

EXCERPT FROM THE MINUTES

JUN 11 1992

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two; Approval to Amend Chapter V, Subsection 2.4 (Intellectual Property Policy) and to Renumber and Redesignate Subsection 2.4 as Chapter XII.--In order to emphasize the continuing importance of the development and management of intellectual property and to clarify certain terms and conditions of the existing policy, Subsection 2.4 (Intellectual Property Policy) of Chapter V, Part Two of the Regents' Rules and Regulations was amended to read as set forth on Pages 158 - 166 and renumbered and redesignated as Chapter XII of Part Two thereby deleting present Subsection 2.4 of Chapter V in its entirety.

CHAPTER XII

INTELLECTUAL PROPERTY

Sec. 1. Philosophy and Objectives.--While the discovery of patentable processes or inventions and the creation of other intellectual property is not the primary objective of the System, for any such discoveries or creations, it is the objective of the Board to provide an intellectual property policy that will encourage the development of inventions and other intellectual creations for the best interest of the public, the creator, and the research sponsor, if any, and that will permit the timely protection and disclosure of such intellectual property whether by development and commercialization after securing available protection for the creation, by publication, or both. The policy is further intended to protect the respective interests of all concerned by ensuring that the benefits of such property accrue to the public, to the inventor, to the System and to sponsors of specific research in varying degrees of protection, monetary return and recognition, as circumstances justify or require. Each component institution may develop in its Handbook of Operating Procedures additional policies and rules covering the subject matter of this Section not inconsistent with this Section or other policies or procedures adopted by the Board.

Sec. 2. General Policy.

- 2.1 The intellectual property policy shall apply to all persons employed by the U. T. System and the component institutions of the System, to anyone using System facilities under the supervision of System personnel, to candidates for masters and doctoral degrees, and to post-doctoral and predoctoral fellows.
- 2.2 Except for intellectual property included in Subsections 2.3 and 2.4, this policy shall apply to and the Board may assert ownership in intellectual property of all types (including, but not limited to, any invention, discovery, trade secret, technology, scientific or technological development, and computer software) regardless of whether subject to protection under patent, trademark, copyright, or other laws.
- 2.3 The Board will not assert an interest in faculty produced textbooks, scholarly writing, art works, musical compositions and dramatic and non-dramatic literary works that are related to the faculty member's professional field 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.
- 2.4 The Board shall have sole ownership of all intellectual property that it commissions or that is produced as a work for hire for the System or a component institution of the System. Except as may be provided otherwise in a written agreement approved by the chief administrative officer of the component institution

and the Chancellor, the provisions of Subdivision 5.23 relating to division of royalties shall not apply to intellectual property owned solely by the Board pursuant to this Subsection 2.4.

- 2.5 Any person who as a result of his or her activities creates intellectual property that is subject to this Policy, other than on government or other sponsored research projects where the grant agreements provide otherwise, should have a major role in the ultimate determination of how it is to be made public, whether by publication, by development and commercialization after securing available protection for the creation, or both.
- 2.6 The System, with the cooperation of the component institution, will provide review and management services for patentable inventions as well as other intellectual property either by its own staff, through a related foundation, or by other means.
- 2.7 It is a basic policy of the System that intellectual property be developed primarily to serve the public interest. This objective usually will require development and commercialization by exclusive licensing, but the public interest may best be promoted by the granting of nonexclusive licenses for the period of the patent. These determinations will be recommended and made in accordance with the administrative procedures hereinafter set out and with the approval of the Board.

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

- 3.1 Intellectual Property Advisory Committees.--To help administer the intellectual property policy at each component institution and to make recommendations to chief administrative officers for further referral to the System Administration and the Board (in those cases when action by the System Administration and/or the Board is required), Institutional Intellectual Property Advisory Committees may be established. Each institution at its option may use the term "Patent Advisory Committee" in lieu of "Intellectual Property Advisory Committee."
- 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 the Office of Asset Management in all such matters.

- 3.3 Office of Asset Management.--The Office of Asset Management 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.

Sec. 4. Classification of Discoveries by Source of Support.

- 4.1 Intellectual property that is unrelated to the individual's employment responsibility and has been developed as a result of the individual's efforts on his or her own time with no System support or use of System's facilities.
- 4.2 Intellectual property that is related to the individual's employment responsibility, or has resulted either from activities performed by the individual on System time, or with support by state funds, or from using System facilities.
- 4.3 Intellectual property that has resulted from research supported by a grant or contract with the Federal Government or an agency thereof, a nonprofit or for profit nongovernmental entity or by a private gift to the System.

Sec. 5. Property Rights and Obligations.

- 5.1 Intellectual property unrelated to the individual's employment responsibility that is developed on an individual's own time and without System support or use of System facilities (see Subsection 4.1) is the exclusive property of the creator and the System has no interest in any such property and no claim to any profits resulting therefrom. Should the creator choose to offer the creation to the System, the chief administrative officer shall recommend whether the System should support and finance a patent application or other available protective measures and manage the development and commercialization of the property. If the creator makes the offer after obtaining a patent or other protection, the chief administrative officer shall recommend whether the System should reimburse the creator for expenses in obtaining such protection. If the chief administrative officer so recommends and the creation is accepted for management by the System, the procedures to be followed and the rights of the parties shall be those set out in Subdivision 5.23.

- 5.2 Intellectual property either related to the individual's employment responsibility, or resulting from activities performed on System time, or with support by state funds, or from using System facilities is subject to ownership by the Board. (See Subsection 2.2.)
- 5.21 Before intellectual property covered by Subsection 4.2 is disclosed either to the public or for commercial purposes, and before publishing same, the creator shall submit a reasonably complete and detailed disclosure of such intellectual property to the chief administrative officer of the creator's institution for determination of the System's interest. A component institution may establish guidelines in its Handbook of Operating Procedures for submitting different categories of intellectual property to its Institutional Intellectual Property Advisory Committee and procedures to be followed by the Institutional Intellectual Property Advisory Committee in reviewing and evaluating such submissions. Such guidelines and procedures shall be consistent with this policy and shall be subject to approval as a part of the institutional Handbook. In those instances, however, where delay would jeopardize obtaining the appropriate protection for the property, the creator may request the approval of the chief administrative officer and the Office of General Counsel, to file a patent application or take other steps to obtain available protection prior to the administrative review provided in the following two subdivisions. If the request is granted, the creator may proceed with the filing of a patent application or other available protective measures pending the determination of the System's interest; provided, however, that the creator shall be reimbursed for reasonable expenses in filing the patent application or taking other steps to obtain protection if the decision of the System is to assert and exploit its interests. Either the Chairman of the Institutional Intellectual Property Advisory Committee or the chief administrative officer shall notify the Office of General Counsel of any such application.
- 5.22 If the chief administrative officer recommends that the System not assert and exploit its interest, and that recommendation is approved by the Office of General Counsel and the appropriate Executive Vice Chancellor, the creator shall be notified within one hundred eighty (180) days of the date of submission that he or she is free to obtain and exploit a patent or other intellectual property protection in his or her own right and the System shall not have any further rights, obligations or duties with respect thereto except that,

in some instances the System may elect to impose certain limitations or obligations or retain income rights, dependent upon the degree of System support involved in the creation of such property.

- 5.23 With respect to intellectual property in which the System asserts an interest, the Office of General Counsel in consultation with the chief administrative officer (or his/her designee) shall decide how, when, and where the intellectual property is to be protected. If the System decides to patent or seek other available protection for such intellectual property, it may proceed either through its own efforts or those of an appropriate private firm or attorney to obtain protection and manage the intellectual property. Under appropriate circumstances, and with the consent of the Vice Chancellor and General Counsel and the approval of the Attorney General, component institutions may arrange to have services to obtain protection for intellectual property performed by a local outside attorney on a case-by-case basis. It shall be mandatory for all employees, academic and nonacademic, to assign the rights to intellectual property and patents to the Board when such creations fall within Subsection 5.2. In those instances where the System licenses rights in intellectual property to third parties, the costs of licensing and obtaining a patent or other protection for the property on behalf of the Board shall first be recaptured from any royalties received by the System, and the remainder of such royalty income (including license fees, prepaid royalties and minimum royalties) shall be divided as follows:

50% to creator
50% to System.

With the prior approval of the Board as an agenda item, a component institution may include provisions in its Handbook of Operating Procedures to adjust the allocation of royalties set forth herein, but in no event shall the creator receive more than 50% or less than 25% of such proceeds. The division of royalties from patents or other intellectual property managed by an intellectual property management concern will be controlled by the terms of the System's agreement with such concern, as approved by the Board. Any other deviation from this rule requires the prior approval of the Board.

- 5.3 Intellectual property resulting from research supported by a grant or contract with the Federal Government, or an agency thereof, with a nonprofit or for profit nongovernmental entity, or by a private gift or grant to the System shall be subject to ownership by the Board. (See Subsection 4.3.)

- 5.31 Administrative approval of application requests to, and acceptance of grants or contracts with, the Federal Government or any agency thereof, with a nonprofit or for profit nongovernmental entity, or a private donor that contain provisions that are inconsistent with this policy, or other policies and guidelines adopted by the Board from time to time imply a decision that the value to the System of receiving the grant or performing the contract outweighs the impact of any nonconforming provisions of the grant or contract on the intellectual property policies and guidelines of the System.
- 5.32 The intellectual property policies and guidelines of the System are subject to, and thus amended and superseded by, the specific terms pertaining to intellectual property rights included in federal grants and contracts, or grants and contracts with nonprofit and for profit nongovernmental entities or private donors, to the extent of any conflict.
- 5.33 In those instances where it is possible to negotiate System-wide intellectual property agreements with the federal agencies or nonprofit and for profit nongovernmental entities or private donors and thereby obtain more favorable treatment for the creator and the System, every effort will be made to do so with the cooperation and concurrence of the Office of General Counsel after consultation with the institutional chief administrative officer.
- 5.34 Employees of the System whose intellectual property creations result from a grant or contract with the Federal Government, or any agency thereof, with a nonprofit or for profit nongovernmental entity, or by private gift to the System shall make such assignment of such creations as is necessary in each case in order that the System may discharge its obligation, expressed or implied, under the particular agreement.
- 5.35 In the event that two or more persons are entitled to share royalty income pursuant to Subdivision 5.23 (or equity pursuant to Section 6) and such persons cannot agree on an appropriate sharing arrangement as evidenced by a clear and unequivocal written agreement transmitted to the Office of General Counsel, that portion of the royalty income to which the creators are entitled under this Policy will be distributed to such persons in such portions as the institutional chief administrative officer or, in the event that the creators are located at two or more component institutions within the System, the Chancellor may deem appropriate under the circumstances and such decision shall be binding on the creators.

5.36 A decision by the System to seek patent or other available protection for intellectual property covered by Subsection 5.2 shall not obligate System to pursue such protection in all national jurisdictions. The System's decision relating to the geographical scope and duration of such protection shall be final.

Sec. 6. Equity Interests.

- 6.1 In agreements with business entities relating to rights in intellectual property owned by the Board, the System may receive equity interests as partial or total compensation for the rights conveyed. In any such instance, the component institution where the intellectual property was created may elect, at its option and with the concurrence of the Chancellor, to share an equity interest with the creator(s) in the same manner as royalties are shared pursuant to Subdivision 5.23.
- 6.2 Consistent with Section 51.912, Texas Education Code, and subject to review and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor, the Chancellor and the Board, employees of the System who conceive, create, discover, invent or develop intellectual property may hold an equity interest in a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of that intellectual property.
- 6.3 The System may negotiate, but shall not be obligated to negotiate, an equity interest on behalf of any employee as a part of an agreement between the System and a business entity relating to intellectual property conceived, created, discovered, invented, or developed by the employee and owned by the Board.
- 6.4 Dividend income and income from the sale or disposition of equity interests held by the Board pursuant to agreements relating to intellectual property shall belong to the System and shall be distributed in accordance with the provisions of Section 10.
- 6.5 Dividend income and income from the sale or disposition of an equity interest held by a System employee pursuant to an agreement between the System and a business entity relating to rights in intellectual property conceived, created, discovered, invented or developed by such employee shall belong to the employee.

Sec. 7. Business Participation.

- 7.1 Any System employee who conceives, creates, discovers, invents or develops intellectual property shall not serve as a member of the board of directors or other governing board or as an officer or an employee (other than as a

consultant) of a business entity that has an agreement with the System relating to the research, development, licensing, or exploitation of that intellectual property without prior review and approval by the chief administrative officer of the component institution, the Chancellor and the Board as an agenda item.

- 7.2 When requested and authorized by the Board, an employee may serve on behalf of the Board as a member of the board of directors or other governing board of a business entity that has an agreement with the System relating to the research, development, licensing or exploitation of intellectual property.

Sec. 8. Reporting.

- 8.1 Any employee covered by Subsections 6.2, 7.1, or 7.2 shall report in writing to the chief administrative officer of the component institution, or to such other person as may be designated by the chief administrative officer, the name of any business entity as referred to therein in which the person has an interest or for which the person serves as a director, officer or employee and shall be responsible for submitting a revised written report upon any change in the interest or position held by such person in such business entity. These reports shall be accumulated in the office of the chief administrative officer or designee and then forwarded to the appropriate Executive Vice Chancellor by September 1 of each year so that the Chancellor may file a report with the Board at its October meeting. After the report has been approved by the Board, the Chancellor shall prepare the report to the Governor and the Legislature required by Section 51.912(c), Texas Education Code.

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

- 9.1 Documents relating to rights in intellectual property shall ordinarily be approved by the Board on the institutional docket following review by the Office of General Counsel and approval by the chief administrative officer of the component institution, the appropriate Executive Vice Chancellor and the Chancellor.
- 9.2 Any document altering substantially the basic intellectual property policy of the System as set out in the preceding Sections and other policies and guidelines that may be adopted by the Board shall have the advance approval of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, and the Board as an agenda item. Such an alteration in a sponsored research agreement shall not be considered substantial and may be approved by the Board on the institutional docket if, in the judgment of the chief administrative officer and with the concurrence of

the appropriate Executive Vice Chancellor, the benefits from the level of funding for the proposed research and/or other consideration from the sponsor outweigh any potential disadvantage that may result from the policy deviation.

- 9.3 The Chancellor, the appropriate Executive Vice Chancellor, the Vice Chancellor and General Counsel or the Vice Chancellor for Asset Management 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.

Sec. 10. Income from Intellectual Property.

- 10.1 The portion of the net income the System retains from royalties and any other intellectual property-related income shall be used by the component institutions where the income-producing creation originated for research and other purposes approved by the Board in accordance with standard budgetary policies. At the option of a component institution, such income may be accumulated in an endowment fund administered by the Office of Asset Management with the income to be distributed to the component institution for such purposes as may be approved by the Board.
- 10.2 With the prior written approval of the chief administrative officer of the component institution, future royalties payable to a faculty member pursuant to Subdivision 5.23 may be assigned to the component institution by the faculty member and designated for use in research to be conducted by such faculty member.

Sec. 11. Implementation of Intellectual Property Policy.-- The Office of General Counsel shall prepare and distribute to the component institutions such model agreements and recommended procedures as may be considered appropriate for the implementation of the provisions of this policy as well as other policies and guidelines adopted by the Board.

Sec. 12. Construction of Documents.--Unless otherwise required by law or the Regents' Rules and Regulations, each intellectual property agreement approved hereunder shall be construed in accordance with the Intellectual Property Policy in existence as of its approval date.

EXCERPT FROM THE MINUTES

APR - 9 1992

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 10, Subsection 10.1 (Travel Authorization, Reimbursement, and Institutional Regulations).--The Board amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.1 regarding travel authorization, reimbursement, and institutional regulations to read as set forth below:

Sec. 10. Travel Authorization, Reimbursement, and Institutional Regulations.

- 10.1 Authorization for Travel.--Authorization for travel from the city or town where the officer or employee is regularly stationed will be granted by the Board or as hereinafter delegated by the Board, only in advance, as follows:
- 10.11 Requests for authorization to travel shall be transmitted through proper administrative channels to the chief administrative officer or designee for advance written approval.
- 10.12 In addition, all foreign travel (with the exception of travel to United States possessions, Mexico, and Canada) that will use funds appropriated by the Legislature (including local educational and general funds) must also be submitted to the Governor through the Executive Vice Chancellor for Business Affairs and have the advance written approval of the Governor.
- 10.13 Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.

EXCERPT FROM THE MINUTES

- FEB 13 1992
3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval to Amend Chapter I, Section 6 (Policy Against Discrimination).--Upon recommendation of the Academic Affairs, Health Affairs, and Business Affairs and Audit Committees, approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter I, Section 6 regarding the policy against discrimination to read as set forth below:

Sec. 6. Policy Against Discrimination.--To the extent provided by applicable law, no person shall be excluded from participation in, denied the benefits of, or be subject to discrimination under, any program or activity sponsored or conducted by the System or any of its component institutions, on the basis of race, color, national origin, religion, sex, age, veteran status, or disability.

This amendment reflects the new terminology found within the Americans with Disabilities Act (ADA) of 1990, which became applicable to state and local governments on January 26, 1992. The ADA prohibits discrimination against individuals with disabilities and requires accommodations to disabilities in employment, public services, transportation and telecommunications.

- FEB 13 1992
4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter XI (Contracts and Grants).--In accordance with the passage of House Bill 39 by the 72nd Texas Legislature, Second Called Session, which calls for the governing board to adopt specific rules for the approval of written contracts or agreements between institutions within the same system, the Board amended the Regents' Rules and Regulations, Part Two, Chapter XI regarding contracts and grants by adding a new Section 8 to address contracts and agreements between institutions of The University of Texas System to read as set forth below:

Sec. 8. All contracts or agreements for the furnishing of resources or services between institutions of The University of Texas System shall have the advance approval of the chief administrative officer of each institution and be ratified by the Board via the institutional dockets. The Vice Chancellor for Business Affairs shall issue more detailed instructions on further approval procedures, reporting and contract form as may be necessary.

All contracts shall provide for the recovery of the full cost of services and resources furnished.

It was noted that the Vice Chancellor for Business Affairs will issue an amendment to Business Procedures Memorandum (BPM) Number 47 on interagency contracts to provide more detailed instructions and specify a standard form for such agreements.

The BPM will maintain the streamlined approval process for standard interagency contracts and the requirement for appropriate administrative approval prior to execution if the proposed contract is nonstandard or involves policy or program changes.

EXCERPT FROM THE MINUTES

OCT 11 1991

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter VI, Section 5 (Workers' Compensation Insurance). --In order to conform to the current workers' compensation statutes, the Board amended the Regents' Rules and Regulations, Part Two, Chapter VI, Section 5 (Workers' Compensation Insurance) to read as follows:

Sec. 5. Workers' Compensation Insurance.

- 5.1 Pursuant to Article 8309d of Vernon's Texas Civil Statutes, a self-insured System-wide Workers' Compensation Insurance (W.C.I.) Program will provide certain benefits for injuries sustained in the course and scope of employment.
- 5.2 The System Personnel Office, with the assistance of other appropriate System and component institution offices, shall investigate injuries.
- 5.3 The System Personnel Office shall be responsible for reporting all covered injuries to the Texas Workers' Compensation Commission (TWCC).
- 5.4 The System Personnel Office shall coordinate occupational safety and health activities.
- 5.5 The Office of General Counsel shall be responsible for a determination on appeal of TWCC decisions.
- 5.6 A percentage of annual payroll, as approved by the U. T. Board of Regents, shall be set aside to fund the Workers' Compensation Insurance Fund (W.C.I. Fund).
 - 5.61 Each institutional chief business officer shall be responsible for the transmission of amounts to be added to the W.C.I. Fund for all salaries paid, as instructed by the System Personnel Office, for receipt into the W.C.I. Fund no later than 15 days after the end of each month.
 - 5.62 The W.C.I. Fund must be deposited or invested in the same manner as other local institutional funds as specified in Part Two, Chapter III, Section 4 of these Rules and Regulations.
- 5.7 The System Personnel Office shall be responsible for processing all W.C.I. claims for medical care and compensation.
- 5.8 The System Personnel Office shall prepare an annual report for the U. T. Board of Regents on the status of the W.C.I. Fund.

EXCERPT FROM THE MINUTES

JCT 11 1991 2.

U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 4, Subsection 4.1 (Local Institutional Funds).--Approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter III, Section 4, Subsection 4.1, regarding the selection of official depository banks by execution of a standard depository agreement for the investment of local institutional funds, to read as set forth below:

Sec. 4. Local Institutional Funds.

4.1 All local income 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 University of Texas System Institutional Funds Investment Policy.

4.11 Funds held in demand deposits, time deposits, or certificates of deposit shall be deposited or invested only in banks with which the Board has a depository agreement. Depository agreements may be negotiated and executed by the Executive Vice Chancellor for Asset Management when such agreements are in substantially the same form as a standard depository agreement approved by the Board and are with banks meeting the then current policies of the Board.

See Page 34 related to the revised standard bank depository agreement.

DEC - 5 1991

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter IX, Section 1.2 (Authority to Assign and Transfer Securities Owned by the PUF and the Board).--In order to reflect a recent realignment of staff responsibilities within The University of Texas System Office of Asset Management, the Board amended the Regents' Rules and Regulations, Part Two, Chapter IX, Section 1.2, regarding the authority to assign and transfer securities owned by the Permanent University Fund and the Board, to read as set forth below:

1.2 Authority to Assign and Transfer Securities Owned by the PUF and the Board.--The Chancellor, or his or her delegate, the Executive Vice Chancellor for Asset Management, the Executive Director for Endowment Management and Administration, and the Director of the Office of Budget and Fiscal Policy may each assign and transfer any and all securities of any description whatever 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 the Executive Vice Chancellor for Asset Management 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

AUG 8 - 1991

4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter VI (Staff Benefits).--In order to establish an internal administrative structure to administer The University of Texas System employee group insurance and health benefit programs, the Board amended the Regents' Rules and Regulations, Part Two, Chapter VI, relating to staff benefits, as set out below:

a. Deleted present Sections 4 through 10 and 15 in their entirety

b. Added a new Section 4 to read as follows:

Sec. 4. Employee Group Insurance and Health Benefits.

4.1 All group insurance and health benefit programs authorized by law for employees of the U. T. System and its component institutions shall be administered by the Chancellor on behalf of the Board.

4.2 The Chancellor shall provide for the planning, implementation, management, and administration of the employee group insurance and health benefit programs through such U. T. System committees and administrators as the Chancellor deems appropriate.

4.3 The Chancellor will submit for review and approval by the Board recommendations regarding benefits, premiums, and eligibility criteria for each group insurance and health benefit program; all contracts to provide a policy or policies of insurance and related services for a group insurance or health benefit program; and all contracts to provide services related to the implementation and administration of an authorized self-insured employee group benefit program.

c. Renumbered the remaining sections of Chapter VI accordingly.

EXCERPT FROM THE MINUTES

JUN - 6 1991

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 4, Subsection 4.13 (Local Institutional Funds).--The Board amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 4, Subsection 4.13 (Local Institutional Funds) to read as set forth below:

4.13 Requests for documentation specifying staff authorized to sign checks or initiate funds movements, or changes thereto, for all bank accounts, bank common trust funds, or money market funds shall be approved by each institutional chief administrative officer and chief business officer with copies of the changes and/or authorization sent to the Director of the Office of Budget and Fiscal Policy.

AUG 8 - 1991

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Authorization to Amend Chapter IV, Section 7 (Purchases by or from Employees).--Approval was given to amend the Regents' Rules and Regulations, Part Two, Chapter IV, Section 7 (Purchases by or from Employees) to read as set forth below:

Sec. 7. Purchases by or from Employees.--Purchases are not permitted from any officer or employee of the System unless the cost is less than that from any other known source and until approved by the component chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Purchases of equipment or property of the System by any officer or employee may be made only after authorization by the component chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Details of such transactions shall be reported in the component Docket or Minutes of the Board. Approval and reporting are not required for purchases made at public auction.

EXCERPT FROM THE MINUTES

APR 11 1991

3. U. T. Board of Regents - Regents' Rules and Regulations: Approval to Amend (a) Part One, Chapter III, Section 27, Subsection 27.3 (Power to Authorize Expenditures Out of System Funds); (b) Part Two, Chapter IV, Section 4 (Purchase of Supplies and Equipment) and Section 7 (Purchases by and from Employees); and (c) Part Two, Chapter VII, Section 8, Subsection 8.6 (Disposal of Property of the System).--Approval was given to amend the Regents' Rules and Regulations, Parts One and Two as set forth below:

- a. Subsection 27.3 of Section 27, Chapter III, Part One was deleted.
- b. Part Two, Chapter IV, Section 4 was amended to read as follows:

Sec. 4. Purchases of Supplies and Equipment.

4.1 The State Purchasing and General Services Act, Article 601b, Vernon's Texas Civil Statutes, shall govern the purchasing policies of the system.

4.2 The State Purchasing and General Services Act does not apply to purchases of supplies, materials, services, or equipment:

- (a) for resale;
- (b) for Auxiliary Enterprises;
- (c) for Organized Activities Relating to Instructional Departments; or
- (d) from gifts or grants, including those in support of research.

- c. Part Two, Chapter IV, Section 7 was amended to read as follows:

Sec. 7. Purchases by or from Employees.--Purchases are not permitted from any officer or employee of the System unless the cost is less than that from any other known source and until approved by the component chief administrative officer and the appropriate Executive Vice Chancellor. Sealed bid purchases of equipment or property by employees may be made only after authorization by the chief administrative officer and the appropriate Executive Vice Chancellor. Details of such transactions shall be reported in the Dockets or Minutes of the Board. Approval and reporting are not required for purchases made at public auction.

- d. Part Two, Chapter VII, Section 8, Subsection 8.6 was amended to read as follows:

Sec. 8. Disposal of Property of the System.

8.6 Sales to employees are governed by the provisions of Part Two, Chapter IV, Section 7 of these Rules.

EXCERPT FROM THE MINUTES

APR 11 1991

2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter XI (Contracts and Grants for Research, Training, and Educational Services, Including Institutional Support Grants).--In order to acknowledge the name change for the Office of Budget and Fiscal Policy of The University of Texas System approved by the U. T. Board of Regents at the February 1991 meeting and to implement minor streamlining for processing procedures for contracts and grants, the Board amended the Regents' Rules and Regulations, Part Two, Chapter XI (Contracts and Grants for Research, Training, and Educational Services, Including Institutional Support Grants) to read as set out below:

CHAPTER XI

CONTRACTS AND GRANTS

- Sec. 1. Initial contracts, grants, and agreements from or with outside agencies including institutional support grants (except as provided in Subsections 1.1 and 1.2 below) shall be approved by the chief administrative officer and ratified by the Board via the institutional dockets. Subsequent institutional dockets should include only the changes in these initial contracts, grants, and agreements that involve changes in funds over \$10,000. It is not necessary

to report contract extensions, amendments, modifications, changes in investigators or other changes in the institutional docket unless they increase or decrease the total original contract by more than \$10,000.

- 1.1 Contracts or agreements with foreign governments or agencies thereof and with institutions, enterprises or individuals subject to the jurisdiction of foreign governments shall be submitted through the appropriate Executive Vice Chancellor for prior review sufficiently in advance of the proposed effective date to allow for prior approval of the Board, if required. Grants from such foreign entities will be submitted for approval via institutional docketing procedures.
- 1.2 The Vice Chancellor for Business Affairs will issue special instructions for those contracts and grants requiring special approvals other than as provided in this Section.
- 1.3 Funds shall not be encumbered or expended under any contract or grant prior to the approval of the contract or grant as indicated above.
- 1.4 Institutional support grants include NSF Institutional Grants for Science, NIH General Research Support Grants, Health Professions Education Improvement and/or Capitation Grant Programs, and other such grants awarded on a formula basis rather than a budgeted project basis.

- Sec. 2. Proposals for such contracts, grants, and agreements, whether with government agencies, industry, foundations, or other private granting agencies, shall be initiated by the faculty member (or other appropriate official who will direct the work) and shall be approved by designated administrative officials, including the chief administrative officer. The chief business officer at each component institution is responsible for the business aspects of the proposals.
- Sec. 3. Copies of contracts, grants, and agreements specified in Section 1 of this Chapter, or sufficient information to document the fiscal aspects of the contract, grant, or agreement, shall be filed with the Executive Secretary to the Board as part of the docket support process.
- Sec. 4. Detailed budgets are generally included in the proposals that result in a contract or grant for a specific research, training, or educational project, and expenditures should conform to such budgets, unless amended by authorized procedures.

- Sec. 5. Proposals as to overhead rates and specialized rates for fringe benefits, computers, and other facilities chargeable to cost-reimbursement contracts and other government contracts and grants shall be worked out in preliminary form by the chief business officer concerned and shall be reviewed and approved by the Director of the Office of Budget and Fiscal Policy before being submitted. Subject to approval of the Vice Chancellor for Business Affairs, the Director of the Office of Budget and Fiscal Policy shall coordinate efforts between component institutions and cognizant agencies to negotiate such rates.
- Sec. 6. Information as to overhead and specialized rates applicable to the type of contract, grant, or agreement to be entered into shall be secured from the Director of the Office of Budget and Fiscal Policy via the business officers and/or the appropriate research administration officer.
- Sec. 7. 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 and replacements of plant fund assets or for other purposes specified and approved in the budgetary processes as related to the indirect cost recoveries.

EXCERPT FROM THE MINUTES

APR 11 1991

1. U. T. Board of Regents: Authorization to Restructure U. T. System Audit Office and Approval of Amendments to the Regents' Rules and Regulations - (a) Part One, Chapter I, Section 7, Subdivision 7.15 (Duties of the Personnel and Audit Committee); (b) Part One, Chapter II, Section 3, Subsection 3.3 (Audit); and (c) Part Two, Chapter II, Section 3 (Auditing).--In order to comply with the Texas Internal Auditing Act (Article 6252-5d, Vernon's Texas Civil Statutes) and the interpretation of the State Auditor's Internal Audit Policy Statement published on September 24, 1990, the Board approved the restructuring of The University of Texas System Audit Office and amended the Regents' Rules and Regulations, Parts One and Two related thereto as follows:

- a. Part One, Chapter I, Section 7, Subdivision 7.15 was amended to read as follows:

7.15 Duties of the Personnel and Audit Committee.--The Personnel and Audit Committee shall:

7.154 Obtain, review, and report to the Board on all State Auditor's Reports and Management Letters and system and institutional internal audit reports.

7.155 Approve the System-wide internal audit plan.

7.156 Transmit to the Chancellor, subject to the prior approval of the Board, such instructions as it deems necessary for the implementation of appropriate internal auditing practices.

7.157 Initiate System and institutional audits as deemed necessary to ensure management control within The University of Texas System. (In this regard, the System Director of Audits reports to the Chairman of the Personnel and Audit Committee.)

- b. Part One, Chapter II, Section 3, Subsection 3.3 was amended to read as follows:

3.3 Audit.

The Chancellor, as chief executive officer of the System, is responsible for insuring the implementation of appropriate audit procedures for the System. Accordingly, the System Director of Audits prepares an executive summary of all internal audit activity by the System internal auditors and the institutional internal auditors for the Chancellor.

- 3.31 System Director of Audits.
 The System Director of Audits is responsible for coordinating the effective auditing of the System as set out in Subdivision 3.312 of this Chapter. The System Director of Audits provides audit assistance to the Chancellor, the Executive Vice Chancellors and the Vice Chancellors in the exercise of their responsibilities.
- 3.311 Appointment and Tenure.
 The System Director of Audits shall be appointed by the Board after nomination by the Chancellor. The System Director of Audits shall hold office without fixed term, subject to the pleasure of the Chancellor. The Chancellor's actions regarding the System Director of Audits are subject to review and approval by the Board.
- 3.312 Duties and Responsibilities.
 The primary responsibilities of the System Director of Audits include:
- 3.3121 Developing a System-wide internal audit plan based on a System-wide risk assessment and coordinating the implementation of this plan with the institutional internal auditors. This System-wide audit plan is submitted to the Personnel and Audit Committee for approval after the Chancellor's review and approval.
- 3.3122 Conducting audits of the System including the revenue produced from the Permanent University Fund lands.
- 3.3123 Formulating policies for the internal audit activity at each component institution.
- 3.32 The System internal auditors are the internal auditors for the System and augment the audit work of the institutional internal auditor and the State Auditors at the component institutions.

- c. Part Two, Chapter II, Section 3 was amended to read as follows:

Sec. 3. Auditing.

- 3.1 Internal auditors are responsible for reviewing, evaluating, and reporting on the institution's system of internal administrative and accounting controls and the efficiency and effectiveness of the operations when compared with established standards. The internal auditors are to have no authority or responsibility for the activities they audit. The objective of internal auditing is to assist the chief administrative officer in the effective discharge of his or her responsibilities by furnishing objective analyses, appraisals and recommendations concerning the activities reviewed. To accomplish these objectives, the internal auditor is authorized to have full, free and unrestricted access to all property, personnel and records. The examination of patient medical records must serve a genuine audit need; and individual patients should not be identified in any audit report. The Texas Internal Auditing Act, the Standards for the Professional Practice of Internal Auditing published by the Institute of Internal Auditors, Inc. and "College and University Business Administration" published by the National Association of College and University Business Officers shall serve as guidelines for internal audit activities.
- 3.2 Each institution is expected to maintain an internal audit staff unless otherwise exempt from this requirement by the Chancellor. The institutional internal auditor reports to the institutional chief administrative officer or the institutional audit committee. The institutional internal auditor submits an annual audit plan for approval by the chief administrative officer and forwards a copy to the appropriate Executive Vice Chancellor and the System Director of Audits.
- 3.3 The System Director of Audits shall seek input into the System-wide audit plan from the institutional internal auditors. The implementation of the System-wide internal audit plan will be coordinated with the institutional internal audit

plans to insure major risks are addressed yet duplication of effort is minimized.

- 3.4 The State Auditor's Office, as part of the legislative branch of state government, is the external independent auditor of The University of Texas System. The State Auditor's Office conducts financial and performance audits and makes recommendations for improving financial and management controls within The University of Texas System. The State Auditor's Office reviews The University of Texas System's internal control structure and operations to determine the scope of the examination and reliability of the entity's financial and nonfinancial data. The internal audit function is considered a part of the internal control structure of The University of Texas System.

EXCERPT FROM THE MINUTES

OCT 12 1990

1. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter VIII (Physical Plant Improvements). --The 71st Legislature renewed the Texas Higher Education Coordinating Board's enabling legislation through the enactment of Senate Bill 457 which changed the threshold of the Coordinating Board's authority to review and approve major repair and rehabilitation projects from \$300,000 to \$600,000.

In accordance therewith, the Board amended the Regents' Rules and Regulations, Part Two, Chapter VIII (Physical Plant Improvements) as set forth below:

- a. A new Section 1 was added to read as follows:

Sec. 1. General Policies Regarding Approval of Construction and Major Repair and Rehabilitation Projects.

- 1.1 The U. T. Board of Regents shall appoint architects, approve plans and execute contracts for all new construction projects exceeding \$300,000 and for major repair

projects exceeding \$600,000 via the agenda process. Such projects shall normally have been previously recognized in the Capital Improvement Program and their funding authorized through the annual Capital Budget. New construction projects costing less than \$300,000, and adding space to the building inventory, and repair and rehabilitation projects costing between \$300,000 and \$600,000 shall be approved by the Executive Vice Chancellor for Academic Affairs or the Executive Vice Chancellor for Health Affairs as appropriate, and shall be ratified by the Board via standard docket procedures. The Office of General Counsel shall approve all contracts for major construction projects and shall approve as to form contracts for minor construction projects. Payment bonds and performance bonds shall be approved as to form by the Office of General Counsel for all construction contracts greater than \$25,000.

- b. Present Section 7 was renumbered as Section 2 and amended to read as follows:

Sec. 2. Institutional Building Advisory Committees.

- 2.1 At each of the component institutions there shall be an Institutional Building Advisory Committee.
- 2.2 The committee shall be appointed by the chief administrative officer in the same manner as other institution-wide committees are appointed.
- 2.3 The composition of the Institutional Building Advisory Committee shall be set forth in the Institutional Handbook of Operating Procedures of each component institution.

- c. Present Sections 1 through 6 were renumbered as Sections 3 through 8 and amended to read as follows:

Sec. 3. Major New Building Construction and Construction of Improvements Other Than Buildings Exceeding the Amount of \$300,000 Per Project.

- 3.1 After the Board approves the construction of new buildings, the procedures shall be as follows:
- 3.11 The Institutional Building Advisory Committee shall hold necessary hearings and make proper investigations to translate the approved academic program into priorities

- for new construction, with suggestions as to total project area and function, and make such recommendations to the chief administrative officer.
- 3.12 The Institutional Building Advisory Committee shall be relieved of further direct responsibility whenever a building 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 his or her delegate, and the project architect.
- 3.13 New projects shall be submitted to the Board for approval, including proposed funding, upon recommendation of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or his or her delegate.
- 3.2 Project Development.
- 3.21 The Board will employ a project architect for each new major building project at all component institutions.
- 3.22 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 committee shall work with the Office of Facilities Planning and Construction to prepare a detailed program of the needs for each project.
- 3.23 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.
- 3.24 The project architect shall be given the detailed program and will work in conjunction with the Office of Facilities Planning and Construction to prepare preliminary plans, exterior design, outline specifications, cost

- estimates, etc., which shall be submitted to the Board for approval upon the recommendation of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or his or her delegate.
- 3.25 After approval of the preliminary plans, the Board shall authorize the preparation of the working drawings and specifications. In the preparation of the final plans and specifications, the project architect shall work with the Ad Hoc Project Building Committee and the Office of Facilities Planning and Construction.
- 3.26 The final working drawings and specifications shall be submitted to the Board for approval upon the recommendation of the chief administrative officer, the appropriate Executive Vice Chancellor, the Chancellor, or his or her delegate.
- 3.3 Bidding and Construction Phase of Project.
- 3.31 After the Board approves the final plans and specifications, the Board shall authorize the Office of Facilities Planning and Construction to advertise for bids. Advertisements for bids for buildings shall be in accordance with state law.
- 3.32 The Chancellor, or his or her delegate, shall receive and open bids, with the project architect and others, tabulate and study such bids, and make recommendations to the Board.
- 3.33 The Board will approve and award the contracts for all new construction projects exceeding \$300,000 in total project cost and all major repair projects exceeding \$600,000 in total project cost. The contract will be signed by the contractor(s) involved and an authorized representative of the Board.

- 3.331 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 Board's proposed decision for award.
- 3.332 If the lowest bidder fails to timely file notice of protest, the Board's proposed award will be final.
- 3.333 If the lowest bidder timely files notice of protest, the Board will hear the protest or will delegate to the Chancellor the authority to appoint a Hearing Officer who shall promptly convene and conduct a hearing and subsequently prepare and submit a report of his or her findings through the Chancellor to the Board. The Board shall make a final decision based upon the records of the hearing before the Hearing Officer.
- 3.334 The contract documents will be prepared by the Project Architect and approved by the Chancellor, or his or her delegate, and the Vice Chancellor and General Counsel for the System, or his or her delegate, before submission to the Chairman of the Board.
- 3.34 The Chancellor, or his or her delegate, shall approve contractor's estimates, sign change orders, and provide general supervision of all new construction. The Chancellor shall advise the Board if developments during construction require additional funds or other decisions of the Board.
- 3.35 The Chancellor, or his or her delegate, shall inspect the completed building and recommend final acceptance and final payment.

Sec. 4. Minor New Building Construction.--Minor new building construction and construction of improvements other than buildings that involve a total expenditure of \$300,000 or less per project may be handled at the component institution. However, any project involving the addition of space to the building inventory must have advance approval by the appropriate Executive Vice Chancellor and the Chancellor and then be approved by the U. T. Board of Regents via standard docket procedures. If the proposed construction or renovation is to accommodate program changes requiring approval beyond the campus level, such program approvals must be secured in advance of requests for construction approval or must be included with the construction request. Funds must have been approved through standard U. T. System budgetary procedures and the project must have been approved by the institution's director of physical plant, chief business officer, and chief administrative officer. All contracts for minor new building construction, minor repairs, or remodeling shall be let on a standard form contract approved by the Office of Facilities Planning and Construction and the Office of General Counsel and shall be submitted to the Board of Regents through the institutional docket. Any such contract that involves the expenditure of more than \$25,000 shall be submitted to the Office of General Counsel for approval as to form prior to its execution by the institution.

Sec. 5. Major Repairs and Remodeling.

5.1 Any repair or remodeling project of the physical plant involving an estimated expenditure that exceeds \$600,000 shall be deemed a construction project and shall be handled under the procedures set out in Section 3.

5.2 Any repair or remodeling project of the physical plant involving an estimated expenditure of between \$300,000 and \$600,000 shall be approved by the appropriate Executive Vice Chancellor for ratification by the Board in the institutional docket.

Sec. 6. Professional Services.--Each component institution is authorized to make use of architects, engineers, and other professional services up to a maximum cost of \$50,000 with the approval of the appropriate Executive Vice Chancellor, the Vice Chancellor for Business Affairs and the Chancellor on recommendation of the chief administrative officer and the chief business officer.

Sec. 7. Constitutional and Legislative Restrictions.

- 7.1 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 these Sections at the component institutions other than The University of Texas at Austin.
- 7.2 New construction projects not otherwise authorized by law, in excess of \$300,000 and all 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 institution, 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 the objective to submit the necessary documents to the Coordinating Board when the project scope and estimated cost are sufficiently defined to meet the Texas Higher Education Coordinating Board's requirements for approval. Normally, submission will be made when the U. T. Board approves preliminary plans and specifications and the related cost estimate.

Sec. 8. Modification of Bids.

- 8.1 No bid shall be changed, amended, or modified by telegram or otherwise after the deadline for bid filing set out in the advertisement for bids in connection with the construction or erection of permanent improvements at any of the component institutions of the System under Section 51.907, Texas Education Code, V.T.C.S.
- 8.2 The substance of this requirement shall be stated in the advertisement for such bids; provided, however, that this requirement shall not be construed to prohibit the submission of filing of more than one separate and independent bid by any bidder.

It was noted that repair and rehabilitation projects between \$300,000 and \$600,000 will be approved by the appropriate Executive Vice Chancellor for ratification by the Board through the institutional docket process.

The dollar threshold for Board approval of the appointment of architects, engineers, and other professional services is increased from \$25,000 to \$50,000.

The Capital Improvement Program and Capital Budget processes will not be altered except that major repair projects funded from sources other than Permanent University Fund Bond Proceeds costing between \$300,000 and \$600,000 will no longer be included in these documents.