

Meeting No. 1,180

THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM

Pages 1 - 12

June 20, 2018

Austin, Texas

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OF
THE UNIVERSITY OF TEXAS SYSTEM
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AUSTIN, TEXAS

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MEETING NO. 1,180

WEDNESDAY, JUNE 20, 2018.--The members of the Board of Regents of The University of Texas System convened a special called meeting at 11:00 a.m. on Wednesday, June 20, 2018, via telephone conference call in the Board Room, Second Floor, The University of Texas System Building, 210 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Tucker
Vice Chairman Hildebrand
Vice Chairman Foster*
Regent Aliseda
Regent Beck
Regent Eltife
Regent Hicks
Regent Weaver
Regent Jewell, Student Regent, nonvoting

Absent

Regent Longoria

*Vice Chairman Foster left the call after Executive Session and did not participate in discussion of or vote on Open Session items.

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Tucker called the meeting to order in Open Session.

Chairman Tucker welcomed Dr. Larry Faulkner and thanked him for agreeing to serve The University of Texas System as Chancellor *ad interim* (see related Consent Agenda Item 2 on Page 9.)

Chairman Tucker also welcomed Student Regent Brittany Jewell to her first Board meeting. Regent Jewell is pursuing a Ph.D. in cell and regulatory biology from The University of Texas Health Science Center at Houston, and she received her Bachelor of Science degree from Baylor University.

[Secretary's Note: On June 5, 2018, Governor Greg Abbott appointed Ms. Brittany Jewell, Pearland, Texas, as Student Regent to the Board of Regents of The University of Texas System to serve for a term ending on May 31, 2019.]

The Board also recognized Associate Vice Chancellor, Controller, and Chief Budget Officer Randy Wallace for his many years of exceptional service to the U. T. System. Chairman Tucker noted that Mr. Wallace joined the U. T. System in 1994 as Assistant Budget Director and has been an incredible asset to the U. T. institutions, the U. T. System, and the Board during the intervening years.

RECESS TO EXECUTIVE SESSION.--At 11:01 a.m., the Board recessed to Executive Session in the Executive Session Room, Second Floor, The University of Texas System Building, pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, 551.074, 551.076, and 551.089 to consider the matters listed on the Executive Session agenda.

RECONVENE THE BOARD IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO CONSIDER AGENDA ITEMS.--The Board reconvened in Open Session in the Board Room at 12:06 p.m. to consider the following action on Executive Session Item 5a and to consider the following Agenda Items.

- 1a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions); U. T. System Administration officers (Deputy Chancellor, Executive Vice Chancellors, and Vice Chancellors); other officers reporting directly to the Board (such as Chancellor, General Counsel to the Board, and Chief Audit Executive); Board members, task force members, and advisory council members; and U. T. System and institutional employees

No action was taken on this item.

- 1b. U. T. M. D. Anderson Cancer Center and U. T. Health Science Center - Houston: Discussion and appropriate action regarding individual personnel matters related to TMC3 collaborative research development

No action was taken on this item. (See related Items 2b and 3.)

- 1c. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to Chancellor search

No action was taken on this item.

- 1d. U. T. San Antonio: Discussion with president regarding assignment and duties, including individual responsibilities associated with outlining a vision and plans for the future of the institution

No action was taken on this item. (See related Item 5a on Page 3 for action taken in Open Session.)

- 2a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 2b. U. T. M. D. Anderson Cancer Center and U. T. Health Science Center - Houston: Discussion and appropriate action regarding legal issues related to TMC3 collaborative research development

No action was taken on this item. (See related Items 1b and 3.)

- 2c. U. T. System: Discussion regarding legal issues related to Los Alamos National Laboratory

No action was taken on this item.

- 2d. U. T. San Antonio: Discussion and possible action related to legal issues associated with campus development plans

No action was taken on this item. (See related Item 5a below for action taken in Open Session.)

3. U. T. M. D. Anderson Cancer Center and U. T. Health Science Center - Houston: Discussion and possible appropriate action regarding the lease and/or exchange of land and lease of common facilities at the TMC3 collaborative research development located on approximately 28 acres bounded by Old Spanish Trail, South Braeswood Boulevard, and bisected by William C. Harvin Boulevard, from Texas Medical Center, Inc., for research and related uses

No action was taken on this item. (See related Items 1b and 2b.)

4. U. T. System Board of Regents: Discussion and appropriate action regarding safety and security issues, including security audits and the deployment of security personnel and devices

No action was taken on this item.

- 5a. U. T. System Academic Institutions: Discussion and appropriate action regarding proposed negotiated gifts, including potential naming features

Regent Weaver moved that the Board authorize the Vice Chancellor for External Relations, the Chancellor or Deputy Chancellor, and the President of The University of Texas at San Antonio to conclude negotiations necessary to finalize, approve, and accept gifts and to finalize and execute agreements with potential naming features for the benefit of U. T. San Antonio consistent with the terms and conditions outlined and recommended in Executive Session.

The motion was seconded by Regent Beck and carried unanimously.

5b. U. T. System Health Institutions: Discussion and appropriate action regarding proposed negotiated gifts, including potential naming features

No action was taken on this item.

AGENDA ITEMS

1. U. T. System Board of Regents: Approval of Consent Agenda and consideration of any items referred to the full Board

Chairman Tucker noted that in approving Consent Agenda Item 2, the Board is asked to make a finding that the employment agreement for Dr. Faulkner as Chancellor *ad interim* is in the best interest of The University of Texas System. Appropriate advance notice was provided to the Legislative Budget Board.

The Board then approved the Consent Agenda, which is set forth on Pages 6 - 12.

In approving the Consent Agenda, the Board expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective University of Texas System institution involved.

2. U. T. System Board of Regents: Discussion and possible action regarding appointments to the University Lands Advisory Board

Chairman Tucker said Vice Chairman Hildebrand recommended approval of the following appointments to the University Lands Advisory Board (ULAB), effective immediately, as provided to the Board in advance of the meeting:

- a. reappoint Mr. Frank Tsuru to a term expiring June 1, 2019;
- b. reappoint Mr. Thomas L. Carter, Jr. to a term expiring on June 1, 2020;
- c. appoint Mr. D. Kirk Edwards, President and CEO of Latigo Petroleum, LLC, to a term expiring on June 1, 2021; and
- d. appoint Vice Chairman Paul L. Foster.

Additionally, Vice Chairman Hildebrand has agreed to accept a reappointment and to serve as ULAB Chairman.

The motion was seconded and carried unanimously, with Vice Chairman Hildebrand abstaining from the portion of the vote as it pertained to his appointment. Vice Chairman Foster was not present for the vote.

On March 19, 2018, the Board of Regents approved changes to the membership structure for the ULAB as follows:

- five members appointed by The University of Texas System Board of Regents;
- three members appointed by The Texas A&M University System Board of Regents; and
- the Commissioner of the General Land Office.

Further, at least two of the members appointed by the U. T. System Board and at least one of the members appointed by the A&M System Board must be current Regents, with the ULAB Chairman to be named by the U. T. System Board, and at least three of the members appointed by the U. T. System Board and at least two of the members appointed by the A&M System Board must have industry experience.

Mr. Carter is President, CEO, and Chairman of Black Stone Minerals Company LP, and Mr. Tsuru is CEO and President of M3Midstream LLC. On July 10, 2014, Mr. Carter and Mr. Tsuru were appointed to the ULAB for terms of three years each.

Mr. D. Kirk Edwards is President and CEO of Latigo Petroleum, LLC, based in Odessa, Texas.

The A&M System Board reappointed Dr. Steve Holditch and appointed Vice Chairman Elaine Mendoza of the A&M Board and Mr. Mark Albers to the ULAB.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 12:09 p.m.

/s/ Tina E. Montemayor
Assistant Secretary to the Board of Regents

July 19, 2018



**CONSENT AGENDA
THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS**

Board Meeting:
June 20, 2018
Austin, Texas

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MEETING OF THE BOARD

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| 1. | Resolution - U. T. System Board of Regents: Adoption of resolution regarding the list of Key Management Personnel authorized to negotiate, execute, and administer classified government contracts (Managerial Group) to reflect the name of the Chancellor <i>ad interim</i> and the name and term of new Student Regent | 7 |
| 2. | Employment Agreement - U. T. System: Approval of Terms of Employment with Larry R. Faulkner, as Chancellor <i>ad interim</i> | 9 |

AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE

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| 3. | UTIMCO Committee Appointment - U. T. System: Proposed appointment of a member to the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (UTIMCO) | 12 |
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MEETING OF THE BOARD

1. Resolution - U. T. System Board of Regents: Adoption of resolution regarding the list of Key Management Personnel authorized to negotiate, execute, and administer classified government contracts (Managerial Group) to reflect the name of the Chancellor *ad interim* and the name and term of new Student Regent

To comply with the Department of Defense National Industrial Security Program Operating Manual (NISPOM) requirements, it is recommended that the Board of Regents approve the revised resolution set forth below regarding the list of Key Management Personnel (KMP) authorized to negotiate, execute, and administer classified government contracts. The revision reflects the name of the Chancellor *ad interim* and the name and term of the new Student Regent.

A Resolution amending the Managerial Group list was last adopted by the Board of Regents on May 1, 2018.

NISPOM defines KMP as "officers, directors, partners, regents, or trustees." The Manual requires that the senior management official and the Facility Security Officer must always be designated as part of the Managerial Group and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material.

RESOLUTION

BE IT RESOLVED:

- a. That those persons occupying the following positions at The University of Texas System and The University of Texas at Austin shall be known as the Managerial Group, having the authority and responsibility for the negotiation, execution, and administration of Department of Defense (DoD) or User Agency contracts, as described in DoD 5220.22-M, "National Industrial Security Program Operating Manual" (NISPOM):

David E. Daniel, Ph.D., Deputy Chancellor, The University of Texas System
Gregory L. Fenves, Ph.D., President, The University of Texas at Austin
Daniel T. Jaffe, Ph.D., Vice President for Research, The University of Texas at Austin

Francis J. Landry III, Facility Security Officer (FSO), The University of Texas System/Security Manager, Applied Research Labs, The University of Texas at Austin

Patrick H. Vetter, Insider Threat Program Senior Official (ITPSO),
The University of Texas System/Assistant Security Director, Applied Research Labs, The University of Texas at Austin

James R. (Trey) Atchley III, Chief Inquiry Officer, The University of Texas System

Helen T. Mohrmann, Chief Information Security Officer, The University of Texas System

Michael J. Heidingsfield, Director of Police, The University of Texas System

The Chief Executive Officer (i.e., the Chancellor) and the members of the Managerial Group have been processed, or will be processed, for a personnel security clearance for access to classified information to the level of the facility security clearance granted to this institution, as provided for in the NISPOM.

The Managerial Group is hereby delegated all of the Board's duties and responsibilities pertaining to the protection of classified information under classified contracts of the DoD or User Agencies of the NISPOM awarded to U. T. System, including U. T. Austin.

- b. That the U. T. System Chancellor and the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of U. T. System, including U. T. Austin, and do not occupy positions that would enable them to affect adversely the policies and practices of the U. T. System, including U. T. Austin, in the performance of classified contracts for the Department of Defense or User Agencies of the NISPOM awarded to the U. T. System, including U. T. Austin, and need not be processed for a personnel security clearance:

Chancellor *ad interim* Larry R. Faulkner

Members of the U. T. System Board of Regents:

Sara Martinez Tucker, Chairman

Jeffery D. Hildebrand, Vice Chairman

Paul L. Foster, Vice Chairman

Ernest Aliseda

David J. Beck

Kevin P. Eltife

R. Steven Hicks

Janiece Longoria

James Conrad Weaver

Brittany E. Jewell, Student Regent from June 1, 2018 to May 31, 2019 (nonvoting)

2. Employment Agreement - U. T. System: Approval of Terms of Employment with Larry R. Faulkner, as Chancellor *ad interim*

Proposed terms of employment for Larry R. Faulkner as Chancellor *ad interim* are summarized below and recommended for approval by the U. T. System Board of Regents.

Item:	U. T. System Chancellor <i>ad interim</i>
Funds:	\$500,000 per year, prorated over term of service and payable monthly
Period:	June 1, 2018 through the selection and transition to office of the next Chancellor
Description:	Agreement for employment of Larry R. Faulkner as Chancellor <i>ad interim</i> .

On May 31, 2018, Chancellor McRaven stepped down as Chancellor. At the request of the Board, Dr. Faulkner agreed to serve in the position as Chancellor *ad interim* until the successor to Chancellor William H. McRaven is named and transitioned to office.

A letter agreement covering the terms of service for the transition period is set forth on the following pages.



THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.

Sara Martinez Tucker, Chairman
U. T. System Board of Regents
210 West Seventh Street
Austin, Texas 78701
Phone: (512) 499-4402 Fax: (512) 499-4425
<http://www.utsystem.edu/board-of-regents>

May 31, 2018

Dr. Larry R. Faulkner
[REDACTED]

Dear Larry:

The other members of the Board of Regents and I greatly appreciate your willingness to serve as Chancellor *ad interim* of The University of Texas System through the selection and transition to office of the next U. T. System Chancellor. This letter sets forth the terms and conditions associated with your service, effective June 1, 2018, subject to approval by the Board.

Your annual salary rate will be \$500,000/year, prorated over the term of your service and payable monthly. As a Return-to-Work retiree with an appointment not to exceed four and one-half months, your health insurance coverage will continue to be provided through the U. T. retirement plan.

Additional terms related to this service are:

- (a) Interim appointment as holder of the Lee Hage and Joseph D. Jamail Regents Chair in Higher Education Leadership during your service as Chancellor.
- (b) As Chancellor *ad interim*, you have agreed to serve, to oversee, and to administer the activities and operations of the System with maximum application of effort, experience, and ability consistent with Board and System policies and to devote your time and attention and to use your talents and best efforts to perform the duties assigned to you. You may, with prior written consent of the Chairman of the Board, participate as a member of boards of directors of for-profit and non-profit corporations, subject to law, Regents' Rules, and applicable policy.
- (c) You may also continue to expend reasonable time on charitable and other professional activities, provided that these activities do not interfere with your full and faithful performance of duties as Chancellor *ad interim*. All income or other compensation due you in connection with any approved outside activities shall be paid to and retained by you and reported in accordance with applicable law and established System policy.

- (d) Subject to any limitations of the laws of the State of Texas, the System shall allocate sufficient funds for your office and for salaries for personnel required to staff the office and for travel, official entertainment expenses, and other official activities. Reasonable travel, entertainment and other business expenses incurred in your capacity as Chancellor *ad interim* shall be paid directly or reimbursed to you, as appropriate, from an appropriate source of funds.
- (e) Expenses for official travel for Mrs. Faulkner, pursuant to approved policy on Spousal Travel, will be paid directly or reimbursed as appropriate.
- (f) The cost of club memberships for you as Chancellor *ad interim*, as agreed to by the Chairman of the Board, will be paid directly or reimbursed as appropriate.

Any elements of your compensation subject to federal income tax will be subject to withholding and reported on the W-2 form. You should, of course, consult your tax advisor as to the handling of business or other offsetting deductions.

Sincerely,

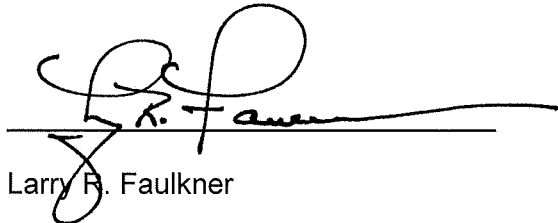


Sara Martinez Tucker
Chairman

SMT:cf

- c: Members of the Board of Regents
General Counsel to the Board
Associate Vice Chancellor, Controller and Chief Budget Officer

Accepted:


Larry R. Faulkner

6/7/2018

Date

AUDIT, COMPLIANCE, AND RISK MANAGEMENT COMMITTEE

3. UTIMCO Committee Appointment - U. T. System: Proposed appointment of a member to the Audit and Ethics Committee of the Board of Directors of The University of Texas/Texas A&M Investment Management Company (UTIMCO)

The University of Texas/Texas A&M Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the appointment of Clifton L. Thomas, Jr., to the Audit and Ethics Committee of the UTIMCO Board of Directors. The other members of the Committee are Janet Handley and James C. "Rad" Weaver.

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors. The UTIMCO Board of Directors recommended and approved this appointment on May 18, 2018, conditioned on approval of the U. T. System Board of Regents.