

EXCERPT FROM THE MINUTES

AUG 29 1996

2. U. T. Board of Regents - Regents' Rules and Regulations, Parts One and Two: Amendments to Comply with Previous Board Actions Regarding the Delegation of Selected Contract Approval Authority to Designated U. T. System Administration and Component Officials Effective September 1, 1996.--Upon recommendation of the Chancellor, The University of Texas System Process Review Committee, and the Business Affairs and Audit Committee, the Board, without objection, amended the Regents' Rules and Regulations, Parts One and Two as set forth on Pages 3 - 33 to implement the U. T. Board of Regents' actions approved at the May 1996 meeting regarding the delegation of selected contract approval authority to designated U. T. System Administration and component officials effective September 1, 1996.

These amendments to the Regents' Rules and Regulations delegate the authority to execute a variety of contracts and agreements to selected U. T. System Administration or component officials within specific guidelines, conditions, and restrictions. Previously these contracts and agreements were approved or ratified by the U. T. Board of Regents via the Docket process, and the elimination of these items from the Docket will produce a significant savings in staff time at the components and expedite contract administration.

This delegation of authority is consistent with the cost-saving programs recommended by the System Process Review Committee, chaired by Regent Lebermann, and provides an efficient method for the U. T. Board of Regents to delegate contracting authority as authorized by Section 65.31(g) of the Texas Education Code. Implementation of this delegated authority will be monitored periodically through routine reviews and audits.

- a. Part One, Chapter I (Board of Regents), Section 7, Subdivisions 7.13 and 7.14, relating to the committee structure of the U. T. Board of Regents, were amended to read as follows:

- 7.13 Authority of Standing Committees.--The authority of standing committees of the Board shall be subject to action of the whole Board. Except as provided in Subdivision 7.14 of this Section, the committees' actions must be ratified by the Board before they shall become effective.
- 7.14 Duties of the Executive Committee.--Any action taken by the Executive Committee pursuant to authority granted in Part One, Chapter I, Subsection 9.5 of these Rules and Regulations shall be effective at the time the action is taken by the committee unless otherwise stated by the committee and shall be reported to the Board at its next regularly scheduled meeting. The Executive Committee, after appropriate consultation with other members of the Board, shall act for the Board on all other items requiring immediate attention; provided that all actions taken by the Committee that are not authorized by Part One, Chapter I, Subsection 9.5 must be ratified by the Board.

- b. Part One, Chapter I, present Section 9, relating to the execution of documents on behalf of the U. T. Board of Regents, was deleted in its entirety and the following substituted in lieu thereof:

Sec. 9. Documents Executed on Behalf of the Board.

- 9.1 General Requirements.--Each Executive Officer and the chief administrative officers shall be responsible for identifying to the Chancellor contracts, agreements, and other documents for which he or she is responsible that are of such significance to require the prior approval of the Board. Each such matter so identified shall be presented to the Board by the Chancellor as an agenda item at a regular or special meeting of the Board. Upon approval, the Board shall designate the person(s) authorized to act on behalf of the Board with regard to the matter and shall specify any conditions or limitations on such authority. Documents executed on behalf of the Board pursuant to authority granted under these Rules and Regulations shall not require certification or attestation by the Executive Secretary to the Board.
- 9.2 Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents.--The Board delegates authority to execute and deliver contracts, agreements, and documents on behalf of the Board as set out in these Rules and Regulations. The Board shall take all actions necessary to maintain oversight and to implement all proper and necessary procedures with regard to such delegated authority. All authority to execute and deliver contracts, agreements, and other documents is subject to these Rules and Regulations and compliance with all applicable laws and special instructions or guidelines issued by the Chancellor, an Executive Vice Chancellor, or the Vice Chancellor and General Counsel.

- 9.21 Special instructions or guidelines by the Chancellor, an Executive Vice Chancellor, or the Vice Chancellor and General Counsel may include without limitation instructions concerning reporting requirements; standard clauses or provisions; ratification or prior approval by the Board, the Executive Committee of the Board, or the appropriate Executive Vice Chancellor; review and approval by the Office of General Counsel; and recordkeeping.
- 9.22 All contracts for consulting services for more than \$250,000 must be approved by the Executive Committee of the Board or approved by the Board via the docket or the agenda. Except as provided in Subdivision 9.23, all other contracts or agreements, including purchase orders and vouchers, with a cost or value of more than \$500,000 must be approved by the Executive Committee of the Board or approved by the Board via the docket or the agenda.
- 9.23 Contracts, agreements, and documents relating to construction projects previously approved by the Board in the Capital Improvement Program and Capital Budget and contracts or agreements, including purchase orders and vouchers, for the purchase of replacement equipment, routinely purchased supplies, purchases made under a group purchasing program, or purchases of new equipment identified specifically in the institutional budget approved by the Board do not require prior approval or ratification by the Executive Committee or the Board regardless of the contract amount.
- 9.24 The officer or employee executing any document on behalf of the Board shall be responsible for assuring that he or she has authority to act on behalf of the Board and that such authority is exercised in compliance with applicable conditions and restrictions.

- 9.25 The primary delegate identified in these Rules and Regulations may further delegate his or her delegated authority unless otherwise specified. Any such further delegation of authority must be made in writing and the primary delegate shall permanently maintain, or cause to be maintained, evidence of all such delegations. A delegate of the primary delegate may not further delegate such authority.
- 9.26 The primary delegate identified in these Rules and Regulations as authorized to execute and deliver on behalf of the Board various types of contracts, agreements, and documents shall maintain, or cause to be maintained, necessary and proper records with regard to all contracts, agreements, and documents executed and delivered pursuant to such delegated authority. An original of each executed contract or agreement shall be kept for a minimum period of four (4) years after the expiration of the contract or agreement, or longer as may be specified by any applicable records retention schedule or policy adopted by the Board, the U. T. System Administration, or the component.
- 9.27 All authority to execute and deliver contracts, agreements, and other documents is subject to compliance with all applicable laws and regulations and all applicable provisions of these Rules and Regulations.
- 9.28 All purchases, regardless of the source of funds, shall be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy.

- 9.3 Prior Approval, Ratification, and Reporting.--Actions taken pursuant to delegated authority must receive the prior approval of, be ratified by, or be reported to the Board only as specifically required in these Rules and Regulations, the policies of the Board, or any special instructions or guidelines issued as provided in these Rules and Regulations.
- 9.4 Actions of the Board as Trustee.-- Authority delegated by the Board in these Rules and Regulations includes actions that may be taken by the Board in its capacity as trustee of any trust, to the extent such delegation is permitted by law.
- 9.5 Delegation of Authority to the Executive Committee.--Except as may be specifically set out otherwise in these Rules and Regulations, the Board delegates to the Executive Committee of the Board authority to approve on behalf of the Board any contract, agreement, or document. When approving any contract, agreement, or document, the Committee shall designate the officer, employee, or agent authorized to execute and deliver the contract or agreement and specify any other required approvals. The designated delegate may further delegate his or her delegated authority unless otherwise specified. Any such further delegation of authority must be made in writing and the designated delegate shall permanently maintain, or cause to be maintained, evidence of any such delegation. A delegate of the primary delegate may not further delegate such authority. The Executive Committee shall report to the Board at its next regular meeting actions taken by the Committee on behalf of the Board as provided in Part One, Chapter I, Section 7 of these Rules and Regulations.

9.6 Exceptions.--This Section does not apply to the following:

9.61 Management of assets by UTIMCO, which is governed by contract and the provisions of Part Two, Chapter IX of these Rules and Regulations.

9.62 The acceptance, processing, or administration of gifts and bequests, which actions are governed by Part Two, Chapter I and Part Two, Chapter IX of these Rules and Regulations and applicable policies of the Board.

9.63 Any power, duty, or responsibility that the Board has no legal authority to delegate, including any action that the Constitution of the State of Texas requires be taken by the Board.

c. Part One, Chapter II (Administration), Section 6, Subdivisions 6.2(10) and 6.2(11), relating to the duties of the Executive Vice Chancellor for Business Affairs, were amended to read as follows:

6.2(10) Managing the operations of the offices listed below through such internal administrative organization as he/she deems to be appropriate:
Office of the Associate Vice Chancellor for Business Affairs
Office of Historically Underutilized Business Development
Office of the Director of Police
Office of the Assistant Vice Chancellor and Controller
Budget Office
Office of Information Resources
Office of Business and Administrative Services
Director of Accounting regarding System Administration accounts
Office of the Assistant Vice Chancellor for Finance
Office of Facilities Planning and Construction
Office of Finance

Real Estate Office
Office of Human Resources
Office of Employee Group
Insurance Program
West Texas Operations
University Lands
Accounting Office
Surface Interests
Oil, Gas & Mineral
Interests

6.2(11) Supervising and coordinating the acquisition, lease, disposition, and/or management of all real property owned or controlled by the Board with a goal of maximizing the income to be realized from the operation, lease, or conveyance of these properties. In discharging this responsibility, the Executive Vice Chancellor for Business Affairs shall work closely with the appropriate Executive Vice Chancellor and chief administrative officer with regard to the management and conveyance of real property owned or controlled by the Board for the benefit of a particular institution. The Executive Vice Chancellor for Business Affairs shall establish procedures that assure effective coordination with the Director of Estates and Trusts with regard to gifts of real property to the Board.

d. Part One, Chapter II, Section 7, Subdivisions 7.27 and 7.29, relating to the duties of the Vice Chancellor and General Counsel, were amended to read as follows:

7.27 Directing and managing (within applicable limits of authority) all litigation and administrative agency hearings; authorizing and approving the institution of legal proceedings; evaluating, directing and approving action and procedures relative to prosecution or defense of pending litigation and administrative proceedings; employing outside counsel; authorizing and approving settlement of claims, disputes, and litigation as authorized in Part Two, Chapter XI, Section 3 of these Rules and Regulations; and authorizing and approving appeal of litigation.

- 7.29 Reviewing and making recommendations regarding the form of institutional Handbooks of Operating Procedures, whether finally approved or not, and all amendments to such Handbooks.
- e. Part One, Chapter II, Section 7, relating to the duties of the Vice Chancellor and General Counsel, was amended by adding new Subdivisions 7.2(16) and 7.2(17) to read as follows:
- 7.2(16) Establishing and maintaining guidelines regarding the legal review and form of contracts and agreements, and recordkeeping requirements.
- 7.2(17) Legal review and approval of the form of all amendments to the Regents' Rules and Regulations.
- f. Part One, Chapter II, Section 10, relating to officers of System Administration and other code 1000 staff, was amended to read as follows:
- Sec. 10. Officers of System Administration and Other Code 1000 Staff.
- 10.1 Executive Officers.--For purposes of these Rules and Regulations, the Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Governmental Relations, the Vice Chancellor for Development and External Relations, the Associate Executive Vice Chancellor for Academic Affairs, the Associate Vice Chancellor for South Texas/Border Area Development, the Executive Associate to the Chancellor, the Associate Vice Chancellor for Business Affairs, and the Special Consultant to the Chancellor are the Executive Officers of The University of Texas System.

10.2 Other Code 1000 Staff and Officers of System Administration.--Staff and officers of System Administration designated as code 1000 shall be appointed by the Chancellor, the Executive Vice Chancellors, or Vice Chancellors to whom they will report, and shall have appropriate job descriptions on file with the Office of Human Resources. Persons so appointed shall not have tenure by virtue of their respective positions. They shall serve without fixed term, subject to the pleasure of the officer to whom they report. The actions of the appointing officer concerning such positions are in turn subject to review and approval by the Chancellor or the Board as required by the Regents' Rules and Regulations.

g. Part Two, Chapter I (General), Section 1 (Gifts to The University of Texas System), Subsection 1.1 was amended to read as follows:

1.1 The authority to accept gifts to the System or to any of the components is vested in the Board and delegated by the Board as specifically set out in this Section.

h. Part Two, Chapter I, Section 1 was amended by deleting present Subsections 1.3 and 1.4 and substituting the following in lieu thereof:

1.3 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to accept gifts that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts are not processed, managed, or administered by the Office of Development and External Relations, are unrestricted or are restricted only as to a particular college, school, or unit, and have a value of less than \$500,000 (in cash or in kind).

- 1.4 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to accept all gifts of any value (either in cash or in kind) that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines, and are processed or administered by the Office of Development and External Relations.
- i. Part Two, Chapter I, Section 1 was amended by adding new Subsections 1.5 through 1.7 as follows:
- 1.5 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to take any and all necessary or desirable actions relating to the administration and management of gifts accepted by the Office of Development and External Relations, including without limitation the modification or termination of trusts, endowments, and quasi-endowments as may be permitted by applicable law, policies and these Rules and Regulations.
- 1.6 The Board delegates to the chief administrative officer, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts accepted by the chief administrative officer or accepted by the Board as an agenda item.
- 1.7 The Board delegates to the Vice Chancellor for Development and External Relations, or a designee specified in writing, authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts processed or administered by the Office of Development and External Relations.
- j. Part Two, Chapter I, Section 1 was amended by renumbering present Subsections 1.5 through 1.(11) as Subsections 1.8 through 1.(14).

- k. Part Two, Chapter I, Section 3, title and Subsection 3.1, relating to endowment of academic positions, was amended to read as follows:

Sec. 3. Academic Positions.

3.1 No endowment will be established or announced without prior approval by the Board or its designee(s). No initial appointment will be made to an endowed or named academic position without prior approval by the chief administrative officer after review and approval by the appropriate Executive Vice Chancellor as a Request for Budget Change. Subsequent new or continuing appointments to the endowed or named academic positions may be approved as a part of the annual operating budget.

- l. Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4, Subsection 4.1, Subdivision 4.11, relating to local institutional funds, was amended to read as follows:

4.1 All institutional funds not required to be deposited in the State Treasury must be deposited in official depository banks for safekeeping or invested as specified by law and by the applicable Rules and Regulations, Business Procedure Memoranda and Investment Policy Statements.

4.11 Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. The Board delegates to UTIMCO or the Executive Vice Chancellor for Business Affairs authority to execute and deliver depository and custody agreements when such deposit agreements are with banks meeting the then current policies of the Board and are in substantially the form of a standard deposit agreement approved by the Board or, for other agreements, in a

form approved by the Office of General Counsel. Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, the Board delegates to each chief administrative officer and the Executive Vice Chancellor for Business Affairs the authority to execute and deliver contracts for banking services with banks that have a depository agreement with the Board.

- m. Part Two, Chapter IV (Purchasing), present Section 1, relating to authority to obligate institutional funds, was deleted in its entirety.
- n. Part Two, Chapter IV was amended by renumbering present Section 2, relating to purchasing ethics, as Section 1 and amending renumbered Subsection 1.5 to read as set forth below:
 - 1.5 All purchases, regardless of the source of funds, shall be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy.
- o. Part Two, Chapter IV was amended by renumbering present Sections 3 through 5, relating to certain purchasing guidelines, as Sections 2 through 4.
- p. Part Two, Chapter IV, present Section 6, relating to space leases, was deleted in its entirety.
- q. Part Two, Chapter IV was amended by renumbering present Section 7, relating to certain purchasing guidelines, as Section 5 to read as follows:
 - Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate

Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction.

- r. Part Two, present Chapter VIII (Physical Plant Improvements) was deleted in its entirety and the following substituted in lieu thereof:

CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

- 1.1 Institutional Building Advisory Committees.--There may be an Institutional Building Advisory Committee for each component. The duties, composition, and appointment of the members of the Institutional Building Advisory Committee shall be set forth in the Handbook of Operating Procedures of each component. The Institutional Building Advisory Committee shall have no further direct responsibility after the construction contract is awarded but shall be available for consultation as the building progresses, as requested by the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or the project architect or engineer.
- 1.2 Ad Hoc Project Building Committee.--The chief administrative officer may appoint, according to the institutional Handbook of Operating Procedures, an Ad Hoc Project Building Committee composed of, but not limited to, representatives of the departments or divisions that will occupy the building. The chairperson of the Institutional Building Advisory Committee, or his or her delegate, shall be an ex officio member of each Ad Hoc Project Building Committee. The committee shall work with the Office of Facilities Planning and Construction to prepare a

facility program in accordance with the Facilities Programming Guidelines maintained by the Office of Facilities Planning and Construction.

Sec. 2. Major Construction and Repair and Rehabilitation Projects.

2.1 General Requirements.

- 2.11 Subject to Subdivisions 2.12, 2.13, 2.14 and 2.15 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair and renovation projects exceeding \$600,000 ("Major Projects") that have previously been approved or authorized by the Board.
- 2.12 Major Projects must be approved by the Board by being included in the approved Capital Improvement Program.
- 2.13 Funding for Major Projects must be allocated and appropriated by the Board through the Capital Budget.
- 2.14 Costs in excess of an amount equal to the Total Project Cost approved by the Board plus ten percent or any material change in the concept or scope of the project must be approved by the Board.
- 2.15 Construction contracts executed and delivered on behalf of the Board for Major Projects shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel. Payment and performance bonds, when required by law for contracts, shall be on a standard form approved by the Office of General Counsel.

2.16 The Chancellor or delegate shall approve the construction contractor's estimates, sign change orders, and provide general supervision of all Major Projects. To meet funding requirements in excess of the Total Project Cost approved by the Board, the Chancellor with the advice of the appropriate Executive Vice Chancellor and chief administrative officer is authorized to reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13, provided that costs do not exceed the Total Project Cost approved by the Board plus ten percent.

2.2

Major Projects Procedures.

2.21 Following Board approval of a Major Project and the Preliminary Project Cost, the Institutional Building Advisory Committee shall make recommendations to the chief administrative officer regarding priorities for new construction consistent with the needs of the component.

2.22 The facility program must be approved by the Chancellor.

2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect or engineer for each Major Project or portion thereof as may be desirable or required by law. The Chancellor is authorized to adopt a standard contract form or forms, subject to approval by the Office of General Counsel, for the employment of architects and engineers to provide professional services.

2.24 After approval of the facility program, the Chancellor or delegate is authorized to give the project architect or engineer the facility program and direct the preparation of schematic plans, exterior design and

site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans"), and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to fix the design, dimensions, materials, and scope of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect or engineer shall work with the Ad Hoc Project Building Committee, if any, and the Office of Facilities Planning and Construction with regard to preparation of all plans and documents.

- 2.25 Design Development Plans for Major Project new construction and for architecturally or historically significant repair and rehabilitation projects shall be submitted to the Board for approval upon the recommendation of the Chancellor. The Executive Officers and chief administrative officers shall be responsible for identifying to the Chancellor architecturally or historically significant major repair and rehabilitation projects. Upon approval of the Design Development Plans for Major Project new construction or an architecturally or historically significant repair and rehabilitation project, the Board will authorize expenditure of funds for the Project.
- 2.26 The Chancellor is authorized to approve Design Development Plans and authorize expenditure of funds for all other Major Project repair and renovation.
- 2.27 After approval of the Design Development Plans, the Chancellor is authorized to direct the preparation of the working drawings and specifications ("Construction Documents").

2.28 The Chancellor is authorized to approve the Construction Documents upon the recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor.

Sec. 3. Minor Construction and Repair and Rehabilitation Projects.

- 3.1 Delegation of Authority.--Subject to Subsections 3.2, 3.3, and 3.4 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Regulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, and other documents on behalf of the Board for all new construction projects of \$300,000 or less and for repair and rehabilitation projects of \$600,000 or less ("Minor Projects").
- 3.2 Required Review and Approval.--Minor Projects shall be subject to review as directed by the appropriate Executive Vice Chancellor. If the Minor Project is to accommodate facility program changes requiring System approval or approval of the Texas Higher Education Coordinating Board, then (i) necessary facility program approvals must be secured in advance of requests for construction approval or must be included with the construction request; (ii) funds must have been approved through standard System budgetary procedures; and (iii) the project must have been approved by the component director of physical plant, chief business officer, and chief administrative officer.
- 3.3 Professional Services.--Subject to the provisions of Part One, Chapter I, Section 9 of these Rules and Regulations, each chief administrative officer is authorized to execute and deliver on behalf of the Board contracts and agreements with architects, engineers, and other professional service providers for

Minor Projects previously approved in accordance with this Chapter. Contracts with architects and engineers shall be on a standard form adopted by the Chancellor pursuant to Subdivision 2.22.

Sec. 4. Bidding, Award of Contract, and Final Payment.

- 4.1 Advertisement for Bids.--The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids for Major Projects.
- 4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids; provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder.
- 4.3 Proposed Decision for Award.--The Responsible Administrator or delegate shall receive and open bids, and, with the project architect or engineer, if any, and others, tabulate and study such bids. After tabulation and study of the bids, the Responsible Administrator shall make a proposed decision for award.
- 4.4 Notice of Proposed Decision for Award.--In the event the lowest bidder is found to be not responsible, or other facts and circumstances necessitate award of contract to other than the lowest bidder, the bidder(s) submitting proposal(s) lower than the bidder to whom award is proposed shall be notified of the proposed decision for award. If the lowest bidder fails to timely file notice of protest, the proposed decision for award will be final.

- 4.5 Notice of Protest.--If the lowest bidder timely files notice of protest, the Responsible Administrator will hear the protest or will appoint a Hearing Officer who shall promptly convene and conduct a hearing and subsequently prepare and submit a report of his or her findings to the Responsible Administrator. The Responsible Administrator shall make a final decision based upon the records of the hearing before the Hearing Officer.
- 4.6 Award of Contract.--All contracts associated with construction projects shall be awarded by the Responsible Administrator. The contract must be signed by the contractor(s) and the Responsible Administrator.
- 4.7 Final Payment.--The Responsible Administrator or delegate shall inspect the completed building and is authorized to approve final payment.

Sec. 5. Constitutional and Legislative Restrictions.

- 5.1 Improvements Financed by Bonds.--Sections 17 and 18 of Article VII of the Texas Constitution (regarding the Permanent University Fund and the Higher Education Assistance Fund) require approval by the Legislature, or an agency designated by the Legislature, prior to the construction of physical improvements financed by bonds authorized under those Sections at components other than The University of Texas at Austin.
- 5.2 Texas Higher Education Coordinating Board.--Unless otherwise authorized by law, new construction projects in excess of \$300,000 and major repair and rehabilitation projects in excess of \$600,000 must be approved by the Texas Higher Education Coordinating Board. Format for submission will be as prescribed by the Coordinating Board. Submission will be prepared by the component, in consultation with and assisted by the Office of Facilities

Planning and Construction, if necessary, and forwarded to System Administration for review, approval, and handling of submission. It is anticipated that necessary documents will be submitted to the Coordinating Board when the project scope and estimated cost are sufficiently defined to meet the Coordinating Board's requirements for approval. Normally, submission will be made after the Chancellor and the Board have approved the Design Development Plans and the related cost estimate.

- s. Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands), Section 1, relating to authority regarding assets, was amended to read as follows:

Sec. 1. Authority Regarding Assets.--Except as otherwise specified in these Rules and Regulations, the authority to manage and invest assets owned or controlled by the Board shall be as set forth in this Chapter.

- 1.1 The management and disposition of interests in real property owned or controlled by the Board, other than real property acquired and managed by UTIMCO for investment purposes, is governed by Section 6 of this Chapter and the remainder of this Chapter does not apply.
- 1.2 All assets received by the Board to establish an endowment (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.

- 1.3 All assets received by the Board through a bequest, a distribution from an account held in trust by others, or any planned gift shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management.
- 1.4 Rights in intellectual property received by the Board through a gift or bequest shall be accepted and processed by the Office of Development and External Relations and, after acceptance and processing, shall be delivered to the appropriate office for management in accordance with Part Two, Chapter XII of these Rules and Regulations. This Chapter shall not apply to rights in intellectual property owned or controlled by the Board except as provided in this Subsection.
- 1.5 All assets of the Permanent University Fund, other than Permanent University Fund lands, shall be managed by UTIMCO or as otherwise directed by the Board.
- 1.6 All assets received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO or as otherwise directed by the Board until such funds terminate.
- 1.7 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated system funds") shall be managed with respect to investment of such funds as set forth below:
 - 1.71 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund,

and the Vision Services Fund in the same manner that chief business officers may invest the operating funds of each component.

1.72 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.

1.8 Assets that are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, a life income or annuity fund, or consolidated System funds shall be managed as set forth in this Subsection:

1.81 Tangible personal property shall be managed by the chief administrative officer.

1.82 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer.

t. Part Two, Chapter IX, Section 2, relating to authorizations regarding sales, assignments, conveyances, receipt of property, and proxies, was amended by deleting present Subsection 2.5 in its entirety, renumbering present Subsections 2.6, 2.7, and 2.8 as Subsections 2.5, 2.6, and 2.7, and amending renumbered Subsection 2.5 to read as follows:

Sec. 2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.

2.5 Authority to Receive and Collect Money or Property.

2.51 UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or

belonging, or that may become due, payable, or belonging to the PUF or the Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment. The authority granted in this Subdivision does not include the authority to institute litigation on behalf of the Board.

2.52 The Vice Chancellor for Development and External Relations or the Director - Estates and Trusts is authorized to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due or payable to the Board from any person or persons as a result of, or relating to, a gift or bequest and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the receipt, handling, management, control, and disposition of any asset acquired by gift or bequest unless and until such time as the Office of Estates and Trusts has delivered the asset to another office for management purposes as provided in these Rules and Regulations.

2.6 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.-- UTIMCO is authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.

2.7 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

- u. Part Two, Chapter IX was amended by adding a new Section 6 on matters relating to real property to read as set forth below:

Sec. 6. Matters Relating to Real Property.

- 6.1 Management of Interests in Real Property Generally.--All interests in real property owned or controlled by the Board shall be administered and managed by the System Real Estate Office, except Permanent University Fund lands, real properties used for institutional purposes, and real property investments managed by UTIMCO. "Institutional purposes" shall not include use solely to generate funds for the institution.
- 6.2 Management of Real Properties Used for Institutional Purposes.--All interests in real property owned or controlled by the Board and used for institutional purposes shall be administered and managed by the component, with the assistance and supervision of the System Real Estate Office.
- 6.3 Management of Permanent University Fund Lands.--Permanent University Fund lands shall be administered and managed by the West Texas Operations Office.
- 6.4 Delegation of Authority.--Subject to Subdivisions 6.41 and 6.42 of this Subsection and the general provisions of Part One, Chapter I, Section 9 and except as provided in Subdivision 6.43 or otherwise specified in these Rules and Regulations, the Board delegates to the Executive Vice Chancellor for Business Affairs the authority to execute and

deliver on behalf of the Board contracts, agreements, and other documents or instruments regarding or conveying interests in, real property owned or controlled by the Board, including Permanent University Fund lands; real property acquired by purchase, gift, or bequest; and real property used for institutional purposes. The authority granted in this Subsection shall include all instruments necessary and convenient relating to the management, control, sale, lease, and disposition of any real property, including mineral interests, owned or controlled by the Board, and licenses, permits for activities on such lands, and instruments relating to mortgages.

- 6.41 The delegate shall comply with all guidelines issued by the Office of General Counsel.
- 6.42 The delegate shall consult with the institutional chief business officer prior to approving and executing any agreement or instrument relating to lands used for institutional purposes.
- 6.43 The authority granted by this Subsection 6.4 does not include authority to execute or deliver binding agreements relating to the acquisition of real property, except easements and other similar agreements necessary to implement projects approved by the Board in the Capital Improvement Program and the Capital Budget.

- 6.5 Delegation of Authority Regarding Space Leases.--Subject to Subdivision 6.41 of this Section and the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer the authority to execute and deliver on behalf of the Board lease agreements and related documents for the purpose of leasing space for use by the institution for institutional purposes.

- 6.6 Responsibilities of the Board Under Oil and Gas Leases and Other Documents Issued by the Board for Lease.--The Board delegates to the Executive Vice Chancellor for Business Affairs authority to take any action on behalf of the Board as may be necessary or desirable with regard to the management and administration of oil and gas leases and other instruments issued by the Board for Lease of University Lands, including without limitation, promulgating forms and requiring submission of documents, records, or reports to verify gross production, and disposition and market value of the production.
- 6.7 All Real Property Interests Held in the Name of the Board.--Title to all interests in real property, including leasehold interests, held for the use or benefit of the System, a component, or otherwise shall be held in the name of the Board.
- 6.8 Gifts and Bequests.--The Office of Development and External Relations shall accept and process real property received via a bequest or planned gift, from an account held in trust by others, or to establish an endowment, a fund functioning as an endowment, or a life income or annuity fund. The Office of Development and External Relations shall coordinate the acceptance, receipt, and processing of all such real estate with the System Real Estate Office and upon completion of such processing transfer same to the System Real Estate Office for management.
- 6.9 Rents, Mortgages, and Other Charges.--The Board delegates to the System Real Estate Office authority to collect, and account for, all rents, mortgages, and other charges relating to real property managed by that Office.

- v. Present Chapter XI (Contracts and Grants) of Part Two was deleted in its entirety and the following substituted in lieu thereof and the Regents' policy relating to Settlement of Claims and Litigation as approved at the May 1995 meeting of the U. T. Board of Regents was rescinded:

Chapter XI

CONTRACT ADMINISTRATION

- Sec. 1. Delegation of Authority.--Subject to Subsection 1.1 and to the general provisions of Part One, Chapter I, Section 9 and except as otherwise provided in these Rules and Regulations, the Board delegates to the chief administrative officers authority to execute and deliver on behalf of the Board contracts and agreements of any kind or nature, including without limitation licenses issued to the Board or a component.
- 1.1 Business Aspects.--The chief business officer of the component or the Executive Vice Chancellor for Business Affairs, as appropriate, shall approve the business aspects of contracts or agreements prior to execution.
- 1.2 Applicability.--This Chapter applies to all contracts and agreements except contracts or agreements relating to personnel, faculty, athletics or athletic events, real properties (except the lease of space for use by a component), physical plant improvements, acceptance or administration of gifts or bequests, intellectual properties owned or controlled by the Board, contracts and grants for sponsored research, contracts for legal services, and agreements to settle claims, disputes, or litigation.
- Sec. 2. Special Approval Processes.
- 2.1 Foreign Contracts.--A contract or agreement with a foreign government or agency thereof or with an institution, corporation, enterprise, or individual subject to the jurisdiction of a foreign

government shall be submitted to the Board for approval as an item on the agenda or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.

- 2.2 System Administration and System-Wide Contracts.--Subject to Section 1, the Board delegates to the Executive Vice Chancellor for Business Affairs authority to execute and deliver on behalf of the Board contracts or agreements with third parties affecting only System Administration or, with the concurrence of the components affected, contracts for the benefit of all or a majority of the components.
- 2.3 Contracts Between or Among Components.--The Board delegates to the chief administrative officer authority to execute and deliver on behalf of the Board contracts or agreements between or among components for resources or services. Any such contract or agreement shall provide for the recovery of the cost of services and resources furnished.

Sec. 3. Legal Matters.

- 3.1 Contracts for Legal Services.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board contracts for legal services after obtaining any necessary approvals from the Office of the Attorney General.
- 3.2 Settlement of Disputes.--The Board delegates to the Vice Chancellor and General Counsel authority to execute and deliver on behalf of the Board agreements settling any claim, dispute, or litigation with a third party in the following amounts. The Vice Chancellor and General Counsel shall consult with the chief administrative officer and the appropriate Executive Vice Chancellor with regard to all significant settlements that will be paid out of institutional funds. The Vice

Chancellor and General Counsel shall consult with the Office of Development and External Relations with respect to settlement of will contests and other matters relating to gifts and bequests administered by that Office.

<u>Amount</u>	<u>Additional Requirements</u>
\$150,000 or less	None
\$150,001 to \$300,000	Concurrence of the Chancellor or the appropriate Executive Vice Chancellor
\$300,001 to \$500,000	Concurrence of the Chairman of the Board
More than \$500,000	Concurrence of the Board of Regents, the Executive Committee, or the appropriate standing committee of the Board

w. Part Two, Chapter XII (Intellectual Property), Section 9, Subsection 9.1, regarding the approval of legal documents relating to rights in intellectual property, was amended to read as follows:

9.1 Sponsored research agreements, except as provided below, and license agreements, except trademark license agreements on a standard form, that grant to a third party an interest in intellectual property shall be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer and the appropriate Executive Vice Chancellor. Agreements such as clinical trial agreements, pre-clinical laboratory studies, material transfer agreements, nondisclosure agreements, and trademark license agreements on a standard

form that do not require the review of the Office of General Counsel may be executed and delivered in accordance with the provisions of the Regents' Rules and Regulations, Part Two, Chapter XI.

- x. A new Chapter XIII, relating to contracts and grants for sponsored research, was added to Part Two as follows:

Chapter XIII

CONTRACTS AND GRANTS FOR SPONSORED RESEARCH

- Sec. 1. Delegation of Authority.--Subject to Subsections 1.1 and 1.2 of this Section and to the general provisions of Part One, Chapter I, Section 9, the Board delegates to each chief administrative officer authority to execute and deliver on behalf of the Board contracts or grant proposals for sponsored research from or with third parties, including institutional support grants. Funds shall not be encumbered or expended prior to execution of the contract or grant by the chief administrative officer. The chief business officer or delegate must approve the business aspects of contracts or agreements prior to execution.
- 1.1 Intellectual Property.--Sponsored research agreements and license agreements shall be processed as required by Part Two, Chapter XII, Subsection 9.1 of these Rules and Regulations.
- 1.2 Foreign Contracts.--A contract for sponsored research from a foreign government or agency thereof or with an institution, enterprise, or individual subject to the jurisdiction of a foreign government shall be submitted to the Board for approval as an agenda item or via the institutional docket, as determined by the appropriate Executive Vice Chancellor.

Sec. 2. Budgets, Overhead Rates, and Specialized Rates.

- 2.1 Budget.--Expenditures under any contract or grant must conform to the detailed budget, if any, included in the proposal for such contract or grant, as such budget may be amended by authorized procedures.
- 2.2 Overhead Rates.--Proposals regarding overhead rates and specialized rates for fringe benefits, computers, services, and other facilities and equipment chargeable to cost-reimbursement contracts and grants shall be negotiated with the appropriate cognizant agency by the institution's chief business officer. The chief business officer shall send a copy of the final negotiated agreement to the Controller.
- 2.3 Renewals and Replacements.--To the extent that indirect cost recoveries from the application of overhead rates are derived from use charges for buildings, other improvements, or equipment, the funds so derived shall be designated for renewals or replacements of such buildings, improvements, or equipment or for other purposes specified and approved in the budget processes as related to the indirect cost recoveries.

For the record, the foregoing amendments contain substantive and minor editorial corrections as summarized below:

- a. Regents' Rules and Regulations, Part One, Chapter I (Board of Regents) -- Adds conditions generally applicable to the delegation of contracting authority, including a limitation specifying that delegated contracting authority applies only to consulting contracts with a value of less than \$250,000 and all other contracts with a value of less than \$500,000, except group purchases, the purchase of replacement equipment and routine supplies, and certain previously approved equipment purchases, for which no maximum contract value will apply; specifies that acquisitions must be made on a competitive basis unless otherwise authorized by law, U. T. System policy, or approved component policy; and amends the duties of the Executive Committee to allow the Executive Committee to approve contracts on behalf of the Board.
- b. Regents' Rules and Regulations, Part One, Chapter II (Administration) -- Updates the description of certain offices within the Office of Business Affairs and clarifies the duties of the Executive Vice Chancellor for Business Affairs; amends the duties of the Vice Chancellor and General Counsel as necessary to accomplish the delegation of authority; and specifies who the System Executive Officers are.
- c. Regents' Rules and Regulations, Part Two, Chapter I (General) -- Clarifies authority to accept, process, and administer gifts and bequests and delegates authority, subject to certain restrictions, to the chief administrative officer to make initial appointments to an endowed or named academic position.
- d. Regents' Rules and Regulations, Part Two, Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations) -- Clarifies contracting authority relating to depository agreements and banking services.

- e. Regents' Rules and Regulations, Part Two, Chapter IV (Purchasing) -- Deletes specific contracting authority previously assigned to the official purchasing agents of the components; deletes specific authority relating to space leases; and clarifies provisions relating to approval for purchase from or sale to an employee. The authority previously assigned to the official purchasing agents is now included in the more broad contracting authority delegated in Part Two, Chapter XI of the Regents' Rules and Regulations. Authority to enter into space leases is now included in Part Two, Chapter IX, Section 6, relating to the management and disposition of interests in real property.
- f. Regents' Rules and Regulations, Part Two, Chapter VIII (Physical Plant Improvements) -- Reorganizes the provisions of the Chapter; with regard to major construction projects, delegates to the Chancellor or his designee the authority to enter into contracts within parameters previously approved or authorized by the Board; incorporates certain provisions of the revised capital improvement process approved by the Board in December 1994; and delegates to the chief administrative officers, or designee, the authority to enter into contracts with regard to minor construction and repair and rehabilitation projects.
- g. Regents' Rules and Regulations, Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands) -- Clarifies authority of the Office of Development and External Relations to accept, process, and administer certain assets received by gift or bequest and clarifies delegated authority relating to the management and disposition of real property interests owned or controlled by the Board.
- h. Regents' Rules and Regulations, Part Two, Chapter XI (Contract Administration) -- Delegates contracting authority generally to the chief administrative officers subject to specified conditions and restrictions; delegates contracting authority for System Administration and System-wide contracts to the Executive Vice Chancellor for Business Affairs; and delegates contracting authority relating to legal matters to the Vice Chancellor and General Counsel.

- i. Regents' Rules and Regulations, Part Two, Chapter XII (Intellectual Property) -- Clarifies the type of contracts to which Chapter XII applies and specifies certain types of intellectual property contracts and agreements that may be executed and delivered pursuant to the delegation of contracting authority in the Regents' Rules and Regulations, Part Two, Chapter XI.

- j. Regents' Rules and Regulations, Part Two, Chapter XIII (Contracts and Grants for Sponsored Research) -- Adds a new Chapter delegating authority to pursue grants and enter into contracts for sponsored research to the chief administrative officers. Provisions relating to contracts and grants for sponsored research previously found in Part Two, Chapter XI have been moved to this new Chapter.

EXCERPT FROM THE MINUTES

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter V, Section 3 (Employee Training, Education, and Development).--In order to clarify the guidelines to be followed by The University of Texas System component institutions when adopting programs relating to employee training, education, and development, the Board, upon recommendation of the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapter V, Section 3 regarding Employee Training, Education, and Development as set forth below:

AUG 8 1995

Sec. 3. Employee Training, Education, and Development.

3.6 Higher Education Tuition Support Program.

- 3.61 Definition: This program will provide financial assistance for graduate or undergraduate level training leading to a degree. It provides for student enrollment and is to be for selected, qualified employees of the U. T. System. This program will be provided on the basis of institutional need and to the extent funds are available.
- 3.62 Objective: To provide a college or university education for qualified employees as specifically required in their areas of employment.

- 3.63 Program Elements: This training is to provide student enrollment in a graduate or undergraduate program leading to a degree that directly relates to that employee's current or future employment.
- 3.64 Administration: Eligibility Requirements.
- 3.641 Selected employees must have necessary academic qualifications to meet all entrance requirements of the college or university where training is provided.
- 3.642 Degree training must be directly related to an existing job or job series.
- 3.643 Selected employees should be scheduled for appointment to a job requiring the degree training on completion of schooling.
- 3.644 Selected employees must meet requirements and be recommended through the chief administrative officer and approved by the institutional human resources/personnel director or the Director of the Office of Human Resources.
- 3.645 Selected employees on educational stipend shall be considered as employees and accrue vacation, sick leave, group insurances, and other benefits while in a student status.
- 3.646 Participating employees must receive grades of "C" or better in undergraduate classes and "B" or better in graduate courses to continue eligibility.
- 3.65 Administration: Obligations. Employees who receive financial assistance under this program, in completion of either undergraduate or advanced degrees, will be obligated to fulfill the following terms and conditions:
- 3.651 An agreement to be bound by the rules and regulations contained herein and such other policies, rules, and procedures as may be promulgated by the employing entity.

3.652 An agreement to return to the employing entity upon graduation and attainment of the degree and to remain in the employment for a period of time subsequent to graduation that is proportionate either to the period of time the employee has received financial assistance to attend college or university or to the amount of financial assistance received, or at the institution's option.

3.653 An agreement to execute a formal obligatory document between the employing entity and the recipient of assistance under this program, to repay in a lump sum or such alternate arrangement as the employing entity may prescribe, the amount of money expended for the cost of such college education if the individual for any reason, except circumstances beyond the individual's control, fails to complete the training or otherwise defaults in any provision of the agreement or agreements.

3.7 In-Service Training and Education Program.

3.71 Definition: Human resource development may include on-the-job training, training in preparation for future job responsibilities, and continuing training programs that are designed to increase job effectiveness.

3.72 Objectives: To equip an individual to perform job specific tasks and/or to equip the employee to deal with new technological and legal developments, to develop additional work capabilities, or increase the employee's level of effectiveness.

EXCERPT FROM THE MINUTES

MAY 9 1996

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter IX, Section 2 (Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies) and Ratification of Certain Sales Transactions Effected on Behalf of the Board of Regents.--Approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter IX, Section 2 (Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies) to read as set forth below:
 - a. Subsection 2.1 was amended to read as follows:
 - 2.1 Authority to Purchase, Exchange, and Sell Securities for and on Behalf of the Permanent University Fund (hereinafter sometimes referred to as "PUF") and the Board.--Pursuant to an Investment Management Services Agreement, UTIMCO shall be authorized to purchase, exchange, and sell, for and on behalf of the PUF or the Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, external investment managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.
 - b. A new Subsection 2.3 was added, present Subsections 2.3 through 2.7 were renumbered as Subsections 2.4 through 2.8, and renumbered Subsection 2.6 was amended to read as set forth below:
 - 2.3 Additional Authority to Sell Securities for and on Behalf of the Board.--The Director - Estates and Trusts shall be authorized to sell, for and on behalf of the Board, any and all securities of any description whatever from any source, received as gifts and/or bequests, registered in the name of the Board, or in any other form of registration of such securities held for the account of the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts managed and controlled by said Board.
 - 2.4 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the Board.

EXCERPT FROM THE MINUTES

- 2.5 Authority to Execute Instruments Relating to Land and Mineral Interests.--The authority to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board is hereby authorized as follows:
Real Estate or Mineral Interests held as part of the PUF, gift real estate or campus lands, and not held as part of an investment portfolio managed by UTIMCO:
The Chancellor or his or her delegate
The Executive Vice Chancellor for Business Affairs or his or her delegate.
- 2.6 Authority to Receive and Collect Money and/or Property.--
(i) UTIMCO is authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from investment transactions, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any investment.
(ii) The Vice Chancellor for Development and External Relations and/or the Director - Estates and Trusts are authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the Board from gifts and bequests, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any gift and bequest.
- 2.7 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.--UTIMCO is authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.
- 2.8 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.

EXCERPT FROM THE MINUTES

Further, the Board affirmed and ratified any and all securities transactions since the February 1996 meeting of the U. T. Board of Regents.

These amendments were required due to the inadvertent omission of certain provisions from the Regents' Rules and Regulations in the amendments that were approved at the February 1996 meeting of the U. T. Board of Regents to accommodate the dissolution of The University of Texas System Office of Asset Management and the formation of The University of Texas Investment Management Company (UTIMCO).

EXCERPT FROM THE MINUTES

MAY 9 1996

2. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapter III, Section 13, Subsection 13.7 (Outside Employment) and Part Two, Chapter XII, Section 2, Subsection 2.3 (Intellectual Property). --The Academic Affairs and Health Affairs Committees recommended and the Board amended the Regents' Rules and Regulations, Part One, Chapter III, Section 13, Subsection 13.7 (Outside Employment) to read as set forth below:

13.7 Every member of the faculty or staff who gives professional opinions must protect the System and its component institutions against the use of such opinions for advertising purposes. If the employee does work in a private capacity, the employee must make it clear to those who employ him or her that the work is unofficial and that the name of the System and its component institutions is not in any way to be connected with the employee's name, except when used to identify the employee as the author of work related to the employee's academic or research area as more fully described in Part Two, Chapter XII, Section 2, Subsection 2.3.

Further, the Board amended the Regents' Rules and Regulations, Part Two, Chapter XII, Section 2, Subsection 2.3 (Intellectual Property) to read as set forth below:

2.3 The Board will not assert an interest in faculty authored scholarly works, art works, musical compositions and dramatic and non-dramatic literary works related to the faculty member's professional field, regardless of the medium of expression, unless such work is commissioned by the System or a component institution of the System or is a work for hire pursuant to Subsection 2.4.

These amendments expand the definition of faculty authored scholarly works to cover new types of publications such as CD-ROM products and allow a faculty member to retain intellectual property rights for scholarly works which are related to the faculty member's professional field and which are not commissioned by the University.

EXCERPT FROM THE MINUTES

MAY 9 1996

3. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapter VI, Section 6 (Use of University-Owned Facilities) and Part Two, Chapter X, Section 9 (Student Union Facilities). --The Board, upon recommendation of the Academic Affairs and Health Affairs Committees, amended the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 regarding use of university-owned facilities to read as set forth below:

Sec. 6. Use of University Facilities. This Section applies only to property, buildings, and facilities owned or controlled by the U. T. System or component institutions that are maintained and used for programs and activities related to the role and mission of the U. T. System or component institutions.

6.1 The property, buildings, or facilities owned or controlled by the U. T. System or component institutions are not open for assembly, speech, or other activities as are the public streets, sidewalks, and parks. The responsibility of the Board of Regents to operate and maintain an effective and efficient system of institutions of higher education requires that the time, place, and manner of assembly, speech, and other activities on the grounds and in the buildings and facilities of the U. T. System or component institutions be regulated. Acting pursuant to the general authority of Chapter 65 of the Texas Education Code and the specific authority of Chapter 51 of the Texas Education Code, the Board of Regents adopts and promulgates this Section relating to the use of buildings, grounds and facilities for purposes other than programs and activities related to the role and mission of the U. T. System or component institution.

6.2 No person, organization, group, association, or corporation may use property, buildings, or facilities owned or controlled by the U. T. System or a component institution for any purpose other than in the course of the regular programs or activities related to the role and mission of the U. T. System or component institution, unless authorized by the Regents' Rules and Regulations. Any authorized use must be conducted in compliance with the provisions of the Regents' Rules and Regulations, the approved rules and regulations of the component institution, and applicable federal, state, and local laws and regulations.

6.3 Identification Required.--Pursuant to the authority conferred upon the Board of Regents by Section 51.209, Texas Education Code, in order to protect the safety and welfare of students, employees, patients, and other participants in the programs and activities of the U. T. System and component institutions and to protect the property, buildings, and facilities of the U. T. System and component

institutions, it shall be unlawful for any person who is on any property or in a building or facility owned or controlled by the U. T. System or a component institution to refuse to identify himself or herself in response to a request by an institutional representative. For the purpose of this Subsection, a person identifies himself or herself by: (1) giving his or her name and complete address substantiated by a current driver's license, voter registration card, or other official documentation; and (2) stating truthfully whether he or she is a student or employee of the U. T. System or a component institution.

6.31 For the purpose of this Subsection, an "institutional representative" is:

- (a) any member of the Board of Regents of the U. T. System or the Executive Secretary to the Board;
- (b) any executive officer or administrative officer of the U. T. System;
- (c) any administrative officer of a component institution;
- (d) any attorney of the U. T. System or a component institution; and
- (e) any peace officer or security officer of the U. T. System or component institution acting pursuant to authority of Texas law.

6.32 Any person who refuses to identify himself or herself in accordance with this Subsection may be convicted of a misdemeanor punishable by a fine of not more than \$200.

6.33 Students, faculty, or staff who refuse to identify themselves in accordance with this Subsection are also subject to disciplinary action.

6.4 Protection of Artificial Bodies of Water, and Other Property.--Pursuant to the authority conferred upon the Board of Regents by Sections 51.202 and 51.204, Texas Education Code, in order to protect the safety and welfare of students, faculty, and staff and to protect the property, buildings, and facilities of the U. T. System and component institutions, it shall be unlawful for any person to enter, walk, run, lie, play, remain, or be in the water of any fountain or other artificial body of water, which is not designed and maintained for recreational or therapeutic purposes, located on property owned or controlled by the U. T. System or a component institution unless such person has the prior written permission of the chief administrative officer of the U. T. System or the component institution to enter, remain, or be in such water.

6.41 It shall further be unlawful for any person to dump, throw, place, or cause any material, object, person, animal, trash, waste, or debris to be placed in such fountain or other artificial body of water.

- 6.42 It shall also be unlawful for any person to damage, deface, or remove any portion of any fountain, monument, building, statue, structure, facility, tree, shrub, or memorial located on property owned or controlled by the U. T. System or a component institution.
- 6.43 Any person who violates any provision of this subsection may be convicted of a misdemeanor punishable by a fine of not more than \$200.
- 6.44 Students, faculty, or staff who violate any portion of this Subsection are also subject to disciplinary action.
- 6.5 Alcoholic Beverages.--The use of alcoholic beverages is prohibited on property and in buildings and facilities owned or controlled by the U. T. System or a component institution. However, the chief administrative officer of the U. T. System or a component institution may waive this prohibition with respect to any event sponsored by the U. T. System or the component institution. An event is sponsored if a budgeted office, department, or division of the U. T. System or the component institution is responsible for organizing the event, inviting attendees, and paying expenses related to the event, including the purchase of food and beverages. Meetings or events organized and presented by registered faculty, staff, or student organizations are not events sponsored by the U. T. System or the component institution. This Subsection does not apply to areas that are licensed under state law for the sale and service of alcoholic beverages, to a Special Use Facility during use by a noninstitutional individual, group, association, or corporation for purposes permitted by Subsection 6.(10), or to property, buildings, or facilities that are occupied by a third party pursuant to a written lease or occupancy agreement that does not specifically exclude alcoholic beverages. State law relating to alcoholic beverages will be strictly enforced at all times on property and in buildings and facilities owned or controlled by the U. T. System or a component institution.
- 6.6 Solicitation.--The term "solicitation" means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization; the receipt of or request for any gift or contribution; or the request to support or oppose or to vote for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to state or federal law or local ordinances.

6.61 No solicitation shall be conducted on property or in any building, structure, or facility owned or controlled by any component institution or the U. T. System unless permitted by the Regents' Rules and Regulations. The following activities shall not be deemed solicitations prohibited by this Subsection when conducted in accordance with the approved rules and regulations of the U. T. System or the component institution. Such activities must be conducted in a manner that does not disturb or interfere with the academic programs or administrative activities of the U. T. System or the component institution or any program or activity that is conducted by or is authorized by the U. T. System or component institution; does not interfere with entry to or exit from a building, structure, or facility; does not interfere with the flow of pedestrians or vehicular traffic on sidewalks or streets; and does not violate applicable state, federal, or local law or regulation:

- (a) The distribution, sale, or offer for sale of a newspaper, magazine, or other publication by means of an unattended rack or vending machine in area(s) designated in advance by the chief administrative officer of the U. T. System or a component institution or his or her delegate for the conduct of such activity.
- (b) The sale or offer for sale of food, drink, or any other product that may be lawfully sold by means of a vending machine that is operated by the U. T. System or component institution or a subcontractor of either, under an approved written agreement, in an area designated in advance by the chief administrative officer of the U. T. System or the component institution or his or her delegates.
- (c) The sale or offer for sale by the U. T. System or component institution or a subcontractor of either, under an approved written agreement, of any publication of the U. T. System or the component institution or of any book or other printed material to be used in the regular academic work of the component institution.
- (d) Any service or service facility for the convenience of the students, staff, faculty, patients, or bona fide visitors that is operated or maintained by the U. T. System or component institution or by a

subcontractor or lessee of either, under an approved written agreement, including, but not limited to: (1) any bookstore, specialty store, laundry, pharmacy, cafeteria, or food service; (2) a child care facility limited to children or bona fide dependents of students, faculty, or staff; (3) a state or federal credit union with membership limited primarily to students, faculty, and staff of the component institution and other area institutions of higher education or other component institutions and the U. T. System, and the officers and employees of organizations closely related to the component institution's educational mission, such as officially recognized alumni associations and cooperative bookstores; (4) private post office boxes under an approved written agreement that limits the use to students, faculty, and staff of the component institution; (5) unmanned teller machines and drop-boxes for express delivery services that are located and maintained under an approved written agreement that prohibits advertising the location of the unmanned teller machine or drop-boxes to the general public; or (6) a travel agency under an approved written agreement that limits the use primarily to students, faculty, and staff of the component institution and prohibits advertising the institutional location of the travel agency to the general public.

- (e) The sale or offer for sale by the U. T. System or component institution or a subcontractor of either, under an approved written agreement, of food, drink, souvenirs, novelty items, and programs at athletic contests or other programs or events sponsored or authorized by the U. T. System or component institution.
- (f) The sale of merchandise, food, or nonalcoholic beverages by the students' association or by a registered student, faculty, or staff organization. A students' association or a registered student, faculty, or staff organization may not conduct such solicitation activities on behalf of or for the benefit of any individual, association, organization, corporation, or group of individuals that is not registered as a student, faculty, or staff organization.
- (g) The collection of membership fees or dues by registered student, faculty, or staff organizations at meetings of such organizations scheduled in accordance with the facilities use regulations of any component institution.

- (h) The collection of admission fees for the exhibition of movies or for other programs that are sponsored or presented by the U. T. System or component institution or, if permitted by and scheduled in accordance with the approved rules and regulations of the component institution, by the students' association or by a registered student, faculty, or staff organization.
- (i) Solicitation of funds by any organization that can present to the chief administrative officer of the U. T. System or component institution, or his or her delegate, written evidence from the Internal Revenue Service that the organization has been granted an exemption from taxation under Section 501(c)(3), Internal Revenue Code. Such solicitation must be conducted in an area(s) designated for that purpose by such chief administrative officer or his or her delegate. Persons soliciting on behalf of an organization must have credentials identifying them as authorized agents of the organization. Permission to solicit shall not be used by the organization as an endorsement by the U. T. System or the component institutions. No organization may solicit under this subdivision for more than a total of fourteen days, whether continuous or intermittent, during each state fiscal year.
- (j) Occasional sales or offers of sales of goods or services that comply with applicable federal, state, and local laws and regulations and are conducted solely for the resident(s) of an individual university residence hall room or an individual apartment when a resident of such room or apartment has given specific invitation in advance for salespersons to come to the individual residence hall room or individual apartment for that purpose. This exception does not authorize sales or offers of sales of goods or services within a university residence hall room or apartment by the occupant, door-to-door sales or offers of sales of goods or services, or sales or offers of sales of goods or services to persons who are present in an individual residence hall room or apartment but are not residents of such room or apartment.
- (k) The acknowledgement of a sponsor of an athletic event or an advertisement announced over a public address system, displayed on a scoreboard or electronic message center or displayed by other means in athletic facilities at locations designated for that purpose pursuant to an approved policy of the component institution.

- (l) Advertising displayed on an outdoor electronic marquee or message center owned and operated by the U. T. System or a component institution.
- (m) Advertising and merchandise displayed at an athletic tournament that is sanctioned by the official national or international organization for such athletic competitions; provided that, such advertising and merchandise is required to be displayed under the terms of one or more contractual agreements between such organization and one or more sponsors and such contracts were in effect prior to the date that a component institution was selected as the site for the tournament.
- (n) The sale or offer for sale by a registered student organization of charitable raffle tickets on behalf of an organization that is authorized to conduct a charitable raffle under the provisions of Article 179f, Vernon's Texas Civil Statutes.
- (o) The display and demonstration by manufacturers and distributors of personal computer hardware and software suitable for use by students and faculty in the academic programs of a component institution and the presentation of information and demonstrations related to remote networks for personal computers by entities that provide access to such networks. Such activities may be conducted once each academic year upon invitation by the chief administrative officer of the component institution or his or her delegate and must be limited to the time and place designated by and under guidelines specified and controlled by the component institution. A manufacturer or distributor of personal computer hardware or software or an entity that provides access to remote networks for personal computers may not make sales or take orders.
- (p) The distribution or presentation to officers and employees of the U. T. System and component institutions of material related to health benefit plans, life insurance, tax sheltered annuities, retirement plans or programs, or other benefits that are available to such officers and employees. Such material may be distributed or presented only at the Office of Human Resources of the U. T. System or component institutions or at meetings scheduled for that purpose pursuant to guidelines established by the U. T. System Office of Human Resources.
- (q) Solicitation by the officers or employees of the U. T. System or component institution acting in the course and scope of their authority.

(r) The distribution, at no cost, by a students' association or a registered student, faculty, or staff organization of a newspaper, magazine, or other publication that contains paid advertising and is published by such organization at its sole expense.

- 6.62 No solicitation shall be conducted on the grounds, sidewalks, or streets of any component institution or of the U. T. System, except by the agents, servants, or employees of the U. T. System or component institution acting in the course and scope of their agency or employment, or by the students' association of that institution, or by a registered student, faculty, or staff organization at that institution when authorized under Subsection 6.61. Such solicitation must be conducted in a way that: (a) does not disturb or interfere with the academic programs or administrative activities of the U. T. System or the component institution or any program or activity that is conducted by or is authorized by the U. T. System or component institution; (b) does not interfere with the free and unimpeded flow of pedestrian and vehicular traffic on sidewalks and streets and at places of ingress and egress to and from property, buildings, or facilities; and (c) does not harass, embarrass, or intimidate the person or persons being solicited. If, after reasonable investigation (which investigation shall afford the accused student, employee, or organization every right guaranteed by the due process clauses of the United States and Texas Constitutions) it is determined that solicitation is being or has been conducted in violation of the Regents' Rules and Regulations or the approved rules and regulations of the U. T. System or component institution (1) a student or employee will be subject to such disciplinary action as may be appropriate, and (2) the offending organization shall be prohibited from solicitation for such period or periods of time as shall be appropriate and in the case of repeated violations the registered status of the offending organization may be cancelled or other appropriate penalties may be imposed.
- 6.63 The students' association and each registered student organization shall, within thirty days after the beginning of each long session semester, file with the Dean of Students or other appropriate official a statement fully disclosing the sources and amounts of money obtained from solicitations during the preceding semester or summer session and fully

disclosing the purposes and amounts of the expenditures made during the preceding semester or summer session. Any organization failing to comply with the provisions of this Subsection shall be prohibited from solicitation activities until the organization files the required report.

- 6.7 Use of Property, Buildings, or Facilities by Students' Associations; Registered Student, Faculty, or Staff Organizations; or Officially Recognized Alumni Associations.--Subject to constitutional and statutory restrictions on the use of state property for religious or political purposes, a students' association; a registered student, faculty, or staff organization; or an officially recognized alumni association that qualifies under Subdivision 6.61(i) of this Section and whose fund-raising activities are dedicated to the benefit of the U. T. System or a component institution, may reserve and use buildings, grounds, and facilities owned or controlled by the U. T. System or component institution in compliance with reasonable and nondiscriminatory time, place, and manner provisions of the approved regulations of the U. T. System and component institution. Such regulations shall specify the procedures under which such organizations may reserve the buildings, grounds, and facilities for their use. Such use must be for purposes permitted by the Regents' Rules and Regulations and be conducted in compliance with Subsection 6.61 and Subsection 6.62. Groups of students, faculty, or staff who are not registered or groups of alumni other than officially recognized alumni associations whose fund-raising activities are dedicated to the benefit of any component institution may not use the institution's buildings, facilities, or grounds.
- 6.71 A students' association, a registered student, faculty, or staff organization, or an alumni association may not reserve or use property, buildings, or facilities owned or controlled by the U. T. System or a component institution for the purpose of engaging in any project or program with any association, organization, or corporation, or with any individual or group of individuals that are not registered.
- 6.72 Students, faculty, or staff, a students' association, or a registered student, faculty, or staff organization, with prior written authorization, may petition, post signs, set up booths, or peacefully demonstrate on property owned or controlled by the U. T. System or component institution.

- 6.73 No person, including a student or employee of a component institution, shall distribute any petition, handbill, object, or piece of literature; post or carry any sign, placard, or banner; or engage in speech or conduct on property or in buildings or facilities owned or controlled by the U. T. System or a component institution if it is obscene, libelous, or directed to inciting or producing imminent lawless action and is likely to incite or produce such action.
- 6.8 Student Center or Student Union.--The use of student center or student union facilities of a component institution shall be subject to Regents' Rules and Regulations and to the approved rules and regulations of the component institution.
- 6.9 Joint Sponsorship of the Use of Property, Buildings, or Facilities.--Except as permitted in Subdivision 6.61, Subsection 6.(10), and Subsection 6.(11), the use of property, buildings, or facilities owned or controlled by the U. T. System or a component institution by individuals who are not students, faculty, or staff; by groups that are not registered student, faculty, or staff organizations; or by associations or corporations for programs or activities must be jointly sponsored by the U. T. System or the component institution and shall be subject to the following conditions.
- 6.91 The program or activity must be upon the invitation of the U. T. System or component institution. Only the chief administrative officer of the U. T. System or component institution, or his or her delegate, can authorize joint sponsorship.
- 6.92 In order for joint sponsorship to be appropriate, the educational implications of a program or activity must be self-evident, must directly supplement the educational purposes of the U. T. System or component institution, and must not result in financial gain for the invited individual, group, association, or corporation.
- 6.93 The U. T. System and component institutions established as public institutions without regard to political affiliation or religious faith cannot be a joint sponsor for political or sectarian gatherings.
- 6.94 The U. T. System or component institution will be responsible for all details of the program or activity, and reserves the right to approve all copy for advertising and news releases, and may require an accounting of the income and expenses directly related to the program or activity.

6.95 The scheduling of property, buildings, or facilities for programs or activities of the U. T. System or component institution shall always have priority over the scheduling for programs or activities that are jointly sponsored.

6.96 The fee to be paid by the invited individual, group, association, or corporation will be a matter for negotiation in each case and will be specified in the agreement providing for the joint sponsorship. At a minimum, the fee must ensure recovery of the cost incurred by the U. T. System or component institution.

6.(10) Special Use Facilities.--Notwithstanding any other provisions of this Chapter, the chief administrative officer of a component institution may designate specific facilities, such as special event centers, conference centers, concert halls, theaters, or auditoria, as Special Use Facilities. The chief administrative officer shall cause to be prepared and submitted for approval, as a part of the Handbook of Operating Procedures of the component institution, appropriate rules and regulations for the reservation and use of Special Use Facilities. The rules and regulations must restrict the reservation and use of such facilities in accordance with the following:

- 6.(10)1 Designation as a Special Use Facility shall not constitute the facility a public facility or forum that is open to use by individuals, groups, associations, or corporations on a first come, first served basis.
- 6.(10)2 Priority in the reservation and use of Special Use Facilities shall be given to programs and activities of the U. T. System or component institution that are in furtherance of and related to the educational, cultural, recreational, and athletic programs of the U. T. System or component institution.
- 6.(10)3 As a lower priority, the rules and regulations may provide for reservation and use of Special Use Facilities by individuals, groups, associations, or corporations without the necessity of joint sponsorship by the U. T. System or component institution. Rates must be charged for the use of the Special Use Facility that, at a minimum, ensure recovery of that part of the operating cost of the facility attributable directly or indirectly to such use. If the user charges those attending an event any admission or registration fee, or accepts donations from those in

attendance, the component institution shall require the user to make a complete account of all funds collected and of the actual cost of the event. If the funds collected exceed the actual cost of the event, the user shall be required to remit such excess funds to the component institution as an additional charge for the use of the Special Use Facility.

- 6.(10)4 Subject to all constitutional and statutory provisions relating to the use of state property or funds for religious or political purposes, and subject to Subsection 6.(10)3, Special Use Facilities may be made available for religious and political conferences or conventions. Religious organizations applying for use of a Special Use Facility must submit written evidence from the Internal Revenue Service that the organization has been granted an exemption from taxation under Section 501(c)(3) of the Internal Revenue Code. Political organizations applying for use of a Special Use Facility must present written evidence that the organization had candidates for either federal, state, district, or local offices listed on the ballot at the last general election.
- 6.(10)5 The rules and regulations applicable to a Special Use Facility may provide for the rental of space for display of advertising and the display of samples of merchandise in designated areas inside the Facility that have been approved by the chief administrative officer of the component institution or his or her delegate, and for advertising by displays on an electronic scoreboard or message center inside the Facility or on the Facility's outdoor electronic marquee or message center. Such rules and regulations may further provide for the sale of advertising space on ticket envelopes for events sponsored by the Facility and in any publication of the Facility distributed in connection with a sponsored event or announcing future sponsored events.

- 6.(11) Use of Property, Buildings, or Facilities for Filming Motion Pictures or Television Productions.--The chief administrative officer of the U. T. System or a component institution or his or her delegate may authorize the use of property, buildings, or facilities owned or controlled by the U. T. System or component institution for filming motion pictures or television productions under a written agreement approved pursuant to U. T. System procedures. Requests to film a motion picture or television production will be reviewed and considered on a case by case basis and, subject to the provisions of this Subsection, it shall be within the discretion of the chief administrative officer or his or her delegate to determine whether to grant the request. The safety of students, faculty, and staff; the potential for damage to buildings, facilities, or property and for disruption of administrative or academic programs or other scheduled activities; and the subject matter of the film shall be of primary consideration in determining whether to grant a filming request.
- 6.(11)1 The chief administrative officer or his or her delegate will be responsible for assuring that scheduled time(s) and location(s) for filming do not interfere with administrative and academic programs or other scheduled activities of the U. T. System or component institution.
- 6.(11)2 The U. T. System or a component institution shall not be identified as the filming location in the film credits or in any media advertising for the film. The film may not include any building, statue, fountain, facility, mark, symbol, or logo that identifies the U. T. System or a component institution as the filming location. This prohibition shall not apply to the filming of an approved script that relates to the life and accomplishments of a present or former officer or employee of the U. T. System or of the component institution at which the script is filmed.
- 6.(11)3 The script for the motion picture or television production must be approved by the chief administrative officer or his or her delegate.

6. (11)4 The production company must have been in existence for at least three (3) years and produced one or more motion pictures that have been distributed and exhibited nationwide or one or more television programs that have been broadcast by a major television network, e.g. ABC, CBS, FOX, NBC.
6. (11)5 The production company must provide a policy of comprehensive general liability and property damage insurance issued by a company authorized to do business in the State of Texas naming the Board of Regents, the U. T. System, the component institution, and the officers and employees of each as additional insureds, providing coverage for bodily injury and death of persons and damage to property that result directly or indirectly from the negligent or intentional act or omission of, or from the use or condition of any property, equipment, machinery, or vehicle used, operated, or controlled by, the production company or its officers, employees, agents, or subcontractors while on property owned or controlled by the U. T. System or a component institution. The limits of coverage shall be determined by the chief administrative officer or his or her delegate on the basis of the nature and extent of the activities to be conducted by the production company and the property, buildings, or facilities to be utilized. In no event shall the limits of liability for each occurrence be less than five million dollars (\$5,000,000.00) for bodily injury or death of a person and one million dollars (\$1,000,000.00) for property damage.
6. (11)6 A use fee will be established in each case based upon the nature and extent of the activities of the production company and the U. T. System or component institution property, buildings, facilities, personnel, and services that are required to accommodate such activities. The use fee must be paid in advance by a certified or cashier's check made payable to the U. T. System or component institution. If the production company cancels a scheduled use, the deposit, less any expense incurred by the U. T. System or component institution in preparation for such use, will be refunded.

EXCERPT FROM THE MINUTES

Further, the Board amended the Regents' Rules and Regulations, Part Two, Chapter X, Section 9 regarding student union facilities to read as set forth below:

Sec. 9. Student Center and Student Union Facilities.-- Rules and regulations for the establishment, administration and operation of student center or union facilities shall be promulgated by administrative officials and the chief administrative officer at the institution concerned, provided that such rules and regulations shall not be effective until approved by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures. Rules and regulations for the use of student center or union facilities shall be consistent with the provisions of the Regents' Rules and Regulations, Part One, Chapter VI, Section 6.

The changes to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 are intended to clarify permissible activities and use of facilities including solicitation on institutional and U. T. System property and to provide more flexibility to conduct desirable fund raising activities.

The amendment to Part Two, Chapter X, Section 9 adds a clarifying cross-reference between Section 9 and the primary rules governing use of student union and student center facilities contained in Part One, Chapter VI, Section 6.

EXCERPT FROM THE MINUTES

IV. OTHER MATTERS

FEB 8 1996

U. T. Board of Regents: Adoption of Resolution Approving Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO). Approval of Certain Terms Precedent to the Execution of the Agreement. Approval of Related Amendments to the Regents' Rules and Regulations, Parts One and Two, and Authorization for the Chairman of the Board of Regents and the Chancellor to Carry Out the Transactions Contemplated by the Resolution.--The Board, upon recommendation of the Asset Management Committee, adopted the following resolution:

BE IT RESOLVED, That the Board is authorized and empowered to enter into an Investment Management Services Agreement (the "Agreement") with The University of Texas Investment Management Company ("UTIMCO") substantially in the form attached hereto as Attachment A with supporting Exhibits A - K and the Chairman of the Board is hereby authorized and directed, for and on behalf of the Board, to sign the Agreement, with such negotiated revisions, amendments and modifications as he determines to be in the best interests of the Board, such determination to be conclusively evidenced by his execution of the Agreement, and the Executive Secretary to the Board is hereby authorized and directed, for and on behalf of the Board, to attest and seal the Agreement;

FURTHER RESOLVED, That the Board hereby expressly approves the UTIMCO investment policies with related revisions to current Board policies as attached to the Agreement as Exhibits A through E;

FURTHER RESOLVED, That the Board hereby approves the articles of incorporation and bylaws of UTIMCO attached to the Agreement as Exhibits H and I, respectively;

FURTHER RESOLVED, That the Board hereby approves the UTIMCO Code of Ethics attached to the Agreement as Exhibit K; (See Exhibit J: members of the Audit and Ethics Committee will be approved by the Board at a later date);

FURTHER RESOLVED, That the Board hereby accepts the opinion of Ernst & Young concerning the fair representation, in all material respects, of the Summary of Investments and Total Income of the Permanent University Fund, attached hereto as Attachment B, and hereby finds and determines that said opinion satisfies the requirements of Section 4 of H.B. 1877 requiring a financial audit prior to implementation of the first investment management services agreement with UTIMCO;

*All referenced
Attachments and
Exhibits are in
the UTIMCO file.*

FURTHER RESOLVED, That the amendments to the Regents' Rules and Regulations as presented in Attachment C hereto are approved;

FURTHER RESOLVED, That the U. T. System is authorized and empowered to enter into an office lease agreement, a furniture lease agreement, an information systems services agreement and other services agreements with UTIMCO as required and the Chancellor is hereby authorized and directed, for and on behalf of the U. T. System, to sign such agreements, in each case with such negotiated revisions, amendments and modifications as he determines are in the best interests of the U. T. System, such determination to be conclusively evidenced by his execution of any such agreement, and the Executive Secretary to the Board is hereby authorized and directed, for and on behalf of the Board, to attest and seal such agreements;

FURTHER RESOLVED, That the assignment of all investment management, brokerage, custodian and other contracts for investment management services to UTIMCO, as the successor entity to the Office of Asset Management, are approved;

FURTHER RESOLVED, That the officers of the U. T. System be, and each of them hereby is, authorized and empowered, for, in the name of and on behalf of the Board, to take such actions and to execute and deliver such amendments, certificates, agreements, instruments, notices and documents, or to effect any necessary filings with any and all appropriate regulatory authorities, State and Federal, as may be required, or as such officer may deem necessary, advisable or proper in order to carry out the transactions contemplated by, and the purposes and intent of the foregoing resolutions; all such actions to be performed in such manner, and all such amendments, certificates, agreements, instruments, notices and documents to be executed and delivered in such form, as the officer performing or executing the same shall approve, the performance or execution thereof by such officer to be conclusive evidence of the approval thereof by such officer and by this Board; and

FURTHER RESOLVED, That the authority granted to the officers of the U. T. System under the foregoing resolutions shall be deemed to include, the authority to perform such further acts and deeds as may be necessary or appropriate, in the judgment of such officers, to carry out the transactions contemplated thereby, and all acts and deeds previously performed by the officers of the U. T. System prior to the date of these resolutions that are within the authority conferred hereby, are ratified, confirmed and approved as the authorized acts and deeds of the Board.

The above actions are based upon a recent review of the U. T. System investment governance and management structure. This review was undertaken in recognition of the U. T. System's increasing reliance on private support and its endowment resources to fund its mission. Effective use of these critical sources of funding will depend on the successful management by the Board of Regents of the approximately \$8.5 billion of Permanent University Fund (PUF) and U. T. System investment assets under its fiduciary care. Successful investment management will present an increasingly formidable challenge in the coming years as a result of two major factors. First, the U. T. System will be required to compete for returns in an increasingly complex investment environment marked by global markets, alternative investment classes, a proliferation of new, complicated financial instruments, and short windows of opportunity. Second, the scale and complexity of the Board's investment responsibilities have grown to the point where full-time oversight of the investment portfolios is required.

As part of its long-range planning to help meet the investment challenge presented by such factors, the Asset Management Committee engaged Cambridge Associates, a nationally recognized endowment consulting firm, to evaluate the existing U. T. System investment oversight and management structure. The analysis performed by Cambridge Associates identified numerous deficiencies in the existing governance structure which in its opinion inhibit the U. T. System's ability to compete effectively for investment returns. The major governance deficiencies cited were limited investment expertise by most Board members, a lack of "institutional memory" from frequent Board turnover, overlapping governance committees, and poor separation of policy formulation from operations.

Cambridge Associates recommended that the Board correct such deficiencies by using a not-for-profit investment corporation based on investment governance and management models successfully employed by other leading universities with multi-billion dollar endowments. As the investment portfolios of these peer institutions increased in scale and complexity over time, the governance structures were designed to provide for independent operations and significant delegation of authority.

These models attempt to remedy the same governance deficiencies identified by Cambridge Associates by establishing hybrid boards consisting of both trustees and investment professionals and delegating investment decisions to investment staff, subject to policy constraints. These structural characteristics were specifically implemented to (a) preserve ultimate trustee control of investments for fiduciary purposes, (b) create a separate investment board with a high level of investment expertise for oversight purposes, (c) emphasize policy deliberation at the board level, (d) streamline decision making by shortening reporting lines, and (e) focus accountability for investment results.

Based on the conclusions of the Cambridge Associates evaluation, the U. T. Board of Regents on April 10, 1995, adopted a resolution authorizing the pursuit of statutory amendments which would delegate the investment authority for Board designated funds to a nonprofit investment management corporation. Such statutory authority was provided in May 1995, with the passage of H.B. 1877 by the Texas Legislature. H.B. 1877 amended Section 66.08 of the Texas Education Code and authorized the Board to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board subject to the following conditions:

1. That the corporation not engage in any business other than investing funds designated by the Board under the contract;
2. That the Board approve:
 - a. The articles of incorporation and bylaws of the corporation and any amendments thereto
 - b. The investment policies of the corporation, including amendments thereto
 - c. The audit and ethics committee of the corporation, and
 - d. The code of ethics of the corporation;
3. That the Board appoint and remove all members of the corporation's board of directors;
4. That the Board provide for an annual financial audit of the Permanent University Fund;
5. That the corporation file quarterly reports with the Board concerning matters required by the Board.

Following the receipt of this statutory authority the Board authorized the preparation of a business plan pursuant to which a 501(c)(3) corporation to be known as The University of Texas Investment Management Company would be organized and contracted with to perform the investment management functions currently performed by the Office of Asset Management. This plan was presented to the Chancellor, the Asset Management Committee, and the U. T. Board of Regents in various briefings and is the basis for these actions.

The Investment Management Services Agreement (Attachment A) appoints UTIMCO as the Board's investment manager with complete authority to act for the Board in the investment of all funds currently managed by the Office of Asset Management. The Agreement also defines the investment management services to be provided by UTIMCO and imposes a fiduciary duty on the company in performing its services. It provides for the safekeeping of investments with the current custodian, Mellon Trust, Pittsburgh, Pennsylvania, and the assessment of four fees: (1) a one-time organizational fee in an amount not to exceed \$250,000 with which to fund expenses incurred in organizing UTIMCO, (2) a one-time working capital fee equal to \$500,000 to be used by UTIMCO as a working capital reserve, (3) a one-time equipment fee in the form of an in-kind transfer of certain office equipment currently used by the Office of Asset Management and listed in Exhibit F with an estimated book value of \$631,000, and (4) an annual management fee for the current fiscal year at an annualized rate of \$4,530,602 or approximately .05% of the market value as of August 31, 1995, of funds to be managed by UTIMCO, as presented in Exhibit G. The Agreement also authorizes UTIMCO to charge each fund under management for the direct expenses incurred for portfolio management, custody, auditing and other services performed by external vendors for each fund. Furthermore, the Agreement indemnifies UTIMCO and its directors, employees and other agents to the fullest extent permitted by applicable law. Finally, it prohibits self dealing and service to other clients and allows the U. T. Board of Regents to terminate the Agreement by written notice to UTIMCO subject to reasonable allowance for settlement of pending trades.

Approval of the UTIMCO Investment Policy Statements (Exhibits A - E) encompasses the following actions:

Permanent University Fund (Exhibit A): Rescission of the existing PUF policy and adoption of a new policy. The new policy recognizes the non-total return structure of the fund by emphasizing income growth over total return and an increased allocation to equities.

Long Term Fund (Exhibit B): The policy statement contains no policy changes per se. Amendments relate to the substitution of UTIMCO for Office of Asset Management where appropriate and standardization of definitions with the PUF policy.

Operating Funds Investment Policy Statement (Exhibit C): Amended to substitute UTIMCO for Office of Asset Management.

Short/Intermediate Term Fund Information Memorandum (Exhibit D): Amended to reflect the dissolution of the Fund Advisory Board, incorporation of a pre-approved section regarding derivatives guidelines, and substitution of UTIMCO for Office of Asset Management.

Private Investment Policy Statement (Exhibit E): Recognize the substitution of UTIMCO and the UTIMCO Board for the Asset Management Committee and revision of valuation policy to conform to industry standards.

The amendments to the Regents' Rules and Regulations, Parts One and Two (Attachment C) dissolve the existing investment governance and management structure and recognize the provision of investment management services by UTIMCO. Included in the revisions to the Rules and Regulations is the dissolution of the Asset Management Committee, the Office of Asset Management, and the Investment Advisory Committee.

UTIMCO will enter into an agreement with the U. T. System to lease 12,565 square feet on floors two and three of Claudia Taylor Johnson Hall and 40 parking spaces for employees and visitors at an initial annual rate of \$197,700. UTIMCO will receive a tenant's improvements allowance of \$155,000. UTIMCO also will enter into an information systems support contract with the U. T. System until such time as it can support its own information technologies.

The documents related to this transaction have been reviewed by the Office of General Counsel as to compliance with the enabling legislation and the Office of the Board of Regents as to revision of the Regents' Rules and Regulations.

Adoption of the resolution to create a new investment governance and management structure will strengthen the U. T. Board's ability to fulfill its fiduciary responsibility and to generate investment returns equal to or in excess of peer universities.

Amendments to the Regents' Rules and Regulations

- a. **Amended Part One, Chapter I, Section 7, Subsection 7.1 (Standing Committees) as set forth below:**
- 7.1 Standing Committees.--The following committees shall be standing committees of the Board to consider policies for the government of all major areas: (a) Executive Committee; (b) Business Affairs and Audit Committee; (c) Academic Affairs Committee; (d) Health Affairs Committee; (e) Facilities Planning and Construction Committee.
- b. **Deleted Part One, Chapter I, Section 7, Subsection 7.19 (Duties of the Asset Management Committee) in its entirety.**
- c. **Amended Part One, Chapter I, Section 8, Subsection 8.23 (Order of Business) as set forth below:**
- 8.23 Consideration of approval of items contained in reports of standing committees.
 (a) Executive Committee
 (b) Business Affairs and Audit Committee
 (c) Academic Affairs Committee
 (d) Health Affairs Committee
 (e) Facilities Planning and Construction Committee
- d. **Deleted Part One, Chapter I, Section 9 (Executive Associate for Economic Affairs) in its entirety and renumbered the remaining sections accordingly.**
- e. **Amended Part One, Chapter II, Section 6 (Executive Vice Chancellor for Business Affairs), Subsections 6.2(10), 6.2(11), 6.2(14) and 6.2(15) (Duties and Responsibilities) as set forth below:**
- 6.2(10) Managing the operations of the offices listed below through such internal administrative organization as he/she deems to be appropriate:
 Office of the Associate Vice Chancellor for Business Affairs
 Office of Historically Underutilized Business Development
 Office of the Director of Police
 Office of the Assistant Vice Chancellor and Controller
 Budget Office
 Office of Management Information Systems
 Office of Information Services

Office of Business and
 Administrative Services
 Director of Accounting
 regarding System
 Administration accounts
 Office of the Assistant Vice
 Chancellor for Finance
 Office of Facilities Plan-
 ning and Construction
 Office of Finance
 Real Estate Office regarding
 gift and campus real estate
 Office of Human Resources
 Office of Employee Group
 Insurance Program
 Office of West Texas Lands
 Management
 University Lands
 Accounting Office
 Surface Interests
 Oil, Gas & Mineral
 Interests.

6.2(11) Supervising and coordinating the acquisition, disposition, and/or management of all gift and campus lands at the component institutions and the U. T. System, except for Permanent University Fund Lands, with a view toward maximizing the income to be realized from the operation and/or sale of these properties. In discharging this responsibility, the Executive Vice Chancellor for Business Affairs shall work closely with the appropriate Executive Vice Chancellor, the chief administrative officer of a component institution of the System and their delegates with regard to the management of trust lands and other non-campus real estate held by the Board of Regents for and on behalf of a particular institution. He/She shall also establish procedures that assure effective coordination with the Director of Estates and Trusts with regard to the management of trust lands other than Permanent University Fund Lands.

6.2(14) Implementing policy for the receipt, disbursement, and custody of non-investment funds and for terms of depository agreements with banks.

6.2(15) Forwarding debt issues for approval by the Board of Regents.

f. Deleted Part One, Chapter II, Section 7 (Vice Chancellor for Asset Management) in its entirety and renumbered the remaining sections accordingly.

g. Amended Part Two, Chapter III, Section 4 (Local Institutional Funds), Subsections 4.11, 4.13, and 4.2 as set forth below:

- 4.11 Funds held in demand deposits, time deposits, or non-negotiable certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. Depository and custody agreements may be negotiated and executed by UTIMCO or the Executive Vice Chancellor for Business Affairs when such depository agreements are in substantially the same form as a standard depository agreement approved by the Board or, for other agreements, in a form approved by the Office of General Counsel and are with banks meeting the then current policies of the Board. Each chief administrative officer and chief business officer of a component institution or the Executive Vice Chancellor for Business Affairs may negotiate and execute contracts for banking services with banks which have entered into a depository agreement with the Board if the contract has been approved by the Office of General Counsel and the Office of Business Affairs.**
- 4.13 Operating funds, as defined by The University of Texas System Operating Funds Investment Policy, shall be invested in compliance with that investment policy statement. Operating funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Operating Funds Investment Policy. UTIMCO shall administer pooled investment funds for the investment of operating funds as authorized by the Board. The chief business officer of any component institution may add or withdraw operating funds of the component to or from (i) demand deposits, time deposits, or non-negotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such operating funds on any established addition or withdrawal date of the pool.**
- 4.2 Depository banks selected shall furnish adequate surety bonds or securities to assure safety of these funds. Such securities shall be delivered by the depository bank to an account in the name of the Board at a third-party depository(ies), bank(s) or trust company(ies) approved and contracted with by the Executive Vice Chancellor for Business**

Affairs. Local Funds shall be deposited in the depository banks or invested as soon as possible but in no event later than that provided by law. Demand deposits and time deposits will be maintained in accordance with the current policies of the Board.

h. Amended Part Two, Chapter IX (Matters Relating to Investments, Trusts, and Lands) to read as set forth below:

Sec. 1. Authority Regarding Assets.

- 1.1 Subject to the more specific provisions of other sections of the Regents' Rules and Regulations or specific Regental policies, the authority to manage and invest assets of or held by the U. T. System shall be as set forth below.
- 1.2 All assets, regardless of the nature of the asset, received through a bequest or through a distribution from an account held in trust by others shall be accepted and processed by the Office of Development and External Relations and invested by UTIMCO, except for gift real property which shall be managed by the Real Estate Office until appropriate distribution may be made to the beneficiary institution or to an endowment fund, a fund functioning as an endowment, or a life income or annuity fund.
- 1.3 All assets of the Permanent University Fund, excluding the real property of the Permanent University Fund, shall be managed by UTIMCO. Real property of the Permanent University Fund shall be managed by the Office of Business Affairs.
- 1.4 All assets, regardless of the nature of the asset, received for or held in an endowment fund (other than the Permanent University Fund), a fund functioning as an endowment, or a life income or annuity fund shall be managed by UTIMCO until such funds terminate.
- 1.5 All assets of Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, the Vision Services Fund, and the Medical Liability Self-Insurance Fund ("consolidated System funds") shall be managed with respect to investment of such funds as set forth below:
 - 1.51 The Office of Business Affairs shall invest the Retirement of Indebtedness Funds, Bond Proceeds, Unemployment Compensation Funds, Workers' Compensation Funds, the Medical/Dental Self-Insurance Fund, and the Vision Services Fund in the

same manner that chief business officers may invest the operating funds of each component institution.

1.52 UTIMCO shall invest the Medical Liability Self-Insurance Fund in the Long Term Fund, Short/Intermediate Term Fund, and Short Term Fund as directed by the Vice Chancellor and General Counsel.

1.6 Except as provided in Subsection 1.2 of this Section, assets which are not a part of the Permanent University Fund, an endowment fund, a fund functioning as an endowment, or a life income or annuity fund or consolidated System funds shall be managed as set forth below:

1.61 Real property used for campus lands shall be managed by the chief administrative officer of the component institution subject to review by the Office of Business Affairs prior to requesting Board approval to acquire the property. Otherwise, non-campus real property shall be managed by the Real Estate Office.

1.62 Tangible personal property shall be managed by the chief administrative officer of the component institution.

1.63 Intangible personal property consisting of securities, interests in businesses, and equity interests in technology transfer firms as set out in the Regents' Intellectual Property Policy shall be managed by UTIMCO. Other intangible personal property shall be managed by the chief administrative officer of the component institution.

Sec. 2. Authorizations Regarding Sales, Assignments, Conveyances, Receipt of Property, and Proxies.

2.1 Authority to Purchase, Exchange, and Sell Securities for and on Behalf of the Permanent University Fund (hereinafter sometimes referred to as "PUF") and the Board.--Pursuant to an Investment Management Services Agreement, UTIMCO shall be authorized to purchase, exchange, and sell any and all securities of any description whatever and from any source, including gifts and bequests, for and on behalf of the PUF or the Board. In addition, external investment managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

- 2.2 Authority to Transact Through Investment Dealers.--Sales, purchases, and exchanges by UTIMCO shall be effected through investment dealers or brokers in accordance with the applicable Investment Policy Statement.
- 2.3 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the Board, or in any other form of registration of such securities held for the account of the PUF or the Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said Board. In addition, custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the Board.
- 2.4 Authority to Execute Instruments Relating to Land and Mineral Interests.--The authority to execute conveyances, deeds, surface and/or mineral leases, easements, rights-of-way, oil and gas division orders, and transfer orders, geophysical and material source permits, water contracts, pooling and unitization agreements, and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, control, and disposition of any real estate or mineral interest held or controlled by the Board is hereby authorized as follows:
- Real Estate or Mineral Interests held as part of the PUF, gift real estate or campus lands, and not held as part of an investment portfolio managed by UTIMCO:
 - The Chancellor or his or her delegate
 - The Executive Vice Chancellor for Business Affairs or his or her delegate.

- 2.5 Authority to Receive and Collect Money and/or Property.--
- (i) UTIMCO is authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from investment transactions, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any investment.
- (ii) The Office of Estates and Trusts is authorized and empowered to ask, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands, whatever, due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the Board from gifts and bequests, from any person or persons, whatever, and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time, relating to the handling, management, and control and disposition of any gift and bequest.
- 2.6 Authority to Execute Proxies and Consent to Modifications in Bond Indentures.-- UTIMCO is authorized to consent to modifications in bond indentures and to execute proxies within the approved investment policies.
- 2.7 Authority to Deliver and Maintain Securities in Book-Entry Form.--Securities owned by the PUF or the Board may be delivered and maintained by a custodian bank or a member bank of the Federal Reserve System in book-entry form subject to applicable law.
- Sec. 3. Policy for Investment and Management of the PUF.
- 3.1 The policies for the investment of funds for the Permanent University Fund shall be those outlined in The Permanent University Fund Investment Policy Statement.

- 3.2 Reports Regarding Asset Management.
 - 3.21 The investment performance of the PUF, as measured by an unaffiliated organization, shall be reported to the Board at least annually.
 - 3.22 The nature and extent of any investments in or business transacted with any firm with which a director, officer or employee of UTIMCO is affiliated will be reported to the Board annually.
- 3.3 UTIMCO is authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default or any other significant changes occurring with respect to any investment.
- 3.4 Policies with Respect to Stock Rights, Fractional Shares, and Proxies.
 - 3.41 Exercise of or sale of stock rights and warrants is to be made at the discretion of UTIMCO.
 - 3.42 Fractional shares which arise in connection with funds under control of UTIMCO shall be handled at its discretion.
 - 3.43 As a general rule, voting stocks held are to be voted by UTIMCO pursuant to its proxy voting policy.
- Sac. 4. Policy for Investment and Management of U. T. Investment Pools.
 - 4.1 The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.
 - 4.2 The provisions of Sections 3.2, 3.3, and 3.4, with respect to the investment and management of the PUF, shall likewise apply to other U. T. investment pools.
 - 4.3 The Operating Funds Short/Intermediate Term Fund shall be administered in a manner consistent with all provisions of The University of Texas System Operating Funds Short/Intermediate Term Fund Information Memorandum.
 - 4.4 The Medical Liability Self-Insurance Fund shall be administered in a manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.
 - 4.5 Each pooled income fund established by U. T. shall be administered according to its trust indenture and applicable law.

Sec. 5. Policy for Investment and Management of Endowment and Trust Funds Invested Through or Separate from U. T. Investment Pools.

- 5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.
- 5.2 Trust funds and other life income accounts will be invested and administered consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).
- 5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.

i. **Amended Part Two, Chapter XII (Intellectual Property), Section 3 as set forth below:**

Sec. 3. Institutional Intellectual Property Advisory Committees, Office of General Counsel, and UTIMCO.

- 3.2 Office of General Counsel.--The Office of General Counsel will have responsibility for all legal matters relating to intellectual property and will assist component institutions with respect to such matters. Among other responsibilities, the Office of General Counsel will secure protection for intellectual property when appropriate and will police infringements; maintain central databases and files of patent applications, issued patents, copyrights, licenses and agreements; coordinate with component institutions in negotiating and preparing

license and other agreements; review and approve as to form all agreements relating to intellectual property; and coordinate with and cooperate with UTIMCO in all such matters.

3.3 UTIMCO.--UTIMCO will assist component institutions in business and financial matters relating to intellectual property; coordinate with component institutions in evaluating royalty and/or equity transactions and review and approve agreements relating to equity transactions; represent System on boards of directors of entities in which the Board holds equity and the right to a board position; serve as a repository for certificates of shares in entities in which the Board holds equity and represent the System's interest with respect thereto; and coordinate with and cooperate with the Office of General Counsel in all such matters.

j. Amended Part Two, Chapter XII (Intellectual Property), Section 9, Subsection 9.3 as set forth below:

Sec. 9. Approval of and Execution of Legal Documents Relating to Rights in Intellectual Property.

9.3 The Chancellor, the appropriate Executive Vice Chancellor, the Vice Chancellor and General Counsel or the authorized representative of UTIMCO may execute, on behalf of the Board, legal documents relating to the Board's rights in intellectual property, including, but not limited to, declarations, affidavits, powers of attorney, disclaimers, and other such documents relating to patent applications and patents; applications, declarations, affidavits, affidavits of use, powers of attorney, and other such documents relating to trademarks; applications for registration of and other such documents relating to copyrights; and license and assignment documents approved by the Board pursuant to Subsections 9.1 or 9.2.

EXCERPT FROM THE MINUTES

NOV 9 1996

4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter I, Section 9, Subsection 9.3 (Official Seal, Colors, Flag, Logo, and Mascot).--Upon recommendation of the Academic Affairs and Health Affairs Committees, approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter I, Section 9, Subsection 9.3, regarding the official flag, to read as set forth below:

Sec. 9. Official Seal, Colors, Flag, Logo, and Mascot.

- 9.3 The Texas State Flag shall be designated as the official flag of the System, and the official flag of each component institution shall be the Texas State Flag with a streamer with the official name of the component institution in white letters on an orange field, and a special occasion banner, as determined to be appropriate by the chief administrative officer in consultation with the appropriate Executive Vice Chancellor. No component institution shall have or display any other flag as its official flag. Nothing in this Subsection shall be interpreted to prohibit display of other flags in a manner consistent with the Texas Flag Code, Article 6139c, Vernon's Texas Civil Statutes.

These amendments explicitly authorize an institution to display a special occasion banner in conjunction with a special campus celebration such as a centennial year and clarify that, pursuant to the Texas Flag Code, institutions may not be prohibited from flying national, state, municipal, or foreign flags as long as such display is consistent with the Code.

FEB 8 1996

2. U. T. Board of Regents: Proposed Amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 (Use of University-Owned Facilities) and Part Two, Chapter X, Section 9 (Student Union Facilities) (Deferred).--The item related to proposed amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6 regarding use of university-owned facilities and Part Two, Chapter X, Section 9 regarding student union facilities was deferred.

EXCERPT FROM THE MINUTES

NOV 9 1995

1. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapters I (Board of Regents) and II (Administration) and Part Two, Chapter I (General) to Implement Changes in the Processing of Private Gifts.--Due to the reorganization of The University of Texas System Office of Asset Management and the need for some minor editorial amendments regarding the processing of private gifts, approval was given to amend the Regents' Rules and Regulations, Parts One and Two as set forth below:
 - a. Part One, Chapter I, Section 7, Subsection 7.19 (Duties of the Asset Management Committee) was amended to read as set forth below:
 - 7.191 Consider and make recommendations to the Board on all matters relating to the investment and investment properties of the Permanent University Fund and all other assets managed by the Office of Asset Management.
 - 7.192 Recommend to the Board appointments and dismissals of members of the Investment Advisory Committee and of investment consultants and advisors.
 - 7.193 Periodically report to the Board on the investment operations of The University of Texas System.
 - 7.194 Counsel with the Chancellor and recommend Board action with respect to any recommendations related to the appointment, promotion, and dismissal of such System officers as are responsible for managing the investments of the System or any component thereof.

- b. Part One, Chapter II, Section 7, Subsection 7.2 (Duties and Responsibilities of the Vice Chancellor for Asset Management) was amended to read as follows:

7.2 Duties and Responsibilities.

The Vice Chancellor for Asset Management has responsibility for the management of trust and endowment lands and noncampus lands held in the name of the Board of Regents including the investment and management of trusts, trust assets, endowments, the Permanent University Fund and such other funds as may be assigned in such a manner as to maximize the monies available for excellence in all activities of the System. The Vice Chancellor for Asset Management will coordinate and cooperate with the Executive Vice Chancellor for Business Affairs in bringing to the Board recommendations on those policy issues which impact upon the asset management aspects of the Permanent University Fund Lands and shall provide to the Board of Regents through the Executive Vice Chancellor for Business Affairs an independent report and assessment of the System's ability to finance prospective debt issues. In consultation with the Chancellor, the Vice Chancellor for Asset Management shall prepare recommendations and supporting information on his or her responsibilities for consideration by the appropriate standing committees of the Board and the Board of Regents. The Vice Chancellor for Asset Management will coordinate and cooperate with the Office of General Counsel in the development and management of the Intellectual Property resources of the System.

- c. Part One, Chapter II, Section 10, Subsection 10.2 (Duties and Responsibilities of the Vice Chancellor for Development and External Relations) was amended to read as set forth below:

10.2 Duties and Responsibilities.

The primary responsibilities of the Vice Chancellor for Development and External Relations include:

- 10.21 The provision of staff assistance to the Chancellor and the Executive Vice Chancellors in the execution of their responsibilities.
- 10.22 The development, organization, and administration of activities to obtain private sector funding for programs of the System.
- 10.23 The formal acceptance, following review and approval by the appropriate Executive Vice Chancellor, and the processing and administration (excluding investment management) of gifts as assigned which conform to all relevant laws and Board policies.

- 10.24 Recommending policies relating to acceptance, processing, and administration (excluding investment management) of gifts for all of the U. T. System's component institutions.
- 10.25 Making recommendations with respect to the acceptance of all proposed gifts and approval of all other actions related to the processing and administration of gifts managed by the Office of Development and External Relations, the terms of which do not conform to all relevant laws and Board policies.
- 10.26 Reporting to the Board on gifts processed and administered by the Office of Development and External Relations.
- 10.27 The organization and administration of programs for providing information to the public relating to the System and coordinating those programs with the public information programs of the component institutions.
- 10.28 Directing the administration of the System Office of Special Services.
- 10.29 Directing the administration of the System Office of Estates and Trusts.
- 10.2(10) To assist in the development, organization, and administration of programs and activities related to alumni of System component institutions in coordination with appropriate personnel of the component institutions.
- 10.2(11) Coordinating the policies and activities of the System and the component institutions related to internal and external foundations that provide support for the System and the component institutions.
- 10.2(12) The performance of such other duties and responsibilities as may be assigned by the Chancellor.

d. Part Two, Chapter I, Section 1 (Gifts to The University of Texas System) was amended to read as set forth below:

Sec. 1. Gifts to The University of Texas System.

- 1.1 The authority to accept gifts to the System or to any of the component institutions is vested in the Board.
- 1.2 Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with all relevant laws and Board policies, including but not limited to, the provisions of the U. T. System Gifts Policy Guidelines and approved institutional policies.

- 1.3 The authority to accept the following gifts which conform to all relevant laws and Board policies, including but not limited to, the U. T. System Gifts Policy Guidelines ("Gifts Policy Guidelines" or "Guidelines") and approved institutional policies is delegated to the chief administrative officer or his/her designee(s) specified in writing:
 - (a) unrestricted gifts and gifts restricted only as to a particular college/school/unit having a value of less than \$500,000 (in cash or in kind) that are not processed and/or administered by the Office of Development and External Relations and
 - (b) other restricted gifts having a value of less than \$50,000 (in cash or in kind) that are not managed by the Office of Development and External Relations.
- 1.4 The authority to accept all gifts of any value (either in cash or in kind) and to approve all other administrative actions related to gifts that are processed and/or administered by the Office of Development and External Relations (as set out in the Regents' Rules and Regulations) which conform to all relevant laws and Board policies, including but not limited to, the Gifts Policy Guidelines is delegated to the Vice Chancellor for Development and External Relations or his/her designee(s) specified in writing.
- 1.5 The Office of Development and External Relations shall submit a report to the Board summarizing acceptance and approval by the Office of Development and External Relations of gifts and other actions which conform to all relevant laws and Board policies, including but not limited to, the Gifts Policy Guidelines no less frequently than annually.
- 1.6 Recommendations regarding the acceptance of gifts or other actions which do not conform to all relevant laws and Board policies, including but not limited to the Guidelines, shall be made through the Chancellor to the Board via the Agenda after review by the appropriate offices of the terms of the gifts, the nature of the donated assets and/or the requested action.
- 1.7 Gifts to Establish Endowments.
 - 1.71 Endowments will be established with gifts which have been completed for tax purposes or with a combination of such gifts and pledges at a minimum funding level of \$10,000. Endowments may be established to fund scholarship programs and other educational activities as well as the endowed academic positions specified in Section 3 below.

- 1.72 Should the Board determine at any time that an endowment fund is not of sufficient size and has no foreseeable prospects of growing to sufficient size to justify the continuing costs of maintenance of such fund as a separate fund, then in the Board's discretion the principal of such fund may be expended for or otherwise devoted to the accomplishment, as near as may be possible, of the purposes for which the fund was established.
- 1.8 Except as provided in this Subsection, the preceding Subsections, or approved institutional policies, no member of the staff of any institution has the authority to accept gifts.
- 1.9 Neither the System nor any of its component institutions will administer a gift for the benefit of any designated individual unless the donor is exempt from federal income taxes as defined by the Commissioner of Internal Revenue.
- 1.(10) Acceptance of all gifts of real estate shall be subject to the U. T. System Gifts Policy Guidelines and the Environmental Review Policy for Acquisitions of Real Estate. The Coordinating Board, for purposes of state funding, may review and approve as an addition to an institution's educational and general building and facilities inventory any improved real property acquired by gift or lease-purchase as provided in Section 61.058(d) of the Texas Education Code.
- 1.(11) Conduct Related to Gifts.
- 1.(11)1 The Board will not serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties.
- 1.(11)2 U. T. System and component institution employees who agree to serve as executor or administrator of a donor's estate which benefits a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the estate between the employee and any office of the U. T. System or the component institutions shall be in writing.

- 1.(11)3 U. T. System and component institution employees should not knowingly act as witnesses to wills in which the U. T. System or a component institution is named as a beneficiary because their doing so may jeopardize the receipt of the bequest.
- 1.(11)4 Because of the potential for conflicts of interest, U. T. System and component institution employees who agree to serve as trustee of a trust benefiting a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished with a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the trust between the employee and any office of the U. T. System or the component institutions shall be in writing.
- 1.(11)5 Members of the Board are frequently persons of wide-ranging business interests. Therefore, a prudent, independent decision process may result in real estate transactions with or involving firms or organizations with whom a member of the Board is affiliated. Affiliation shall be interpreted within this Section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. Unless the Board specifically finds that the transaction is in the best interest of the U. T. System or a component institution, no member of the Board or employee of the U. T. System may participate in any transaction with the U. T. System involving interests in real estate with which such Board member or employee is affiliated other than to convey a gift or bequest to the U. T. System.

See Page 184 related to amendments to the U. T. System Gifts Policy Guidelines.

EXCERPT FROM THE MINUTES

AUG 10 1995

2. U. T. Board of Regents - Regents' Rules and Regulations: Amendments to Part One, Chapters I (Board of Regents) and II (Administration) and Part Two, Chapters I (General) and IX (Matters Relating to Investments, Trusts, and Lands) to Implement Changes in the Processing of Private Gifts.--In December 1994, the U. T. Board of Regents, at the recommendation of The University of Texas System Process Review Committee, chaired by Regent Lebermann, authorized a more effective and efficient procedure to accept and process private gifts to the U. T. System Administration and component institutions. The newly authorized procedures: (a) expand the delegation of authority of the chief administrative officers to accept certain gifts, (b) delegate to the Vice Chancellor for Asset Management authority to accept gifts and approve certain administrative actions related to gifts managed by the Office of Asset Management that conform to policy, and (c) require that all requests for exceptions to policy be considered by the U. T. Board of Regents via the agenda process.

To implement these new procedures, approval was given to amend the Regents' Rules and Regulations, Parts One and Two as set forth on Pages 5 - 14.

The Regents' Rules and Regulations, Part One, were amended as set forth below:

- a. Chapter I, Section 7, Subsection 7.162 (Duties of the Academic Affairs Committee) was amended to read as set forth below:

7.162 Recommend to the Board policies relating to soliciting and securing gifts for the University's general academic institutions.
- b. Chapter I, Section 7, Subsection 7.17(10) (Duties of the Health Affairs Committee) was amended to read as set forth below:

7.17(10) Recommend to the Board policies relating to soliciting and securing gifts for the University's health-related institutions.
- c. Chapter I, Section 7, Subsection 7.191 (Duties of the Asset Management Committee) was amended to read as set forth below:

7.191 Consider and make recommendations to the Board on all matters relating to the investment and investment properties of the Permanent University Fund and all other assets managed by the Office of Asset Management.
- d. Chapter I, Section 7, Subsections 7.192 and 7.193 (Duties of the Asset Management Committee) was amended to read as set forth below:

7.192 Recommend to the Board policies relating to acceptance and management of gifts for all of the University's institutions, for gifts that are managed by the Office of Asset Management.

7.193 Make recommendations to the Board with respect to the acceptance of all proposed gifts and approval of other miscellaneous actions related to the administration of gifts managed by the Office of Asset Management, the terms of which do not conform to existing Board policies.
- e. Chapter I, Section 7, Subsection 7.194 (Duties of the Asset Management Committee) was amended and present Subsections 7.194 through 7.196 were renumbered as Subsections 7.195 through 7.197 as follows:

7.194 Periodically report to the Board on gifts managed by the Office of Asset Management.

7.195 Recommend to the Board appointments and dismissals of members of the Investment Advisory Committee and of investment consultants and advisors.

7.196 Periodically report to the Board on the investment operations of The University of Texas System.

7.197 Counsel with the Chancellor and recommend Board action with respect to any recommendations related to the appointment, promotion, and dismissal of such System officers as are responsible for managing the investments of the System or any component thereof.

- f. Chapter I, Section 8, Subsections 8.54 and 8.55 (Communications by and to the Board) was amended to read as set forth below:

8.54 A docket, to be entitled "Chancellor's Docket No. _____," composed of routine matters arising from System Administration and the component institutions, which are required to be reported to and/or approved by the Board in accordance with established policies of the Board, shall be prepared as directed and approved by the Chancellor, appropriate Executive Vice Chancellor, and Vice Chancellor, as appropriate. All docket items from the component institutions must be received by the System Administration not less than twenty-one days prior to the next regular scheduled meeting for inclusion on the docket for that meeting. The Chancellor's Docket shall be distributed by the Executive Secretary to all members of the Board ten days before the Board convenes, together with a ballot to be returned seven days thereafter. The ballot will read: "Approved, except as to the following items;" with space provided for listing the excepted items. All items not excepted by any Regent will be approved by the Board at its next meeting, without detailed consideration. Any excepted item listed by any Regent will be deferred and will be processed through the appropriate standing committee for consideration at the first regular meeting of the Board following action of the item by the appropriate standing committee.

8.55 A description of all matters to be considered by the Board or a standing committee of the Board at any meeting shall be mailed or delivered to each member of the Board or to each member of the appropriate standing committee of the Board and to designated officials at least five days in advance of the meeting at which they are to be considered, and insofar as possible, such material shall be mailed or delivered to each member of the Board or to each member of the appropriate standing committee of the Board and the designated officials at least ten days in advance of the meeting. Each such matter shall be accompanied by a summary of the facts pertaining thereto, the need for action thereon, and the recommendations of the Chancellor. Where contractual awards are involved, the summary shall show the method of competition, if any, the names and offers of all interested parties, and generally sufficient information to show the reasons for and fairness of each transaction. The recommendations of the Chancellor shall state whether they are fully concurred in by any Executive Vice Chancellor, Vice Chancellor or chief administrative officer involved, and if not, their views and recommendations shall be included. Any matter not sent to the members of the Board or

the members of a standing committee of the Board, documented as herein provided, at least five days in advance of the meeting at which it is to be considered, shall go over to the next meeting for consideration; provided, however, that if sufficient emergency exists requiring immediate action and it appears that the delay was unavoidable, this requirement may be waived by a two-thirds vote of the Board or a standing committee of the Board.

- g. Chapter II, Section 3, Subsection 3.26 (Purview and Primary Duties of the Chancellor) was amended to read as set forth below:

3.26 Preparing and approving appropriate recommendations to the Board and its standing committees along with the recommendation of the appropriate Executive Vice Chancellor, Vice Chancellor, as appropriate, or chief administrative officer of a component institution.

- h. Chapter II, Section 7, Subsection 7.2 (Duties and Responsibilities of the Vice Chancellor for Asset Management) was amended to read as set forth below:

7.2 Duties and Responsibilities.

The Vice Chancellor for Asset Management has responsibility for the formal acceptance, following review and approval by the appropriate Executive Vice Chancellor, and the management of gifts as assigned, the management of trust and endowment lands and noncampus lands held in the name of the Board of Regents including the investment and management of trusts, trust assets, endowments, the Permanent University Fund and such other funds as may be assigned in such a manner as to maximize the monies available for excellence in all activities of the System. The Vice Chancellor for Asset Management will coordinate and cooperate with the Executive Vice Chancellor for Business Affairs in bringing to the Board recommendations on those policy issues which impact upon the asset management aspects of the Permanent University Fund Lands and shall provide to the Board of Regents through the Executive Vice Chancellor for Business Affairs an independent report and assessment of the System's ability to finance prospective debt issues. In consultation with the Chancellor, the Vice Chancellor for Asset Management shall prepare recommendations and supporting information on his or her responsibilities for consideration by the appropriate standing committees of the Board and the Board of Regents. The Vice Chancellor for Asset Management will coordinate and cooperate with the Office of General Counsel in the development and management of the Intellectual Property resources of the System.

Further, the Regents' Rules and Regulations, Part Two, were amended as set forth below:

- a. Present Chapter I, Section 1 (Gifts to The University of Texas System) was deleted in its entirety and replaced with Section 1 as set forth below:

Sec. 1. Gifts to The University of Texas System.

- 1.1 The authority to accept gifts to the System or to any of the component institutions is vested in the Board.
- 1.2 Unless otherwise approved by the Board, all gifts to the System or any component institution shall be made in accordance with the provisions of the U. T. System Gifts Policy Guidelines and approved institutional policies.
- 1.3 The authority to accept the following gifts which conform to the U. T. System Gifts Policy Guidelines ("Gifts Policy Guidelines" or "Guidelines") and approved institutional policies is delegated to the chief administrative officer or a designee specified in writing:
(a) unrestricted gifts having a value of less than \$500,000 (in cash or in kind) that are not managed by the Office of Asset Management and
(b) restricted gifts having a value of less than \$50,000 (in cash or in kind) that are not managed by the Office of Asset Management.
- 1.4 The authority to accept all gifts of any value (either in cash or in kind) and to approve other administrative actions related to gifts that are managed by the Office of Asset Management (as set out in Part Two, Chapter IX) which conform to the Gifts Policy Guidelines is delegated to the Vice Chancellor for Asset Management or a designee specified in writing.
- 1.5 The acceptance of gifts and approval of other administrative actions related to gifts managed by the Office of Asset Management which conform to the Gifts Policy Guidelines shall be reported to the Board via the Docket or Agenda.
- 1.6 Recommendations regarding the acceptance of gifts or other actions which do not conform to the Guidelines shall be made through the Chancellor to the Board via the Agenda after review by the appropriate offices of the terms of the gifts, the nature of the donated assets and/or the requested action.
- 1.7 Gifts to Establish Endowments.
 - 1.71 Endowments will be established with gifts which have been completed for tax purposes or with a combination of such gifts and pledges at a minimum funding level of \$10,000. Endowments may be established to fund scholarship programs and other educational activities as well as the endowed academic positions specified in Section 3 below.

1.72 Should the Board determine at any time that an endowment fund is not of sufficient size and has no foreseeable prospects of growing to sufficient size to justify the continuing costs of maintenance of such fund as a separate fund, then in the Board's discretion the principal of such fund may be expended for or otherwise devoted to the accomplishment, as near as may be possible, of the purposes for which the fund was established.

1.8 Except as provided in this Subsection, the preceding Subsections, or approved institutional policies, no member of the staff of any institution has the authority to accept gifts.

1.9 Neither the System nor any of its component institutions will administer a gift for the benefit of any designated individual unless the donor is exempt from federal income taxes as defined by the Commissioner of Internal Revenue.

1.(10) Acceptance of all gifts of real estate shall be subject to the U. T. System Gifts Policy Guidelines and the Environmental Review Policy for Acquisitions of Real Estate. The Coordinating Board, for purposes of state funding, may review and approve as an addition to an institution's educational and general building and facilities inventory any improved real property acquired by gift or lease-purchase as provided in Section 61.058(d) of the Texas Education Code.

1.(11) Conduct Related to Gifts.

1.(11)1 The Board will not serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties.

1.(11)2 U. T. System and component institution employees who agree to serve as executor or administrator of a donor's estate which benefits a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the estate between the employee and any office of the U. T. System or the component institutions shall be in writing.

- 1.(11)3 U. T. System and component institution employees should not knowingly act as witnesses to wills in which the U. T. System or a component institution is named as a beneficiary because their doing so may jeopardize the receipt of the bequest.
- 1.(11)4 Because of the potential for conflicts of interest, U. T. System and component institution employees who agree to serve as trustee of a trust benefiting a U. T. System component institution are immediately to notify the Office of Estates and Trusts of their appointment. Upon notification, the employee will be furnished with a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the trust between the employee and any office of the U. T. System or the component institutions shall be in writing.
- 1.(11)5 Members of the Board are frequently persons of wide-ranging business interests. Therefore, a prudent, independent decision process may result in real estate transactions with or involving firms or organizations with whom a member of the Board is affiliated. Affiliation shall be interpreted within this Section to mean an employee, officer, director, or owner of five percent or more of the voting stock of a firm or organization. No member of the Board or employee of the Office of Asset Management may participate in any transaction with the U. T. System involving interests in real estate with which such Board member or employee is affiliated other than to convey a gift or bequest to the U. T. System.

b. Chapter I, Section 3, Subsection 3.1 (Endowment of Academic Positions) was amended to read as set forth below:

- 3.1 No endowment will be established or announced without prior approval by the Board, or its designee(s). No initial appointment will be made to an endowed chair or professorship without prior approval by the Board via the Docket. Subsequent new or continuing appointments to the endowed chair or professorship may be approved as a part of the annual operating budget or via the Chancellor's Docket. Appointments to endowed fellowships may be approved via the Chancellor's Docket, unless included as part of the annual budget approval process.

- c. Present Chapter I, Section 3, Subsection 3.3 (Endowment of Academic Positions) was deleted and present Subsection 3.4 was amended and renumbered as Subsection 3.3 to read as follows:

- 3.3 The six categories of endowed and named academic positions and the minimum funding levels to establish the positions are: Distinguished University Chairs (\$2,000,000), Distinguished Chairs (\$1,000,000), Chairs (\$500,000), Distinguished Professorships (\$250,000), Professorships (\$100,000), and Fellowships (\$50,000). All agreements related to endowed academic positions made prior to April 14, 1988, will remain in effect unless a specific request for change is made by the donor and the institution and approved by the Board.
- 3.31 Whether an endowment has attained the minimum funding level necessary to establish a particular academic position will be determined by the total market value of contributions to the endowment in the form of gifts from donors or transfers of institutional funds at the time the contribution is made. Funding levels will not be determined by the amount of net sale proceeds received from a non-cash gift or by the current market value of the investments held in an endowment.
- 3.32 With the specific approval of the Board, a named academic position may be established without the above minimum funding levels only in accordance with agreements recommended by the Chancellor, the appropriate Executive Vice Chancellor and the Vice Chancellor for Asset Management. Such agreements must contain the provisions outlined in Subsections 3.33 and 3.34 below.
- 3.33 If an external entity requests that the Board establish a named academic position based upon the entity's agreement to hold and manage an endowment fund supporting the position, the entity must irrevocably agree to dedicate the endowment to the support of the academic position in perpetuity or for a specified term of years. The entity must agree to adhere to Board policies regarding minimum funding levels for an endowment. The entity must agree to employ annual payout policies that are consistent with the goal of distributing from the endowment, or otherwise contributing to the institution, an annual payout amount substantially similar to that distributed from a comparable Board-managed endowment. The entity must agree that funds distributed from

the endowment shall be paid to the institution for further expenditure in accordance with Board policies. The Board must retain the right to appoint all holders of the academic position.

3.34 If an external entity requests that the Board establish a named academic position without the funding of an endowment to support the position, the entity must irrevocably agree to contribute annually, either in perpetuity or for a specified term of years, an amount substantially similar to that distributed from a Board-managed endowment in support of a comparable position. The entity must agree that the funds will be contributed for further expenditure in accordance with Board policies regarding the particular category of academic position being established. The Board must retain the right to appoint all holders of the academic position.

3.35 Distinguished University Chairs, Distinguished Chairs, Chairs, Distinguished Professorships, and Professorships.--The component institution will pay from its funds such amounts as are necessary to set the salary of the holder at a level commensurate with his or her record, experience, and position in the faculty. Distributions from the endowment may be used both for salary supplementation and for other professional support of the holder of the endowed position, including assistance in the holder's research. Endowment distributions also may be used to pay an appropriate part of the salary of the holder of the endowed position commensurate with an authorized reduced faculty work load when required by other duties of the position or when the holder is on part-time or full-time research leave which is otherwise unfunded. It is provided specifically, however, that, in no event, will endowment distributions be used to supplant any other source of funds used to pay the base salary of the holder of the position when the holder is performing his or her regular duties.

3.36 Endowed Fellowships.--Distributions from the endowment may be used to supplement the salary of the holder of the fellowship, who may be a qualified person of any academic rank irrespective of tenure status, and will also be available for other professional support of the holder. The

endowed fellowship will be used to provide temporary support (not to exceed one academic year) of distinguished scholars who are in temporary residence at the component while participating in planned academic programs; visiting scholars who are in temporary residence at the institution for special academic programs or purposes; component faculty who have made unique contributions to academic life or to knowledge in their academic discipline; and component faculty of any academic rank, irrespective of tenure status, who have been selected for teaching excellence through procedures established by the component institution. Grants for endowed visiting professorships and endowed teaching fellowships of at least \$50,000 already under contractual agreement for the future, bequests included in wills made prior to April 14, 1988, and other prior bona fide arrangements for endowed teaching fellowships and endowed visiting professorships are excepted in this regulation. Grants for endowed lectureships of at least \$20,000 already under contractual agreement for the future, bequests in wills made prior to April 14, 1988, and other prior bona fide arrangements for endowed lectureships are excepted from the minimum amount restriction in this regulation.

3.37

Individual component institutions are not required to utilize all categories of endowed academic positions and may, with advance administrative approval and inclusion in the institutional Handbook of Operating Procedures, limit institutional endowment activity to those position categories which best fit the component goals and mission.

- d. Chapter IX, Section 5, Subsections 5.1 and 5.2 (Policy for Investment and Management of Endowment and Trust Funds Invested Through or Separate from U. T. Investment Pools) was amended to read as set forth below:

- 5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with

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the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.

- 5.2 Trust funds and other life income accounts will be invested and administered consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).

See Page 64 related to the adoption of the U. T. System Gifts Policy Guidelines.

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2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter IV, Sections 4 (Purchases of Supplies and Equipment) and 5 (Purchasing Procedures).--The Board, upon recommendation of the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapter IV, Section 4, regarding purchases of supplies and equipment, and Section 5, regarding purchasing procedures, to read as set forth below:

Sec. 4. Purchases of Supplies, Materials, Services, and Equipment.

- 4.1 In making purchases of supplies, materials, services, and equipment on behalf of the System, the General Services Commission (the "Commission") is required to comply with the State Purchasing and General Services Act, Article 3 of Article 601b, Vernon's Texas Civil Statutes (the "Act"), including the rules and regulations promulgated by the Commission thereunder.
- 4.2 The Act permits the Commission to delegate purchasing functions to a state agency, including an institution of higher education. The Act authorizes institutions of higher education to purchase materials, supplies, or equipment through group purchasing programs that offer discount prices to institutions of higher education, subject to rules to be promulgated by the Commission. In making purchases under such delegated authority or under such group purchasing programs subject to rules of the Commission, the System shall follow the Commission's applicable procedures or rules.
- 4.3 The Act provides that the Commission's authority does not extend to acquisition of:
- (a) specified categories of supplies, materials, services, or equipment for libraries operated as part of university systems or institutions of higher education;
 - (b) materials, supplies, or equipment purchased by state-owned hospitals or clinics through certain group purchasing programs;
 - (c) professional services or consulting services; or
 - (d) supplies, materials, services, or equipment for resale, for auxiliary enterprises, for organized activities relating to instructional departments, or from gifts or grants, including industrial or federal grants or contracts in support of research.

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- 4.4 The System has no obligation to comply with the Act or the rules and regulations issued thereunder in making purchases to which the Commission's authority does not extend, or for which the System's purchasing authority is not delegated from the Commission under the Act or expressly subject to rules by the Commission but rather is a different statute. With respect to such purchases not subject to the Act or the rules and regulations issued thereunder, the policies and procedures to be used by a System component shall be approved by its chief business officer pursuant to Section 5 below.

Sec. 5. Purchasing Procedures

- 5.1 The official purchasing agent of each component institution shall promulgate procedures to facilitate and expedite the purchasing function. Such procedures shall be developed in accordance with sound business practices and applicable state law. Purchasing procedures shall be implemented only after appropriate review and approval for inclusion in the institutional Handbook of Operating Procedures, including review and approval of the chief business officer.
- 5.2 Closed or noncompetitive specifications shall not be used except in unusual instances clearly justified as being essential to efficient operating performance. Reports of all such exceptions shall be maintained by the chief business officer.

These amendments will allow The University of Texas System component institutions flexibility to adopt purchasing policies consistent with industry standards for purchases not subject to the Act. This will in turn allow the component institutions to reduce their structural costs.

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3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter V, Section 3 (Employee Training, Education, and Development).--The Business Affairs and Audit Committee recommended and the Board amended the Regents' Rules and Regulations, Part Two, Chapter V, Section 3, regarding employee training, education, and development, to read as set forth below:

Sec. 3. Employee Training, Education, and Development.

- 3.1 The State Employees Training Act, Texas Government Code, Sections 656.041 et seq. recognizes that programs for the training and education of state administrators and employees materially aid effective state administration and requires each State agency to adopt rules governing such programs, subject to written approval of the Governor of the State of Texas. The Director of the Office of Human Resources, as delegated by the Executive Vice Chancellor for Business Affairs, is responsible for promulgating the necessary policies and procedures for implementation of the State Employees Training Act, consistent with the guidelines already approved by the Governor and the Regents' Rules and Regulations.
- 3.2 Through implementation of the State Employees Training Act, the U. T. System encourages the establishment of policies which promote training programs that will greatly benefit employees. In addition, the use of various types of training programs will be designed to encourage the initiative of all employees and stimulate and motivate less productive employees. Organized training programs will, moreover, help identify employees who exercise their initiative and demonstrate high levels of performance and also identify areas where employees need assistance in adapting to change and adopting change and improved procedures and programs.
- 3.3 The following general objectives of the overall training effort will lead to more efficiency and economy:
- 3.31 Developing well trained managerial, supervisory, professional and support staff;
- 3.32 Assisting all employees toward achieving their highest potential;
- 3.33 Motivating employees and encouraging employee participation;
- 3.34 Evaluating the training and its benefit to the organization.
- 3.4 The program elements for this general training program are:
- 3.41 Identifying staff members who need staff development in order to determine the exact kind and scope of program needed;

- 3.42 Training individuals for current assignments and developing them for future assignments, as a means of improving the quality and quantity of work;
 - 3.43 Providing training so that supervisors are prepared to assume and discharge their primary responsibility for the maximum utilization of personnel, the training of their staff members, and the maintenance of sound employee relations;
 - 3.44 Advising and assisting employees with respect to continuing education and means by which they can increase their effectiveness;
 - 3.45 Evaluating all training and education activities to determine whether they are effective.
- 3.5 With these objectives and general program elements as a background, the establishment of four specific training programs is encouraged. The administration and implementation of the following training programs at the U. T. System Administration and each component are to be primarily the task and responsibility of the institutional human resources/personnel director or an individual designated by the chief administrative officer.
- 3.6 Higher Education Tuition Support Program.
- 3.61 Definition: This program will provide financial assistance for graduate or undergraduate level training leading to a degree. It provides for full-time or part-time student enrollment and is to be for selected, qualified employees of the U. T. System. This program will be provided on the basis of institutional need and to the extent funds are available.
 - 3.62 Objective: To provide a college or university education for qualified employees as specifically required in their areas of employment.
 - 3.63 Program Elements: This training is to provide full-time or part-time student enrollment in a graduate or undergraduate program leading to a degree that directly relates to that employee's current or future employment.
 - 3.64 Administration: Eligibility Requirements.
 - 3.641 Selected employees must have necessary academic qualifications to meet all entrance requirements of the college or university where training is provided.
 - 3.642 Degree training must be directly related to an existing job or job series.
 - 3.643 Selected employees should be scheduled for appointment to a job requiring the degree training on completion of schooling.
 - 3.644 Selected employees must meet requirements and be recommended through the chief administrative

officer and approved by the institutional human resources/ personnel director or the Director of the Office of Human Resources.

- 3.645 Selected employees on educational stipend shall be considered as employees on official leave of absence while in student status. Vacation, sick leave, group insurances, and other benefits will be governed under appropriate rules regarding such official leaves of absence.
- 3.646 Participating employees must receive grades of "C" or better in undergraduate classes and "B" or better in graduate courses to continue eligibility.
- 3.65 Administration: Obligations. Employees who receive financial assistance under this program, in completion of either undergraduate or advanced degrees, will be obligated to fulfill the following terms and conditions:
 - 3.651 An agreement to be bound by the rules and regulations contained herein and such other policies, rules, and procedures as may be promulgated by the employing entity.
 - 3.652 An agreement to return to the employing entity upon graduation and attainment of the degree and to remain in the employment for a period of time subsequent to graduation that is proportionate either to the period of time the employee has received financial assistance to attend college or university or to the amount of financial assistance received, or at the institution's option.
 - 3.653 An agreement to execute a formal obligatory document between the employing entity and the recipient of assistance under this program, to repay in a lump sum or such alternate arrangement as the employing entity may prescribe, the amount of money expended for the cost of such college education if the individual for any reason, except circumstances beyond the individual's control, fails to complete the training or otherwise defaults in any provision of the agreement or agreements.
- 3.7 Human Resource Development Program.
 - 3.71 Definition: Human resource development may include on-the-job training, training in preparation for future job responsibilities, and continuing training programs that are designed to increase job effectiveness.

- 3.72 Objectives: To equip an individual to perform job specific tasks and/or to equip the employee to deal with new technological and legal developments, to develop additional work capabilities, or increase the employee's level of effectiveness.
- 3.8 Outside Staff Development Program.
- 3.81 Definition: This program is to provide training through workshops, seminars, institutes, training sessions, extension courses, college or university courses (with or without academic credit), and other special programs or activities offered either within or outside the state. Such programs must be of concentrated, precise content and designed to improve the individual's professional or technical knowledge in the performance of the individual's present or prospective duties and responsibilities.
- 3.82 Objectives: To improve and enhance the individual's professional and technical knowledge and ability in the performance of the individual's present or prospective duties and responsibilities.
- 3.83 Program Elements: This program is generally the type that meets the following criteria: relatively short term; specific in content; and presented outside the employing agency.
- 3.84 Administration: Eligibility Requirements. The training and education must be related to the employee's current or prospective duty assignment during the period of his or her participation.
- 3.85 Administration: Obligations. Employees receiving Outside Staff Development will be obligated to fulfill such terms and conditions as the chief administrative officer may prescribe, compatible with the nature and extent of the training or education.
- 3.9 Internship/Mentoring Program.
- 3.91 Definition: Internship training is intended to provide the type of learning experience that can be obtained only through actual work experience. Internship programs will normally be of a longer duration than training mentioned under the heading of Outside Staff Development and Human Resource Development Program. This training will be provided to those individuals selected under the standards listed below in Subdivision 3.95, Eligibility Requirements. This training will be provided on the basis of need of the employing entity and to the extent funds are available.
- 3.92 Objectives: This type of training and education has a broader objective than other types of training in that it serves

- not only the employing entity but also the State of Texas in the following ways:
- 3.921 It allows screening of potential employees while simultaneously enjoying an advantageous recruiting position.
 - 3.922 It facilitates the infusion of new people and new ideas into the information interchange which is continually taking place between state government and the U. T. System.
 - 3.923 It will allow the gain of trained personnel who can carry a heavier work load in a relatively short period of time.
 - 3.924 Internship programs produce a work product, although this is not the justification for any internship program.
- 3.93 Program Elements: Type I Internships are those that are within the U. T. System for nonemployees of the state.
- 3.931 Type I Internships are held with the U. T. System Administration or a component institution by persons who are not employed by the state or the U. T. System.
 - 3.932 Such internships relate to the educational program of the person serving the internship, which suggests that there will be a constant interchange and evaluation between both the U. T. System and the sponsor of the person's educational program.
 - 3.933 These internships should be initiated only to the extent that they can provide a meaningful working role and learning experience.
 - 3.934 Type I Internships are not designed primarily to produce a work product. (Example: The employee of a private data processing equipment firm observing and being trained in the Information Technology Department of a component institution which serves as the training ground.)
- 3.94 Program Elements: Type II Internship Programs are for the State of Texas and/or U. T. System employees.
- 3.941 Type II(a) Internships provide for the State of Texas to be the trainee represented by a person in the employ of another state agency. [Example: An employee of another state agency (State Auditor's office) serving as an intern trainee.]
 - 3.942 Type II(b) Internships provide for the State of Texas to be the trainee represented by a person in the employ of the U. T. System. A Type II(b) Internship

may be served either within the U. T. System or with other state agencies. Employees on Type II(b) Internship status should be considered as employees of the U. T. System as they would if they were physically present on the job. (Example: An employee of a component serving as an intern trainee at another component or with another state agency, i.e., an accountant from a component business office serving as a trainee in the business office of another component or in the State Auditor's office.)

- 3.943 The primary objective sought by both of the Type II Internship programs is for the trainee to gain skills from the training agency and to promote the ability of persons to work with broader situations and more competently in the multilevels of administration of the state or the U. T. System.
- 3.95 Administration: Eligibility Requirements.
- 3.951 Internship education and training will be conducted primarily for the benefit of the U. T. System.
- 3.952 Internship training and education must be approved by the chief administrative officer or his or her delegate on recommendation of the head of the employing department or unit.
- 3.96 Administration: Obligations.
- 3.961 Type I - No obligatory arrangement is required.
- 3.962 Type II - The following standards should be observed:
- 3.9621 The need for these programs will vary according to skills required and the availability of pre-employment training within the State of Texas and/or the U. T. System.
- 3.9622 The employee has an obligation to successfully complete the training program.
- 3.9623 Employees receiving internship training will be obligated to fulfill such terms and conditions as may be prescribed, compatible with the nature and extent of the training or education.

These amendments are intended to bring the available employee training, education, and development programs in compliance with recent codification of underlying statutory authorization at Sections 656.041 et seq. of the Texas Government Code (formerly Article 6252-11a), simplify program descriptions, and replace unclear or outdated language.

These revised rules will be submitted to the Governor for approval as required by the Texas Government Code.