

Meeting No. 1,131

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

Pages 1 - 14

March 4, 2015

Austin, Texas

MEETING NO. 1,131

WEDNESDAY, MARCH 4, 2015.--The members of the Board of Regents of The University of Texas System convened at 8:36 a.m. on Wednesday, March 4, 2015, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Powell
Vice Chairman Hicks
Regent Aliseda
Regent Cranberg
Regent Hall
Regent Hildebrand
Regent Pejovich
Regent Stillwell
Regent Richards, Student Regent, nonvoting

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

RECESS TO EXECUTIVE SESSION.--At 8:36 a.m., Chairman Foster said the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.074, and 551.076 to consider the matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 3:26 p.m., the Board reconvened in open session for the following actions on matters discussed in Executive Session and to consider the following agenda items.

- 1a. U. T. Austin: Discussion and appropriate action regarding individual personnel matters related to the presidential search, including individual candidate and spouse interviews and possible naming of finalist(s)

Chairman Foster said the Board had an opportunity to interview candidates for the position of President at The University of Texas at Austin and deferred vote to name a finalist or finalists to a future meeting.

- 1b. 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 (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees

No action was taken on this item.

2. 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 related to the carrying of concealed handguns on campus

No action was taken on this item.

- 3a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 3b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to legislation concerning the carrying of concealed handguns on campus

No action was taken on this item.

- 3c. U. T. Austin: Discussion and appropriate action regarding pending legal issues in *Fisher v. State of Texas, University of Texas at Austin, et al.*

No action was taken on this item.

- 3d. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the Board's statutory responsibility to take all actions necessary to provide for an orderly completion of the affairs of U. T. Brownsville and U. T. Pan American and for U. T. Rio Grande Valley to begin academic classes

No action was taken on this item.

AGENDA ITEMS

1. U. T. System Board of Regents: Approval of Consent Agenda - Employment Agreement - U. T. System: Agreement with Mark A. Houser regarding terms and conditions of employment as Chief Executive Officer of University Lands

The Board approved the Consent Agenda item regarding the terms and conditions of employment of Mr. Mark A. Houser as Chief Executive Officer of University Lands and made a finding of fact that the agreement is in the best interest of The University of Texas System. The Consent Agenda Item and the employment agreement are set forth on Pages 7 - 14.

2. U. T. System Board of Regents: Delegation of authority to the Chancellor to approve actions necessary for U. T. Rio Grande Valley to begin academic classes for Fall Semester 2015, including measures to achieve accreditation, maximum operating efficiency, and the orderly windup of the affairs of U. T. Brownsville and U. T. Pan American

The Board delegated to the Chancellor, or his delegate, any authority not otherwise delegated to the Chancellor to approve actions necessary for The University of Texas Rio Grande Valley to begin academic classes for Fall Semester 2015, including measures necessary to achieve accreditation, maximum operating efficiency, and the orderly windup of the affairs of The University of Texas at Brownsville and The University of Texas-Pan American.

This delegation was conditioned on a requirement that the Chancellor provide a quarterly report to the Board of Regents, outlining actions taken under this delegation of authority. The delegation is effective beginning March 4, 2015, and expires April 30, 2016. The delegation does not supersede the action taken by the Board of Regents on February 12, 2015, regarding the delegation of authority to approve contracts of less than \$5 million for U. T. Rio Grande Valley, and the report of actions taken under this delegation shall be combined with the report concerning delegated contract authority.

Senate Bill 24 of the 83rd Legislature created a new university in South Texas and granted to the Board of Regents the duty to provide for the organization, administration, location, and name of the university. In the exercise of that responsibility, the law directs the Board to act in a manner "to achieve the maximum operating efficiency" of the university (*Texas Education Code* Section 79.02). That duty is in addition to the authority of the Board under other law to provide for the administration, organization, and names of all institutions and entities of the system (*Texas Education Code* Section 65.11).

In addition to creating the new university, which the Board of Regents named The University of Texas Rio Grande Valley, Senate Bill 24 gave to the Board all the powers and duties provided by law in relation to U. T. Brownsville and U. T. Pan American and the facilities, operations, and programs of those two universities. The law provides that, on a date within the discretion of the Board but not earlier than the date U. T. Rio Grande Valley becomes operational, U. T. Brownsville and U. T. Pan American are abolished and the enabling statutes for those universities are repealed.

Consistent with the Board's general authority and with its specific authority in relation to U. T. Rio Grande Valley, Senate Bill 24 directs the Board to choose a date of abolition of the two existing universities that the Board determines is appropriate to achieve maximum operating efficiency of the System. In addition, the law requires the Board to take all actions necessary to provide for the orderly windup of the affairs of each abolished university. The designated date of abolition must be entered into the Minutes of the Board, with notice to the Secretary of State.

Senate Bill 24 also requires that the partnership agreement between U. T. Brownsville and the Texas Southmost College District be continued until August 31, 2015, to the extent necessary to ensure accreditation of the respective entities.

With an administration, faculty, curriculum, and student body in place, U. T. Rio Grande Valley is on schedule to begin academic classes for Fall Semester 2015. However, many known and unknown actions remain in this complex transition, some of which may require short-term or immediate action by U. T. System. The Chancellor has a broad delegation under Regents' Rule 20101 to exercise the powers and authorities of the Board in the governance of the U. T. System, but this additional delegation is essential to ensure that the Chancellor and U. T. System officers have adequate authority to act timely to achieve accreditation, maximum operating efficiency, and the orderly windup of the affairs of the universities to be abolished, as required by law.

3. U. T. System Board of Regents: Certificates of appreciation to Vice Chairman Wm. Eugene Powell and Regent Robert L. Stillwell and recognition of continuing service of Vice Chairman R. Steven Hicks

Chairman Foster provided brief remarks to recognize Vice Chairman Powell and Regent Stillwell for their six years of service to The University of Texas System. Noting that their service was not yet concluded, Chairman Foster remarked on their many accomplishments, included their key roles in the passing of Senate Bill 24, creating what is now The University of Texas Rio Grande Valley. He said that Regent Stillwell had urged the Board to plant a big flag in South Texas, and Vice Chairman Powell obtained needed support by working with Chancellor Cigarroa to wave that flag in the right places. He said they were capably aided by Vice Chairman Hicks in this work.

Chairman Foster then presented certificates of appreciation to Vice Chairman Powell and Regent Stillwell and thanked them publicly for their service on the Board.

Chairman Foster also recognized Vice Chairman Hicks for his service to date and said the Board looks forward to Vice Chairman Hicks' continued service.

Vice Chairman Powell and Regent Stillwell said it has been a pleasure to work with and to serve the students, faculty, and staff of The University of Texas System and the U. T. System institutions, as well as to work alongside their fellow Regents. Both members of the Board received a standing ovation.

REPORT FOR THE RECORD.--

U. T. Austin: Report concerning appointment of the Presidential Search Advisory Committee

The membership of the Presidential Search Advisory Committee for The University of Texas at Austin is reported for the record. This Committee has been constituted pursuant to the Regents' *Rules and Regulations*, Rule 20201.

Presidential Search Advisory Committee for U. T. Austin

Executive Vice Chancellor for Academic Affairs Pedro Reyes (Co-Chair)
Larry R. Faulkner, Ph.D., President Emeritus, The University of Texas at Austin
(Co-Chair)

Vice Chairman Wm. Eugene Powell

Vice Chairman R. Steven Hicks

Regent Brenda Pejovich

Diana S. Natalicio, Ph.D., President, The University of Texas at El Paso

Daniel K. Podolsky, M.D., President, The University of Texas Southwestern
Medical Center

Martha F. Hilley, M.A., Professor, Butler School of Music, U. T. Austin

David M. Hillis, Ph.D., Professor, Department of Integrative Biology, U. T. Austin

Ernest D. (David) Sosa, Ph.D., Professor, Department of Philosophy, U. T. Austin

Randy L. Diehl, Ph.D., Dean, College of Liberal Arts, U. T. Austin

Ms. Geetika Jerath, President, Senate of College Councils, U. T. Austin

The Honorable Kay Bailey Hutchison, President, Ex-Students' Association, U. T.
Austin

Ms. Erika Frahm, Senior Program Coordinator, U. T. Austin

Mr. Printice L. Gary

Mr. Brian J. Haley

The Honorable Ricardo Hinojosa

Mr. Woody L. Hunt

Chancellor William H. McRaven

Mr. Jack Randall

Mr. Robert B. Rowling

ADJOURNMENT.--At 3:32 p.m., there being no further business, the meeting was adjourned.

/s/ Carol A. Felkel
Secretary to the Board of Regents

March 9, 2015



THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
CONSENT AGENDA

Special Called Board Meeting:

March 4, 2015
Austin, Texas

Employment Agreement - U. T. System: Agreement with Mark A. Houser regarding terms and conditions of employment as Chief Executive Officer of University Lands

The employment agreement summarized below documents the terms and conditions of employment negotiated by the Chancellor and the Executive Vice Chancellor for Business Affairs as approved by the U. T. System Board of Regents on December 15, 2014. The final agreement is recommended for approval by the Board.

- Item: Chief Executive Officer of University Lands
- Funds: Base salary of \$700,000; annual base salary increase of not less than \$50,000 per year; annual retention payment of 50% of base salary; and one-time payment of \$500,000 in consideration of foregoing other economic opportunities. Additionally, an incentive compensation plan will be developed with a maximum incentive payout of 200% of base salary.
- Period: Beginning March 23, 2015 through close of business on March 22, 2018
- Description: Three-year agreement for employment of Mark A. Houser as Chief Executive Officer of University Lands. The employment agreement is set forth on the following pages.

Also, the Board authorized that the Minutes reflect that, by approval of this item, the Board has made a finding, as required by *Texas Education Code* Section 51.948, that the potential appointment is in the best interest of the U. T. System.

EMPLOYMENT AGREEMENT
BETWEEN THE UNIVERSITY OF TEXAS SYSTEM
AND MARK ALLEN HOUSER

THIS EMPLOYMENT AGREEMENT (this "Agreement") by and between THE UNIVERSITY OF TEXAS SYSTEM ("System") and MARK ALLEN HOUSER is effective March 23, 2015 ("Effective Date").

RECITALS

A. The System and Mr. Houser herein enter into the Employment Agreement dated as of the Effective Date.

B. The parties acknowledge that Mr. Houser was offered and has accepted the position of Chief Executive Officer (CEO) of University Lands for THE UNIVERSITY OF TEXAS SYSTEM on the terms set forth in this Agreement.

C. Mr. Houser's years of experience and tenure in senior leadership positions and his background, talents, and abilities uniquely qualify him to hold the position of CEO of University Lands.

D. The terms of this Agreement and its execution have been duly authorized by the Board of Regents, subject to ratification.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual benefits and consideration received and to be received by the respective parties, Mr. Houser is employed as CEO of University Lands upon the following terms, conditions, covenants, and agreements:

I. EMPLOYMENT AND APPOINTMENT

Mr. Houser's employment with the System shall be effective March 23, 2015.

II. TERM OF AGREEMENT

The term of this Agreement shall begin as of the Effective Date, and such term shall continue for three (3) years through the close of business on March 22, 2018, subject to earlier termination as provided in Section VI hereunder. The agreement may be renewed for additional terms as agreed to by both parties.

III. SALARY AND OTHER COMPENSATION

A. Base Rate Salary. Mr. Houser shall be remunerated for services rendered as CEO of University Lands based on an annual base rate salary of \$700,000 per year payable in accordance with the System's established pay practices, with such compensation to begin as of March 23, 2015. The University Lands Advisory Board (ULAB), including the Executive Vice Chancellor for Business Affairs, will review performance and overall compensation at least annually commencing on or before the start of each fiscal year during the term of this Agreement. Mr. Houser will receive annual increases to his base salary as recommended by the ULAB and approved by the Chancellor. However, these annual increases shall not be less than \$50,000 per year.

B. Annual Retention Payment. In consideration of Mr. Houser's commitment and service in this critical position, and to secure Mr. Houser's continued service, the System agrees to pay Mr. Houser an annual retention payment in the amount of 50% of Mr. Houser's base salary ("Retention Payment"). The Retention Payment shall be due and payable within sixty (60) days of the ULAB's issuance of Mr. Houser's annual performance evaluation, and shall be contingent on Mr. Houser remaining employed as CEO of University Lands through the date each performance evaluation is issued. The ULAB shall issue Mr. Houser's first annual performance evaluation no later than November 1, 2015, and the first Retention Payment shall be made on or before December 30, 2015.

C. Incentive Compensation Payment. The ULAB will work with Mr. Houser to develop a mutually agreed upon incentive compensation plan for key University Lands employees by August 1, 2015. The incentive compensation plan will become effective September 1, 2015. Based on that plan, and if, in the ULAB's judgment, Mr. Houser achieves the objectives detailed in that plan, the System shall pay Mr. Houser an additional amount up to 200% of Mr. Houser's base salary ("Incentive Compensation Payment"). The Incentive Compensation Payment, if awarded, shall be due within sixty (60) days of the ULAB's completion of Mr. Houser's annual performance evaluation with the first incentive compensation payment due following completion of the fiscal year ended August 31, 2016.

D. One-Time Supplemental Payment. The System agrees to pay Mr. Houser a one-time payment in the amount of \$500,000, within thirty (30) days of the Effective Date ("One-Time Supplemental Payment"). This payment is in consideration of economic opportunities Mr. Houser will forego as a result of his accepting employment as the CEO of University Lands.

E. Notwithstanding anything to the contrary herein, the payments described in Section III are subject to Section VI of this Agreement.

IV. PERFORMANCE

Mr. Houser shall serve, and shall oversee and administer the activities and operations of University Lands. Mr. Houser agrees to devote his full-time and attention and to use his talents and reasonable efforts to perform the duties assigned to him as CEO of University Lands. Notwithstanding the foregoing, Mr. Houser may, with prior written consent of the Executive

Vice Chancellor for Business Affairs participate as a member of board(s) of directors of for-profit and nonprofit corporations, subject to all applicable U.T. System and Board policies. In accordance with U.T. System and Board policies, Mr. Houser may also expend reasonable time on charitable and other professional activities; provided that these activities do not interfere with his full and faithful performance of duties as CEO of University Lands. Specifically, Mr. Houser shall be permitted to serve on the board of EV Management, The General Partner of EV Energy Partners, L.P. In accordance with the requirements of U.T. System and Board policies, Mr. Houser will enter into a System approved conflict management plan to manage any actual or perceived conflicts related to Mr. Houser's service on the board of EV Energy Partners, L.P. All income or other compensation due Mr. Houser in connection with any approved outside activities shall be paid to and retained by him and reported in accordance with applicable law and established System policy.

V. BENEFITS

A. Employee Benefits Generally. Mr. Houser shall be entitled to participate in all benefits programs customarily available to senior executives of the System in accordance with applicable state and federal laws and the System's rules and regulations governing such programs, including without limitation group life insurance with a death benefit of \$1,500,000.

B. Supplemental Retirement Provisions. Mr. Houser is an Eligible Employee under the University of Texas System Deferred Compensation Plan ("Plan"). In accordance with the Plan, the System and Mr. Houser will enter into a deferred compensation agreement (the "Deferred Compensation Agreement") with an amount equal to 50% of Base Salary being credited to Mr. Houser's Deferred Compensation Account.

C. Club Memberships. Mr. Houser shall be provided the use of a membership in and payment of the dues and reasonable expenses of the Houston Racquet Club and such other club memberships as deemed appropriate and approved in writing by the Executive Vice Chancellor for Business Affairs to assist in the discharge of his official duties.

D. General Expenses. Subject to the limitations of the laws of the State of Texas, the System shall allocate sufficient funds for Mr. Houser's office, which shall be located in the greater Houston metropolitan area, and for salaries for personnel required to staff such office, travel, official entertainment expenses and other official activities. Mr. Houser's reasonable travel, entertainment and other business expenses incurred in his capacity as CEO of University Lands shall be paid or reimbursed pursuant to System policy.

VI. TERMINATION

A. Resignation. If, during the term of this Agreement, Mr. Houser resigns from his position as CEO of University Lands, no further compensation or benefits shall be due under this Agreement; provided, however, that the provisions of Section VI.F shall apply to any such resignation. Mr. Houser shall provide the System a minimum of ninety (90) days written notice of his resignation to the extent practicable.

B. Termination by the System for Cause. The Board may terminate Mr. Houser for Cause after giving Mr. Houser thirty (30) days written notice, during which time Mr. Houser shall have the right to cure the allegations for Cause, if curable, and a reasonable opportunity to be heard with respect to the grounds for Cause. "Cause" is defined as (1) conviction (including a pleading of nolo contendere) for a felony, (2) conviction (including a pleading of nolo contendere) for a misdemeanor involving moral turpitude that materially impairs Mr. Houser's ability to discharge his duties hereunder, (3) fraud, (4) embezzlement, (5) theft, (6) engaging in conduct that displays a continual and serious disrespect or disregard for the Board and/or the System; or (7) engaging in conduct by Mr. Houser that brings material public disrespect, contempt or ridicule upon University of Texas institutions and/or the System, or creates a material adverse effect on the reputation and/or brand of University of Texas institutions and/or the System. Upon termination for Cause, no further compensation or benefits shall be due under this Agreement; provided, however, that the provisions of Section VI.F shall apply to any such termination.

C. Termination by the System Without Cause. The Board may terminate this Agreement without Cause at any time by giving ninety (90) days written notice to Mr. Houser. In such event, Mr. Houser shall be entitled to receive his base salary for the remainder of the term of this Agreement, as set forth in Section III. In addition, Mr. Houser shall receive any Retention Bonus, Incentive Compensation Payment (at target), and Deferred Compensation Plan contributions during the remainder of the term, all payable in a lump sum promptly upon such termination. Any such payments shall not exceed an amount equal to the discounted net present cash value of the contract on termination at the market rate of interest at the time of termination. The System's obligations to make payments as described above shall be reduced to the extent of Mr. Houser's compensation from new full-time employment after such termination and during the remainder of the three-year term of this Agreement. Mr. Houser agrees to provide reasonable evidence of his new full-time employment salary under this paragraph to the Executive Vice Chancellor for Business Affairs. The provisions of Section VI.F shall apply to any such termination.

D. Permanent Disability. If Mr. Houser becomes permanently disabled during his service as CEO of University Lands, this Agreement shall terminate effective on the date of permanent disability and he shall receive all benefits to which he is entitled pursuant to the System's disability insurance plans in which he participates and payout of the then-current balance in the Deferred Compensation Plan.

For purposes of this Agreement, "Permanent Disability" shall mean the inability of Mr. Houser to perform the essential functions of the position of CEO of University Lands for a period of six (6) continuous months, with reasonable accommodations (as such term is defined in 42 U.S.C. § 12111(9), as amended, and in the applicable law interpreting same).

E. Death. In the event of the death of Mr. Houser during the term of this Agreement, his compensation and benefits shall cease immediately and this Agreement shall terminate effective on the date of death. As determined by state and/or federal laws, Mr. Houser's estate shall be entitled to receive all benefits to which he is entitled under the System's various insurance plans and payout of the then-current balance in the Deferred Compensation Plan.

F. Effect of Termination. Termination of this Agreement under any of the foregoing paragraphs shall not affect any retirement, welfare (including but not limited to medical, death, and disability programs), or any other benefits accrued as of the date of such termination under any program or plan established and maintained by the System for which Mr. Houser qualifies or in which Mr. Houser participates, all of which shall be governed by their respective terms.

VII. MISCELLANEOUS

A. General. Other than the Deferred Compensation Plan, this Agreement is the complete agreement between Mr. Houser and the System concerning the employment of Mr. Houser by the System and the appointment of Mr. Houser as CEO of University Lands, and shall, as of the Effective Date hereof, supersede any other agreements between the parties. The parties stipulate that neither of them has made any representation to the other with respect to the subject matter of this Agreement except such representations as are specifically set forth herein. No modification of this Agreement or any part thereof shall be valid unless in writing and signed by both Mr. Houser and the Executive Vice Chancellor for Business Affairs of The University of Texas System. If any provision of this Agreement shall be determined to be void, invalid, or unenforceable or illegal for any reason, it shall be ineffective only to the extent of such prohibition, and the validity and enforceability of all the remaining provisions shall not be affected. Any notice required or permitted to be given under this Agreement shall be sufficient if in writing and sent by registered mail to his residence address, in the case of Mr. Houser, or to the Office of the Executive Vice Chancellor for Business Affairs, in the case of the System, addressed to the attention of the Executive Vice Chancellor for Business Affairs. The rights and obligations of the System under this Agreement shall inure to the benefits of and be binding upon successors and assigns of the System. Mr. Houser may not assign any of his rights or obligations under this Agreement. This Agreement is intended to fully comply with all applicable state and federal laws and System regulations and any provision to the contrary shall be null and void. This Agreement shall be governed and construed, and the rights and obligations of the parties hereto shall be determined, in accordance with the laws of the State of Texas.

B. Enforcement. The payments and benefits provided in Section VI (or cessation thereof) have been carefully considered and agreed upon by the System and Mr. Houser and represent the sole obligations of the System resulting from Mr. Houser's termination under the circumstances defined therein.

C. Mediation. If a dispute arises out of or related to this Agreement and the dispute cannot be settled through direct discussions, the System and Mr. Houser agree that they shall first endeavor to settle the dispute in an amicable fashion, including the use of non-binding mediation. Within fifteen (15) days after delivery of a written notice of a request for mediation from one party to the other, the dispute shall be submitted to a single mediator chosen by the parties in Austin, Texas. The cost of mediation shall be paid by the System.

D. Counterparts. This Agreement may be executed in counterparts, and by the parties on separate counterparts each of which, when so executed, shall constitute an original.

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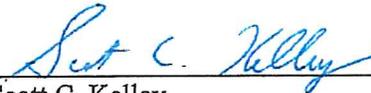
SIGNED AND EXECUTED in duplicate originals as indicated below, but effective as of the Effective Date.



Mark Allen Houser

Date Signed: Feb 10, 2015

THE UNIVERSITY OF TEXAS SYSTEM



Scott C. Kelley
Executive Vice Chancellor for Business Affairs

Date Signed: Feb 6, 2015