

MATERIAL SUPPORTING THE AGENDA

VOLUME XLVIIB

This volume contains the Material Supporting the Agenda furnished to each member of the Board of Regents prior to the meetings held on:

April 14, 2000
May 10-11, 2000
August 9-10, 2000

The material is divided according to the standing committees and the meetings that were held and is color coded as follows:

White paper - for documentation of all items that were presented before the deadline date.

Blue paper - Executive Session

Yellow paper – for documentation of items submitted after the deadline date for inclusion in the Agenda (late items) and distributed to members of the Board of Regents prior to the meeting.

Material distributed at the meeting as additional documentation is not included in the bound volume, because sometimes there is an unusual amount and other times some people get copies and some do not get copies. If the Executive Secretary was furnished a copy, then that material goes into the appropriate subject file.

Special Meeting
Board of Regents
The University of Texas System
Ninth Floor, Ashbel Smith Hall, 201 W. 7th Street
Austin, Texas
April 14, 2000 -- 2:30 p.m. C.S.T.
(Via Telephone Conference Call)

AGENDA

- A. ROLL CALL Executive Secretary
- B. CALL TO ORDER (Open Session) Chairman Evans
1. U. T. Austin: Recommendation for Approval of Proposed Plan to Manage Potential Conflicts of Interest for Dr. Eric V. Anslyn, Dr. John T. McDevitt, Dr. Dean P. Neikirk, and Dr. Jason B. Shear and Authorize Execution of Licensing Agreement and Other Documents Necessary to License Technology to Lab Vision, Inc.
 2. U. T. Austin: Request for Approval to Deaccession Certain Artwork Housed in the Jack S. Blanton Museum of Art and Authorization to Enter into Contracts to Facilitate the Sale of the Artwork and to Execute All Documents Related Thereto
- C. RECESS TO EXECUTIVE SESSION
1. U. T. Dallas: Proposed Settlement of Pending Litigation
 2. U. T. System: Discussion of Candidates for the Position of Chancellor
- D. RECONVENE IN OPEN SESSION
- E. ADJOURNMENT

OFFICE OF THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM
Austin, Texas

April 12, 2000

SPECIAL MEETING NO. 929

TO: Members of the Board of Regents

Chairman Donald L. Evans
Vice-Chairman Tom Loeffler
Vice-Chairman Rita C. Clements
Regent Woody L. Hunt
Regent Charles Miller
Regent Patrick C. Oxford
Regent A. W. "Dub" Riter, Jr.
Regent Raul R. Romero
Regent A. R. (Tony) Sanchez, Jr.

1. U. T. Austin: Recommendation for Approval of Proposed Plan to Manage Potential Conflicts of Interest for Dr. Eric V. Anslyn, Dr. John T. McDevitt, Dr. Dean P. Neikirk, and Dr. Jason B. Shear and Authorize Execution of Licensing Agreement and Other Documents Necessary to License Technology to Lab Vision, Inc.

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Faulkner that the U. T. Board of Regents approve a proposed Plan to Manage Potential Conflicts of Interest as set forth below for Dr. Eric V. Anslyn, Dr. John T. McDevitt, Dr. Dean P. Neikirk, and Dr. Jason B. Shear, all members of the faculty at U. T. Austin:

PLAN TO MANAGE POTENTIAL CONFLICTS OF INTEREST

Dr. Eric V. Anslyn, Dr. John T. McDevitt, Dr. Dean P. Neikirk, and Dr. Jason B. Shear are the four U. T. Austin inventors of the "Electronic Tongue" technology, a

technology relating to diagnostic fluid analyses using a computer chip sensor array. Each inventor has submitted individual Financial Disclosure and Conflict of Interest Reports to disclose his potential future relationships with Lab Vision, Inc., a company interested in commercializing the U. T. Austin intellectual property related to the technology. Each inventor has received from U. T. Austin an inventor's share of an option Fee payment as a result of an Option Agreement executed between U. T. Austin and Lab Vision, Inc. in 1999. U. T. Austin currently is negotiating sponsored research and licensing agreements with Lab Vision, Inc. Subsequent to successful negotiations of these agreements, the inventors will benefit via U. T. Austin's policy that proceeds from the licensing of intellectual property be shared with the inventors. Further, it is possible that the inventors will be asked by Lab Vision to play some role in the initial phases of commercialization.

As required by Texas Education Code Section 51.912(a) and the Regents' Rules and Regulations, Part Two, Chapter XII, Sections 6 and 7, Dr. Anslyn, Dr. McDevitt, Dr. Neikirk, and Dr. Shear have provided U. T. Austin with written disclosures and, when changes necessitate, they will be required to provide U. T. Austin with revised written disclosures of all potential conflicts of interest that might emanate from the terms of the agreements with Lab Vision. Thus, U. T. Austin stands in compliance with regulations governing the definition of potential conflicts that might arise through the conduct of research.

The primary mechanism that U. T. Austin employs for managing potential conflicts of interest in this type of situation involves the establishment of an independent Oversight Committee. The following steps will be required under this management plan:

- a. An Oversight Committee, comprised of the former Chemistry/Biochemistry Chairman, the current Electrical/Computer Engineering Chairman, and the Associate Dean of the College of Natural Sciences, will review reports and communicate its assessments on the objectivity of the research to the U. T. Austin Objectivity in Research Committee.
- b. Dr. Anslyn, Dr. McDevitt, Dr. Neikirk, and Dr. Shear will submit to the members of the independent Oversight Committee copies of: (1) abstracts that describe the scope of the research anticipated related to the "Electronic Tongue" technology and (2) annual research progress reports, which will include a list of persons who derived support from the sponsored research agreement as well as a compilation of any publications that resulted from the sponsored research. Any additional supporting information that is needed for

evaluation of the potential conflicts of interest will be provided as requested by the independent members of the Oversight Committee.

- c. Dr. Anslyn, Dr. McDevitt, Dr. Neikirk, and Dr. Shear will notify the Objectivity in Research Committee annually of any intellectual property disclosures or patentable technologies arising from the research related to the "Electronic Tongue" technology.
- d. Should either of these committees (Oversight Committee or Objectivity in Research Committee) determine that an actual conflict of interest exists at any point in this oversight process, appropriate remedial action will be taken in accordance with Section 51.912 of the Texas Education Code and corresponding provisions of the U. T. System Intellectual Property Policy.

It is further recommended that the Board authorize President Faulkner or his designee to execute a Licensing Agreement and other necessary documents to license the technology to Lab Vision, Inc., with prior approval of the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

The proposed arrangement is consistent with Section 51.912 of the Texas Education Code and corresponding provisions of the U. T. System Intellectual Property Policy. Pursuant to Part Two, Chapter XII, Section 6, Subsection 6.2, and Section 7, Subsection 7.1 of the Regents' Rules and Regulations, approval by the U. T. Board of Regents is necessary for Dr. Anslyn, Dr. McDevitt, Dr. Neikirk, and Dr. Shear to take part in sponsored research and licensing agreements (and possible consulting arrangements) with Lab Vision, a company in which they will hold equity, effective upon execution of the agreement.

U. T. Austin has determined that future sponsored research and licensing agreements between U. T. Austin and Lab Vision for commercial applications of the research are appropriate since the company-related activities of Dr. Anslyn, Dr. McDevitt, Dr. Neikirk, and Dr. Shear will involve applied research and the manufacturing of "Electronic Tongue" technology, and their University laboratories will be involved in basic research into the technology. As part of the agreement, U. T. Austin will secure a pre-Initial Public Offering equity stake of 1.6 million shares

of common stock, which will be split between U. T. Austin and the inventors of the technology. Approximately \$1.3 million in a sponsored research agreement contract/grant to U. T. Austin will be secured to allow U. T. Austin to further develop the science base needed for the understanding of the basic issues related to the "Electronic Tongue" technology.

Normally, proposed Plans to Manage Potential Conflicts of Interest are submitted routinely for approval in the institutional Docket. However, because Lab Vision is insistent upon an agreement immediately, this item needs consideration earlier than the May 2000 meeting of the U. T. Board of Regents.

2. U. T. Austin: Request for Approval to Deaccession Certain Artwork Housed in the Jack S. Blanton Museum of Art and Authorization to Enter into Contracts to Facilitate the Sale of the Artwork and to Execute All Documents Related Thereto

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Faulkner that authorization be given for U. T. Austin to deaccession a collection of approximately 153 paintings by Australian artists. The collection belongs to U. T. Austin and is housed in the Jack S. Blanton Museum of Art.

In addition, it is recommended that authorization be given to President Faulkner or his designee to enter into a contract with a fine arts auction house to provide all services for the sale of the artwork and to facilitate all aspects of the sale. The contract shall be subject to the prior approval of the Executive Vice Chancellor for Academic Affairs and the Vice Counsel and General Counsel.

It is further recommended that the President of U. T. Austin, or his delegate designated in writing, be authorized to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary, advisable, or proper to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The collection of approximately 153 paintings by Australian artists is known as the Harold Mertz Collection of Australian Paintings and was given to U. T. Austin by the Mertz Art Fund in 1972. Since that time, the collection's exposure and its use in art education in the United States has been less than originally anticipated, and it has become impractical to carry out the gift's original purpose. Australian interest in the paintings, however, is high. Over the years U. T. Austin has been approached repeatedly by Australian collectors, dealers, and auction houses to sell the collection. An appraisal of the collection last year set the value at between \$5 and \$8 million.

In seeking to deaccession the works, U. T. Austin has followed the Jack S. Blanton Museum of Art Deaccessioning Policy. Five Australian fine art auction houses made proposals to handle the sale of the works after the Blanton Museum director confirmed with other U. T. System components that the works did not fit those components' collecting goals or funding capabilities.

A campus committee studied the proposals and recommended that negotiations commence with the first choice of auction houses. Negotiations are currently underway to provide auctioneering, marketing, and other services related to the sale of the works, but no contract has been finalized. If a satisfactory contract cannot be negotiated with the first choice, U. T. Austin proposes to negotiate instead with one of the other auction houses that previously submitted a proposal. To maximize sales proceeds, it is anticipated that the sale of the works will occur in Australia. While this authorization could be handled as an institutional Docket item, the timing of a potential sale in Australia necessitates consideration prior to the May 2000 Board of Regents' meeting.

Following the provisions of the Deaccessioning Policy, the net sale proceeds from the sale of the artwork will be used by U. T. Austin for the acquisition of other works of art, including the Suida-Manning Collection.

xcs: Chancellor Cunningham
Executive Vice Chancellor Mullins
Executive Vice Chancellor Burck
Executive Vice Chancellor Sharpe
Vice Chancellor Farabee
Vice Chancellor Perry