee shall be convinced by clear and convincing evidence in the record considered as a whole that one or more counts have been sustained and that such count or counts warrant revocation of the degree, diploma and/or certificate.

11. **Official Report of Findings and Recommendation** -- Within ten (10) consecutive days after receipt of the record, the Committee shall make its findings of fact and recommendations in writing and transmit them to the Chancellor, to the Provost, to the Relator, and to the Respondent forthwith.
  12. **Record of Case** -- A stenographic record of the hearing shall be taken and shall be maintained for five (5) years. The notice, exhibits, hearing record, and the findings and recommendation of the Committee shall become the "Record of the Case," shall be filed in the Office of the Chancellor of the involved campus, and shall be available only for official purposes, and for the purpose of appeal shall be accessible at reasonable times and places both to the Relator and the Respondent. The Record of the Case shall not be made available to the public unless required by law. In the event of an appeal, no new evidence shall be taken in the case, but the Chancellor or the Board of Curators may remand the matter for further evidence to the Committee. Either party may have any such record of the hearing reduced to writing for the purposes of appeal.
- G. **Recommendation by the Chancellor** -- The Chancellor, with the concurrence of the President of the University, shall make a recommendation to the University of Missouri Board of Curators in the matter after giving due consideration to the findings and recommendations of the Committee and may remand the matter to the Committee for further proceedings. Upon reaching this recommendation, the Chancellor shall notify the Respondent, the Relator, the Provost and the Committee in writing of the Chancellor's recommendation and shall forward said recommendation, along with the full Record of the Case, to the University of Missouri Board of Curators whose formal action is necessary to revoke a degree, diploma and/or certificate.
- H. **Action by the Board of Curators** -- Both the Relator and the Respondent shall be given the opportunity to file with the University of Missouri Board of Curators a written argument confined to the issues and evidence previously submitted and considered in the Record of the Case by the Committee and by the Chancellor. Said written argument must be submitted within thirty (30) consecutive calendar

days after receipt of the recommendation of the Chancellor unless, for good cause shown, the Chair of the University of Missouri Board of Curators grants an extension of time for filing said written argument. The University of Missouri Board of Curators may, at its discretion, permit the parties to appear personally before the Board or a committee of the Board prior to reaching a final decision on the Chancellor's recommendation. The Board of Curators, after consideration of the Record in the Case, the Committee's findings and recommendation, the Chancellor's recommendations and the written arguments filed by the Relator and/or the Respondent, shall take such final action as it deems appropriate with regard to the revocation of the degree, diploma and/or certificate. The Secretary of the Board shall notify the Respondent and the Relator in writing of the decision of the Board, with copies of such notice being provided to the President, the Chancellor, the Provost and the Committee.

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

### **Finance Committee**

Chairman Downing provided time for discussion of committee business.

#### Information

1. Physical Facilities Quarterly Report, UM (information on file)

#### Action

1. Fiscal Year 2013 Operating Budget, UM

#### Information

2. Fiscal Year 2014 Preliminary Operating Appropriations Request, UM (slides and information on file)



3. Fiscal Year 2014 Preliminary State Capital Appropriations Request and Campus Capital Project Plans, UM (slides and information on file)

Action

2. Approval of Collected Rules and Regulations 70.070 Entrepreneurial Activity, UM
3. Approval of Collected Rules and Regulations 140.010 – 140.016 Investment Pool Policies, UM

Information

4. Debt Capacity Study, UM (information on file)

Action

4. Debt Financing and Student Fee Approval, Recreation and Wellness Center, UMSL
5. Project Approval, Virginia Avenue South Housing, MU

Information

5. Athletics Master Plan Update, MU (information on file)

Action

6. Approval of Bond Financed Intercollegiate Athletics Projects and Architect Selections of Stadium West Side Renovation and Stadium East Side New Construction, MU

Fiscal Year 2013 Operating Budget, UM

It was recommended by the respective Chancellors, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Steward and seconded by Curator Goode, that the following recommendations be approved:

- that the President of the University System be authorized to develop the FY2013 budgets in accordance with the attached planning assumptions and financial summaries which include the allocation of FY2013 recurring state appropriations less 3.0% statutory withholdings and spending restrictions imposed by the Governor as follows:

FY2013 Gross Appropriations

General Operations	\$398,000,626
UMKC MSU Pharmacy Doctorate Program	2,000,000

Missouri Federal and State Technical Program	340,000
Missouri Rehabilitation Center	10,337,870
Missouri Kidney Program	1,500,000
Missouri Telehealth Network	437,640
Spinal Cord Injury Research	1,500,000
State Historical Society	1,427,605

- that the President of the University System be authorized to allocate one-time or recurring line-item state appropriations, net of anticipated withholdings;
- that the President of the University System be authorized to: (a) make required changes to working capital and reserve funds and (b) make supplemental allocations within the funds available to the several campuses and programs, such allocations to be made on the basis of priority and need. The President will report periodically to the Board of Curators any material changes in the sources and uses of current funds;
- that the operating budget for FY2013 and allocation as stated herein can be modified as necessary by the President to bring the same into harmony with the state appropriation as finally approved by the governor and any withholdings in excess of those shown above.

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Approval of Collected Rules and Regulations 70.070 Entrepreneurial Activity, UM

The following action was approved as amended to include language, “The total out-of-pocket outstanding cash investment by the University at any one point in time shall not exceed \$5 million without Board approval.”

It was recommended by Vice President Krawitz and Vice President Nichols, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Downing and seconded by Curator Erdman, that the:

Collected Rules and Regulations, Section 70.070, Entrepreneurial Activity be approved as outlined below and as amended by the Board (on file with the minutes of this meeting).

### **70.070 Entrepreneurial Activity**

- A. Outside Entities. This rule applies to the acceptance of equity or similar participation in a separate legal entity for the primary purpose of advancing a university mission and not for the primary purpose of investment, including operating entities that the university controls and uses to conduct university operations, joint venture entities in which the university is a relatively active or significant participant, and minority-interest entities in which the university is a minority owner with a more passive role.
1. Participation in such an entity requires approval by the campus Chancellor (if initiated by a campus) with subsequent approval by the President, or by the President (if initiated by the system office), and approval of documents as to legal form by the Office of the General Counsel.
  2. Approval of the Board of Curators is required for operating entities or, in the case of joint venture entities, if the university, or a properly authorized representative, (1) forms the entity, or (2) owns at least 50% or more, or (3) commits to make a contribution of \$1.0 million or more.
  3. Approval of the Board of Curators is required for minority-interest entities if the interest is in exchange for (1) in-kind consideration of goods and/or services valued at greater than or equal to both 50% of total book value and \$1.0 million, excluding licenses of intellectual property, or (2) cash greater than or equal to \$1.0 million.
  4. Participation in all such entities, whether or not approved by the Board of Curators, shall be reported annually to the Board of Curators.
  5. All such activities will be subject to due diligence, conflict-of-interest, reporting, and other business policies approved by the President and Vice President for Finance and Administration and reviewed as to legal form by

General Counsel. Subsequent changes in such activities will be subject to reporting and approval requirements to be specified in such business policies.

6. The total out-of-pocket outstanding cash investment by the University at any one point in time shall not exceed \$5 million without Board approval.

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Approval of Collected Rules and Regulations 140.010-140.016 Investment Pool Policies, UM

A recommendation from management included two overall objectives and was brought forward from the Finance Committee:

1. The Board would delegate authority to hire or terminate external investment managers to three persons: Vice President for Finance and Administration, Treasurer and Investment Consultant. Any action to hire or terminate an external investment manager would require unanimous vote of these three persons.
2. Thoroughly revise policies and decrease redundancies.

The Board of Curators considered the Finance Committee's recommendation to adopt the investment policies including an amendment by Curator Goode.

It was recommended by Curator Erdman and seconded by Curator Bradley, that the:

Existing investment policies of Collected Rules and Regulations, Sections 140.010 – 140.013 be replaced with new Collected Rules and Regulations, Sections 140-010 – 140-016 Investment Pool Policies as outlined in the attached documents with an additional amendment to 140.010.B.2 to delegate authority for hiring and terminating external investment managers to the Finance Committee of the Board of Curators instead of the three persons recommended by management.

Roll call vote full Board:

Curator Bradley voted no.  
Curator Cupps voted no.  
Curator Downing voted no.  
Curator Erdman voted yes.  
Curator Goode voted no.  
Curator Henrickson was absent.  
Curator Steward voted no.

The motion failed with one vote in favor and five votes opposed.

It was recommended by Vice President Krawitz, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Downing and seconded by Curator Goode, that the:

Existing investment policies of Collected Rules and Regulations, Sections 140.010 – 140.013 be replaced with new Collected Rules and Regulations, Sections 140-010 – 140-016 Investment Pool Policies as outlined below in addition to the amendment proposed by Curator Wayne Goode to 140.010.D as the new number three:

Roll call vote full Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted no.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried by a vote of five in favor and one opposed.

**Collected Rules and Regulations Chapter 140: Investments**  
**140.010 Policy for Management and Oversight of Selected University Investment Pools**

- A. **Introduction** -- This policy establishes guidelines for the management and oversight of certain University investment pools. This policy applies to the following investment pools:
1. CRR 140.012 General Pool
  2. CRR 140.013 Endowment Pool

3. CRR 140.014 Fixed Income Pool
4. CRR 140.015 Retirement, Disability and Death Benefit Plan
5. CRR 140.016 Other Postemployment Benefits Plan Trust Fund

This policy does not apply to program-related funds and assets not held primarily for investment, including interests governed by CRR 70.070 "*Entrepreneurial Activity*."

**B. Authorities** – The Board of Curators of the University of Missouri has the ultimate authority to determine the proper means for the management and oversight of invested assets. Through this policy, the Board delegates certain specific authorities and responsibilities with respect to the management and oversight of invested assets, which it has determined, with the advice of counsel, to be appropriate as described herein.

1. The following actions shall require Board of Curators approval after consideration of recommendations from University staff:
  - a. Selection of master custodians for each investment pool. A master custodian provides a variety of services, including, but not limited to: safekeeping of securities, collection of income and other inflows, disbursement for investment management fees, and a monthly accounting of all transactions.
  - b. Selection of external investment consultant ("Investment Consultant") to assist the Board and University staff in management and oversight duties and to perform such duties as outlined in CRR 140.010 through CRR 140.016 ("Investment Pool Policies").
  - c. Selection of suitable asset sectors with corresponding targets and allowable ranges for each investment pool, after consideration of recommendations in formal asset/liability studies conducted by the Investment Consultant not less than once every three years. Such asset/liability studies shall consider the balance between risk and return, taking into account the specific objectives of each investment pool and such other factors as appropriate in compliance with applicable law.
  - d. Selection of suitable spending policies for endowed funds.
2. The following authorities and responsibilities are hereby delegated by the Board to the Vice President for Finance and Administration, the Treasurer and the Investment Consultant, with any action hereunder requiring unanimous approval by all three persons in consultation with the President. In the event that either of the two University staff positions is vacant, or the incumbent is otherwise unavailable, the President may, on a temporary basis, authorize actions upon the unanimous approval by the remaining two persons or appoint a replacement for the unavailable person until such time that the position is filled or the incumbent becomes available.

- a. Hiring of external investment managers for any of the investment pools covered by this policy, consistent with the respective asset sectors and targets established by the Board and the guidelines outlined in CRR 140.011 *"Policy for Investment Manager Selection, Monitoring and Retention."*
    - b. Termination of external investment managers for any of the investment pools covered by this policy, consistent with the guidelines outlined in CRR 140.011 *"Policy for Investment Manager Selection, Monitoring and Retention."*
  3. The following authorities are hereby delegated by the Board to the Vice President for Finance and Administration or her/his designees:
    - a. Specific to the General Pool, the authority to manage funds internally, consistent with the guidelines outlined in CRR 140.012 *"Investment Policy for General Pool."*
    - b. As appropriate, implementation of securities lending programs, provided that securities included in any program shall be fully collateralized and marked to market daily.
    - c. Execution of instruments in accordance with CRR 70.020 *"Execution of Financial Instruments."*
  4. In making the foregoing delegations, the Board has considered the purposes and circumstances of the investment pools, the qualifications and expertise of the persons to whom it has delegated such authorities, and the scope and terms of the delegated authorities. The Board shall continue to evaluate these and other relevant factors, including the overall performance of the investment pools, in conjunction with its ongoing reviews and monitoring as described herein.
- C. **Responsibilities** – Persons responsible for managing funds in the investment pools shall, in rendering advice for a fee, exercising discretionary authority or control over investments, or taking other actions under the Investment Pool Policies: (i) act in accordance with the "prudent investor rule" and invest assets as would a prudent investor similarly situated, considering the circumstances of the investment pool and exercising reasonable care, skill, and caution, and (ii) fulfill fiduciary duties as required by contract and in accordance with the Investment Pool Policies and applicable law but at a minimum consistent with Sections 105.688 and 402.132 of the Revised Statutes of Missouri as amended from time to time or successor statutes, as appropriate. Each such person shall, by accepting his or her appointment or taking any action pursuant to the Investment Pool Policies, be deemed to have agreed to undertake such duties and otherwise perform in accordance with this policy and applicable law.

1. The Vice President for Finance and Administration or her/his designees are responsible for the following:
    - a. Implement and monitor Investment Pool Policies.
    - b. Review Investment Pool Policies on an annual basis, with policy amendments submitted to the Board of Curators as necessary.
    - c. Evaluate and monitor master custodians and Investment Consultant; report to the Board as necessary.
    - d. Periodic reporting to the Board as outlined in Section D of this policy.
    - e. Monitor the effects of the spending policy with respect to endowment funds and recommend modifications to the Board as appropriate.
    - f. Management of endowed funds in accordance with any restrictions that may apply at the time of receipt, provided such restrictions do not conflict with applicable state statutes and University policies.
    - g. Maintain accurate records for the investment pools.
  2. Generally, the University is and shall be deemed to be the corporate trustee for all funds held by the University in an express trust, such as funds in the Retirement, Disability and Death Benefit Plan and Other Postemployment Benefits Plan Trust Fund, as well as any other funds held by the University that are deemed to be trust funds under applicable law.
- D. **Reporting** – At minimum, the following reporting to the Board shall be required:
1. Quarterly: Summary of performance for each investment pool as well as reporting of any actions taken to hire or terminate investment managers under the authority delegated within Section B(2) of this policy.
  2. Annually: Performance review, including all underlying investment managers, for each respective investment pool, relative to established benchmarks and other relevant metrics.
  3. Biannually: The Board recognizes the significance of the delegation, authorities, and responsibilities set forth in paragraph B.2 hereof and intends to review and consider the continuation thereof from time to time; therefore, at least once every two years there will be a report to the Board concerning such delegation in paragraph B.2 and its continued advisability in light of all relevant factors. In the absence of any action by the Board, such delegation will be deemed continued. However, nothing will limit the authority of the Board to review, qualify, or revoke such delegation at any time and for any reason.
- E. **Proxy Voting** -- Proxy voting power is an asset of the respective investment pool and is subject to the same management as all other investment pool assets. Accordingly, the investment manager has the responsibility and liability for voting proxies appurtenant to the



securities under its management, owned by the respective investment pool. The voting of proxies must be done in a prudent manner and consistent with the investment objectives of the respective investment pool.

## **Collected Rules and Regulations Chapter 140: Investments**

### **140.011 Policy for Investment Manager Selection, Monitoring and Retention**

- A. **Introduction** -- This policy establishes general guidelines for selecting external investment managers, monitoring investment manager effectiveness, identifying issues of concern, and for making decisions concerning investment manager retention. The University shall utilize an Investment Consultant for assistance with the application of this policy. This policy applies to the following investment pools:
- 140.012 General Pool
  - 140.013 Endowment Pool
  - 140.014 Fixed Income Pool
  - 140.015 Retirement, Disability and Death Benefit Plan
  - 140.016 Other Postemployment Benefits Plan Trust Fund
- B. **Responsibilities and Authorities** – See CRR 140.010 *“Policy for Management and Oversight of Selected University Investment Pools.”*
- C. **Active vs. Passive Management** – Active managers are used most often, with an expectation of value added in excess of passive implementation. In markets that are generally considered efficient, passive strategies may be used to promote a diversified portfolio, while controlling risk and minimizing costs.
- D. **Manager Selection** – The manager selection process requires the evaluation of all aspects of a firm’s organization and investment process to assess the probability that the identified firm’s product will successfully meet the objectives of a given investment mandate going forward. A series of quantitative and qualitative factors should be analyzed when evaluating prospective firms. A suitable manager universe for a given mandate should be screened for potential manager candidates. The following, as applicable, should be considered in the manager selection process:
1. Organizational Factors
    - a. Structure: Does the ownership structure align the employees’ interests with those of clients?

- b. Stability: Has the firm been able to retain investment professionals and senior management over time?
  - c. Strategic direction: Is the firm's growth rate in assets and personnel appropriate? Is there a clear focus on investment management?
  - d. Business viability: Are the firm's growth prospects, assets under management and capital base sufficient to maintain a healthy business?
  - e. Assets under management: Are assets sufficient at the product level to accommodate the University's portfolio and, at the other extreme, has excessive asset growth impeded the firm's ability to add value in a given mandate? Generally, the University's combined assets under management across all pools of funds should not exceed 25% of a particular product's total assets under management.
2. Investment Philosophy
- a. Well Defined: Is the investment philosophy clearly defined and consistently applied?
  - b. Competitive advantages: Are there any aspects to the investment philosophy that provide a competitive advantage such as information/data sources, unique modeling capabilities, unusual perspectives, depth/quality of analytical resources, and/or experience of investment professionals?
  - c. Persistence: Is there something about the investment philosophy that provides conviction that historical performance can be repeated?
3. Investment Professionals
- a. Relevant experience: Are the portfolio managers and research analysts experienced in managing this type of mandate?
  - b. Team experience: Is there significant experience among the professionals as a team?
  - c. Skills: Do the investment and research professionals bring complementary skills to the portfolio management process?
  - d. Resources: Has the firm given the team the proper resources to succeed? Are the investment professionals distracted by other responsibilities including other products, firm management, sales, client service, etc.?
4. Historical Performance
- a. Performance vs. relevant benchmarks: Has the firm added value on a net basis to the benchmark over market cycles, typically defined as 3-5 year periods? How much value has been added relative to the risk taken?
  - b. Performance vs. peers: Has the firm exhibited an ability to outperform peers over market cycles, typically defined over 3-5 year periods?
  - c. Consistency: Has the level of performance been consistent and within expectations for the mandate?

- d. Risk metrics: Is the level of absolute and relative volatility appropriate given the mandate? Are the risk metrics of the portfolio over time consistent with expectations given the mandate?
  - e. Performance attribution: What are the sources of over or under-performance (e.g. industry bets, stock selection, style biases) and do they match the manager's investment process and philosophy?
5. Other
- a. Missouri location and/or minority status: The University has an active and ongoing interest in doing business with firms that are owned, controlled, and operated by citizens of the state of Missouri. In addition, the University is committed to supporting the participation of minority and women-owned and controlled asset management firms (as defined in Section 33.750 (3), (4), and (5), RSMo 2000) in the management of its funds. All potential qualified Missouri and/or minority and women-owned candidates under consideration for investment mandates shall meet the University's threshold manager selection criteria.
  - b. Fees: Are fees competitive and appropriate for the mandate?
  - c. Fit: How does the manager fit within the overall portfolio and, when applicable, within the asset class or sector?
  - d. Compliance/Back office: Are compliance and back office systems adequate?
- E. **Manager Concentration** – Careful consideration should be given to concentrations of assets under management across all products with a single asset management firm within an individual investment pool as well as in aggregate across all investment pools. Each circumstance should generally be evaluated on an individual basis, taking into account the asset sectors, type of investment vehicles, custody of underlying assets and the overall size and strength of the investment management firm being considered. Additionally, it is recognized that larger concentrations of assets under management with a single investment management firm can often result in lower negotiated management fees, which benefit the investment pools. In all cases, any such fee savings shall be secondary to the consideration of the safety and soundness of invested assets.
- F. **Manager Monitoring** -- Each manager should be analyzed on an individual basis, taking into account any specific circumstances affecting the particular relationship. At minimum, the University and Investment Consultant shall review all managers on a quarterly basis. The review process should include, while not being limited to, the following factors:
- 1. Performance: An evaluation of performance should focus primarily on trailing three and five year periods, taking into account the manager's expected tracking error versus the agreed-upon benchmark. Over these time horizons, active

manager performance, net of fees, is generally expected to outperform the agreed upon benchmark and fall within the top two quartiles of an appropriate peer group.

2. Adherence to Stated Philosophy, Process and Style: The default expectation would be continued adherence to the manager's stated philosophy, process, and style in existence at the time of hiring.
3. Organizational Matters: Stability is the basic expectation. Any material change in the manager's organizational structure, ownership or personnel should be carefully considered. Ongoing oversight by regulatory agencies should also be monitored, as well as any indications of illegal or unethical behavior.
4. Guidelines: Managers are expected to maintain compliance with guidelines established by the University; exceptions may be granted by the University and Investment Consultant on a case-by-case basis. As circumstances warrant, the manager may provide recommended revisions to the guidelines in writing to the University and Investment Consultant; however, the University and Investment Consultant shall be under no obligation to accept such recommendations.
5. Service and Responsiveness: Managers are expected to be reasonably responsive to the needs of the University and Investment Consultant, including requests for information and/or analysis, requests for periodic meetings to review performance, etc.

To the extent that any significant issues or concerns are identified as part of the review process or at any other time, considering factors including, but not limited to, those noted above, a manager may be classified as "Under Review" or terminated based solely on the determination of the University and Investment Consultant.

**G. Manager "Under Review" Classification** – Managers who are classified as "Under Review" are not eligible for additional funding and may be subject to asset reductions. If circumstances warrant, based solely on the determination of the University and Investment Consultant, the manager may be terminated immediately or at any time thereafter. Otherwise, the following process must be satisfactorily completed prior to the removal of the "Under Review" classification:

1. The University shall notify the manager in writing of their "Under Review" classification. The notification shall indicate the reason(s) why the manager has been classified as "Under Review," request information from the manager on relevant issues, and ask for the manager's input in resolving the concerns identified.
2. Upon notification, the manager shall submit a written response within 15 calendar days of the date of notice. The investment manager's response should provide the following, as applicable:

- a. Information specifically requested in the University's notice
  - b. Substantive reasons for any problems or issues documented in the notice; if performance issues were noted, detailed attribution analysis of underperformance
  - c. Description of corrective actions to be taken
  - d. Expected time horizon for completion of any corrective actions
  - e. Any other relevant information
3. Based on the manager's written response and any subsequent discussions, the University and Investment Consultant shall determine an appropriate course of action up to and including the termination of the manager. The University and Investment Consultant will carefully monitor the progress of the manager in implementing their plan. As determined solely by the University and the Investment Consultant, the manager's "Under Review" classification may be removed when issues and concerns have been satisfactorily addressed
- H. **Manager Termination** – A manager shall be terminated, based solely on the determination of the University and Investment Consultant, if there has been a failure to correct noted deficiencies or to show improvement, if the deficiencies noted are perceived to be irresolvable within a reasonable amount of time, or if other circumstances warrant.

Managers may also be terminated from time to time based solely on strategic or operational changes with respect to the overall University portfolio including, but not limited to, changes in asset sectors or changes in portfolio allocations among asset sectors.

Nothing in this policy shall be construed to be for the benefit of any manager or other person or to derogate from or affect the University's right to terminate an investment manager as permitted by the terms of their applicable investment management agreement.

## **Collected Rules and Regulations Chapter 140: Investments**

### **140.012 Investment Policy for General Pool**

- A. **Introduction** -- The General Pool represents the University's cash and reserves, both restricted and unrestricted, including, but not limited to, operating funds, auxiliary funds, service operations funds, self-insurance funds, debt service funds, and plant funds.
- B. **Responsibilities and Authorities** – See CRR 140.010 "*Policy for Management and Oversight of Selected University Investment Pools*"
- C. **Types of Instruments** – The University is authorized to use any or all of the following investment instruments for General Pool funds managed internally by the Treasurer's office:

1. Repurchase agreements collateralized by U.S. Government issues and U.S. Government Agency issues.
2. U.S. Government securities, U.S. Government Agency securities and U.S. Government guaranteed securities, including but not limited to: all direct obligations of the U.S. Government, Federal Farm Credit Banks, Federal Home Loan Banks, Federal National Mortgage Association, and Federal Home Loan Mortgage Corporation. Included in the definition of U.S. Government Agency securities and U.S. Government guaranteed securities are mortgage-backed securities and collateralized mortgage obligations guaranteed by such entities.
3. Corporate bonds rated A or better by one of the Nationally Recognized Statistical Ratings Organizations.
4. Municipal bonds rated A or better by one of the Nationally Recognized Statistical Ratings Organizations. Eligible municipal bonds shall be restricted to general obligation debt or essential service revenue bonds. Municipal bonds may be taxable or tax-exempt.
5. Certificates of deposit (collateralized) at banks with which the University has a depository agreement.
6. Money market funds which are SEC 2a-7 compliant and have received a AAA rating by at least two Nationally Recognized Statistical Ratings Organizations.
7. Commercial paper which has received the highest letter and numeral ranking (i.e., A1 / P1) by at least two Nationally Recognized Statistical Ratings Organizations, and other similar short-term investment instruments of like or better quality.

**D. Restrictions on Instruments** – The maximum amount or percentage of the total internally-managed General Pool portfolio held in each instrument listed above shall be:

1. No restrictions for repurchase agreements remaining in the deposit bank which are fully collateralized by government securities.
2. No more than 15 percent of the total internally-managed portfolio is to be held in one bank, with one allowable exception, as follows: A temporary position of up to 20 percent may be taken in any one bank if the position in that bank will be brought back to 15 percent within five business days.
3. No restriction on direct obligations of the U.S. Government, U.S. Government guaranteed securities and U.S. Government Agency issues or guaranteed securities.

4. No more than 10 percent of the internally-managed portfolio is to be held in corporate bonds; no more than 1 percent of the internally-managed portfolio is to be held in any one corporate issuer.
5. No more than 10 percent of the internally-managed portfolio is to be held in municipal bonds; no more than 1 percent of the internally-managed portfolio is to be held in any one municipal issuer.
6. No more than 50 percent of the internally-managed portfolio is to be held in commercial paper and no more than 5 percent of the internally-managed portfolio is to be held in the commercial paper of any single commercial paper issuer, with one allowable exception, as follows: A temporary position of up to 10 percent may be taken in any one issuer if the position with that issuer will be brought back to 5 percent within ten business days.

E. The University is authorized to invest General Pool funds in the Endowment Pool, as well as externally managed absolute return or global fixed income funds. The University is also authorized to use external investment managers with respect to any of the investment instruments defined in Section C of this policy. Specific guidelines for externally managed funds are contained in CRR 140.011 *"Policy for Investment Manager Selection, Monitoring and Retention."*

F. **Excluded Instruments** – The General Pool shall not be deemed to include, and the limitations contained herein shall not be deemed applicable to, any program-related funds, instruments, and assets not held primarily for investment such as interests governed by CRR 70.070 *"Entrepreneurial Activity."*

## **Collected Rules and Regulations Chapter 140: Investments**

### **140.013 Investment Policy for Endowment Pool**

- A. **Introduction** -- The University's Endowment Pool contains gifts, bequests and other funds directed to be used to support a University program in perpetuity. Some donors require such a commitment as a condition of their gift ("true endowments"). Also, funds may be assigned to function as endowments by the Board of Curators or by University administration ("quasi endowments").
- B. **Responsibilities and Authorities** – See CRR 140.010 *"Policy for Management and Oversight of Selected University Investment Pools."*
- C. **Investment Objectives** -- The Endowment Pool must be managed to provide ongoing support of endowed programs in perpetuity, in conformance with donor stipulations. To accomplish this, investment returns, net of inflation, should be sufficient over time to cover annual spending distributions while maintaining or growing the underlying purchasing power of each endowed gift.

- D. **Authorized Investments** – The Endowment Pool shall be invested in externally managed funds, consistent with the guidelines established in CRR 140.011 “*Policy for Investment Manager Selection, Monitoring and Retention,*” in the following asset sectors:

<b>Sector</b>	<b>Target Asset Mix</b>	<b>Allowable Range</b>
Global equity	49%	44% - 59%
Absolute return strategies	12%	8% - 18%
Private equity	10%	4% - 12%
Real estate	8%	4% - 12%
Global fixed income	5%	3% - 8%
High-yield fixed income	5%	3% - 8%
Floating rate bank loans	2%	1% - 5%
Global inflation-linked bonds	2%	1% - 5%
Emerging markets debt	7%	4% - 10%
<b>Total</b>	<b>100%</b>	

Sector allocations shall be monitored on an ongoing basis as changes in market behavior may result in variations from the target asset mix. Rebalancing of the portfolio shall be considered at least annually, and more often if necessary to maintain allocations within the allowable range. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions.

Actual sector allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

- E. **Spending Policy** – To provide ongoing support to endowed programs in perpetuity, the spending policy must be managed in conjunction with investment objectives and other factors in compliance with applicable law, such that the spending rate plus an inflationary assumption shall not exceed expected investment returns over time. At minimum, the spending policy should be reviewed in conjunction with asset/liability studies performed by the Investment Consultant not less than once every three years.
1. The formula used to determine the Endowment Pool spending distribution for each fiscal year shall apply a rate of 4.5% to a base equal to the 28-quarter trailing average of market values as of December 31<sup>st</sup> of the prior fiscal year. Endowment spending distributions shall be paid on a monthly basis.



The transition of the rate from 5.0% to 4.5% shall be accomplished in a methodical manner over a period not to exceed the seven years ended June 30, 2019. In no case shall the transition from 5.0% to 4.5% cause the actual spending distribution to decrease from one year to the next during the transition phase.

2. In addition to the spending distribution noted above, the President shall have the discretion to distribute from the Endowment Pool an administrative fee each fiscal year to be used for support of internal endowment administration and development functions. Such administrative fee shall be calculated by applying a rate of up to 1% to a base equal to the 28-quarter trailing average of market values as of December 31<sup>st</sup> of the prior fiscal year. The administrative fee shall be paid on a monthly basis.
3. The spending policy, spending distribution formula and administrative fee may be adjusted over time by the Board to respond to general economic conditions and other factors as appropriate and in compliance with applicable law.
4. Implementation of the spending policy is delegated to the Vice President for Finance and Administration or her/his designees.

## **Collected Rules and Regulations Chapter 140: Investments**

### **140.014 Investment Policy for Fixed Income Pool**

- A. Introduction** -- The University's Fixed Income Pool endowment fund includes gifts, bequests and other funds directed to be used to support a University program in perpetuity. Donor restrictions limit the investment of these funds to fixed income securities.
- B. Responsibilities and Authorities** -- See CRR 140.010 "*Policy for Management and Oversight of Selected University Investment Pools.*"
- C. Investment Objectives** -- The primary investment objectives of the Fixed Income Pool are capital preservation and the maximization of earned income.
- D. Authorized Investments** -- The Fixed Income Pool shall be invested in an externally managed U.S. core plus bond fund. Specific guidelines for externally managed funds are contained in CRR 140.011 "*Policy for Investment Manager Selection, Monitoring and Retention.*"
- E. Spending Policy** -- All earned income shall be distributed monthly.

## Collected Rules and Regulations Chapter 140: Investments

### 140.015 Investment Policy for Retirement, Disability and Death Plan

- A. **Introduction** -- The University's Retirement, Disability and Death Benefit Plan ("Plan") was established to provide retirement income and other stipulated benefits to qualified employees in amounts and under the conditions described in the plan. A Trust was established in 1958 and is being funded to provide the financial security of those benefits.
- B. **Responsibilities and Authorities** – See CRR 140.010 *"Policy for Management and Oversight of Selected University Investment Pools."*
- C. **Investment objectives** -- The primary objective to be achieved in the active management of Trust assets is to provide for the full and timely payment of retirement, disability and death benefits to qualified employees. In order to fulfill this objective the University must maintain a prudent actuarially sound funding of the Plan's liabilities. This funding requirement is derived from two principal sources; the total investment return on Trust assets and the amount of University contributions. In order to minimize the University's required contributions it is imperative that total investment returns be maximized.
- D. **Authorized Investments** – The Plan shall be invested in externally managed funds, consistent with the guidelines established in CRR 140.011 *"Policy for Investment Manager Selection, Monitoring and Retention,"* in the following asset sectors:

Sectors	Target Asset Mix	Allowable Range
Global equity	45%	40% - 55%
Absolute return strategies	8%	5% - 13%
Private equity	10%	4% - 12%
Real estate	6%	3% - 9%
Global fixed income	7%	4% - 10%
High-yield fixed income	10%	7% - 13%
Floating rate bank loans	4%	2% - 7%
Global inflation-linked bonds	4%	2% - 7%
Emerging markets debt	6%	3% - 9%
<b>Total</b>	100%	

Sector allocations shall be monitored on an ongoing basis as changes in market behavior may result in variations from the target asset mix. Rebalancing of the portfolio shall be considered at least annually, and more often if necessary to maintain allocations within the

allowable range. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions.

Actual sector allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

- E. **Other** – The Board of Curators delegates to the President of the University the following responsibilities with respect to the Plan:
1. Recommend contributions to the Plan.
  2. Recommend annuity, mortality and other tables as may be useful in actuarial determination.
  3. Recommend actuarial valuations made by experts retained for that purpose.
  4. Maintain data necessary for actuarial valuations of the assets of the Plan.
  5. Maintain accurate records for the Plan.

## **Collected Rules and Regulations Chapter 140: Investments**

### **140.016 Investment Policy for Other Postemployment Benefits Plan Trust Fund**

- A. **Introduction** -- The University's Other Postemployment Benefits (OPEB) include the medical, dental, long term disability and various other insurance benefits available to its retirees, former employees and their dependents in amounts and under the conditions described in the University's respective benefit plans excluding the University's pension plan. The OPEB Plan Trust Fund ("the Trust") was established in 2008 to provide for the full and timely payment of these benefits, with funding provided from contributions made by the University, contributions made by retirees and their dependents, if any, any sums due from insurance contracts entered into by the respective benefit plans, and income from any investments held by the Trust. The existence of the Trust is not a guarantee that benefits will be provided. This Investment Policy was established to provide direction to the investment and management of assets within the Trust.
- B. **Responsibilities and Authorities** -- See CRR 140.010 "*Policy for Management and Oversight of Selected University Investment Pools.*"
- C. **Investment Objectives** – The primary objective of the investment of Trust assets is to meet or exceed the investment return assumption used in the calculation of the actuarial accrued liability for postemployment benefits, utilizing a broadly diversified global investment structure.

- D. **Authorized Investments** -- The Trust shall be invested in externally managed funds, consistent with the guidelines established in CRR 140.011 *"Policy for Investment Manager Selection, Monitoring and Retention,"* in the following asset sectors:

Sectors	Target Asset Mix	Allowable Range
Global fixed income	50%	45%-55%
Global equity	40%	35%-45%
Absolute return	10%	0%-15%
Total	100%	

Sector allocations shall be monitored on an ongoing basis as changes in market behavior may result in variations from the target asset mix. Rebalancing of the portfolio shall be considered at least annually, and more often if necessary to maintain allocations within the allowable range. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions.

Actual sector allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

Debt Financing and Student Fee Approval, Recreation and Wellness Center, UMSL

It was recommended by Chancellor George, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Downing and seconded by Curator Erdman, that the following action be approved:

debt financing for the \$36,000,000 cost for the University of Missouri-St. Louis, of a new Recreation and Wellness Center and approval of a dedicated student facility and activity fee of \$19.25/credit to fund the project with a cap of 12 credit hours in the Fall and Spring semesters and 6 credit hours in the Summer. This new fee will not be assessed until the building opens.

Roll call vote Full Board:

- Curator Bradley voted yes.
- Curator Cupps voted yes.
- Curator Downing voted yes.
- Curator Erdman voted yes.

Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

Project Approval, Virginia Avenue South Housing, MU

It was recommended by Chancellor Deaton, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Downing and seconded by Curator Erdman, that the following action be approved:

the project approval for Virginia Avenue South Housing, for the University of Missouri-Columbia.

Funding of the project budget is from:

Residential Life Revenue Bonds	\$ 21,615,000
Residential Life Reserves	6,500,000
Campus Facilities Utility Reserves	<u>285,000</u>
Total Funding	\$28,400,000

Roll call vote of Board

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode was absent for vote.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried with five votes in favor and zero opposing.

Approval of Bond Financed Intercollegiate Athletics Projects and Architect Selections of Stadium West Side Renovation and Stadium East Side New Construction, MU

It was recommended by Chancellor Deaton, endorsed by President Wolfe, recommended by the Finance Committee, moved by Curator Downing and seconded by Curator Erdman, that the following action be approved:

1. That the Vice President for Finance and Administration be authorized to employ the firm of Populous of Kansas City, Missouri for the design of The Memorial Stadium East Side Addition for a basic services fee of \$1,876,200 with the project financing below:

Funding of the project budget is from:

Revenue Bonds	\$ 45,550,000
Campus Facilities Utility Reserves	<u>500,000</u>
Total Funding	\$ 46,050,000

2. That the Vice President for Finance and Administration be authorized to employ the firm of Architecture (360) of Kansas City, Missouri for the design of the Memorial Stadium West Press Box Renovation, for the University of Missouri-Columbia for a basic services fee of \$543,975 with the project financing below:

Funding of the project budget is from:

Revenue Bonds	\$ 9,750,000
---------------	--------------

3. Revenue Bond Financing for six additional projects totaling \$16,175,000
  - Stadium North Concourse Expansion
  - Stadium Structural Improvements
  - Tennis Facility Renovations
  - Taylor Stadium Renovation
  - University Field Renovation
  - Old Hawthorne Golf Facility

Roll call vote Full Board:

Curator Bradley voted yes.

Curator Cupps voted yes.

Curator Downing voted yes.

Curator Erdman voted yes.

Curator Goode voted yes.

Curator Henrickson was absent.

Curator Steward voted yes.

The motion carried.

The public session of the Board of Curators meeting was recessed.

### **BOARD OF CURATORS MEETING – EXECUTIVE SESSION**

A meeting of the University of Missouri Board of Curators was convened in executive session at 5:00 P.M., on Tuesday, June 26, 2012, in the Donrey Media Room 211 of the Reynolds Alumni Center on the University of Missouri campus, Columbia, Missouri, pursuant to public notice given of said meeting. Curator David R. Bradley, Chairman of the Board of Curators, presided over the meeting.

#### Present

The Honorable David R. Bradley  
The Honorable Donald L. Cupps  
The Honorable Don M. Downing  
The Honorable Warren K. Erdman  
The Honorable Wayne Goode  
The Honorable David L. Steward

The Honorable Pamela Q. Henrickson was absent for the meeting.

#### Also Present

Mr. Timothy M. Wolfe, President  
Mr. Stephen J. Owens, General Counsel  
Ms. Cindy Harmon, Secretary of the Board of Curators  
Miss Amy G. Johnson, Student Representative to the Board of Curators  
Ms. Natalie “Nikki” Krawitz, Vice President of Finance and Administration

### **General Business – Executive Session**

<sup>232</sup>Ground Lease, UM – this item is excluded from the minutes and will be given public notice upon completion of the matter.

<sup>233</sup>Property Purchase, MU - this item is excluded from the minutes and will be given public notice upon completion of the matter.

### **Audit Committee Meeting – Executive Session**

Internal Audit Report – presented by Vice President Krawitz and John Tvrdik & Rik Boren with PricewaterhouseCoopers, LLC.

Mr. John Tvrdik presented a report from the internal auditors for the Curators. Also present from PricewaterhouseCoopers, LLC were Chris Lydon, Ryan Bachman and Lori Gunn. Present for the meeting from the University of Missouri System were Vice Presidents Krawitz and Allen and Beth Chancellor and Nilufer Joseph. No action was taken by the Board.

It was moved by Curator Cupps and seconded by Curator Downing, that the Board of Curators Audit Committee Meeting, June 26-27, 2012, be adjourned.

Roll call vote of Committee:

Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Henrickson was absent.

The motion carried.

There being no other business to come before the Audit Committee the meeting was adjourned at 5:36 PM.

### **General Business – Executive Session**

#### Modification to the Henry W. Bloch Charitable Pledge Agreement, UMKC

It was recommended by Chancellor Morton, endorsed by President Wolfe, moved by Curator Goode and seconded by Curator Downing, that the following actions be approved:

That the Board of Curators authorizes the Vice President for Finance and Administration to execute a modified charitable pledge agreement with Henry W. Bloch that includes the following modifications to the original charitable pledge agreement, dated August 30, 2011:



- A. upon Mr. Bloch's death, \$25 million will be paid to the university in a lump sum, instead of \$25 million paid in the amounts of \$1.25 million each year for 20 years;
- B. clarification that the building that will bear Mr. Bloch's name pursuant to the pledge agreement will not be an addition to an existing building, but rather a separate building;
- C. change of the building name from "Bloch Hall" to the "Henry W. Bloch Executive Hall for Entrepreneurship and Innovation"; and
- D. completion of construction by the beginning of 2013-2014 academic year.

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

<sup>234</sup>Contract Amendment – this item is excluded from the minutes and will be given public notice upon completion of the matter.

The executive session of the Board of Curators meeting recessed at 6:00 PM on Tuesday, June 26, 2012.

### **University System Awards Reception, Dinner and Program**

6:00 – 8:45 P.M.

Tuesday, June 26, 2012

Hosted by the Board of Curators and President Wolfe

Location: Reynolds Alumni Center Great Room, University of Missouri campus,  
Columbia, Missouri

#### Present

The Honorable David R. Bradley  
The Honorable Donald L. Cupps  
The Honorable Don Downing  
The Honorable Warren K. Erdman  
The Honorable Wayne Goode  
The Honorable David L. Steward

The Honorable Pamela Q. Henrickson was absent.

Also Present

Mr. Timothy M. Wolfe, President, University of Missouri System  
Mr. Stephen J. Owens, General Counsel  
Ms. Cindy S. Harmon, Secretary of the Board of Curators  
Miss Amy G. Johnson, Student Representative to the Board of Curators  
Dr. Gary K. Allen, Vice President for Information Technology  
Dr. Brady J. Deaton, Chancellor, University of Missouri-Columbia  
Dr. Thomas F. George, Chancellor, University of Missouri-St. Louis  
Dr. Steven Graham, Senior Associate Vice President for Academic Affairs  
Mr. Stephen C. Knorr, Vice President for Government Relations  
Ms. Natalie "Nikki" Krawitz, Vice President for Finance and Administration  
Mr. Leo E. Morton, Chancellor, University of Missouri-Kansas City  
Dr. Michael F. Nichols, Vice President for Research and Economic Development  
Dr. Betsy Rodriguez, Vice President for Human Resources  
Dr. Cheryl B. Schrader, Missouri University of Science and Technology  
Dr. Robert W. Schwartz, Chief of Staff  
Ms. Jennifer Hollingshead, Chief Communications Officer, UM System

System Honorees (program on file)

President's Award for Innovative Teaching – Elizabeth A. Baker, Ed.D.,  
University of Missouri - Columbia

President's Award for Economic Development – Thomas G. Johnson, Ph.D.,  
University of Missouri – Columbia

President's Award for Leadership – Joy D. Swallow, M.A., University of  
Missouri – Kansas City

President's Award for Service – John D. David, Ph.D., University of Missouri –  
Columbia

President's Award for Sustained Excellence – Grace Y. Sun, Ph.D., University  
of Missouri – Columbia

President's Award for Early Career Excellence – Anthony N. Caruso, Ph.D.,  
University of Missouri – Kansas City

President's Award for Community Engagement – Clyde Ruffin, M.F.A.,  
University of Missouri – Columbia

President's Award for Cross-Cultural Engagement – Rangira Bea Gallimore, Ph.D., University of Missouri - Columbia

Student Entrepreneur of the Year Award – Kristin A. Kenney, University of Missouri – Kansas City

Thomas Jefferson Award – H. Carl Gerhardt, Ph.D., University of Missouri – Columbia

C. Brice Ratchford Memorial Fellowship Award – Carl F. Calkins, Ph.D., University of Missouri – Kansas City

### **BOARD OF CURATORS MEETING – PUBLIC SESSION**

A meeting of the University of Missouri Board of Curators reconvened in public session at 8:00 A.M., on Wednesday, June 27, 2012, in Columns C, D & E of the Reynolds Alumni Center on the University of Missouri campus, Columbia, Missouri, pursuant to public notice given of said meeting. Curator David R. Bradley, Chairman of the Board of Curators, presided over the meeting.

#### Present

The Honorable David R. Bradley  
The Honorable Donald L. Cupps  
The Honorable Don M. Downing  
The Honorable Warren K. Erdman  
The Honorable Wayne Goode  
The Honorable David L. Steward

The Honorable Pamela Q. Henrickson was absent.

#### Also Present

Mr. Timothy M. Wolfe, President  
Mr. Stephen J. Owens, General Counsel  
Ms. Cindy Harmon, Secretary of the Board of Curators  
Miss Amy G. Johnson, Student Representative to the Board of Curators  
Dr. Gary Allen, Vice President for Information Technology  
Dr. Brady J. Deaton, Chancellor for University of Missouri  
Dr. Thomas F. George, Chancellor for University of Missouri – St. Louis  
Dr. Steven Graham, Senior Associate Vice President for Academic Affairs  
Mr. Stephen C. Knorr, Vice President for Government Relations  
Ms. Natalie "Nikki" Krawitz, Vice President for Finance and Administration

Mr. Leo E. Morton, Chancellor of University of Missouri – Kansas City  
Dr. Michael F. Nichols, Vice President for Research and Economic Development  
Dr. Betsy Rodriguez, Vice President for Human Resources  
Dr. Cheryl B. Schrader, Chancellor for Missouri University of Science and Technology  
Dr. Robert W. Schwartz, Chief of Staff  
Ms. Jennifer Hollingshead, Chief Communications Officer, UM System  
Media representatives

### **General Business**

Board Chairman's Report – presented by Chairman Bradley (recording on file)

Topic: Advancing Missouri – Combined Engineering Degree Program  
Presenters: Professor Doug Carroll, Missouri University of Science and Technology and  
Dean Tammy Jahnke of Missouri State University

UM President's Report – presented by President Wolfe (recording on file)

An update of the six strategic priorities and actions taken to balance the budget were presented.

MoComm Panel Discussion – A panel discussion regarding a plan for communicating to University constituents was moderated by President Wolfe. Participants for the panel included Jennifer Hollingshead with UM System, Ron Gossen with University of Missouri – St. Louis, Andy Careaga with Missouri University of Science and Technology, Anne Spenner with University of Missouri – Kansas City and Chris Koukola with University of Missouri.

Information Technology Annual Report – presented by Vice President Allen (slides and recording on file)

### **Consent Agenda**

It was endorsed by President Wolfe, moved by Curator Steward and seconded by Curator Cupps, that the following items be approved by consent agenda:

#### **CONSENT AGENDA**

1. Minutes, April 5-6, 2012 Board of Curators Meeting
2. Minutes, April 5-6, 2012 Board of Curators Committee Meetings

3. Minutes, April 18, 2012 Board of Curators Executive Committee Meeting
  4. Minutes, May 21, 2012 Board of Curators Executive Committee Meeting
  5. Minutes, June 1, 2012 Board of Curators Special Meeting
  6. Degrees, Summer Semester for all campuses
  7. Approval of Spinal Cord Injuries and Congenital or Acquired Disease Processes Research Program Proposal
  8. Revised Debt Policy, UM
  9. Amendment, Collected Rule and Regulation 10.090 Ethics and Conflict of Interest, UM
- 
1. Minutes, April 5-6, 2012 Board of Curators Meeting – as provided to the curators for review and approval.
  2. Minutes, April 5-6, 2012 Board of Curators Committee Meetings – as provided to the curators for review and approval.
  3. Minutes, April 18, 2012 Board of Curators Executive Committee Meeting – as provided to the curators for review and approval.
  4. Minutes, May 21, 2012 Board of Curators Executive Committee Meeting – as provided to the curators for review and approval.
  5. Minutes, June 1, 2012 Board of Curators Special Meeting– as provided to the curators for review and approval.
  6. Degrees, Summer Semester 2012 for all campuses -  

The action of the President of the University of Missouri System in awarding degrees and certificates to candidates recommended by the various faculties and committees of the four University of Missouri System campuses who fulfill the requirements for such degrees and certificates at the end of the Summer Semester 2012, shall be approved, and that the lists of said students who have been awarded degrees and certificates be included in the records of the meeting.
  7. Approval of Spinal Cord Injuries and Congenital or Acquired Disease Processes Research Program Proposal

PROPOSAL RECOMMENDED FOR FUNDING  
2012

I. A Two-Pronged Strategy to Increase SMN Expression in SMA

Christian L. Lorson  
Department of Molecular Microbiology & Immunology  
University of Missouri-Columbia

Total funding recommended            \$248,578

8. Revised Debt Policy, UM–

Management recommended updates to the University’s Debt Policy (as on file with the minutes of this meeting) that was originally approved by the Board in April 2004.

**University of Missouri System  
Debt Policy**

Policy Statement

The University intends to maintain a debt rating that ensures adequate funding for University capital projects and provides ready access to the capital markets at attractive rates relative to market conditions then existing. It is understood that higher credit ratings provide market access at lower interest rates but also limit the amount of debt that may be issued.

The Board of Curators sets policy regarding debt. The Board delegates authority to implement the policy to the Vice President for Finance and Administration.

Goals of Issuing Debt

When the University issues debt, its goals are as follows:

1. to provide cost-effective funding for acquiring or replacing long-lived capital assets;
2. to match the cost of funding with the benefits received over the useful life of capital improvements;
3. to leverage other capital funding sources, such as preserving cash for building financial flexibility and funding short-term capital and operating needs and matching state, federal and private funding; and
4. as needed, to meet short-term operating or emergency cash flow needs.

### Debt Capacity and Capital Planning

Issuance of debt is subject to the University's overall debt capacity. Annually, in concert with the budget process, the Office of the Vice President for Finance and Administration will determine University debt capacity pursuant to target debt ratings. Capacity will be utilized in the capital planning process to determine the aggregate dollar value of projects that can be funded with debt in any given year. Limited debt capacity dictates that capital spending will be prioritized and incorporated in the capital planning process.

To maintain cost effective access to debt capital markets, the University is committed to maintaining a credit rating in the AA category or above, as determined by Moody's Investors Service and/or Standard & Poor's. The University will target certain financial ratios as the benchmark for maximum debt level. These include:

- Unrestricted Financial Resources to Direct Debt
- Actual Debt Service to Operations
- University System Debt Service Coverage
- System Facilities Debt Service Coverage

The University will strive to attain the highest rating possible given the desired trade-off between capital project funding needs and cost of capital.

### Use of Long-Term Funding

The University will utilize long-term debt, primarily in the form of tax-exempt bonds, to finance long-term assets. The University will issue debt for capital projects with a dependable long-term source of revenue available for payment. Debt may only be issued for facilities that may be financed pursuant to state statutes governing University debt borrowings. Debt financings will be coordinated to the extent practical to include multiple project needs in a single borrowing to reduce costs of issuance.

### Use of Short-Term Funding

The University will utilize short-term funding, primarily capital project notes or commercial paper, for short-term funding needs, such as working capital, investing cash most efficiently, and providing interim funding for capital projects (primarily early design costs) until long-term debt is issued.

### Use of Off-Balance Sheet Financing

The University will consider off-balance sheet financing when it is desirable to work with a third party, for risk sharing, and for leasing. The University will consider the impact of such financing on its debt ratios as if the financing must be included on the University's balance sheet.

### Use of Derivatives

See Derivatives Policy, approved by the Board of Curators in February 2012.

### Use of Floating-Rate versus Fixed-Rate Debt

The University will limit floating-rate debt to a maximum range of 30% to 50% of its outstanding indebtedness. The University will utilize floating-rate debt capacity primarily during periods of high interest rates. At any time 30-year fixed-rate financings can be assumed at a true interest cost of less than 5%, fixed-rate debt will be favored.

It is further recognized that it may be appropriate to utilize floating-rate debt during the construction and start-up period of a project to reduce capitalized interest expense.

### Debt Structure

1. **Maturity of Indebtedness:** The maturity of the debt issued will be determined by the purpose of the financing. In general, the maturity of the debt will not exceed the useful life of the assets being financed and debt service will be approximately level each year. Debt service will not exceed the expected revenues to be used to pay debt service.
2. **Interest Rates:** Interest rate structure will be determined by market conditions at issuance. In most cases, the University will issue fixed rate debt that is expected to be repaid from fixed fees and charges. Variable rate debt will be considered when interest rates are high and it is not advantageous to lock in long-term fixed rates or other times when variable rate debt significantly benefits the University.
3. **Refunding Bonds:** The University will issue current and advance refunding debt when material present value savings can be obtained.
4. **Redemption Provisions:** The University will seek redemption provisions that are equal to or better than the market.
5. **Credit Enhancement:** The University will consider credit enhancement when it materially lowers the cost of debt and does not require material additional debt and operating covenants by the University.

### Methods of Sale

1. **Negotiated Sales** will generally be used to sell bonds. Underwriter's will be selected through a competitive request for proposal (RFP) process. The RFP



process provides for a competitive underwriter's discount while retaining flexibility in timing of debt issuance.

2. Competitive Sales will be used when the University believes it may yield more competitive pricing than a negotiated sale and flexibility in the timing of debt issuance is not as important.

3. Private Placements will be considered for debt issuance where the size is too small or the structure is too complicated or not appropriate for a public debt issuance.

#### Taxable Debt

The University may use taxable debt for projects that cannot be financed using tax-exempt debt. The University will allocate its capital funding sources in a manner that will minimize the need for taxable debt to keep its cost of borrowing as low as possible. The issuance of taxable debt will require Board approval.

#### Reporting to Board

The Office of the Vice President for Finance and Administration will annually present a report to the Board of Curators on debt issued, debt outstanding, the University's estimated debt capacity and credit ratings.

9. Approval of Amendment to Collected Rules and Regulations 10.090, Ethics and Conflict of Interest, UM

It was recommended by General Counsel Owens, endorsed by President Wolfe, that the Amendment to the Collected Rules and Regulations, Section 10.090, Ethics and Conflict of Interest be approved as outlined below (and on file with the minutes of this meeting).

### **Collected Rules and Regulations Chapter 10: Board of Curators**

#### **10.090 Ethics and Conflict of Interest**

Board Minutes 7-21-06, Amended 2-6-09, Amended 1-27-11, Amended 6-27-12.

Each member of the University of Missouri Board of Curators (hereinafter "Board") has a fiduciary obligation and responsibility with respect to his or her service on the Board, which is ultimately responsible and accountable for governing the University pursuant to Article IX, Section 9(a) of the Missouri Constitution of 1945 and applicable statutes. Each member of the Board is expected to serve the public trust and to exercise his or her duties and responsibilities solely in the interest of the public, the University and the Board and not in the member's own interest, the interest of his or her spouse, parents,

siblings or children or in the interest of any business with which any of the foregoing are associated.

To implement the foregoing general principles, the Board has adopted the following:

**A. Prohibited Transactions**

1. No member of the Board shall vote on, attempt to influence the vote of other members of the Board or attempt to influence the decision of the University with regard to any matter under consideration by the Board or by the University in which said action will result in a material financial gain or personal gain for said Board member, his or her spouse, parents, siblings or children or any business with which any of the foregoing are associated.

2. No member of the Board shall act or refrain from acting, in connection with his or her duties and responsibilities as a member of the Board, by reason of the payment, offer to pay, promise to pay, or receipt of anything of actual pecuniary value by said Board member, by his or her spouse, parents, siblings or children or any business with which any of the foregoing are associated.

3. No member of the Board shall use in any manner whatsoever or disclose to others confidential information obtained in connection with his or her duties and responsibilities as a member of the Board with the intent to result in material financial gain or personal gain for said Board member, for his or her spouse, parents, siblings or children or any business with which any of the foregoing are associated.

4. Consistent with Section 320.115 of the Collected Rules and Regulations of the University of Missouri, no member of the Board shall be employed by the University, either full-time or part-time, during his or her service as a member of the Board or for two (2) years after the cessation of such service. Further, no member of the Board shall enter into any contract to provide goods or services under contract with the University during his or her service as a member of the Board or for two (2) years after the cessation of such service; provided, however, that such prohibition shall not apply if the goods or services are donated to the University or if the contract is entered into in conformity with the University's rules and regulations pertaining to acquisition of goods or services, the University's competitive bidding processes, if applicable, and after compliance with all applicable conflict of interest statutes and policies.

5. Consistent with the provisions of Article VII, Section 6 of the Missouri Constitution of 1945, Section 172.310, RSMo 2000 and Section 320.040 of the Collected Rules and Regulations of the University of Missouri, no person who is

related by blood or marriage to any member of the Board shall, during said Board member's service as a member of the Board, be appointed to any position in the University as officer, member of any faculty or employee.

## **B. Full Disclosure**

1. Each member of the Board shall complete and shall submit annually to the Secretary of the Board on or before August 15 of each year, the University of Missouri Board of Curators' Conflict of Interest Disclosure Form, for the purpose of disclosing to the Board and to the public said Board member's financial interests and the financial interests of his or her spouse, parents, siblings or children, including the identity of any business with which any of the foregoing are associated. Each member of the Board of Curators shall file with the Secretary of the Board of Curators a copy of the required filing which they make with the State of Missouri Ethics Commission entitled Personal Financial Disclosure Statement. Additionally, all current members of the Board, as of August 15, 2006, and in the future new Board members, upon initial appointment to the Board of Curators, shall file with the Secretary of the Board of Curators a listing containing the name of the member's spouse, parents, siblings and children together with their current place of employment and the name of any business in which the person has an ownership interest in excess of ten percent. A Board member shall promptly update this listing when warranted by a change in circumstances.

2. If a member of the Board reasonably believes that he or she or another Board member has a conflict of interest, a potential conflict of interest or reasonably believes that the general public might perceive that a conflict of interest exists with regard to any matter that is under consideration by the Board, he or she shall report such conflict of interest, potential conflict of interest or perceived conflict of interest to the Chair of the Board at the earliest opportunity and, if possible, prior to any discussion, deliberation or vote by the Board on that matter. Unless the member of the Board voluntarily agrees to abstain from all such discussions and voting on the matter, the Chair of the Board shall determine whether an actual or perceived conflict of interest exists and, if so, shall request that such member of the Board refrain from all such discussions and voting on the matter. If the Chair of the Board is the Board member whose financial or personal interest is at issue, the Vice Chair of the Board shall determine whether an actual or perceived conflict of interest exists and, if so, shall request that the Chair of the Board refrain from all such discussions and voting on the matter. In all cases the Board is the final authority on conflict of interest issues. The Board member whose financial or personal interest is the subject of any vote shall not be eligible to vote thereon.

3. If a member of the Board becomes aware that the University is about to engage in a permitted transaction, as defined below, with the Board member, his or her

spouse, parents, siblings or children or with any business with which any of the foregoing are associated, the Board member shall inform the other members of the Board at the earliest opportunity and, if possible, prior to the execution of the permitted transaction. The disclosure required in this paragraph shall be required whether or not the Board is expected to be involved in discussing or approving the permitted transaction.

### **C. Prohibition Against Acceptance of Gifts**

Members of the Board of Curators of the University of Missouri shall avoid accepting gifts for personal use, directly or indirectly, from prohibited sources, except as permitted in Section 10.090 C.2. below.

1. For the purposes of this policy, the following definitions shall apply:
  - a. **Gift** -- Gift shall mean any tangible or intangible item or items having a monetary value in excess of \$75.
  - b. **Prohibited Source** -- Prohibited source shall mean any person or entity, public or private, outside the University, with interests, financial or otherwise, that may be substantially affected by the recommendations, decisions, performance or non-performance of the official duties of the Board member.
2. Exceptions -- The following shall not be considered a violation of this policy:
  - a. Gifts that are available to the Board member on the same conditions as for the general public;
  - b. Educational materials utilized in the performance of the Board member's official duties;
  - c. Awards or honoraria administered by or through the University;
  - d. Gifts from the Board member's relatives, by blood or marriage; and
  - e. Any item of food, refreshment, entertainment or other benefit provided to the Board member while attending a meeting, conference or convention, as long as such item is provided on the same conditions as for other attendees and could not be considered as lavish.

### **D. Permitted Transactions**

1. Contingent upon compliance with the requirements of this Board Policy on Ethics and Conflict of Interest, it shall not be inappropriate for a Board member, his or her spouse, parents, siblings or children or for any business with which any of the foregoing are associated to enter into a contract with the University if the goods or services are donated to the University or if the contract is entered into in conformity with the University's rules and regulations pertaining to acquisition of goods or services, the University's competitive bidding processes, if applicable, and after compliance with all applicable conflict of interest statutes and policies.

#### **E. Definitions**

1. For purposes of interpreting and applying the provisions of this Board Policy on Ethics and Conflict of Interest, the phrase "business with which any of the foregoing are associated" shall include the following:

2. Any sole proprietorship owned by the Board member, the Board member's spouse, parents, siblings or children;

3. Any partnership or joint venture in which the Board member, the Board member's spouse, parents, siblings or children is/are a partner, other than as a limited partner of a limited partnership, and any corporation or limited partnership in which the Board member, the Board member's spouse, parents, siblings or children is/are an officer or director or of which either the Board member, the Board member's spouse, parents, siblings or children, whether singularly or collectively, owns in excess of ten percent of the outstanding shares of any class of stock or partnership units; or

4. Any trust in which the Board member is a trustee or settlor or in which the Board member, the Board member's spouse, parents, siblings or children, whether singularly or collectively, is a beneficiary or holder of a reversionary interest of ten percent or more of the corpus of the trust.

5. For purposes of interpreting and applying the provisions of this Board Policy on Ethics and Conflict of Interest, the phrase "conflict of interest" shall mean any act, action or situation that could lead to a violation of any of the matters set forth above entitled "PROHIBITED TRANSACTIONS" and shall further include an existing or potential financial interest of the Board member, his or her spouse or dependent child or children, in any matter pending before the Board or under consideration by the University.

6. For purposes of interpreting and applying the provisions of this Board Policy on Ethics and Conflict of Interest, the phrase "spouse, parents, siblings or children," whether in the singular or the plural or the conjunctive or the disjunctive, shall mean any current spouse, regardless of residence or degree of

support by the Board member; and shall mean any and all parents, stepparents, foster parents, siblings, stepsiblings, foster siblings, children, stepchildren or foster children residing in the Board member's household or who receive in excess of fifty percent of their support from the Board member.

7. For purposes of interpreting and applying the provisions of this Board Policy on Ethics and Conflict of Interest, the phrase "material financial gain" shall mean a financial gain of more than a nominal amount and which is distinguishable from the anticipated realizable financial gain of the public at large or of a special class of the public at large. For example, a curator will not be considered to have the potential for material financial gain if he or she participates in a decision on whether or not there should be a change in tuition and/or fees at the University of Missouri for all similarly situated students even if such curator, his or her spouse and/or dependent child or children will be affected by such increase.

#### **F. Conflict of Interest Disclosure Form**

1. [Conflict of Interest Disclosure Form](#)

#### **G. Family Disclosure Form**

1. [Family Disclosure Form](#)

Roll call vote of the Board:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

#### **General Business**

Naming Opportunity, Henry W. Bloch Executive Hall for Entrepreneurship and Innovation, UMKC – presented by Chancellor Morton

It was recommended by Chancellor Morton, endorsed by President Wolfe, moved by Curator Erdman and seconded by Curator Goode, that the following actions be approved:

that the building to be constructed at the University of Missouri – Kansas City pursuant to the Charitable Pledge Agreement, as modified, between the university and Henry W. Bloch be named the “Henry W. Bloch Executive Hall for Entrepreneurship and Innovation.”

Roll call vote:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

### Good and Welfare

Draft July 2012 Board of Curators meeting agenda – no discussion (on file)

It was moved by Curator Steward and seconded by Curator Downing, that the public session of the Board of Curators meeting, June 26-27, 2012, be adjourned.

Roll call vote:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

The public session of the Board of Curators meeting adjourned at 10:06 AM on Wednesday, June 27, 2012.

### **BOARD OF CURATORS MEETING – EXECUTIVE SESSION**

A meeting of the University of Missouri Board of Curators was reconvened in executive session at 10:25 A.M., on Wednesday, June 27, 2012, in the Donrey Media Room 211, of the University of Missouri campus, Columbia, Missouri. Curator David R. Bradley, Chairman of the Board of Curators, presided over the meeting.

#### Present

The Honorable David R. Bradley  
The Honorable Donald L. Cupps  
The Honorable Don M. Downing  
The Honorable Warren K. Erdman  
The Honorable Wayne Goode  
The Honorable David L. Steward

The Honorable Pamela Q. Henrickson was absent for the meeting.

#### Also Present

Mr. Timothy M. Wolfe, President  
Mr. Stephen J. Owens, General Counsel  
Ms. Cindy S. Harmon, Secretary of the Board of Curators  
Miss Amy G. Johnson, Student Representative to the Board of Curators

### **Compensation and Human Resources Committee Meeting – Executive Session**

Annual Performance Review, Board Secretary Harmon – presented by Curator Donald L. Cupps, Chairman of the Compensation and Human Resources Committee.

It was moved by Curator Erdman and seconded by Curator Goode, that the Board of Curators Compensation and Human Resources Committee Meeting, June 26-27, 2012, be adjourned.

Roll call vote of Committee:

Curator Cupps voted yes.



Curator Erdman voted yes.  
Curator Goode voted yes.

The motion carried.

There being no other business to come before the Compensation and Human Resources Committee the meeting was adjourned at 10:50 AM.

### **General Business**

General Counsel's Report – presented by General Counsel Owens.

University President's Report to the Board of Curators on contracts, property and personnel – presented by President Wolfe

Litigation Report – presented by General Counsel Owens (report on file in General Counsel's Office)

It was moved by Curator Downing and seconded by Curator Cupps, that the meeting of the Board of Curators, June 26-27, 2012, be adjourned.

Roll call vote:

Curator Bradley voted yes.  
Curator Cupps voted yes.  
Curator Downing voted yes.  
Curator Erdman voted yes.  
Curator Goode voted yes.  
Curator Henrickson was absent.  
Curator Steward voted yes.

The motion carried.

There being no further business to come before the Board of Curators, the meeting was adjourned at 11:45 A.M., on Wednesday, June 27, 2012.

Respectfully submitted,

A handwritten signature in cursive script that reads "Cindy S. Harmon".

Cindy S. Harmon  
Secretary of the Board of Curators  
University of Missouri System

Approved by the Board of Curators on July 27, 2012.