

SCHEDULE OF EVENTS  
Board of Regents' Meeting  
November 12-13, 2003  
Odessa, Texas

*U. T. Permian Basin, 4901 East University, Odessa, 432/552-2100*  
*MCM Elegante Hotel, 5200 East University Boulevard, Odessa, 432/368-5885*  
*American Airpower Heritage Museum, 9600 Wright Drive, Midland, 432/567-3009*

**Wednesday, November 12, 2003 (MCM Elegante Hotel, Caribbean Room)**

10:00 a.m.	Audit, Compliance, and Management Review Committee
11:00 a.m.	Finance and Planning Committee
12:00 noon	Board Open Session/Informal lunch with Employee Advisory Council Officers
1:00 p.m.	Student, Faculty and Staff Campus Life Committee
2:00 p.m.	Academic Affairs Committee
3:00 p.m.	Health Affairs Committee
4:00 p.m. - 5:00 p.m.	Facilities Planning and Construction Committee
6:00 p.m.	Transportation from hotel to dinner at American Airpower Heritage Museum, Midland
6:30 p.m.	Reception and dinner (Casual)
8:30 p.m. approximately	Transportation to hotel

**Thursday, November 13, 2003 (The University of Texas of the Permian Basin)**

8:00 a.m.	Transportation from hotel to U. T. Permian Basin campus
8:30 a.m.	Reconvene in Open Session and immediately recess to Executive Session <i>Mesa Building, Room 207 (Executive Session Room)</i>
10:00 a.m.	Reconvene in Open Session for full Board Meeting <i>Mesa Building, Room 220 (Meeting Room)</i>
12:00 p.m. approximately	Adjourn
12:00 noon	Lunch <i>Mesa Building, Room 220</i>
1:00 p.m. - 1:30 p.m.	Groundbreaking Ceremony for Student Housing Project

Note: Board for Lease Meeting scheduled for 12:00 noon on the U. T. Permian Basin campus.



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**Board Meeting:** 11/12/2003  
MCM Elegante Hotel  
**Board Meeting:** 11/13/2003  
U. T. Permian Basin

	<b>Board Meeting</b>	<b>Page</b>
<b><u>November 12</u></b>		
A. CALL TO ORDER	<i>12:00 noon Chairman Miller</i>	
B. <b>U. T. System: Discussion with the Employee Advisory Council Officers</b>	<i>12:00-1:00 p.m. <b>Discussion</b> Ms. Zwinggi</i>	<b>1</b>
C. RECESS FOR COMMITTEE MEETINGS		
<b><u>November 13</u></b>		
D. RECONVENE IN OPEN SESSION	<i>8:30 a.m. Chairman Miller</i>	
E. RECESS TO EXECUTIVE SESSION	<i>8:30-10:00 a.m.</i>	
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – <u>Texas Government Code Section 551.074</u>		
a. <b>U. T. Medical Branch - Galveston: Consideration of recommendation of Hearing Tribunal regarding termination of Faculty Member</b>	<i>8:30 a.m. <b>Action</b> Mr. Godfrey</i>	<b>2</b>
b. <b>U. T. Arlington: Consideration and appropriate action regarding personnel matters relating to presidential search</b>	<i>9:15 a.m. Dr. Sullivan</i>	<b>2</b>
c. <b>U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, assignment, and duties of officers or employees</b>		<b>2</b>
d. <b>U. T. System: Consideration of personnel matters relating to evaluation of presidents, U. T. System Executive Officers, and employees</b>		<b>2</b>
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – <u>Texas Government Code Section 551.071</u>		
<b>U. T. Board of Regents: Legal issues regarding performance of Investment Management Services Agreement with UTIMCO</b>	<i>9:20 a.m. Mr. Godfrey</i>	<b>2</b>

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F. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S)	<i>10:00 a.m.</i>	<b>2</b>
G. APPROVAL OF MINUTES	<i>10:05 a.m.</i> <b>Action</b>	<b>3</b>
H. SPECIAL ITEM		
<b>U. T. Board of Regents: Discussion and appropriate action concerning amendment to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, and Long Term Fund Investment Policy Statements (including asset allocation policy); compensation and performance issues related to UTIMCO; and Liquidity Policy</b>	<i>10:10 a.m.</i> <b>Action</b> <i>Chairman Miller</i>	<b>3</b>
I. REPORT		
<b>U. T. System: Quarterly report on gift acceptance</b>	<i>11:25 a.m.</i> <b>Report</b>	<b>4</b>
J. RECESS FOR MEETINGS OF STANDING COMMITTEES		<b>5</b>
K. OTHER MATTERS		
1. <b>U. T. Pan American: Appointment of Presidential Search Advisory Committee</b>	<i>11:46 a.m.</i> <b>Report</b>	<b>78</b>
2. <b>U. T. Board of Regents: Presentation of certificates of appreciation</b>	<i>11:47 a.m.</i> <b>Action</b> <i>Chairman Miller</i> <i>Chancellor Yudof</i>	<b>79</b>
L. ADJOURN	<i>12:00 noon</i>	

WEDNESDAY, NOVEMBER 12

A. CALL TO ORDER

B. **U. T. System: Discussion with the Employee Advisory Council Officers**

PURPOSE

Officers of The University of Texas System Employee Advisory Council will meet with the Board in small groups over lunch to discuss goals and plans for the future.

BACKGROUND INFORMATION

The mission of the Employee Advisory Council (EAC) is to provide a forum for communicating ideas and information between employees, the Executive Officers of U. T. System, and the Board of Regents. Election of new officers was held in July 2003 and 16 new members will join the EAC in October. In the past, the annual presentation to the Board of Regents by the EAC was held in February. Due to recent changes in the calendar of meetings, the EAC will make their presentation at the annual November meeting.

Participants scheduled to attend:

- a. Chair: Ms. Shirley Zwinggi, U. T. Southwestern Medical Center - Dallas
- b. Vice-Chair: Ms. Sherill Boline, U. T. System Administration
- c. Secretary: Ms. Paula Berkley, U. T. Pan American
- d. Historian: Ms. Terri Reynolds, U. T. San Antonio

C. RECESS FOR COMMITTEE MEETINGS

THURSDAY, NOVEMBER 13

D. RECONVENE IN OPEN SESSION

E. RECESS TO EXECUTIVE SESSION

1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Texas Government Code Section 551.074

a. **U. T. Medical Branch - Galveston: Consideration of recommendation of Hearing Tribunal regarding termination of Faculty Member**

b. **U. T. Arlington: Consideration and appropriate action regarding personnel matters relating to presidential search**

c. **U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, assignment, and duties of officers or employees**

d. **U. T. System: Consideration of personnel matters relating to evaluation of presidents, U. T. System Executive Officers, and employees**

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Texas Government Code Section 551.071

**U. T. Board of Regents: Legal issues regarding performance of Investment Management Services Agreement with UTIMCO**

F. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEM(S)

G. APPROVAL OF MINUTES OF REGULAR MEETING HELD AUGUST 6-7, 2003, AND SPECIAL MEETINGS HELD SEPTEMBER 8 AND OCTOBER 15, 2003 (Available on-line at <http://www.utsystem.edu/bor/meetings/minuteslistinghomepage.htm>)

H. SPECIAL ITEM

**U. T. Board of Regents: Discussion and appropriate action concerning amendment to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, and Long Term Fund Investment Policy Statements (including asset allocation policy); compensation and performance issues related to UTIMCO; and Liquidity Policy**

#### RECOMMENDATION

Chairman Miller will lead a discussion concerning the Investment Policy Statements for the Permanent University Fund, General Endowment Fund, Permanent Health Fund, and Long Term Fund (including asset allocation policy); compensation and performance issues related to UTIMCO; and the Liquidity Policy.

I. REPORT

**U. T. System: Quarterly report on gift acceptance**

REPORT

The Summary of Gift Acceptance for U. T. System for the period June 1, 2003 through August 31, 2003, is set forth below. The report includes 133 items conforming to Board policy including the acceptance of \$23,607,131 in gifts and other transfers of previously accepted funds and Board-held matching funds totaling \$8,956,751.71. The report includes only those funds that relate to endowments, estates and other funds managed by the U. T. System Office of External Relations.

<u># ALL</u> <u>ITEMS</u>	<u>COMPONENT INSTITUTION</u>	<u>TOTAL VALUE</u>
3	U. T. System Administration	\$ ---
7	U. T. Arlington	70,000
39	U. T. Austin	10,785,847 *
1	U. T. Brownsville	10,000
2	U. T. Dallas	---
5	U. T. El Paso	51,511
4	U. T. Pan American	226,000
---	U. T. Permian Basin	---
6	U. T. San Antonio	221,442 *
1	U. T. Tyler	25,000
6	U. T. Southwestern Medical Center - Dallas	295,351 *
26	U. T. Medical Branch - Galveston	2,595,204 *
7	U. T. Health Science Center - Houston	4,488,505
5	U. T. Health Science Center - San Antonio	1,002,464
21	U. T. M. D. Anderson Cancer Center	3,835,808 *
---	U. T. Health Center – Tyler	---
133	TOTAL	\$ 23,607,131

\* Not included in total:

U. T. Austin: \$491,138.93 transfers of previously accepted funds;

U. T. San Antonio: \$87,545.64 transfers of previously accepted funds;

U. T. Southwestern Medical Center – Dallas: \$8,250,000 of Board-held matching funds;

U. T. Medical Branch – Galveston: \$100,000 transfer of previously accepted funds; and

U. T. M. D. Anderson Cancer Center: \$28,067.14 transfer of previously accepted funds.

J. RECESS FOR MEETINGS OF THE STANDING COMMITTEES AND  
COMMITTEE REPORTS TO THE BOARD

The Standing Committees of the Board of Regents of The University of Texas System will meet as set forth below to consider recommendations on those matters on the agenda for each Committee listed in the Agenda Book. At the conclusion of each Standing Committee meeting, the report of that Committee will be formally presented to the Board for consideration and action.

Executive Committee: Chairman Miller  
No items

Audit, Compliance, and Management Review Committee: Chairman Estrada  
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Finance and Planning Committee: Chairman Hunt  
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Academic Affairs Committee: Chairman Krier  
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Health Affairs Committee: Chairman Clements  
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Facilities Planning and Construction Committee: Chairman Huffines  
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FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT  
REVIEW COMMITTEE**

**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel  
(Executive Session in Waterfront Room  
Open Session in Caribbean Ballroom)

**Board Meeting:** 11/13/2003  
U. T. Permian Basin

*Robert A. Estrada, Chairman*  
*Rita C. Clements*  
*Judith L. Craven, M.D.*  
*Woody L. Hunt*  
*Cyndi Taylor Krier*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
A. CONVENE	<i>10:00 a.m.</i> <i>Chairman</i> <i>Estrada</i>		
B. RECESS TO EXECUTIVE SESSION			
1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – <u>Texas Government Code</u> Section 551.071	<i>Mr. Godfrey</i>	Not on Agenda	<b>6</b>
2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – <u>Texas Government Code</u> Section 551.074	<i>Mr. Chaffin</i>	Not on Agenda	<b>6</b>
<b>U. T. System: Evaluation and duties of System and component employees involved in Audit and Compliance functions</b>			
C. RECONVENE IN OPEN SESSION			
1. <b>U. T. System: Approval of U. T. System Internal Audit Plan for Fiscal Year 2004</b>	Not on Agenda	<b>Action</b>	<b>6</b>
2. <b>U. T. System: Approval of the Audit, Compliance, and Management Review Committee Charter</b>	<i>10:10 a.m.</i> <b>Action</b> <i>Chairman</i> <i>Estrada</i>	<b>Action</b>	<b>7</b>
3. <b>U. T. System: Amendment to the Regents' <u>Rules and Regulations</u> related to duties of the Audit, Compliance, and Management Review Committee (Part One, Chapter I, Section 7; Chapter II, Section 3)</b>	<i>10:13 a.m.</i> <b>Action</b> <i>Mr. Chaffin</i>	<b>Action</b>	<b>8</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
4. <b>U. T. System: Approval of the Sarbanes-Oxley Action Plan for U. T. System</b>	<i>10:15 a.m.</i> <b>Action</b> <i>Mr. Wallace</i> <i>Mr. Chaffin</i>	Not on Agenda	<b>10</b>
5. <b>U. T. System: Annual Report on System-wide Institutional Compliance Program</b>	<i>10:25 a.m.</i> <b>Report</b> <i>Mr. Chaffin</i> <i>Mr. Greg Lee,</i> <i>UTIMCO</i>	Not on Agenda	<b>11</b>
6. <b>U. T. System: Report on System-wide Audit Activity (red, yellow, green project)</b>	<i>10:40 a.m.</i> <b>Report</b> <i>Mr. Chaffin</i>	Not on Agenda	<b>12</b>
7. <b>U. T. System: Report on the Results of the UTIMCO Audit</b>	<i>10:45 a.m.</i> <b>Report</b> <i>Mr. Ricky</i> <i>Richter, Ernst</i> <i>&amp; Young LLP</i>	Not on Agenda	<b>13</b>

**Adjourn**

- A. CONVENE
- B. RECESS TO EXECUTIVE SESSION
  - 1. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Texas Government Code Section 551.071
  - 2. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Texas Government Code Section 551.074

**U. T. System: Evaluation and duties of System and component employees involved in Audit and Compliance functions**

- C. RECONVENE IN OPEN SESSION
  - 1. **U. T. System: Approval of U. T. System Internal Audit Plan for Fiscal Year 2004**

**RECOMMENDATION**

The Audit, Compliance, and Management Review Committee recommends that the U. T. Board of Regents approve the proposed U. T. System-wide Internal Audit Plan for Fiscal Year 2004. A summary of the auditable areas is set forth on Page 6.1. Development of the Internal Audit Plan is based on risk assessments performed at each component institution. Implementation of the Plan will be coordinated with the institutional auditors.

**BACKGROUND INFORMATION**

Institutional Audit Plans, compiled by the internal audit departments after input and guidance from the System Audit Office and the institution's management and Internal Audit Committee, were submitted to all Internal Audit Committees and institutional presidents for review and comments.

The Chief Audit Executive provided feedback by conducting audit hearings with each component institution. After the review process, each Internal Audit Committee formally approved its institution's Plan.

The Audit, Compliance, and Management Review Committee approved the Audit Plan on September 30, 2003.

THE UNIVERSITY OF TEXAS SYSTEM

2004 SYSTEM-WIDE INTERNAL AUDIT PLAN SUMMARY

Area	Audit Hours	% of Total Hours
Key Financial and Operating Information	34,692	25%
Institutional Compliance Audits	12,085	9%
Information Technology Audits	26,205	19%
Core Business Processes	29,206	22%
Change in Management	5,905	4%
Follow-up	4,712	4%
Projects	<u>23,629</u>	<u>17%</u>
<b>Total</b>	<u>136,434</u>	<u>100%</u>

Prepared by: U. T. System Internal Audit Program  
 Consolidated by: U. T. System Audit Office  
 Date: September 4, 2003

2. **U. T. System: Approval of the Audit, Compliance, and Management Review Committee Charter**

RECOMMENDATION

The Chancellor and the Chief Audit Executive and System-wide Compliance Officer recommend the proposed Charter for the Audit, Compliance, and Management Review Committee be approved as set forth on Pages 7.1 - 7.5.

BACKGROUND INFORMATION

The Audit, Compliance, and Management Review Committee is a standing committee of the Board of Regents. The proposed Charter identifies responsibilities of the committee and is broken into six categories: role, membership, reporting, education, authority, and responsibilities.

A draft of the Charter was presented to the committee in August 2003. Subsequent to the meeting, two changes were made to the Responsibilities Checklist: the Chief Operating Officer is no longer included in checklist number 15, and the language that indicated the committee would approve the annual audit plan in November was deleted from number 18.

The revised draft of the Charter was presented to the committee in September 2003 and has been reviewed by Vice Chancellor and General Counsel Godfrey. The two changes described above were approved, and the committee approved further changes to make the Charter consistent with the existing Regents' Rules and Regulations. It is expected that the Charter will need to be reviewed quarterly as the Sarbanes-Oxley Act guidance and the audit environment continue to change.

## DRAFT

### **Audit, Compliance, and Management Review Committee Charter of the Board of Regents of The University of Texas System**

#### **Role**

The Audit, Compliance, and Management Review Committee ("the Committee") of the Board of Regents ("the Board") of The University of Texas ("U. T.") System assists the Board in fulfilling its responsibilities for:

- Oversight of the quality and integrity of the accounting and financial reporting practices, including the annual financial statements, and the system of internal controls;
- Oversight and direction of the internal auditing function, any external auditors whom the Committee may employ, and engagements with the State Auditor;
- Oversight and direction for the System-wide compliance function;
- Oversight of the review of effective institutional management practices at all U. T. System components; and
- Other duties as directed by the Board.

The Committee's role includes a particular focus on U. T. System's processes to manage business and financial risk, and for compliance with significant applicable legal, ethical, and regulatory requirements.

#### **Membership**

The membership of the Committee shall consist of at least ~~three~~ four Board members, ~~who are generally knowledgeable in financial, management, and auditing matters, including at least one member with general and financial management expertise.~~ Each member shall be appointed by the Chairman of the Board, ~~approved by the Board, and who~~ shall be free of any relationship that would interfere with his or her individual exercise of independent judgment. Applicable laws and regulations shall be followed in evaluating a member's independence.

#### **Reporting**

The Chief Audit Executive, System-wide Compliance Officer, and executive management shall provide periodic reports related to audit, compliance, and management review to the Committee. Any public accounting firm employed by the Committee shall report directly to the Committee. The State Auditor's reports will be submitted to this committee. The Committee is expected to maintain free and open communications, which shall include private executive sessions, at least annually, with these parties, as it deems appropriate and is permitted by law.

The Committee chairperson shall regularly report Audit, Compliance, and Management Review Committee activities to the full Board of Regents, particularly with respect to:

- (i.) any issues that arise regarding compliance with legal or regulatory requirements and the performance and independence of internal and external auditing and assurance functions; and
- (ii.) such other matters as are relevant to the Committee's discharge of its responsibilities.

# **DRAFT**

## **Education**

U. T. System executive management is responsible for providing the Committee with educational resources related to accounting principles and procedures, risk management, and other information that may be requested by the Committee. U. T. System executive management shall assist the Committee in maintaining appropriate financial and compliance literacy.

## **Authority**

The Committee, in discharging its oversight role, is empowered to study or investigate any matter related to audit, compliance, and management of interest or concern that the Committee, in its sole discretion, deems appropriate for study or investigation by the Committee. The Committee shall be given full access to all U. T. System employees and operations as necessary to carry out this authority.

## **Responsibilities**

The Committee's specific responsibilities in carrying out its oversight role are delineated in the Audit, Compliance, and Management Review Committee Responsibilities Checklist. The responsibilities checklist will be updated annually by the Committee to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. As the compendium of Committee responsibilities, the most recently updated responsibilities checklist will be considered to be an addendum to this charter.

The Committee relies on the expertise and knowledge of management, the internal auditors, the State Auditor, and any public accounting firm they may employ in carrying out its oversight responsibilities. U. T. System executive management is responsible for preparing complete and accurate financial statements and for monitoring internal controls and compliance with all applicable laws, regulations, and internal policies and procedures. Any public accounting firm hired by the Committee is responsible for performing the services specified in the hiring contract.

# **DRAFT**

## **Responsibilities Checklist for the Audit, Compliance, and Management Review Committee of the Board of Regents of The University of Texas System**

1. The Committee will perform such other functions as assigned by law or the Board of Regents of The University of Texas System ("the Board").
2. The Committee shall meet four times per year or more frequently as circumstances require. The Committee may ask members of management or others to attend the meeting and provide pertinent information as necessary.
3. The agenda for Committee meetings will be prepared in consultation between the Committee chairman (with input from the Committee members), U. T. System executive management, the Chief Audit Executive and the System-wide Compliance Officer.
4. The Committee shall verify that its membership is familiar with the Committee's Charter, goals, and objectives.
5. The Committee shall review the independence of each Committee member based on applicable independence laws and regulations.
6. The Committee shall review and approve the appointment or change in the Chief Audit Executive.
7. The Committee shall have the power to conduct or authorize investigations into any matters within the Committee's scope of responsibilities.
8. The Committee shall provide an open avenue of communication between the State Auditor, internal auditors, any public accounting firm employed, executive management, and the Board. The Committee chairperson shall report Committee actions to the Board with such recommendations as the Committee may deem appropriate.
9. For the purpose of preparing or issuing an audit report or related work, the Committee shall be directly responsible for the appointment, compensation, and oversight of the work of any employed public accounting firm (including the resolution of disagreements between management and the auditor regarding financial reporting). This does not preclude an individual component institution from hiring a public accounting firm to perform work at the component level.
10. The Chief Audit Executive has responsibility for ensuring that no conflicts of interest exist between public accounting firms performing consulting services and firms conducting financial statement audits. The Chief Audit Executive shall report annually on the status and integrity of U. T. System's engagements with public accounting firms.



## DRAFT

11. The Committee shall review with executive management, the Chief Audit Executive and the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm the coordination of efforts to assure completeness of coverage, reduction of redundant efforts, and the effective use of resources.
12. The Committee shall inquire of executive management, the Chief Audit Executive and the System-wide Compliance Officer, and any employed public accounting firm about significant risks or exposures and assess the steps management has taken to minimize such risk to U. T. System.
13. The Committee shall consider and review with the Chief Audit Executive and the System-wide Compliance Officer, the State Auditor, and any employed public accounting firm:
  - a. The adequacy of U. T. System's internal controls including computerized information system controls and security;
  - b. The adequacy and efficiency of senior-level management with respect to fiscal operations and compliance functions at all component institutions;
  - c. Any related significant findings and recommendations of the State Auditor, independent public accountants, and internal audit together with management's responses thereto.
14. Regarding the U. T. System's financial statements, the Committee shall review with executive management and/or the Chief Audit Executive:
  - a. U. T. System's annual financial statements and related footnotes;
  - b. Any audit and assurance work performed on components of the annual financial statements;
  - c. Any significant changes to the financial statements requested by the State Auditor, internal audit, or any independent public accountants;
  - d. Any serious difficulties or disputes with management encountered during assurance work on components of the financial statements;
  - e. Other matters related to the conduct of assurance services that are to be communicated to the Committee under generally accepted government auditing standards.
15. The Committee shall require the U. T. System Chief Financial Officer certify the annual financial statements for the U. T. System as a whole, and that each component Chief Financial Officer certify the annual financial statements for their respective component institution.
16. The Committee shall review legal and regulatory matters that may have a material impact on the financial statements, internal auditing and/or compliance activities.
17. The Committee shall review with executive management and the Chief Audit Executive at least annually U. T. System's critical accounting policies, including any significant changes to Generally Accepted Accounting Procedures (GAAP), Regents' Rules and Regulations, and/or operating policies or standards.
18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.

## **DRAFT**

19. Regarding audits, the Committee shall consider and review with executive management and the Chief Audit Executive:
  - a. Significant findings during the year and management's responses thereto;
  - b. Any difficulties encountered in the course of the audits, including any restrictions on the scope of work or access to required information;
  - c. Any changes required in the planned scope of the audit plan.
  
20. The Committee shall conduct an annual performance review and evaluation of the Chief Audit Executive. The Committee may delegate responsibility for the performance review to the Chancellor, in which case the Chancellor would provide a recommendation and supporting documentation to the Committee as a basis for their evaluation.
  
21. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding internal controls or auditing matters; and the confidential anonymous submission by employees of concerns regarding questionable auditing matters.
  
22. The Committee shall monitor The University of Texas System Institutional Compliance Program and review with executive management and the System-wide Compliance Officer the status of the program and the results of its activities, including:
  - a. Significant institutional risks identified during the year and mitigating actions taken;
  - b. Significant findings during the year and management's responses thereto;
  - c. Any difficulties encountered in the course of inspections or assurance activities, including any restrictions on the scope of work or access to required information;
  - d. Any changes required in planned scope of the compliance action plan.
  
23. The Committee shall ensure procedures are established for the receipt, retention, and treatment of complaints received regarding compliance issues and the confidential anonymous submission by employees of concerns regarding ethically or legally questionable matters.
  
24. The Committee shall meet with the Chief Audit Executive, the System-wide Compliance Officer, executive management, or any employed external auditors in executive session to discuss any matters that the Committee or the before named believe should be discussed privately with the Committee, to the extent permitted by applicable law.
  
25. The Committee shall review and update the Audit, Compliance, and Management Review Committee Responsibilities Checklist annually.

3. U. T. System: Amendment to the Regents' Rules and Regulations related to duties of the Audit, Compliance, and Management Review Committee (Part One, Chapter I, Section 7; Chapter II, Section 3)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Chief Audit Executive that the Regents' Rules and Regulations, Part One, Chapter I, Section 7 regarding duties of the Audit, Compliance, and Management Review Committee and Part One, Chapter II, Section 3 regarding the System Director of Audits be amended as set forth in below in congressional style:

a. Amend Part One, Chapter 1, Section 7 as follows:

Sec. 7. Committees and Other Appointments

...

7.16 Duties of the Audit, Compliance, and Management Review Committee

The Audit, Compliance, and Management Review Committee shall:

- 7.161 ~~Recommend~~ Approve an Audit Charter for the Audit, Compliance, and Management Review Committee ~~for review and approval by the Board~~ and oversee all internal and external auditing and compliance functions within The University of Texas System.
- 7.162 ~~Recommend the~~ Review and approve approval of the ~~hiring~~ appointment or change of the System Director of Audits after nomination by the Chancellor.
- 7.163 ~~Recommend the approval of~~ Review and approve the annual System-wide risk assessment and annual internal auditing plan.

b. Amend Part One, Chapter II, Section 3 as follows:

Sec. 3. Chancellor

...

- 3.311 Appointment  
The System Director of Audits shall be appointed by the Board Audit, Compliance, and Management Review Committee 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 Audit, Compliance, and Management Review Committee.
- 3.312 Duties and Responsibilities  
The primary responsibilities of the System Director of Audits include 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 Audit, Compliance, and Management Review Committee for review and to recommend approval to the Finance and Planning Committee after the Chancellor's review and approval. Responsibilities of the System Director of Audits also include conducting audits of the System including the revenue produced from the Permanent University Fund lands and formulating policies for the internal audit activity at each component institution.
- 3.313 The System Director of Audits serves as the chief audit executive.

BACKGROUND INFORMATION

Proposed amendments to the Regents' Rules and Regulations will clarify the responsibilities of the Audit, Compliance, and Management Review Committee.

Proposed amendments to Chapter I, Part One increase the responsibilities of the Audit, Compliance, and Management Review Committee to approve the Audit Charter,

approve the appointment or change of the System Director of Audits after nomination by the Chancellor, and approve the annual System-wide risk assessment and annual internal auditing plan.

Proposed amendments to Chapter II, Part One make these rules consistent with the changes made in Chapter I.

4. **U. T. System: Approval of the Sarbanes-Oxley Action Plan for U. T. System**

**RECOMMENDATION**

An ad hoc committee, formed at the request of the Chancellor to review issues regarding the "spirit" of the Sarbanes-Oxley Act of 2002, recommends that the Audit, Compliance, and Management Review Committee of the U. T. Board of Regents approve the proposed action plan as set forth on Pages 10.1 - 10.11.

**BACKGROUND INFORMATION**

The Committee discussed the Sarbanes-Oxley Act of 2002 in August 2003 and requested that additional review be conducted.

The Chancellor requested that Mr. Randy Wallace, Assistant Vice Chancellor - Controller and Chief Budget Officer, and Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, form an ad hoc committee to develop an action plan to implement the "spirit" of the Sarbanes-Oxley Act of 2002.

The ad hoc committee is made up of nine chief business officers and five internal audit directors, representing eleven U. T. components.

On September 30, 2003, the Committee discussed the Sarbanes-Oxley Act of 2002, Mr. Wallace and Mr. Chaffin presented an update on the ad hoc committee's progress, and a representative from the State Auditor's Office discussed the Financial Statement Audit they have planned for the fiscal year ended August 31, 2003.

**Action Plan to Implement  
The “Spirit” of the Sarbanes-Oxley Act of 2002**

**The University of Texas System  
2003**

**DRAFT**



To be presented to the Audit, Compliance, and Management Review Committee of the  
Board of Regents on November 12, 2003

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# I N T R O D U C T I O N

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The Sarbanes-Oxley Act of 2002 (SOX) was enacted to improve the accuracy and reliability of reported financial information. SOX, which became law on July 30, 2002, requires various representations regarding the fairness of financial statements and the effectiveness of disclosure controls and procedures. While intended to restore investor confidence in the integrity of financial information issued by Securities and Exchanges Commission registrants, it is both prudent and advantageous for other organizations to establish sound internal control structures and manage and monitor that structure proactively.

Data integrity provides for improved planning and decision making by the organization's management. The criteria for evaluating internal controls were introduced in the early 1990s by the Committee of Sponsoring Organizations (COSO) Internal Control – Integrated Framework and included the following objectives:

- efficiency and effectiveness of operations;
- reliability of financial reporting; and
- compliance with applicable laws and regulations.

On July 16, 2003, a white paper highlighting the sections of the Sarbanes-Oxley Act of 2002 pertaining to higher education, as discussed in the draft NACUBO Advisory Report entitled “The Sarbanes-Oxley Act of 2002: Recommendations for Higher Education”, was presented to The University of Texas System (U. T. System) Council. The U. T. System Council is chaired by the Chancellor and is composed of the Presidents from the fifteen component institutions. The NACUBO Advisory Report represents the preferred practices as applicable for higher education. As previously noted, SOX is not required for Colleges and Universities. However, certain sections are relevant to institutions of higher education and, in an effort to promote best practices, implementation is highly encouraged.

Pursuant to the U. T. System Council meeting, Chancellor Yudof directed the rewrite of the white paper to include suggestions on how the U. T. System could implement the “spirit” of Sarbanes-Oxley. He also requested that an Ad Hoc committee be formed to determine how to implement SOX at the U. T. System.

On August 6, 2003, the revised white paper, Implementing the Spirit of Sarbanes-Oxley Act of 2002 in The University of Texas System, was presented to the U. T. System Board of Regents' Audit, Compliance, and Management Review Committee (ACMR).

The Ad Hoc committee held its first meeting on September 29, 2003. This committee included Chief Business Officers and Internal Audit Directors from both health and academic components, along with representatives from System Administration. A draft

of this Action Plan was presented to the Ad Hoc committee for discussion. The Action Plan focused on the following key elements (applicable SOX sections are noted in parentheses):

- Reporting
  - Designation of a responsible party for financial reporting
  - Management certifications (302)
  - Off-balance sheet and pro forma disclosures (401)
  
- Strengthening governance
  - Audit committee standards (301)
  - Disclosure of audit committee financial expert (407)
  - Prohibition of certain services by auditors (201)
  - Audit committee pre-approval of all services by auditors (202)
  - Audit partner rotation (203)
  - Auditor communications with audit committees (204)
  - Restrictions on company hiring of audit team members (206)
  - Providing the ACMR positive assurance concerning managements' certification of the integrity of the financial statements of the U. T. System
  - Financial relationships of Board members and senior management of both the U. T. System and the components (402 & 403)
  - Code of Ethics for senior financial officers (406)
  - Protection for whistleblowers (806)
  
- Evaluation of Internal Controls
  - (404)

The committee also formed subcommittees for drafting a model audit committee charter and a business procedures memorandum related to the Action Plan.

The Ad Hoc Committee believes that the implementation of the “spirit” of the Sarbanes-Oxley Act of 2002 is a positive indication of the intent of the Board of Regents and executive management of U. T. System to ensure integrity in all aspects of operations. As such, we respectfully submit this Action Plan to Implement the Spirit of the Sarbanes-Oxley Act of 2002 to the Chancellor for his review and approval and to the ACMR for their review and approval.



**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Reporting	<p>1. Designate a Responsible Party for Financial Reporting for the U. T. System and for each component</p> <p><i>Implementation Guidance - There is more than one position at most components that could be responsible for financial reporting. To ensure clear lines of authority and accountability, each chief executive officer must designate a single Financial Reporting Responsible Party.</i></p>	Not required by SOX but implied in the certification process in Title III, Sec. 302	Chancellor and chief executive officer of each component	Dec 2003
Strengthen Governance	<p>2. Adopt a SOX-based charter for the Audit, Compliance, and Management Review Committee of the Board of Regents</p> <p><i>Implementation Guidance - The ACMR Committee is currently in the process of adopting such a charter.</i></p>	Title III, Sec. 301- Audit Committee Standards Title IV, Sec. 407 – Disclosure of Audit Committee Financial Expert	ACMR	Sept 2003
	<p>3. Establish an ad hoc committee for drafting a model for the component internal audit committee charter.</p> <p><i>Implementation Guidance - Model should include membership composition (independence issue, financial expertise, training for members, duties, selection, etc.), authority and responsibility of committee, meeting requirements, etc.</i></p>	Title III, Sec. 301- Audit Committee Standards Title IV, Sec. 407 – Disclosure of Audit Committee Financial Expert	SOX Ad Hoc Committee	Apr 2004

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Strengthen Governance	<p>4. Draft a Business Procedures Memorandum on relations with all external audit organizations including the retention of external auditors to express an opinion on the financial statements of any component.</p> <p><i>Implementation Guidance - Consideration should be given to the issue of external auditors who perform audit work at one component being allowed to perform, or excluded from performing, non audit services at one of the other components.</i></p>	<p>Title II, Sec. 201 – Prohibition of Certain Services by Auditors, Sec. 202 – Audit Committee Pre-approval of All Services by Auditors, Sec. 203 Audit Partner Rotation, Sec. 204 – Auditor Communications with Audit Committees, Sec. 206 – Restrictions on Company Hiring of Audit Team Members</p>	SOX Ad Hoc Committee	Apr 2004
Reporting	<p>5. Draft a BPM on the preparation and responsibility for preparation of the financial statements of each component and the U. T. System including certification of the integrity of the financial statements of each component and of the U. T. System by appropriate executive management.</p> <p><i>Implementation Guidance - This BPM would define the duties and responsibilities of the Financial Reporting Responsible Party.</i></p>	<p>Title III, Sec 302 – Management Certifications</p>	SOX Ad Hoc Committee	Apr 2004

10.5

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Reporting	<p>6. Management certification of the integrity of the financial statements of each component and the U. T. System</p> <p><i>Implementation Guidance - Certification should state that financial statements are fairly presented and reports have no untrue statements or omission of material facts. It would also contain a statement about known frauds or the absence of known frauds.</i></p>	Title III, Sec 302 – Management Certifications	CFOs	Oct 2004
Strengthen Governance	<p>7. Establish a comprehensive model (including external auditors', internal auditors', State Auditor's, and SACS auditors' work) for providing the ACMR with positive assurance concerning managements' certification of the integrity of the financial statements of the U. T. System</p> <p><i>Implementation Guidance - This model recognizes the fact that a single audit of the U. T. System may not be feasible, but that through the use of all audit work performed, a statement of positive assurance may be attainable about the U. T. System financial statements. The CBO should provide the statement of positive assurance to the ACMR on at least an annual basis – with any significant changes to that plan communicated to the ACMR at the appropriate time. It should provide an outline of the component's plan for obtaining such positive assurance.</i></p>	The requirement for an external audit is not in SOX, but rather in the Securities Laws and the SEC rules for public companies.	SOX Ad Hoc Committee	Apr 2004

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Reporting	8. Establish a policy concerning disclosure and financial statement inclusion of off-balance sheet items  <i>Implementation Guidance - An example of off-balance sheet items can be found in the current financial statement footnotes concerning UTIMCO investments.</i>	Title IV, Sec 401 – Off-Balance Sheet and Pro Forma Disclosures	U. T. System CFO and Chief Legal Officer	Feb 2004
Strengthen Governance	9. Establish a mechanism at System Administration and at each component for the confidential reporting to the ACMR committee of concerns or issues involving financial statement preparation and auditing.  <i>Implementation Guidance - The compliance confidential reporting mechanism at most components and System Administration can be modified to satisfy this requirement. The most significant change will be the establishment of a mechanism to report significant financial issues to the ACMR. Some components may have to change their triage methods and/or the method of receiving confidential reports.</i>	Title III, Sec 301(4) – Audit Committee Standards	System-wide Compliance Officer and Component Compliance Officers	Jan 2004
Strengthen Governance	10. Establish a policy concerning financial relationships of Board members and of senior management of both the U. T. System and the components.  <i>Implementation Guidance - This is a conflict of interest and/or compensation issue.</i>	Title IV, Sec 402 – Prohibition of Executive Loans, Sec. 403 – Accelerated Reporting of Trades by Insiders	Chief Legal Officer	Apr 2004

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Strengthen Governance	<p>11. Modify the current code of ethics to include specific requirements for all management involved in preparation of the financial statements.</p> <p><i>Implementation Guidance - There is no specific language suggested by SOX. The current code of ethics should be reviewed to determine if it needs revision. An alternative would be to include specific ethics requirements for financial reporting in the Financial Reporting BPM addressed in step 5.</i></p>	Title IV, Sec 406 – Code of Ethics for Senior Financial Officers	Chief Legal Counsel	Jan 2004
Strengthen Governance	<p>12. Establish a whistleblower policy (include whistleblower protection).</p> <p><i>Implementation Guidance - The U. T. System does not have a specific whistleblower policy (although there is a State law) that insures non-retaliation against those who report wrongdoing.</i></p>	Title VIII, Sec 806 – Protection for Whistleblowers	Chief Legal Counsel	Dec 2003

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Evaluation of Internal Controls	<p>13. Establish a model for management use to document and report on the efficiency and effectiveness of critical internal controls over the recording of financial information and the preparation of financial statements.</p> <p><i>Implementation Guidance - The model should include options for piloting and documenting one or two processes that are common to most components, or an internal control assessment for fiscal functions that feed the general ledger and the annual financial statements. If the "pilot project" approach is used, lessons learned in the pilot project will then be used to develop the model for documenting and reporting on critical controls affecting the integrity of the financial statements. If an "internal control assessment" is determined to be the best alternative, then policies and procedures should be evaluated, the organizational structure as it relates to internal controls should be reviewed, and the principal objective will be to identify the key control activities and weaknesses and provide recommendations.</i></p>	Title IV, Sec. 404 – Evaluation of Internal Controls	SOX Ad Hoc Committee	Dec 2004

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Evaluation of Internal Controls	<p>14. Management reports on the efficiency and effectiveness of critical controls over the recording of financial information and the preparation of financial statements for each component and the U. T. System</p> <p><i>Implementation Guidance - This is management's assertion about the processes that affect the integrity of the financial statements. Initially, it would be about the pilot processes addressed in Step 13.</i></p>	Title IV, Sec 404 – Evaluation of Internal Controls	Management of each component and the U. T. System	Dec 2004
Evaluation of Internal Controls	<p>15. Establish a methodology for the expression of an opinion by Internal Audit on management's assertions regarding the efficiency and effectiveness of critical controls over the recording of financial information and the preparation of financial statements.</p> <p><i>Implementation Guidance - Use of an external audit organization to validate management's assertions about critical controls affecting the financial statements does not appear cost beneficial.</i></p>	Title IV, Sec. 404 – Evaluation of Internal Controls	U. T. System Internal Audit Director and Component Internal Audit Directors	Jun 2005

**DRAFT**  
**ACTION PLAN TO IMPLEMENT THE SPIRIT OF THE SARBANES-OXLEY ACT OF 2002**

CATEGORY	ACTION STEP	SOX REFERENCE	RESPONSIBLE PARTY	DUE DATE
Evaluation of Internal Controls	<p>16. Internal Audit expresses an opinion on management's assertions regarding the efficiency and effectiveness of critical controls over the recording of financial information and the preparation of financial statements for each component and the U. T. System.</p> <p><i>Implementation Guidance - Professional standards currently recommend that the Chief Audit Executive of an organization express an opinion on the control processes established by management to ensure achievement of goals and objectives. One of those control processes is the process affecting the preparation of financial statements. Initially, internal audit should test and express an opinion on the internal controls of the pilot projects documented - referred to in Step 13, and certified by management - referred to in Step 14.</i></p>	Title IV, Sec 404 – Evaluation of Internal Controls	U. T. System Internal Audit Director and Component Internal Audit Directors	Oct 2005



5. **U. T. System: Annual Report on System-wide Institutional Compliance Program**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will brief the Board of Regents on the annual report of the System-wide Compliance Program, located on Pages 11.1 - 11.3. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis.

Mr. Greg Lee, UTIMCO Finance and Administration Manager, will report on the UTIMCO Enterprise Risk Management Initiative, as set forth on Pages 11.4 - 11.5.

## The University of Texas System

### Institutional Compliance Program Annual Report Summary Fiscal Year Ended August 31, 2003

#### Program Executive Summary

The purpose of the Institutional Compliance Program is to ensure that the U. T. System, its 15 institutions and UTIMCO are in compliance with all applicable laws, policies and regulations of the numerous bodies responsible for oversight of higher education institutions. This is achieved through institutional compliance risk assessments, awareness education and ongoing monitoring. The System-wide Compliance Officer, Mr. Charles Chaffin, is responsible for apprising the Chancellor and Board of Regents of the institutional compliance functions and activities. Each institution has appointed a compliance officer and established an appropriate reporting mechanism for program activities, using Compliance Committees that meet on average quarterly. Overall, approximately 85 employees System-wide provide direct support to the Institutional Compliance Program.

#### Risk Assessment and Monitoring Activities

The following significant risks and mitigation strategies have been identified by many of the institutions:

**Asset Management** (safeguarding of assets) – Annual physical inventories with investigation of discrepancies; department head accountability through certification; and reconciliation of the accounting records to the inventory records.

**Clinical Billing** (medical billing that is not appropriately documented and coded) – Quality assurance reviews of clinical providers' documentation; and development of documentation guidance and tools.

**Endowments** (adherence to terms of endowment agreement) – Periodic review of policies and procedures; development of expenditure policies; regular review of endowment accounts and expenditures; and review of revenue and expenditure statistics.

**Environmental Health & Safety** (proper use and handling of dangerous materials, lab safety, and fire safety) - Continual oversight through identification and investigation of safety issues; recommendations for solutions; promotion of safety awareness and monitoring of resolution follow-up; and periodic inspections of labs and buildings.

**Human Resources** (adherence to all applicable and required rules, regulations and laws including equal opportunity/affirmative action, leave administration, and fair hiring practices) – Periodic review of policies and procedures; verification of employment information at time of employment; review of vacation/sick leave usage reports; and ongoing training to enhance compliance.

**Information Resources/Security** (systems integrity/continuity/availability, security regulations, and external access) – Periodic review of policies and procedures; performance of detailed vulnerability analysis; periodic penetration testing; testing of back-up and disaster recovery procedures; and periodic monitoring of network activities.

**Intercollegiate Athletics** (adherence to the rules and regulations of the NCAA) – Continual review of policies and procedures; periodic reviews of eligibility conducted external to the department; monitoring of student financial aid awards by the department; periodic review of recruiting logs; and annual training for coaching staff and student athletes.

**Research** (research not conducted in accordance with approved protocol or federal regulations) – Review of all human subject research, consents and forms by the Institutional Review Board; periodic inspection of animal laboratories and reviews of animal research protocols; review of policies and procedures on a periodic basis; and review of conflict of interest forms and management plans.

### **Assurance Activities and Significant Findings**

The following types of assurance activities were performed at the institutions during the year:

**Inspections** – Inspections were completed in the high-risk areas of Endowments, Environmental Health and Safety and Research.

**Audits** – Internal and external audits were performed on high-risk areas. Internal audits were conducted in the areas of Research Compliance, NCAA Compliance, Clinical Billing and Procurement. External audits were conducted in the areas of Environmental Health & Safety, Credentialing, Research, and EEO/Sexual Harassment.

**Peer Reviews** – Peer reviews were conducted on several high-risk areas including Student Financial Aid, Contracting, Information Technology, and Purchasing.

No difficulties, including restrictions on the scope of work or access to required information, were encountered during the completion of these assurance activities.

### **Training Activities**

General Compliance Training was conducted using a variety of formats including web-based, classroom, and written materials. Approximately 60,000 employees completed training. Additionally, specialized training was conducted in the following areas: Endowments, Environmental Health & Safety, HIPAA, Human Resources, Intercollegiate Athletics, and Research.

### **Action Plan Activities**

A majority of the Action Plans established by each institution for FY 2003 focused on the following activities: enhancement of General Compliance Training; enhancement of compliance awareness; updating of the compliance risk assessment to include new risks like HIPAA; revision of the Standards of Conduct Guide or Compliance Manual; and enhancement of the confidential reporting line tracking system.

A majority of the items identified in the Action Plans were completed. The remaining items are in the process of completion at this time.

### **Confidential Reporting**

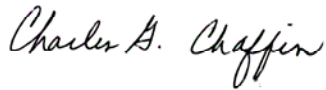
The institutions have established numerous mechanisms for confidential reporting including: third-party serviced telephone hotlines, anonymous electronic mailboxes, voicemail boxes, and postal mailboxes. The confidential reporting mechanisms are advertised to employees through Web site, posters, payroll stuffers, and newsletters. Additionally, reports may be made directly to the Compliance Officer. The composition of the suspected instances of noncompliance were as follows:

<b>Type</b>	<b>Number</b>	<b>% of Total</b>
Improper Use of University Property & Resources	72	14%
Human Resources	205	42
Health-care	46	9

Miscellaneous	102	20
Ethics	70	14
Fiscal Reporting/Audit	3	1
Total	498	100%

Each institution has established an appropriate triage process. Members of the triage teams may include: Compliance Officer, Chief of Police, Director of Internal Audit, Director of Human Resources, Legal Officer, or other members of the Compliance Committee. Three reports received were considered significant and the System-wide Compliance Officer was appropriately notified and briefed on the issues and resolution. All confidential reports were appropriately resolved.

The 2003 Annual Summary Report is submitted by:




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Charles G. Chaffin, System-wide Compliance Officer

## UTIMCO Enterprise Risk Management Initiative

### Summary

UTIMCO is implementing a comprehensive Enterprise Risk Management Plan to enhance its efforts to demonstrate a commitment to integrity and accountability. The plan focuses on a framework of four major objectives:

- Strategic Considerations
- Operating Processes
- Financial & Reporting Controls
- Compliance Activities

Initial efforts have been focused on a comprehensive risk management plan for the organization. The initial self-assessment of risk has been completed. Assessments were conducted for each of the nine (9) operating departments within the organization. Risks have been ranked and operating controls have been identified to appropriately manage risks. On-going monitoring efforts are being established to continually evaluate and assess potential risks of the organization. Policies and procedures are being documented and updated to reflect current business practices. Management and staff are actively involved in planning the voluntary implementation of relevant provisions of the Sarbanes-Oxley Act of 2002, which involves enhanced disclosure and financial accountability.

UTIMCO is beginning its first year as a participant in The University of Texas System Institutional Compliance Program. This initiative is led by UTIMCO President Bob L. Boldt and directed by Chief Compliance Officer, Joan Moeller, with the assistance of Greg D. Lee, CPA, and Michael Rackett, CIA.

### Ongoing Assessment and Monitoring Activities

**Investment Risk** – UTIMCO has begun a significant initiative to enhance its measurement, assessment, and management of investment risk. Andrea Reed, the organization's investment risk manager, leads this project with active participation from the organization's president, managing directors, and board members. The program uses post-modern portfolio theory as a framework for risk management. Key decision factors are being identified to help ensure appropriate risk / return decisions are made. Policies and procedures are being developed and will be reviewed annually.

**Corporate Compliance** – The UTIMCO Ethics and Compliance Committee tracks Conflict of Interest compliance. Procedures are in place to ensure the required employees complete disclosure statements. In addition, UTIMCO board members and key employees for prospective investments complete certificates of compliance. Monitoring procedures are performed monthly to verify compliance with investment policy statements.

**Investment Selection & Monitoring** – Extensive research, due diligence, and review processes exist to aid in the selection and ongoing monitoring of investments. Detailed monthly performance reports and established benchmark comparisons are used to review and monitor investment and manager performance.

## **UTIMCO Enterprise Risk Management Initiative**

**Security of Data & Access to Information** – Appropriate access controls are established by IT staff to ensure access is limited to appropriate personnel and not allowed for unauthorized users. Routine backups of operating systems and data storage help ensure safeguarding and security over data. Processes and procedures will be reviewed and tested annually to ensure both that sufficient controls have been established and that those controls are functioning as designed.

### **Action Plan Activities**

The Action Plan Activities have focused on completing the organization-wide risk assessment, conducting annual ethics and compliance training, and beginning development of plans for periodic monitoring reviews and inspections. Ongoing efforts will concentrate on full implementation of the Enterprise Risk Management Plan. Specific activities will focus on the higher risk areas identified by the risk assessment: Investment Risk, Corporate Compliance, and Security of Data and Access to Information.

6. **U. T. System: Report on System-wide Audit Activity (red, yellow, green project)**

REPORT

The fourth quarter activity report on the status of outstanding significant recommendations of the System-wide Audit Activity report is set out on Pages 12.1 - 12.4. Additionally, a list of other audit reports that have been issued by the System-wide audit program, the State Auditor's Office, and the Comptroller of Public Accounts follows on Pages 12.5 - 12.6.

There are two types of audit findings/recommendations: reportable and significant. A "reportable" audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. "Significant" audit findings/recommendations are reportable audit findings/recommendations that are deemed significant at the institutional level by the component internal audit committee or their designee.

Significant audit findings/recommendations are submitted to and tracked by the System Audit Office. Quarterly, the chief business officers are asked for the status of implementation; the internal audit directors verify implementation. A summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant recommendations quarterly.

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	Fiscal Year 2003						Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance	
			2nd Quarter		3rd Quarter		4th Quarter				Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings				
1	1998-06	UTSYS ADM	Office of Human Resources		1		1		0	n/a	Completed	O
2	1998-07	UTHSC - Houston	Federal Contracts & Grants Review		1		1		1	2/28/2004	Satisfactory	C
3	1999-02	UTPB	Compliance Program		1		1		1	10/31/2003	Satisfactory	C
4	1999-11	UTD	Green Commons Club		1		1		0	n/a	Completed	O
5	2000-04	UTHSC - Houston	Medical Service Research & Development Plan Summary of Operations Review		1		1		1	11/30/2003	Satisfactory	C
6	2000-04	UTSYS ADM	Trust Minerals		1		1		1	12/31/2003	Satisfactory	C
7	2000-05	UTHC - Tyler	Information Technology Audit of Physical Security - Safeguarding & Storage of System Media		2		2		1	10/31/2004	Satisfactory	O
8	2000-09	UTAUS	Federal Funds Principal Investigators		4		4		4	12/31/03	Satisfactory	C
9	2001-01	UTHSC - Houston	Casual Appointments, Compensation Compliance & Monitoring Review		1		1		0	n/a	Completed	C
10	2001-04	UTPA	Internet Security		1		1		1	10/31/2003	Satisfactory	O
11	2001-08	UTMB - Galveston	Institutional E-mail Systems		2		2		0	n/a	Completed	O
12	2001-08	UTMDACC - Houston	Lotus Notes Environment		3		3		3	12/31/2003	Satisfactory	O
13	2001-09	UTPA	Advanced Research/Technology Programs		3		3		0	n/a	Completed*	O, C
14	2001-10	UTHSC - San Antonio	Information Security		2		2		1	9/1/2004	Satisfactory	C, O
15	2001-10	UTMDACC - Houston	Disaster Recovery/Business Continuity Planning		1		1		1	6/30/2004	Satisfactory	O
16	2001-11	UTEP	Department of Chemistry		1		1		1	10/31/2003	Satisfactory	C
17	2001-11	UTEP	Model Institutions for Excellence		1		1		1	10/31/2003	Satisfactory	C
18	2001-11	UTTY	Information Technology General Security Review		2		2		2	9/1/2004	Satisfactory	O

12.1



Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	Fiscal Year 2003						Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")	
			2nd Quarter		3rd Quarter		4th Quarter					
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings				
19	2001-11	UTHSC - Houston	Report on University Care Plus (UCP)/Physician Business Services (PBS) Payment Process & A/R Credit Balance Review		2		2		1	11/30/2003	Satisfactory	C
20	2002-02	UTD	Follow-Up of Prior Audit Recommendations		1		1		0	n/a	Completed	F
21	2002-02	UTHSC - Houston	Time Management System Post Implementation Review		1		1		0	n/a	Completed	O, C
22	2002-02	UTHSC - Houston	Environmental & Physical Safety Compliance Program Review		1		1		1	2/28/2004	Satisfactory	C
23	2002-04	UTB	General Controls Audit of Information Technology		1		1		1	3/31/2004	Satisfactory	O
24	2002-05	UTARL	Network Support Audit		2		2		2	11/30/2003	Satisfactory	O
25	2002-05	UTHC - Tyler	Office of the Vice President for Finance & Administration Departmental Audit		1		1		0	n/a	Completed	F
26	2002-05	UTSYS ADM	Office of Information Resources Follow-up		1		1		1	4/1/2004	Satisfactory	O
27	2002-07	UTMB - Galveston	Clinical Interface Engine		2		2		0	n/a	Completed	O
28	2002-07	UTHSC - Houston	Healthcare Billing Compliance Review					***	1	11/30/2003	-	F, C
29	2002-08	UTHSC - San Antonio	Institutional Compliance Program		3		3		2	6/30/2004	Satisfactory	C
30	2002-08	UTSYS ADM	Travel and Entertainment Expenditures		1		1		1	11/30/2003	Satisfactory	O, C
31	2002-09	UTAUS	Travel		2		2		2	5/1/2004	Satisfactory	O, C
32	2002-09	UTSA	Change in Management Departmental Reviews		1		1		1	10/31/2003	Satisfactory	O
33	2002-10	UTAUS	Student Accounts Receivable/Fee Billing System		1		1	Implementation Cancelled**	0	[none]	Cancelled**	O
34	2002-10	UTAUS	Unit Heads		1		1		1	5/1/2004	Satisfactory	O, C
35	2002-10	UTB	Workforce Training and Continuing Education Audit		1		1		1	12/31/03	Satisfactory	F,O
36	2002-10	UTTY	Performance Measures		1		1		1	12/15/2003	Satisfactory	C
37	2002-10	UTSYS ADM	UTHC - Tyler Clinical Trials		1		1		1	1/1/2005	Satisfactory	O, F

Status of Outstanding Significant Recommendations

Report Date	Institution	Audit	Fiscal Year 2003						Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
			2nd Quarter		3rd Quarter		4th Quarter				
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings			
38	2002-11	UTPB		2		2		1	10/31/2003	Satisfactory	O
39	2003-01	UTSMC - Dallas				1		0	n/a	Completed	C, O
40	2003-02	UTSYS ADM				1		1	12/31/2003	Satisfactory	O
41	2003-03	UTD				1		0	n/a	Completed	O
42	2003-03	UTEP						2	3/31/2003	Completed	C, O, F
43	2003-03	UTPA				11		11	6/30/2004	Satisfactory	O
44	2003-03	UTSA				1		0	n/a	Completed	O
45	2003-03	UTMB - Galveston				5		2	11/30/2003	Satisfactory	O
46	2003-03	UTHSC - San Antonio						5	7/31/2003	Completed	O
47	2003-04	UTD				2		0	n/a	Completed	C
48	2003-06	UTARL						3	11/30/2003	-	C,O
49	2003-06	UTAUS						2	11/30/2003	-	O
50	2003-06	UTD						3	6/30/2004	-	C,O
51	2003-07	UTD						1	4/30/2004	-	C, O
52	2003-07	UTSA						1	10/31/2003	-	F, C
53	2003-08	UTPA						4	12/30/2003	-	F, C
54	2003-08	UTSYS ADM						1	11/1/2003	-	O
55	2003-08	UTSYS ADM						1	10/31/2003	-	F
Totals					55		77		74		

12.3


Status of Outstanding Significant Recommendations


Report Date	Institution	Audit	Fiscal Year 2003						Targeted Implementation Date	Overall Progress Towards Completion (Note 1)	Ranking Significance Material to Component's Fin. Stmts. ("F"), Compliance ("C"), and/or Operations ("O")
			2nd Quarter		3rd Quarter		4th Quarter				
			Ranking	# of Significant Findings	Ranking	# of Significant Findings	Ranking	# of Significant Findings			
<b>STATE AUDITOR'S OFFICE AUDITS</b>											
1	2002-05	UTMDACC - Houston		1		1		1	12/31/2003	Satisfactory	n/a
2	2002-09	UTB		2		2		1	4/30/2004	Satisfactory	n/a
3	2003-02	UTAUS				7		7	12/31/2003	Satisfactory	n/a
4	2003-04	UTSA						1	12/31/2003	-	n/a
	2003-08	System						1	10/31/2003	-	n/a
Totals					3		10		10		


\* Component Management and Internal Audit requested two of these recommendations be removed as they are no longer deemed significant.  
 \*\* Management does not believe that consolidation of the A/R function would yield sufficient financial gains in the near term to offset those gains  
 \*\*\* This issue was tracked internally until this time. UTHSC - Houston management requests it be added to this system.

n/a - State Auditor's Office recommendations are significant by definition.

Color Legend:

 Any audit with institutionally significant findings. Not necessarily a failure - just an area that needs high level attention.

 A red audit becomes a yellow when significant progress has been made.

 All issues have been appropriately resolved.

Note: **Completed** - The component Internal Audit Director deems the significant issues have been appropriately addressed and resolved.  
**Satisfactory** - The component Internal Audit Director believes that the significant issues are in the process of being addressed in a timely and appropriate fashion.  
**Unsatisfactory** - The component Internal Audit Director does not feel that the significant issues are being addressed in a timely and appropriate fashion.

**\* OTHER U. T. SYSTEM AUDITS COMPLETED - 6/2003 through 8/2003**

<b>Month Received by System</b>	<b>Institution</b>	<b>Audit</b>
2003 - 06	UTHC - Tyler	Office of the Vice President & Chief Information Officer
2003 - 06	UTARL	Accounts Receivable & Allowance for Doubtful Accounts
2003 - 06	UTARL	Time Reporting Audit
2003 - 06	UTARL	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTAUS	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTAUS	Advanced Research & Advanced Technology Programs
2003 - 06	UTD	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTEP	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTHC - Tyler	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTHSC - Houston	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTHSC - Houston	Advanced Research & Advanced Technology Programs
2003 - 06	UTHSC - Houston	Department of Obstetrics/Gynecology and Gynecology and Reproductive Sciences
2003 - 06	UTHSC - San Antonio	Department of Dental Diagnostic Science
2003 - 06	UTHSC - San Antonio	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTMB - Galveston	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTPA	Personnel Services Office Departmental Audit
2003 - 06	UTPA	NCAA Agreed-Upon Procedures Report FYE 8/31/02
2003 - 06	UTPB	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTSA	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTSMC - Dallas	Information Technology Vulnerability Action Plan - Phase 1
2003 - 06	UTSYS ADM	Information Technology Vulnerability Action Plan - Phase 1
2003 - 07	UTAUS	12th Class Day Reporting/Formula Funding
2003 - 07	UTAUS	Pharmacy Inventory
2003 - 07	UTHSC - San Antonio	Physical Therapy
2003 - 07	UTHSC - San Antonio	Prosthodontics
2003 - 07	UTMB - Galveston	Information Technology Vulnerability Report - Phase 2
2003 - 07	UTMDACC	Billing Compliance Effectiveness
2003 - 07	UTMDACC	Charge Capture - Emergency Center
2003 - 07	UTMDACC	Define Organization and Relationship
2003 - 07	UTMDACC	Neuro-Oncology Long Distance
2003 - 07	UTMDACC	International Center Credit Card Internal Control Weakness
2003 - 07	UTMDACC	Financial Management System Application
2003 - 07	UTMDACC	PC Lease Review
2003 - 07	UTMDACC	Use of Institutional Funds for Charitable Expenditures, Follow up
2003 - 07	UTSMC - Dallas	Workers Compensation Insurance Resource Allocation Program
2003 - 07	UTSYS ADM	Management Review of The University of Texas at Arlington
2003 - 07	UTSYS ADM	MBA Program Office Time Reporting Policies & Practices Report
2003 - 07	UTSYS ADM	UTHSC - Houston Organizational & Administrative & Finance Reviews Follow-Up
2003 - 07	UTSYS ADM	UTEP NCAA Agreed-Upon Procedures Report FYE 8/31/02
2003 - 08	UTARL	NCAA Student Financial Aid Compliance Audit
2003 - 08	UTARL	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTAUS	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTAUS	Bevo Bucks/Dining Dollars System

Month Received by System	Institution	Audit
2003 - 08	UTD	Callier Child Care Program
2003 - 08	UTD	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTD	Admissions Office
2003 - 08	UTEP	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTHC - Tyler	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTHSC - Houston	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTHSC - SA	Research - Animal Care Audit
2003 - 08	UTHSC - SA	Information Technology Vulnerability Report - Phase 2
2003 - 08	UTMB - Galveston	Family Practice Residency Program
2003 - 08	UTMB - Galveston	Pulmonary Care Services Department Review
2003 - 08	UTMB - Galveston	Laboratory Safety Inspection Process Design Review
2003 - 08	UTMB - Galveston	Operational Review - Delivery of Operating Room Services
2003 - 08	UTMB - Galveston	School of Nursing Change in Management Review
2003 - 08	UTPA	Advanced Research & Advanced Technology Programs
2003 - 08	UTSA	Faculty Recruitment
2003 - 08	UTSMC - Dallas	Parkland Contract Payments for Graduate Medical Education
2003 - 08	UTSYS ADM	UTPB Follow-Up Audit FY 2003
2003 - 08	UTSYS ADM	Office of Academic Affairs Audit Report FY 2003
2003 - 08	UTSYS ADM	OFPC Customer/Client Surveys
2003 - 08	UTSYS ADM	4th Quarter Follow-up FY 2003
2003 - 08	UTSYS ADM	Information Technology Vulnerability Report - Phase 2

**\* STATE AUDITOR'S OFFICE AUDITS COMPLETED - 6/2003 through 8/2003 - NO RECOMMENDATIONS**

Report Issuance Date	Audit
2003-07-30	A Review of Financial Controls over Patient Accounts Receivable and Uncompensated Care at State Medical Institutions
2003-08-29	A Review of State Entities' Preparedness for Compliance with the Health Insurance Portability and Accountability Act
2003-08-29	A Review of Enrollment Reporting by Texas Public Universities and Health-Related Institutions

**\* COMPTROLLER OF PUBLIC ACCOUNTS AUDITS COMPLETED - 6/2003 through 8/2003**

Report Issuance Date	Institution	Audit
2003-08-22	UTSYS ADM	Post Payment Audit of The University of Texas System Administration
2003-08-25	UTHSC - Houston	Post Payment Audit of The University of Texas Health Science Center at Houston

## 7. U. T. System: Report on the Results of the UTIMCO Audit

### REPORT

Mr. Ricky Richter of Ernst & Young LLP will report on the results of the audit of the financial statements of the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, and Short Intermediate Term Fund (following on Pages 13.1 - 13.91).

Ernst & Young LLP's Audit Results and Communications are included on Pages 13.1 - 13.5.

Ernst & Young LLP's Report of Independent Auditors for each fund is available as follows:

- Permanent University Fund (Pages 13.6 - 13.27)
- General Endowment Fund (Pages 13.28 - 13.48)
- Permanent Health Fund (Pages 13.49 - 13.63)
- Long Term Fund (Pages 13.64 - 13.78)
- Short Intermediate Term Fund (Pages 13.79 - 13.91)

The full financial statements including the Permanent University Fund Detail Schedules of Investment Securities and the Statement of Investment Performance Statistics, which are not attached to this report, are accessible at <http://www.utsystem.edu/bor/agendabook/> effective November 3, 2003.

Ernst & Young LLP was selected to perform the 2003 financial audit of the funds managed by The University of Texas Investment Management Company (UTIMCO), following a Request for Proposals (RFP) process in June 2003. The Board of Regents is required, by statute, to have the financial statements of the Permanent University Fund audited annually.



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel  
**Board Meeting:** 11/13/2003  
U. T. Permian Basin

Woody L. Hunt, *Chairman*  
H. Scott Caven, Jr.  
James Richard Huffines  
Cyndi Taylor Krier

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>11:00 a.m.</i> <i>Chairman Hunt</i>		
1. <b>U. T. System: Approval of <u>Docket No. 115</u></b>	Not on Agenda	<b>Action</b>	<b>14</b>
2. <b>U. T. Board of Regents: Amendments to the Regents' <u>Rules and Regulations</u> regarding disclosure requirements for financial advisors and service providers (Part Two, Chapter IX, Sections 3 and 4)</b>	<i>11:05 a.m.</i> <b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>15</b>
3. <b>U. T. Board of Regents: Adoption of Thirteenth Supplemental Resolution authorizing the issuance of additional Revenue Financing System (RFS) Bonds; authorization to execute interest rate swap transactions in connection with the Bonds; authorization to complete all related transactions; and approval as to form for use of documents</b>	<i>11:10 a.m.</i> <b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>17</b>
4. <b>U. T. Board of Regents: Adoption of Resolution authorizing the execution of Master Interest Rate Swap Agreements and approval as to form for use of documents</b>	<i>11:20 a.m.</i> <b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>21</b>
5. <b>U. T. Board of Regents: Report on Investments for the three months ended August 31, 2003, and Performance Report by Ennis Knupp</b>	<i>11:25 a.m.</i> <b>Action</b> <i>Mr. Boldt</i> <i>Mr. Steve Voss,</i> <i>Ennis Knupp</i>	<b>Action</b>	<b>27</b>
6. <b>U. T. System: Permanent University Fund quarterly update</b>	<i>11:40 a.m.</i> <b>Report</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>28</b>
7. <b>U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2003</b>	<i>11:50 a.m.</i> <b>Report</b> <i>Mr. Aldridge</i>	Not on Agenda	<b>29</b>
<b>Adjourn</b>			

1. **U. T. System: Approval of Docket No. 115**

RECOMMENDATION

It is recommended that Docket No. 115 as attached beginning on Page Docket - 1 be approved.

It is requested that the Committee confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.



2. **U. T. Board of Regents: Amendments to the Regents' Rules and Regulations regarding disclosure requirements for financial advisors and service providers (Part Two, Chapter IX, Sections 3 and 4)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4, concerning disclosure requirements for financial advisors and service providers, be amended as set forth below in congressional style:

- a. Amend Section 3 to add a new Subsection 3.5 as follows:

Sec. 3. Policy for Investment and Management of the PUF

...

3.5 Financial Advisors and Service Providers  
Financial advisors and service providers as defined in Texas Government Code Section 2263.002 shall comply with the disclosure requirements contained in Texas Government Code Section 2263.005.

- b. Amend Section 4 as follows:

Sec. 4. Policy for Investment and Management of U. T. Investment Pools

4.1 Investment Policy Statement

The policies for the investment of funds for U. T. investment pools shall be those outlined in the applicable Investment Policy Statement.

4.2 Application of Other Regulations

The provisions of Subsections 3.2, 3.3, ~~and 3.4,~~ and 3.5 of this Chapter with respect to the investment and management of the PUF, shall ~~also likewise~~ apply to other U. T. investment pools.

4.3 System Professional Medical Liability Benefit Plan

The Professional Medical Liability Fund shall be administered in a manner consistent with all provisions of the System Professional Medical Liability Benefit Plan.

4.4 Conformance with Trust Indenture and State Law

Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, the fund's trust indenture, and applicable law.

BACKGROUND INFORMATION

The proposed amendments to the Regents' Rules and Regulations, Part Two, Chapter IX, Sections 3 and 4 implement the requirements of Senate Bill 1059, relating to corporate ethics and integrity, which became effective September 1, 2003. Senate Bill 1059 added Chapter 2263 to the Texas Government Code, dealing with ethics and disclosure requirements for outside financial advisors and service providers. The new law requires governing bodies of governmental entities that manage or invest state funds to adopt by rule, no later than January 1, 2004, standards of conduct for financial advisors and service providers (defined as "a person or business entity who acts as a financial advisor, financial consultant, money or investment manager, or broker") who:

- a. may be expected to receive more than \$10,000 in compensation per year; or
- b. who render important investment of funds management advice to the entity.

Senate Bill 1059 requires outside financial advisors and service providers to disclose, in writing, to both the state entity and State Auditor:

- a. any relationship the financial advisor or service provider have with any party to a state entity transaction, other than a relationship necessary to the financial services being provided, if a reasonable person could expect the relationship to diminish the advisor's or provider's independence of judgment in the performance of the advisor's or provider's responsibilities to the state entity; and
- b. all direct and indirect pecuniary interests the advisor or provider has in any party to a state entity transaction, if the transaction is connected with the advice or service being provided in connection with the management or investment of state funds.

The University of Texas Investment Management Company (UTIMCO) is the Board of Regents' primary investment advisor and the Board of Regents is required, under the statute authorizing UTIMCO, to approve UTIMCO's Code of Ethics. The current UTIMCO Code of Ethics, last approved by the U. T. Board on August 7, 2003, goes beyond the disclosure requirements created by Senate Bill 1059 and satisfies, in large

part, the intent behind Senate Bill 1059. However, the definition of "financial advisor or service provider" is sufficiently broad that a number of individuals, firms, or companies that do business with UTIMCO, as well as the independent financial advisor recently hired by the Board of Regents, will be required to file disclosure forms, promulgated by the State Auditor, on an annual basis at minimum. UTIMCO's internal managers and the brokers and dealers they trade with, investment partnerships, hedge funds, and "fund of fund" managers will be subject to the new disclosure requirements. The U. T. System liaison to UTIMCO will coordinate distribution and collection of forms from UTIMCO and the other financial advisors and service providers required to submit them, review the forms, and provide relevant disclosure to the Board of Regents.

3. **U. T. Board of Regents: Adoption of Thirteenth Supplemental Resolution authorizing the issuance of additional Revenue Financing System (RFS) Bonds; authorization to execute interest rate swap transactions in connection with the Bonds; authorization to complete all related transactions; and approval as to form for use of documents**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents:

- a. adopt the Thirteenth Supplemental Resolution to the Master Resolution, substantially in the form presented to the Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$496,000,000 with a final maturity not to exceed the Year 2035 for the purpose of advance refunding certain outstanding Revenue Financing System Bonds to produce present value debt service savings; to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; and to pay the costs of issuance and any original issue discount;
- b. authorize issuance of the Bonds with natural or synthetic fixed interest rates and the execution of interest rate swap transactions to convert variable interest rates on the bonds into fixed rate obligations if the Bonds are issued with variable interest rates; and
- c. authorize appropriate officers and employees of the U. T. System as set forth in the Thirteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, within the limitations and procedures specified therein, make certain covenants

and agreements in connection therewith; and resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

- a. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System; and
- b. the component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

### BACKGROUND INFORMATION

On February 14, 1991, the Board adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for component institutions of the U. T. System. Since that time, the Board has adopted 12 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

Adoption of the Thirteenth Supplemental Resolution (Resolution) would authorize the advance refunding of certain outstanding RFS Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Resolution provides flexibility to execute the transaction using either natural or synthetic fixed rate debt. Natural fixed rate debt involves issuing fixed rate bonds. Synthetic fixed rate debt involves issuing variable rate bonds and executing a corresponding floating-to-fixed interest rate swap agreement to effectively convert the

interest rate on the bonds to a fixed interest rate. The determination to issue either natural or synthetic fixed rate debt will be made based on market conditions at the time of pricing. The use of any interest rate swap agreements will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board in February 2003 using standard International Swaps and Derivatives Association, Inc. (ISDA) documentation.

Concurrently with the consideration of the Resolution, the Board will consider a resolution authorizing master interest rate swap agreements with seven investment banking firms selected through a procurement process. The Board currently has master interest rate swap agreements with three of the firms and these agreements may be amended to conform to the new agreements to be entered into. The Resolution authorizes interest rate swap transactions relating to the Bonds and other Parity Debt under the seven interest rate swap agreements.

In addition, the Resolution authorizes remarketing, tender, auction and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The Resolution also authorizes the refunding of a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A and to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

As provided in the Resolution, the potential bonds to be refunded include up to:

- \$42,895,000 of the RFS Bonds, Series 1995A maturing 2008-2017
- \$45,950,000 of the RFS Bonds, Series 1996A and \$133,460,000 of RFS Bonds, Series 1996B maturing 2007-2016
- \$7,010,000 of the RFS Bonds, Series 1998A and \$73,660,000 of RFS Bonds, Series 1998B maturing 2008-2018
- \$29,520,000 of the RFS Bonds, Series 1998C and \$66,400,000 of RFS Bonds, Series 1998D maturing 2009-2019
- \$14,130,000 of the RFS Bonds, Series 1999A maturing 2017 and 2018
- \$12,895,000 of RFS Bonds, Series 1999B maturing 2018
- \$119,955,000 of RFS Bonds, Series 2001B and \$56,680,000 of RFS Bonds, Series 2001C maturing 2012-2022.

Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing provided the refunding achieves the minimum 3% savings target.

Note: Based on the opinion of outside bond counsel, the Thirteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement are required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed Thirteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel and is available on-line at <http://www.utsystem.edu/bor/agendabook>. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 4 on Page 21 related to the adoption of master interest rate swap agreements.

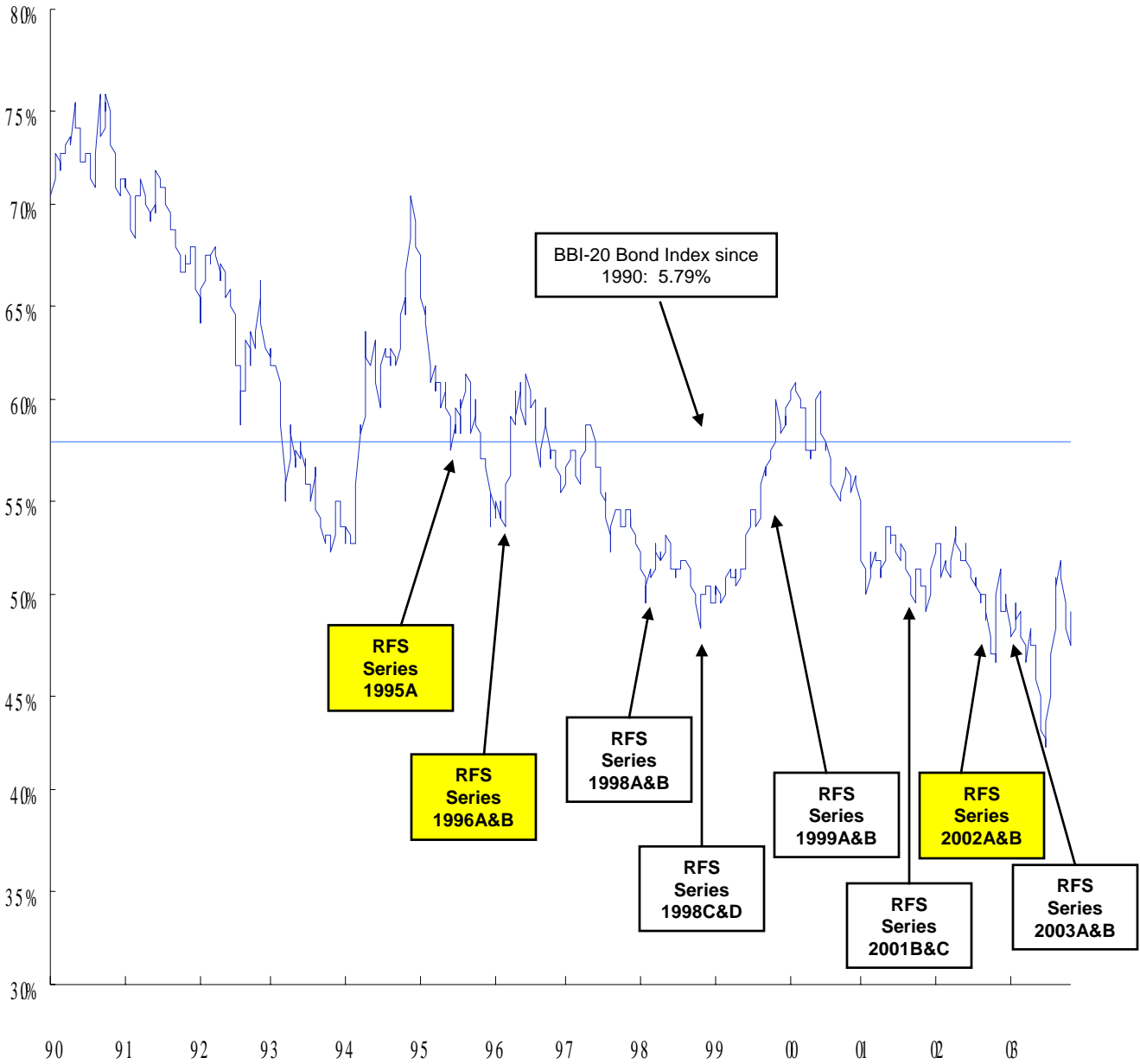
An overview of proposed Revenue Financing System Advanced Refunding is illustrated on Pages 20.1 - 20.7.

# Overview of Proposed Revenue Financing System Advanced Refunding

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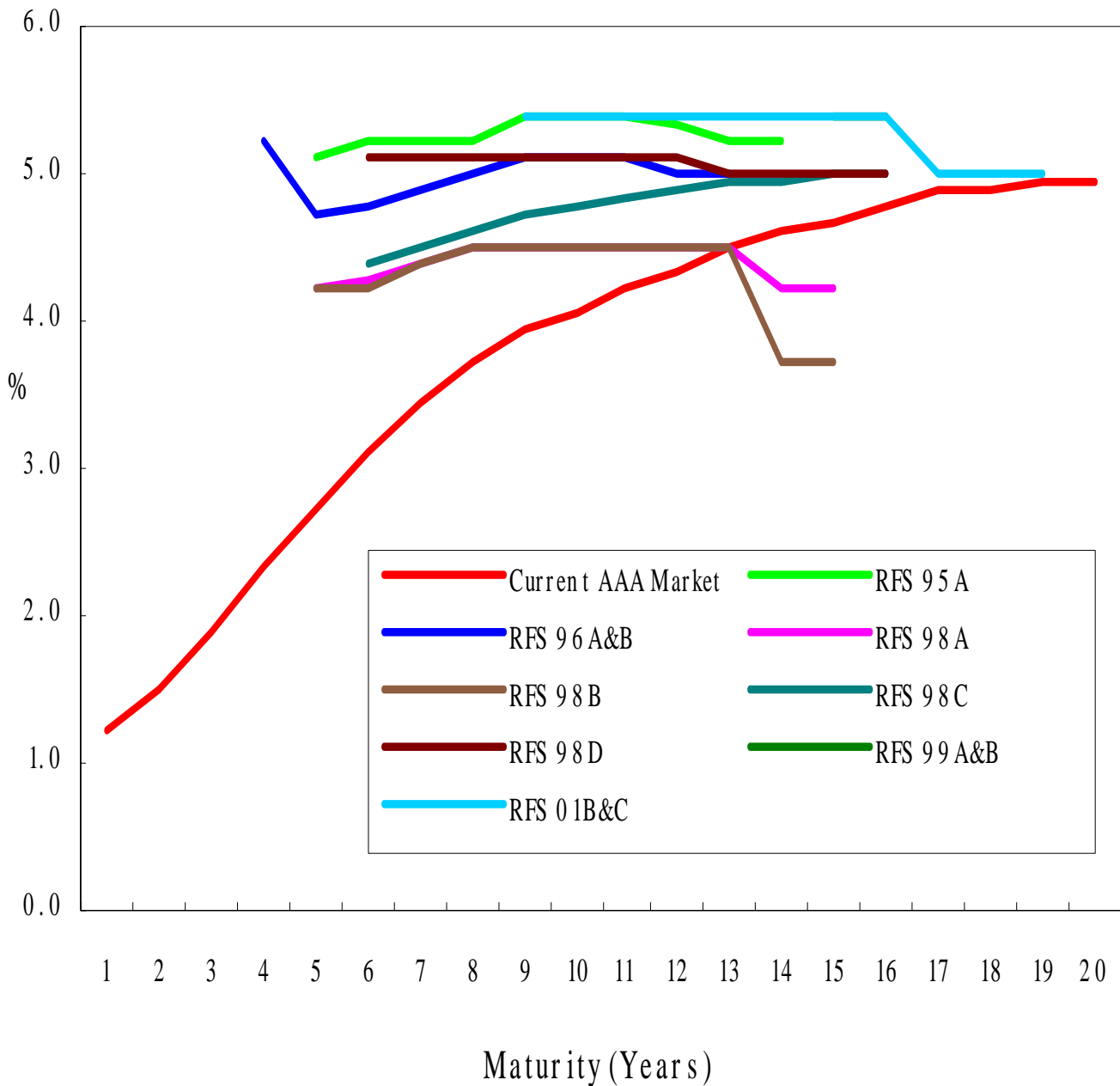
- The Office of Finance is requesting Board of Regents' approval to issue Revenue Financing System (RFS) debt for the primary purpose of advance refunding certain outstanding RFS bonds (including tuition revenue bonds) to achieve present value debt service savings (assuming 3% minimum present value savings).
- The System has issued its fixed-rate debt during periods of relatively low interest rates. Additionally, various refunding transactions have been executed to refund the System's highest cost debt.
- The remaining refunding candidates are marginal and can only be refunded for significant savings under certain market conditions. The average coupon rate of the potential refunding candidates is 5.01%.

# Sale Dates of Outstanding RFS Bond Issues





# Coupon Rates of Potential RFS Refunding Candidates versus Current Market Rates as of October 16, 2003



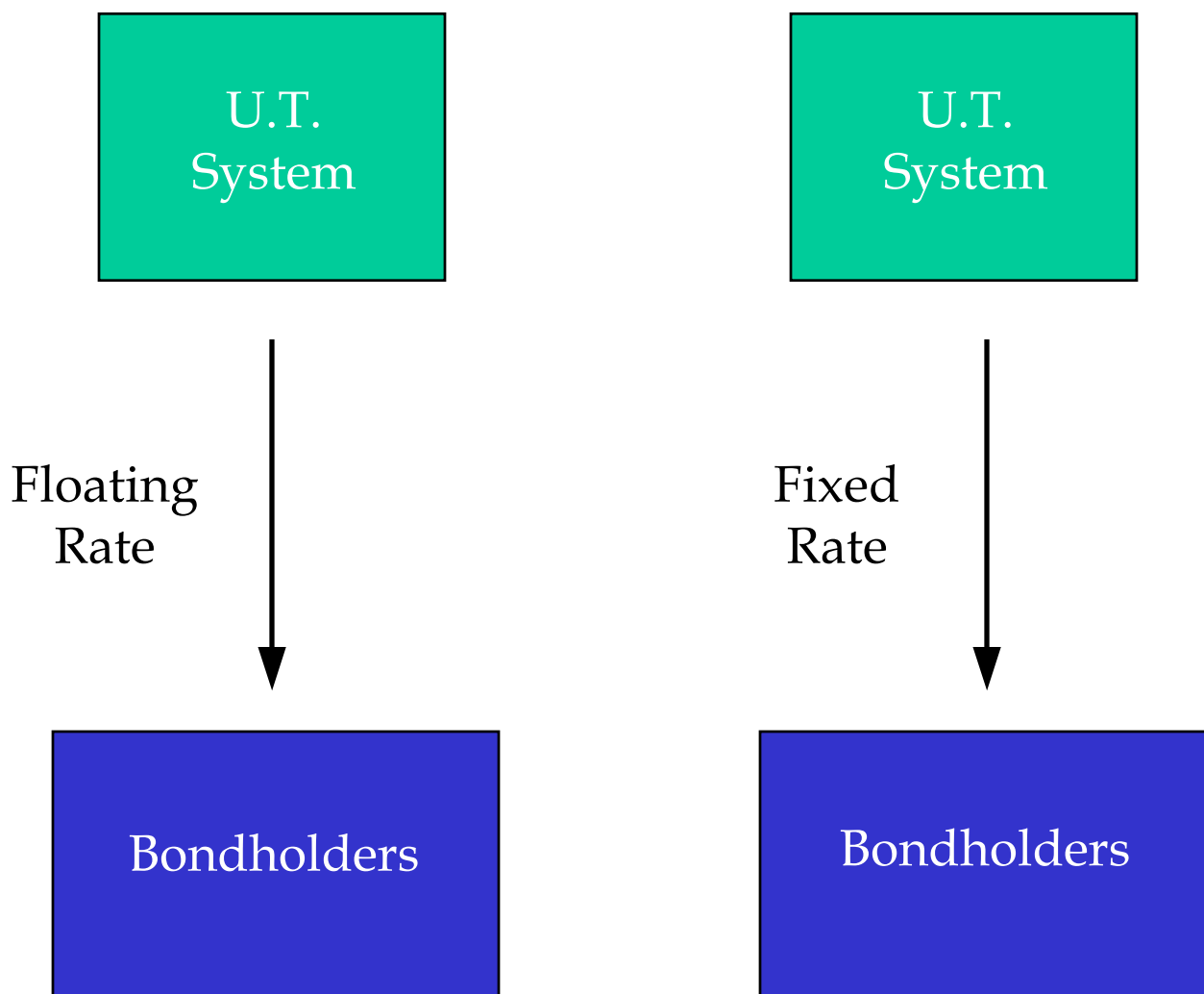
# Key Points

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- Interest rates are near all-time lows
- Requesting approval to issue either natural fixed rate debt or issue variable and enter a fixed payer swap to achieve fixed-rate financing
- Having approvals in place will allow the System to quickly respond in favorable market conditions to capture debt service savings
- Size of the transaction is dependent on market interest rates
- Transaction could include new money and/or refunding of outstanding commercial paper

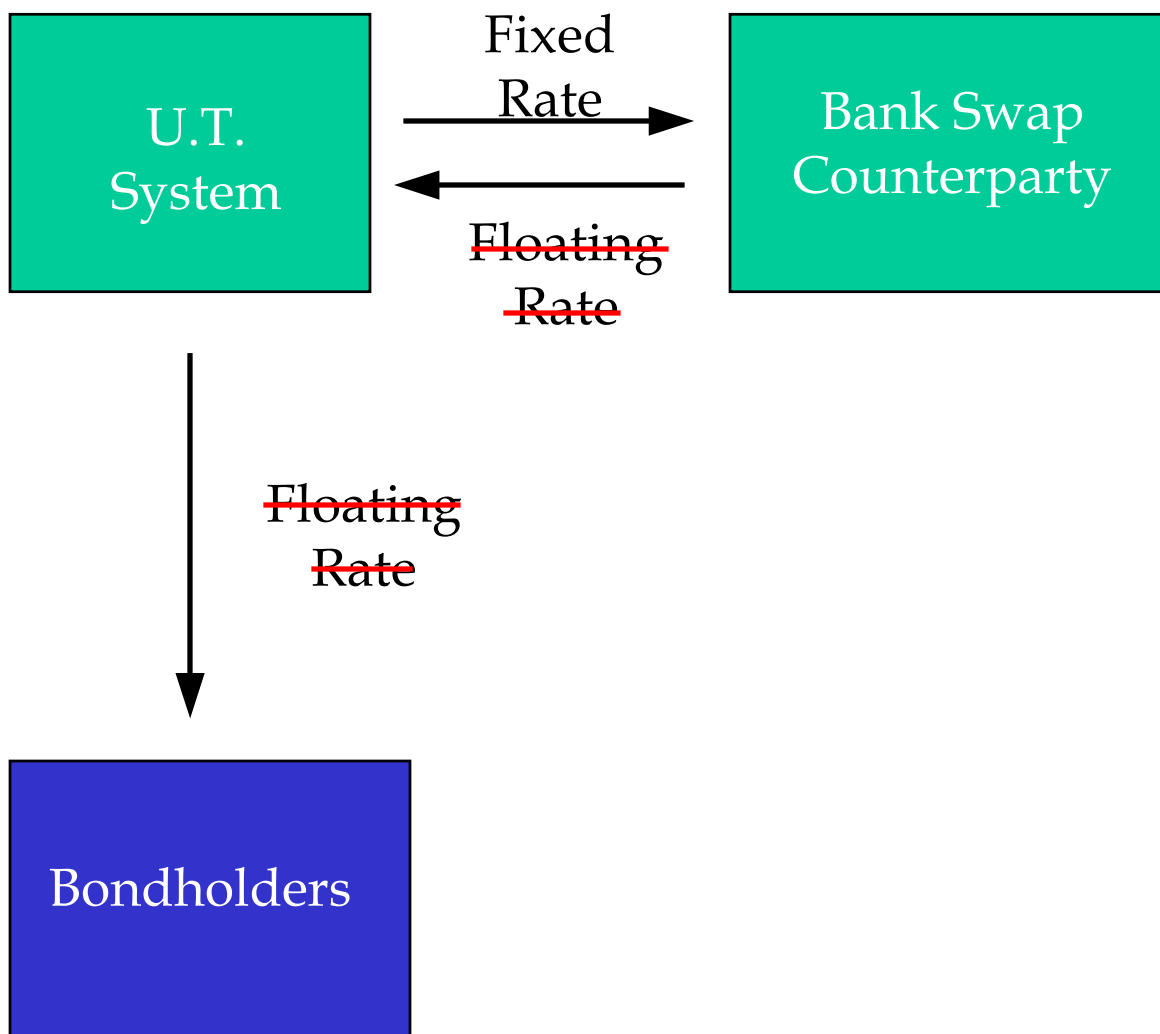
# The U.T. System Typically Issues “Natural” Floating Rate Debt or Fixed Rate Debt

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# “Synthetic” Fixed Rate Debt

(Issue “natural” floating rate debt and swap to a fixed rate)



# Refunding Constraints

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- The resolution authorizes the issuance of up to \$496 million of bonds no later than Nov. 1, 2004.
- Refunding must produce a minimum of 3% present value debt service savings.
- Any transaction must be in compliance with the System's interest rate swap policy approved by the Board in February 2003 and the System's debt policy approved by the Board in May 2003.
- Any transaction requires the approving opinion of outside bond counsel and approval by the Office of the Attorney General.

4. **U. T. Board of Regents: Adoption of Resolution authorizing the execution of Master Interest Rate Swap Agreements and approval as to form for use of documents**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that the U. T. Board of Regents adopt a resolution substantially in the form set out on Pages 23 - 26 (the Resolution) authorizing appropriate officers of the U. T. System to enter into master interest rate swap agreements with Bank of America Securities; Morgan Stanley Capital Services; Lehman Brothers Special Financing Inc.; UBS AG; Goldman Sachs Mitsui Marine Derivative Products, L.P.; J.P. Morgan Chase Bank; and Merrill Lynch Capital Services, Inc.; to execute confirmations under such agreements, and to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents.

The Chancellor also concurs in the recommendation of the Interim Vice Chancellor for Business Affairs that, in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and based in part upon the delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. Board of Regents resolves that:

- a. sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System; and
- b. the component institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of Parity Debt pursuant to the master interest rate swap agreements.

The Chancellor further concurs in the recommendation that the forms used for this transaction may be used for future approved transactions, following review by the U. T. System Office of General Counsel and outside bond counsel.

## BACKGROUND INFORMATION

On February 13, 2003, the Board approved the U. T. System Interest Rate Swap Policy, which governs the use by the U. T. System of interest rate swap transactions for the purpose of hedging interest rate risk of existing or planned Revenue Financing System debt. As provided in the policy, each swap agreement shall contain the terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, consistent with the policy limits set forth in the Interest Rate Swap Policy.

The ISDA Master Agreement is a standardized master legal agreement for all derivative transactions between swap counterparties that states standardized definitions, terms, and representations governing swap transactions. In addition to the ISDA Master Agreement, swap counterparties also negotiate 1) a Schedule to the ISDA Master Agreement that sets out specific business terms and conditions governing the derivative transactions executed under the agreement; and 2) a Credit Support Annex that states the provisions regarding the mutual posting of collateral, if required under the ISDA schedule. Individual transactions are evidenced by a Confirmation that lists the specific terms and conditions for a particular transaction.

On February 11, 1999, the Board authorized appropriate officers to enter into master interest rate swap agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P.; Lehman Brothers Financial Products Inc.; and Morgan Guaranty Trust Company of New York (now J.P. Morgan Chase). This item requests approval to expand the list of potential swap counterparties with which the U. T. System may execute interest rate swap transactions by having master swap agreements negotiated with additional counterparties. Expanding the list of potential counterparties is expected to minimize the U. T. System's interest cost by having additional firms compete on future swap transactions. The proposed swap counterparties were selected based on an evaluation of responses to a Request for Qualifications issued in July 2003.

When transactions are entered into under the ISDA Master Agreements, the costs thereof and the amounts payable thereunder shall be paid out of Pledged Revenues under the Master Resolution. The ISDA Master Agreements shall each constitute a "Credit Agreement" as defined under the Master Resolution and Chapter 1371 of the Texas Government Code and Parity Debt under the Master Resolution.

Note: Based on the opinion of outside bond counsel, the form of the ISDA master agreements is required to be provided to the Board to comply with applicable provisions of the Texas Government Code. The proposed ISDA master agreement is available on-line at <http://www.utsystem.edu/bor/agendabook>. Following approval of the form of these documents by the Board, succeeding documents that are in substantially the same form will not have to be made available as part of the agenda materials.

See Item 3 on Page 17 related to adoption of the Thirteenth Supplemental Resolution.

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF MASTER INTEREST RATE SWAP AGREEMENTS AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS**

November 13, 2003

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "U. T. System") is the governing body of the U. T. System, an institution of higher education under the Texas Education Code and an agency of the State of Texas; and

WHEREAS, on February 14, 1991, the Board adopted the First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and amended such resolution on October 8, 1993, and August 14, 1997 (referred to herein as the "Master Resolution"); and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the U. T. System that are designated "Members" of the Financing System by action of the Board and pledges the Pledged Revenues attributable to each Member of the Financing System to the payment of Parity Debt to be outstanding under the Master Resolution; and

WHEREAS, simultaneously with the adoption of this Resolution, the Board has adopted the Thirteenth Supplemental Resolution to the Master Resolution authorizing the issuance and delivery of one or more series of additional bonds as Parity Debt (the "2004 Bonds"). The 2004 Bonds, together with the outstanding Parity Debt and any additional Parity Debt to be issued or entered into under the Master Resolution are special, limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Pledged Revenues. The Pledged Revenues are pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Chancellor and the Interim Vice Chancellor for Business Affairs have recommended the implementation of a financial plan which involves the possible issuance of a portion of the 2004 Bonds as synthetic fixed rate bonds to refund a portion of the outstanding Parity Debt to achieve debt service savings and the authorization and approval of International Swaps and Derivatives Association, Inc. ("ISDA") Master Agreements with Bank of America Securities, Morgan Stanley Capital Services, Lehman Brothers Special Financing Inc., UBS AG, Goldman Sachs Mitsui Marine Derivative Products, L.P., J.P. Morgan Chase Bank, and Merrill Lynch Capital Services, Inc., (the "Potential Swap Providers") pursuant to which the Board could enter into interest rate swap transactions with some or all of the Potential Swap Providers; and



WHEREAS, the Chancellor and the Interim Vice Chancellor for Business Affairs have further recommended that the Board authorize the U. T. System Representative to enter into interest rate swap transactions with one or more of the Potential Swap Providers, when, in the judgment of the U. T. System Representative and in accordance with the U. T. System Interest Rate Swap Policy and Chapter 1371, Texas Government Code, the transaction is expected to result in a lowering of the debt service burden on the U. T. System.

NOW THEREFORE BE IT RESOLVED, that

1. The U. T. System Representative is hereby authorized to enter into ISDA Master Agreements (the "Swap Agreements") with each of the Potential Swap Providers in substantially the forms presented to the Board, including the forms of Schedules and Confirmations attached thereto, with such changes as, in the judgment of the U. T. System Representative, with the advice and counsel of the U. T. System Office of General Counsel and Bond Counsel, are necessary to carry out the intent of the Board as expressed in this Resolution, to receive approval of the Swap Agreements by the Attorney General of the State of Texas, or to satisfy conditions of a credit rating agency relating to the Swap Agreements.

2. The U. T. System Representative is further authorized and directed to enter into one or more interest rate swap transactions and agreements terminating any such interest rate swap transaction, pursuant to the U. T. System Interest Rate Swap Policy, each Swap Agreement, and the Confirmation exchanged between the parties confirming such interest rate swap transactions. The terms of the initial interest rate swap transaction, including interest rate, term, notional amount, and options as to commencement and termination of payments shall be as described in the Swap Agreement and as provided in the related Confirmation. The U. T. System Representative shall not enter into transactions under the Swap Agreements unless he or she determines that the transaction conforms to the U. T. System Interest Rate Swap Policy and that the expected debt service cost as a result of entering into the swap transaction is materially lower than the expected debt service cost if the swap had not been executed.

3. In connection with each proposed transaction, the U. T. System Representative shall either (i) seek competitive bids from each of the Potential Swap Providers under the respective Swap Agreements or (ii) enter into a negotiated transaction with one or more of the Potential Swap Providers. The U. T. System Representative shall determine whether a competitive or negotiated transaction will be of greater benefit to the Board. The U. T. System Representative shall specify in the bid documents for a competitive transaction or in the terms of a negotiated transaction as the standard for determining the variable rate under the transaction the Bond Market Association index, a percentage of London Inter-Bank Offer Rate ("LIBOR"), or a combination of the two as contemplated by the forms of Confirmations attached to the Swap Agreements. The U. T. System Representative's determination of which variable rate standard to be used shall be based upon the U. T. System Representative's opinion as to which standard will result in the Board paying the lowest net effective interest rate on the outstanding Parity Debt.

If competitive bids are solicited, upon determination of the best bid, the U. T. System Representative will inform each of the Potential Swap Providers of the best bid. If provided in the bid proceedings, the U. T. System Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a predetermined percentage of the notional amount of the swap transaction, in accordance with the U. T. System Interest Rate Swap Policy. In that event those Potential Swap Providers shall have the right to enter into a Confirmation under its respective Swap Agreement in notional amounts as provided in the bid proceedings, on the same terms as the best bid. The U. T. System Representative shall also accept and execute a Confirmation under the Swap Agreement with the Potential Swap Provider submitting the best bid in a notional amount equal to the total notional amount of the swap transaction less the notional amount, if any, of the Confirmations entered into with the other Potential Swap Providers. Each of the Potential Swap Providers executing a Confirmation is hereafter referred to as a "Counterparty."

4. The actions contemplated in the Swap Agreement, and each Confirmation, are hereby in all respects approved, authorized, adopted, ratified, and confirmed.

5. The U. T. System Representative and all officers or officials of the Board are authorized to execute and deliver (i) the Swap Agreements in the name and on behalf of the Board (ii) the Confirmations for transactions as authorized in paragraph 2, and (iii) such other agreements and documents as are contemplated by this Resolution and the Agreement or are otherwise necessary in connection with entering into the interest rate swap transactions described in paragraph 2, as any such officer or official shall deem appropriate, including without limitation, officer certificates, legal opinions, and credit support documents.

6. All officers or officials of the Board and its agents and counsel are authorized to take all such further actions, to execute and deliver such further instruments and documents in the name and on behalf of the Board to pay all such expenses as in his or her judgment shall be necessary or advisable in order to fully carry out the purposes of this Resolution.

7. When Confirmations are executed on behalf of the Board, the costs thereof and the amounts payable thereunder shall constitute Parity Debt under the Master Resolution and, as such, shall be special, limited obligations of the Board payable solely from, and secured by a lien on and pledge of, the Pledged Revenues.

8. The Board further determines that, in connection with the execution and delivery of the Swap Agreements and the execution of the transactions thereunder:

a. Sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the Board relating to the Financing System

b. The component institutions and U. T. System Administration, which are “Members” as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the Board of Parity Debt pursuant to the Swap Agreements.

9. The Board has previously entered into Master Interest Rate Swap Agreements with Goldman Sachs Capital Markets, L.P. (the "1994 Goldman Swap Agreement"), Goldman Sachs Mitsui Marine Derivative Products, L.P. (the "1999 Goldman Swap Agreement"), Morgan Guaranty Trust Company of New York (the "1999 Goldman Swap Agreement "), and Lehman Brothers Financial Products, Inc. (the "1999 Lehman Swap Agreement" and with the 1994 Goldman Swap Agreement, the 1999 Goldman Swap Agreement, and the 1999 Goldman Swap Agreement the "Existing Swap Agreements"). The Board confirms the authority of the U. T. System Representative to enter into Confirmations under each of the Existing Swap Agreements and to enter into amendments to the Existing Swap Agreements rather than entering into new Swap Agreements with the parties to the Existing Swap Agreements. The other provisions of this Resolution shall govern transactions to be entered into under the Existing Swap Agreements.

5. **U. T. Board of Regents: Report on Investments for the three months ended August 31, 2003, and Performance Report by Ennis Knupp**

REPORT

Pages 27.1 - 27.9 contain the Summary Reports on Investments for the three months ended August 31, 2003.

Item I on Pages 27.1 - 27.3 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was 5.40% versus its composite benchmark return of 4.60%. The PUF's net asset value increased by \$393.9 million since the beginning of the quarter to \$7,244.8 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return.

Item II on Pages 27.4 - 27.7 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and Long Term Fund (LTF). The GEF's net investment return for the three months was 5.45% versus its composite benchmark return of 4.60%. The GEF's net asset value increased \$120.8 million since the beginning of the quarter to \$3,584.8 million.

Item III on Page 27.8 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was negative .29% for the three months versus the SITF's performance benchmark of negative .71%. The SITF's net asset value decreased by \$203.0 million since the beginning of the quarter to \$1,435.3 million. This decrease in net asset value includes withdrawals from the SITF, distributions, and net investment return.

Item IV on Page 27.9 presents book and market value of cash, fixed income, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$410,347 thousand to \$2,023,603 thousand during the three months since the last reporting period. Market values for the remaining asset types were fixed income securities: \$209,934 thousand versus \$321,821 thousand at the beginning of the period; equities: \$237,065 thousand versus \$211,361 thousand at the beginning of the period; and other investments: \$40,536 thousand versus \$10,226 thousand at the beginning of the period.

The Ennis Knupp Performance Report is on Pages 27.10 - 20.105.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at August 31, 2003 (2)

(\$ millions)

	FY01-02	FY02-03				Year-to-Date
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Beginning Net Assets	7,540.1	6,738.3	6,397.1	6,300.0	6,850.9	6,738.3
PUF Lands Receipts (3)	80.5	22.2	23.6	31.3	25.0	102.1
Investment Return	(522.9)	4.3	(115.7)	524.8	374.2	787.6
Expenses	(21.0)	(4.7)	(5.0)	(5.2)	(5.3)	(20.2)
Distributions to AUF	(338.4)	(363.0)	-	-	-	(363.0)
Ending Net Assets	6,738.3	6,397.1	6,300.0	6,850.9	7,244.8	7,244.8

AUF Distribution:

From PUF Investments	338.4	363.0	-	-	-	363.0
From Surface Income	8.1	0.8	2.1	0.9	2.7	6.5
Total	346.5	363.8	2.1	0.9	2.7	369.5

Total Net Investment Return -7.35% 0.06% -1.86% 8.23% 5.40% 12.02%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) General - The Investment Summary Report excludes PUF Lands mineral and surface interests with estimated August 31, 2003 values of \$822.4 million and \$163.9 million, respectively.

(3) PUF Land Receipts - As of August 31, 2003: 1,116,238 acres under lease; 520,620 producing acres; 3,114 active leases; and 2,077 producing leases.

**I. PERMANENT UNIVERSITY FUND (continued)**

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003 (Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	1.7%	0.0%	0.27%	0.29%	90 Day T-Bills Average Yield
Domestic Public Equities					Wilshire 5000 U.S. Equities Index
Passive Management	14.9%		7.35%	6.42%	
Active Management	12.9%		10.08%	6.42%	
Hedge and Structured Active Management	6.8%		-0.80%	6.42%	
Total Domestic Public Equities	<u>34.6%</u>	<u>31.0%</u>	<u>6.48%</u>	<u>6.42%</u>	
International Public Equities					Morgan Stanley Capital International - All Country World Free ex U.S.
Passive Management	6.9%		10.55%	8.65%	
Active Management	11.4%		13.50%	8.65%	
Hedge and Structured Active Management	0.9%		-3.77%	8.65%	
Total International Public Equities	<u>19.2%</u>	<u>19.0%</u>	<u>11.29%</u>	<u>8.65%</u>	
Absolute Return	9.3%	10.0%	4.60%	1.29%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	8.1%	10.0%	9.14%	2.93%	25% (Goldman Sachs Commodity Index minus 100 basis points) plus 25% (Treasury Inflation Protected Securities) plus 25% (National Commercial Real Estate Index Fund) plus 25% (Wilshire Associates Real Estate Securities Index)
Fixed Income	15.4%	15.0%	-2.87%	-3.50%	33% (Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67% (Lehman Brothers Government Bond Index)
<b>Total Marketable Securities</b>	<b>88.3%</b>	<b>85.0%</b>	<b>5.76%</b>	<b>4.10%</b>	
<b>Private Capital</b>	<b>11.7%</b>	<b>15.0%</b>	<b>2.80%</b>	<b>7.46%</b>	Wilshire 5000 U.S. Equities Index plus 4% (2)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.40%</b>	<b>4.60%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

(2) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

I. PERMANENT UNIVERSITY FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003 (Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	1.7%	0.0%	0.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	18.4%	25.0%	5.07%	Standard and Poor's 500 Index
Small Capitalization Equities	9.4%	7.5%	13.14%	Russell 2000 Index
Total Domestic Common Stocks	27.8%	32.5%		
International Common Stocks:				
Established Markets	10.9%	12.0%	7.43%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	7.4%	3.0%	19.05%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	18.3%	15.0%		
Inflation Hedging	8.1%	7.5%	2.85%	33%(Goldman Sachs Commodity Index minus 100 basis points) plus 67%(National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	11.2%	15.0%	-2.91%	Lehman Brothers Aggregate Bond Index
International	4.2%	5.0%	-5.23%	Citibank (formerly Salomon) Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	15.4%	20.0%		
Marketable Alternative Equities	17.0%	10.0%	2.05%	90 Day T-Bills Average Yield plus 7%
<b>Total Marketable Securities</b>	<b>88.3%</b>	<b>85.0%</b>	<b>3.95%</b>	
<b>Nonmarketable Alternative Equities</b>	<b>11.7%</b>	<b>15.0%</b>	<b>7.46%</b>	Wilshire 5000 U.S. Equities Index plus 4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.48%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at August 31, 2003

(\$ millions)

	FY01-02		FY02-03				Year-to-Date
	Full Year	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.		
Beginning Net Assets	3,723.9	3,293.2	3,287.7	3,209.8	3,464.0	3,293.2	3,293.2
Net Contributions	(230.7)	(47.4)	(12.5)	(21.6)	2.5	(79.0)	(79.0)
Investment Return	(245.3)	9.3	(61.2)	284.5	190.9	423.5	423.5
Expenses	(7.2)	(1.2)	(1.4)	(1.5)	(1.7)	(5.8)	(5.8)
Allocations (3)	52.5	33.8	(2.8)	(7.2)	(70.9)	(47.1)	(47.1)
Ending Net Assets	3,293.2	3,287.7	3,209.8	3,464.0	3,584.8	3,584.8	3,584.8
Net Asset Value per Unit	90.932	91.154	89.433	97.253	102.539	102.539	102.539
Units and Percentage Ownership (End of Period):							
PHF	7,676,762	7,569,273	7,459,839	7,358,938	7,263,383	7,263,383	7,263,383
LTF	28,539,389	28,498,629	28,430,285	28,259,455	27,696,705	27,696,705	27,696,705
Total	36,216,151	36,067,902	35,890,104	35,618,393	34,960,088	34,960,088	34,960,088
		21.2%	21.0%	20.8%	20.7%	20.8%	20.8%
		78.8%	79.0%	79.2%	79.3%	79.2%	79.2%
		100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Total Net Investment Return	-6.96%	0.27%	-1.88%	8.73%	5.45%	12.81%	12.81%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

(2) On March 1, 2001, the Permanent Health Fund (PHF) and Long Term Fund (LTF) purchased units in the newly created General Endowment Fund (GEF). The initial number of units was based on the PHF's and LTF's contribution of its net values as of February 28, 2001.

(3) The GEF allocates its net investment income and realized gain (loss) to its unit holders based on their ownership of GEF units at month end. The allocated amounts are reinvested as GEF contributions. The allocation is proportional to the percentage of ownership by the unit holders, and therefore, no additional units are purchased.



II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at August 31, 2003 (1)

(\$ millions)

	FY02-03				Year-to-Date
	FY01-02 Full Year	1st Qtr	2nd Qtr	3rd Qtr	
<b>PERMANENT HEALTH FUND</b>					
Beginning Net Assets	881.4	698.2	690.2	667.3	698.2
Withdrawals	(88.2)	-	-	-	-
Investment Return	(52.6)	1.7	(13.0)	58.4	38.9
Expenses	(0.6)	(0.1)	(0.2)	(0.2)	(0.7)
Distributions (Payout)	(41.8)	(9.6)	(9.7)	(9.6)	(38.5)
Ending Net Assets	698.2	690.2	667.3	715.9	745.0
Net Asset Value per Unit (2)	0.851524	0.841653	0.813836	0.873014	0.908489
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Unit	0.04700	0.01175	0.01175	0.01175	0.01175
Total Net Investment Return	-7.05%	0.22%	-1.91%	8.72%	5.41%
					12.67%
<b>LONG TERM FUND</b>					
Beginning Net Assets	2,843.3	2,595.1	2,597.6	2,542.5	2,748.2
Net Contributions	89.3	34.1	30.5	17.2	(22.2)
Investment Return	(199.7)	6.4	(49.6)	224.9	150.4
Expenses	(3.0)	(2.6)	(0.1)	(0.2)	(0.2)
Distributions (Payout)	(134.8)	(35.4)	(35.9)	(36.2)	(36.4)
Ending Net Assets	2,595.1	2,597.6	2,542.5	2,748.2	2,839.8
Net Asset Value per Unit (2)	4.788	4.730	4.576	4.912	5.114
No. of Units (End of Period)	542,049,359	549,178,011	555,609,797	559,537,648	555,329,487
Distribution Rate per Unit	0.25100	0.06450	0.06450	0.06450	0.06450
Total Net Investment Return	-6.97%	0.24%	-1.89%	8.75%	5.44%
					12.78%

(1) The Permanent Health Fund (PHF) and Long Term Fund (LTF) are internal mutual funds for the pooled investment of endowment funds. The PHF is comprised of endowments for health-related institutions of higher education and the LTF is comprised of privately raised endowments and other long-term funds of U. T. System components.

(2) The asset allocation of the PHF and LTF is representative of the asset allocation for the GEF. A nominal amount of cash is held in PHF and LTF to pay expenses incurred separately by these funds.

**II. GENERAL ENDOWMENT FUND (continued)**

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003 (Asset Allocation and Benchmarks Approved by the UTIMCO Board)

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	-0.5% (2)	0.0%	0.27%	0.29%	90 Day T-Bills Average Yield
Domestic Public Equities					
Passive Management	14.1%		7.30%	6.42%	Wilshire 5000 U.S. Equities Index
Active Management	13.4%		10.56%	6.42%	
Hedge and Structured Active Management	7.5%		-0.88%	6.42%	
Total Domestic Public Equities	35.0%	31.0%	6.53%	6.42%	
International Public Equities					
Passive Management	8.0%		10.50%	8.65%	Morgan Stanley Capital International - All Country World Free ex
Active Management	11.9%		13.61%	8.65%	
Hedge and Structured Active Management	1.0%		-3.77%	8.65%	
Total International Public Equities	20.9%	19.0%	11.29%	8.65%	
Absolute Return	10.3%	10.0%	4.62%	1.29%	90 Day T-Bills Average Yield plus 4%
Inflation Hedging	8.6%	10.0%	9.11%	2.93%	25%(Goldman Sachs Commodity Index minus 100 basis points) plus 25%(Treasury Inflation Protected Securities) plus 25%(National Commercial Real Estate Index Fund) plus 25%(Wilshire Associates Real Estate Securities Index)
Fixed Income	15.0%	15.0%	-2.99%	-3.50%	33%(Lehman Brothers Aggregate Bond Index ex U.S. Governments) plus 67%(Lehman Brothers Government Bond Index)
<b>Total Marketable Securities</b>	<b>89.3%</b>	<b>85.0%</b>	<b>5.92%</b>	<b>4.10%</b>	
<b>Private Capital</b>	<b>10.7%</b>	<b>15.0%</b>	<b>1.58%</b>	<b>7.46%</b>	Wilshire 5000 U.S. Equities Index plus 4% (3)
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>5.45%</b>	<b>4.60%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.

(2) Negative cash position does not indicate borrowing, but is the result of certain accrued expenses.

(3) Due to valuation and liquidity characteristics associated with Private Capital, short-term benchmark comparisons are not appropriate.

II. GENERAL ENDOWMENT FUND (continued)

d.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended August 31, 2003  
(Prior Asset Allocation)

	Asset Allocation	Endowment Neutral Policy Portfolio	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash	-0.5% (2)	0.0%	0.29%	90 Day T-Bills Average Yield
Domestic Common Stocks:				
Large/Medium Capitalization Equities	17.9%	25.0%	5.07%	Standard and Poor's 500 Index
Small Capitalization Equities	9.6%	7.5%	13.14%	Russell 2000 Index
Total Domestic Common Stocks	27.5%	32.5%		
International Common Stocks:				
Established Markets	11.9%	12.0%	7.43%	Morgan Stanley Capital International Europe, Asia, Far East Index (net)
Emerging Markets	8.0%	3.0%	19.05%	Morgan Stanley Capital International Emerging Markets Free
Total International Common Stocks	19.9%	15.0%		
Inflation Hedging	8.6%	7.5%	2.85%	33%(Goldman Sachs Commodity Index minus 100 basis points) plus 67%(National Commercial Real Estate Index Fund)
Fixed Income:				
Domestic	10.3%	15.0%	-2.91%	Lehman Brothers Aggregate Bond Index
International	4.7%	5.0%	-5.23%	Citibank (formerly Salomon) Non-U.S. World Government Bond Index, Unhedged
Total Fixed Income	15.0%	20.0%		
Marketable Alternative Equities	18.8%	10.0%	2.05%	90 Day T-Bills Average Yield plus 7%
<b>Total Marketable Securities</b>	<b>89.3%</b>	<b>85.0%</b>	<b>3.95%</b>	
<b>Nonmarketable Alternative Equities</b>	<b>10.7%</b>	<b>15.0%</b>	<b>7.46%</b>	Wilshire 5000 U.S. Equities Index plus 4%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>4.48%</b>	

(1) The benchmark return for the endowment neutral policy portfolio is calculated by summing the neutrally weighted index return (% weight for the asset class multiplied by the benchmark return for the asset class) for the various asset classes in the endowment portfolio for the period reported.  
 (2) Negative cash position does not indicate borrowing, but is the result of certain accrued expenses.

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at August 31, 2003

(\$ millions)

	FY01-02 Full Year	FY02-03				Year-to-Date
		1st Qtr	2nd Qtr	3rd Qtr	4th Qtr	
Beginning Net Assets	1,704.6	1,435.9	1,449.7	1,594.7	1,638.3	1,435.9
Net Contributions	(261.0)	26.4	143.2	143.2	46.2	(189.2)
Investment Return	60.3	2.5	17.4	10.3	10.3	(4.4)
Expenses	(0.7)	(0.2)	(0.2)	(0.2)	(0.2)	(0.1)
Distributions of Income	(67.3)	(14.9)	(15.4)	(15.4)	(12.7)	(9.3)
Ending Net Assets	1,435.9	1,449.7	1,594.7	1,638.3	1,638.3	1,435.3
Net Asset Value per Unit	10.099	10.013	10.025	10.008	9.917	9.917
No. of Units (End of Period)	142,184,975	144,787,656	159,078,135	163,697,013	144,736,640	144,736,640
Total Net Investment Return	3.75%	0.17%	1.14%	0.62%	-0.29%	1.64%

(1) Report prepared in accordance with Texas Education Code Sec. 51.0032.

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 2003

(\$ thousands)

ASSET TYPES	FUND TYPE														TOTAL			
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		MARKET					
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET				
<b>Cash &amp; Equivalents:</b>																		
Beginning value 05/31/03	3,736	3,736	2,578	2,578	19,967	19,967	475	475	79	79	1,586,421	1,586,421	1,613,256	1,613,256				
Increase/(Decrease)	(130)	(130)	(645)	(645)	160,363	160,363	10	10	-	-	250,749	250,749	410,347	410,347				
Ending value 08/31/03	3,606	3,606	1,933	1,933	180,330	180,330	485	485	79	79	1,837,170	1,837,170	2,023,603	2,023,603				
<b>Debt Securities:</b>																		
Beginning value 05/31/03	-	-	263	206	38,682	41,892	13,519	14,566	-	-	264,664	265,157	317,128	321,821				
Increase/(Decrease)	-	-	-	(14)	145	(1,064)	(604)	(1,236)	-	-	(102,655)	(109,573)	(103,114)	(111,887)				
Ending value 08/31/03	-	-	263	192	38,827	40,828	12,915	13,330	-	-	162,009	155,584	214,014	209,934				
<b>Equity Securities:</b>																		
Beginning value 05/31/03	40	6,833	1,980	1,642	38,082	39,786	23,649	19,386	-	-	185,524	143,714	249,275	211,361				
Increase/(Decrease)	-	4,340	(120)	(457)	191	(1,313)	(1,006)	610	-	-	22,144	22,524	21,209	25,704				
Ending value 08/31/03	40	11,173	1,860	1,185	38,273	38,473	22,643	19,996	-	-	207,668	166,238	270,484	237,065				
<b>Other:</b>																		
Beginning value 05/31/03	7,500	7,500	1,899	1,899	784	784	153	43	-	-	-	-	10,336	10,226				
Increase/(Decrease)	30,500	30,500	(865)	(865)	675	675	4	-	-	-	-	-	30,314	30,310				
Ending value 08/31/03	38,000	38,000	1,034	1,034	1,459	1,459	157	43	-	-	-	-	40,650	40,536				

Report prepared in accordance with Texas Education Code Sec. 51.0032.  
Details of individual assets by account furnished upon request.

# PERFORMANCE REPORT

Independent  
advice for  
the institutional  
investor

The University of  
Texas System

Quarter and Fiscal  
Year Ending  
August 31, 2003

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## CONTENTS

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- 1 **Executive Summary**
- 2 **Permanent University Fund**
- 3 **General Endowment Fund**
- 4 **Operating Funds**
- 5 **Appendix**

*All data found in this report has been provided by UTIMCO and Russell Mellon. All rates of return contained in this report are net-of-fees and annualized for time periods greater than one year.*



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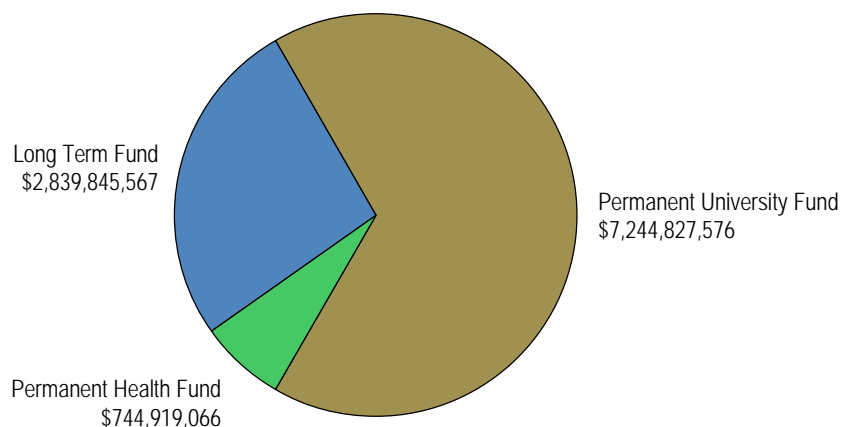
## EXECUTIVE SUMMARY

# EXECUTIVE SUMMARY

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As of August 31, 2003

## ENDOWMENT FUNDS AS OF 8/31/03\*



Permanent University Fund: State endowment fund contributing to the support of 18 institutions and 6 agencies of the University Texas System and the Texas A&M University System

Permanent Health Fund: An internal UT System mutual fund for the pooled investment of state endowment funds for health-related institutions of higher education. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

Long Term Fund: An internal UT System mutual fund for the pooled investment of over 5,000 privately raised endowments and other long-term funds of the 15 component institutions of the UT System. The Fund currently purchases units in the General Endowment Fund in exchange for its contribution of investment assets.

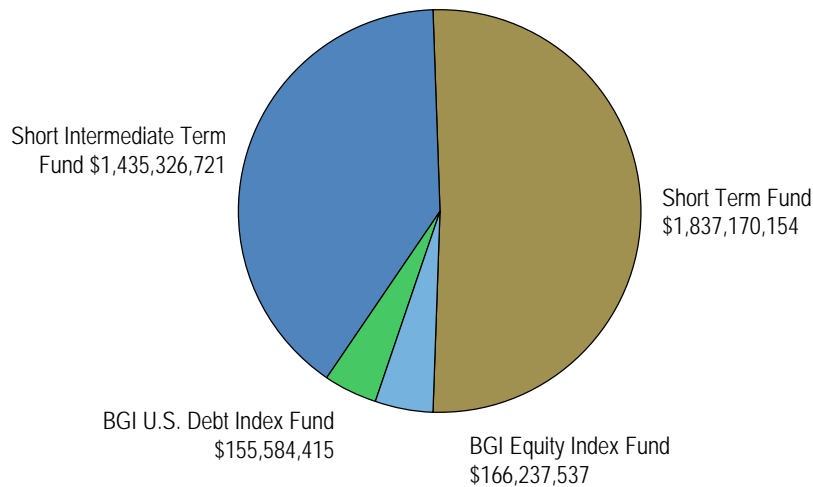
General Endowment Fund: Comprised wholly of the Permanent Health Fund and the Long Term Fund. Both the PHF and LTF purchase units in the General Endowment Fund in exchange for the contribution of investment assets.

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\*Information regarding the UT System's Separately Invested Funds is not provided in this report.

As of August 31, 2003

OPERATING FUNDS AS OF 8/31/03



Short Term Fund (Dreyfus Fund): A money market mutual fund consisting of the working capital and other operating fund balances held by UT System institutions with an investment horizon of less than one year.

Short Intermediate Term Fund: An internal UT System mutual fund for the pooled investment of the operating funds held by UT System institutions with an investment horizon greater than one year and less than five years.

Institutional Index Funds: Consist of index funds for the investment of UT System institutions' permanent working capital and long-term capital reserves.

# EXECUTIVE SUMMARY

As of August 31, 2003

## ENDOWMENT FUNDS RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
<b>Permanent University Fund</b>	<b>5.4%</b>	<b>12.0%</b>	<b>-1.8%</b>	<b>5.4%</b>
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
<b>Long Term Fund</b>	<b>5.4</b>	<b>12.8</b>	<b>-1.5</b>	<b>7.1</b>
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
<b>Permanent Health Fund</b>	<b>5.4</b>	<b>12.6</b>	<b>-1.7</b>	<b>--</b>
Endowment Performance Benchmark**	4.6	12.8	-2.3	--

## OPERATING FUNDS RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
<b>Short Term Fund</b>	<b>0.3%</b>	<b>1.3%</b>	<b>3.1%</b>	<b>4.1%</b>
ML 90-day T-Bill	0.3	1.4	3.1	3.9
<b>Short Intermediate Term Fund</b>	<b>-0.3</b>	<b>1.6</b>	<b>4.7</b>	<b>4.6</b>
Govt. Bond Index	-4.1	3.0	7.9	6.3
<b>BGI U.S. Debt Index Fund</b>	<b>-2.8</b>	<b>4.7</b>	<b>8.3</b>	<b>--</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	--
<b>BGI Equity Index Fund</b>	<b>5.1</b>	<b>12.1</b>	<b>-11.4</b>	<b>--</b>
S&P 500 Index	5.1	12.1	-11.4	--

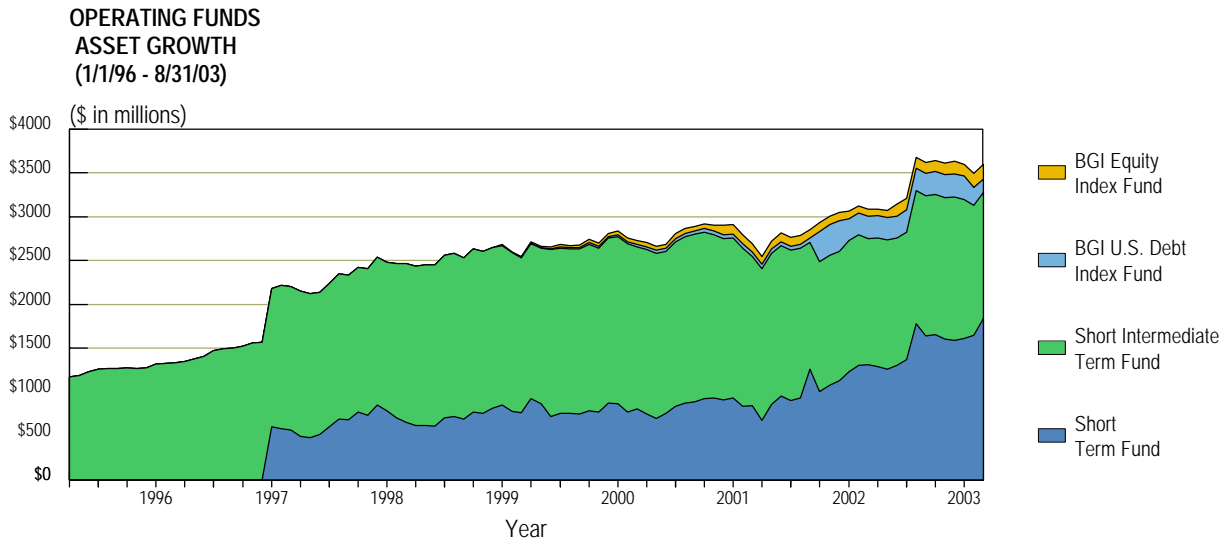
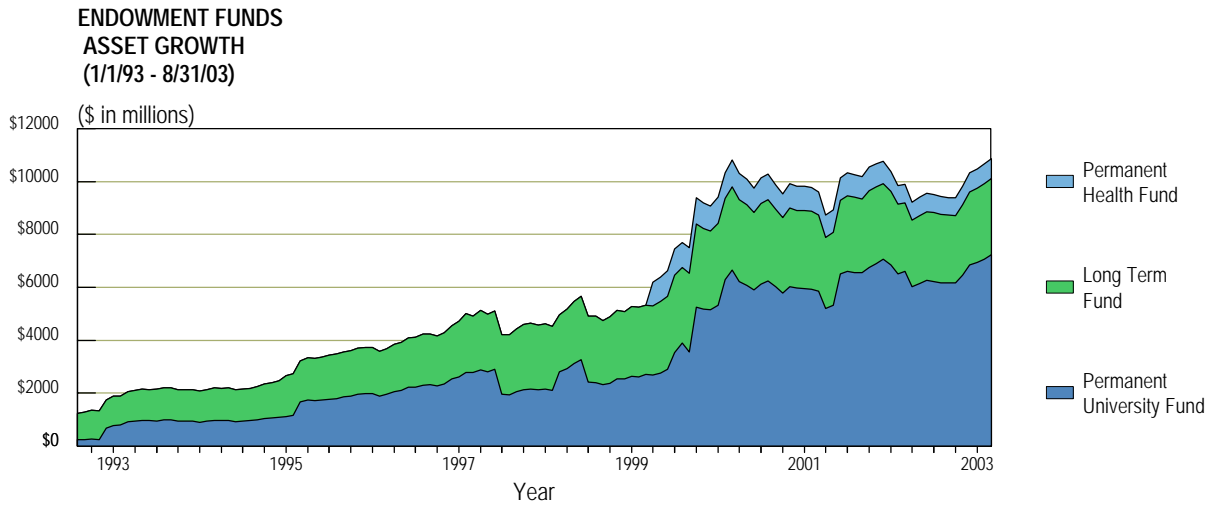
## ENDOWMENT FUNDS PERFORMANCE BENCHMARK

The Endowment Performance Benchmark represents the performance of the UTIMCO Board of Directors approved Endowment Policy Portfolio. The return is the sum of the weighted benchmark returns for each asset class comprising the Endowment Policy Portfolio. Currently, the policy portfolio consists of 31% of the Wilshire 5000, 19% of the MSCI All-Country World ex-U.S. Free, 10% of the UTIMCO Absolute Return Benchmark, 15% of the UTIMCO Private Capital Benchmark, 10% of the UTIMCO Inflation Hedging Benchmark, and 15% of the Lehman Brothers Aggregate Bond Index. The historical composition of the benchmark can be found in Appendix II.

\* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

\*\* Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

As of August 31, 2003



- The allocation growth charts above depict the growth of assets experienced by the endowment and operating funds since data was available.

# EXECUTIVE SUMMARY

As of August 31, 2003

## MAJOR MARKETS' RATES OF RETURN ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03
<b>Wilshire 5000 Stock Index</b>	<b>6.4%</b>	<b>14.9%</b>
<b>MSCI All-Country World Ex-U.S. Free</b>	<b>8.7</b>	<b>12.2</b>
<b>LB Aggregate Bond Index</b>	<b>-2.9</b>	<b>4.4</b>

- The U.S. equity market continued on a steady pace during the fiscal quarter ending August 31 as it advanced 6.4%. Major fighting in Iraq subsided early in the period, business confidence began to rebound, unemployment fell from 6.4% to 6.2% in July, and signals of increased business spending began to emerge in August. Small capitalization stocks outperformed large-cap stocks, while growth stocks outperformed value stocks. The increased confidence gauged by businesses helped spark strong returns in the telecommunication, semiconductor, and industrial sectors.
- Non-U.S. stocks performed better than their U.S. counterparts, advancing 8.7%. Emerging market stocks continued to rally as they advanced nearly 20% during the three-month period. European markets advanced on the tails of positive U.S. optimism as hopes of increased exports aided the industrial and technology sectors. Brazil continued its attempts in reviving its economy as the country's central bank lowered short-term interest rates three times in three months.
- The domestic bond market hit a rough patch in July and declined 2.9% in the fiscal quarter ending August 31. The credit and government bond markets were among the hardest hit as they declined over three and four percent, respectively. Mortgage-backed bonds outperformed the market as the rising rates during July helped slow down pre-payments. High yield bonds continued to perform better than investment grade as they advanced nearly 3% on average. The Federal Reserve lowered the overnight lending rate by 0.25% in June to 1.00%, a level not reached since July 1958. The rate was later left unchanged at 1.00% during a subsequent meeting during August.

\*Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

**PERMANENT UNIVERSITY FUND**



# PERMANENT UNIVERSITY FUND

\$7,245 Million

As of August 31, 2003

## RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Permanent University Fund</b>	<b>5.4%</b>	<b>12.0%</b>	<b>-1.8%</b>	<b>5.4%</b>	<b>8.9%</b>	<b>8/31/91</b>
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9	10.5	
<b>Total U.S. Equity</b>	<b>6.5</b>	<b>13.8</b>	<b>-5.9</b>	<b>5.6</b>	<b>10.2</b>	<b>8/31/91</b>
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	
<b>Total International Equity</b>	<b>11.3</b>	<b>16.3</b>	<b>-10.1</b>	<b>-0.8</b>	<b>4.7</b>	<b>3/31/93</b>
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	
<b>Total Fixed Income</b>	<b>-2.9</b>	<b>6.6</b>	<b>8.3</b>	<b>5.6</b>	<b>9.0</b>	<b>8/31/85</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	8.7	
<b>Total Absolute Return</b>	<b>4.6</b>	<b>21.3</b>	<b>10.5</b>	<b>--</b>	<b>11.9</b>	<b>2/29/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	--	7.7	
<b>Inflation Hedging</b>	<b>9.1</b>	<b>22.2</b>	<b>17.1</b>	<b>--</b>	<b>23.2</b>	<b>11/30/99</b>
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	--	13.0	
<b>Private Capital***</b>	<b>2.8</b>	<b>-6.3</b>	<b>-11.0</b>	<b>3.8</b>	<b>9.5</b>	<b>1/31/89</b>
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- The Permanent University Fund outperformed the Endowment Policy Benchmark by 80 basis points in the fiscal quarter ending August 31, 2003. The U.S. equity, non-U.S. equity, absolute return, and inflation hedging components all outperformed their benchmarks and positively impacted relative performance.
- One-year performance trailed the benchmark as the significant underperformance of the Private Capital component was detrimental to the Total Fund relative result. The component's underperformance offset the positive effects produced by the non-U.S. equity, fixed income, absolute return, and inflation hedging segments.

\* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

\*\* Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

\*\*\* The data for Private Capital and its benchmark reflects time-weighted rates of return. On page 34 we also show returns using the internal rate of return (IRR) methodology. Please see pages 33 and 34 for additional information.

As of August 31, 2003

UTIMCO POLICY COMPLIANCE  
ASSET ALLOCATION AS OF 8/31/03  
(\$ in millions)

	Total	Percent of Total	UTIMCO Policy*	Variance
Passive Domestic	\$ 1,082	14.9 %	11.0 %	+3.9 %
Active Domestic	965	13.3	10.0	+3.3
Hedge & Structured Active Domestic	493	6.8	10.0	-3.2
Domestic Public Equity	\$ 2,540	35.0 %	31.0 %	+4.0 %
Passive International	\$ 500	6.9 %	6.5 %	+0.4 %
Active International	845	11.7	7.5	+4.2
Hedge & Structured Active International	68	0.9	5.0	-4.1
International Public Equity	\$ 1,413	19.5 %	19.0 %	+0.5 %
Fixed Income	\$ 1,033	14.3 %	15.0 %	-0.7 %
Absolute Return	670	9.2	10.0	-0.8
Inflation Hedging	589	8.1	10.0	-1.9
Non-Marketable Securities	845	11.7	15.0	-3.3
GSAM Overlay	79	1.1	--	+1.1
Liquidity Reserve	76	1.1	--	+1.1
Total Permanent University Fund	\$ 7,245	100.0 %	100.0 %	0.0 %

- The table above summarizes and compares the actual asset allocation of the Permanent University Fund to the UTIMCO Board of Directors approved policy targets of the Fund. As shown, the Fund was overweight both domestic and international public equity.

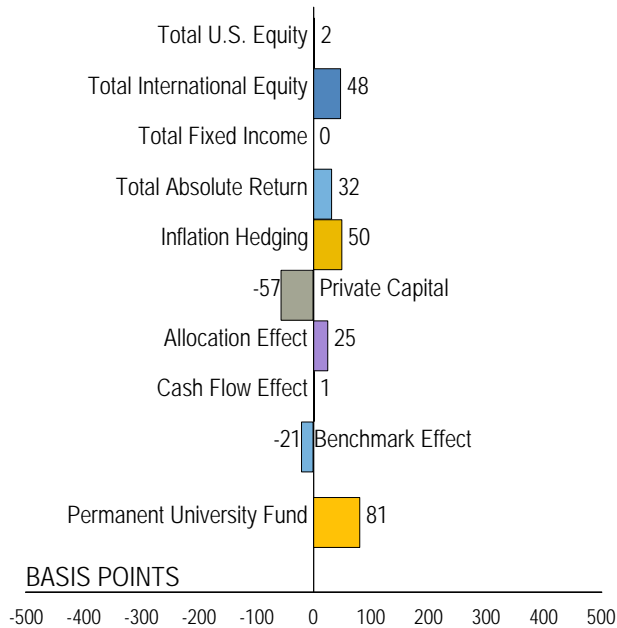
\* UTIMCO Policy represents the UTIMCO Board of Directors approved policy targets.

# PERMANENT UNIVERSITY FUND

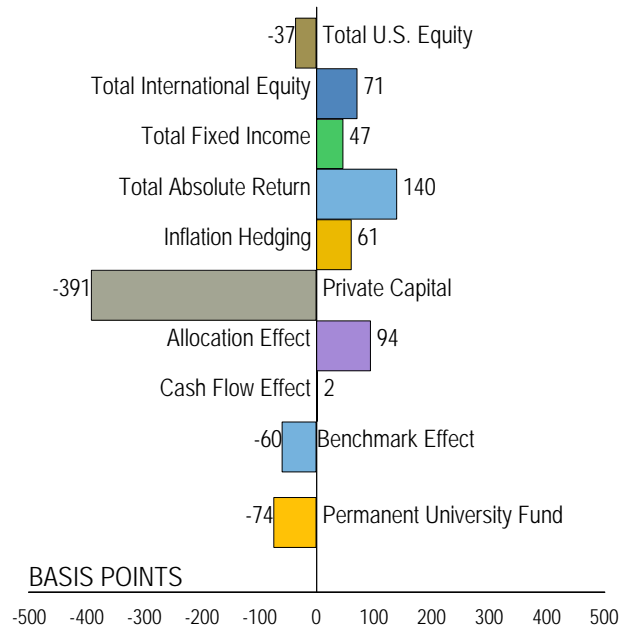
\$7,245 Million

As of August 31, 2003

**TOTAL FUND ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



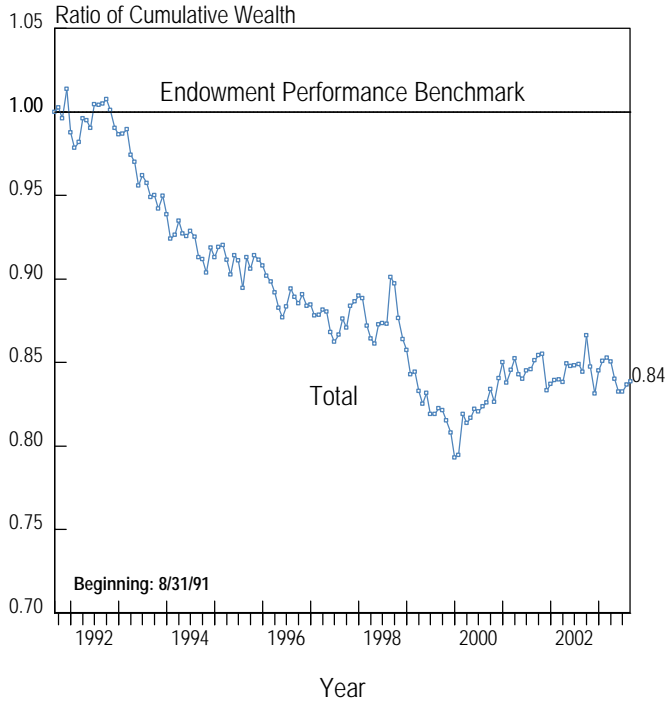
**TOTAL FUND ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



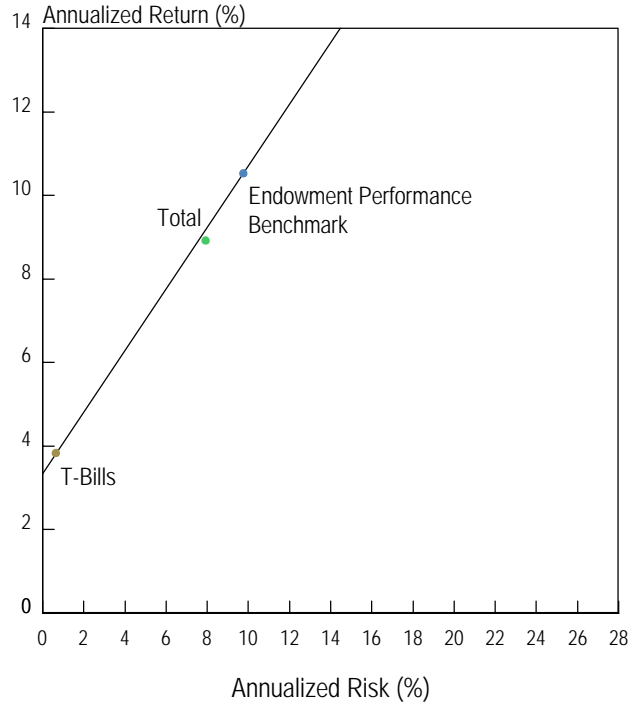
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.
- As shown in the three-month exhibit, the favorable performance earned by each of the marketable-security asset classes benefited performance, collectively offsetting the negative impact produced by the Private Capital component's trailing result. The Permanent University Fund also benefited from the overweight allocation to domestic and international public equities as both markets outpaced the other marketable asset classes invested in by the Fund.
- The one-year attribution analysis shows a similar story; however, the negative impact of the Private Capital component offset the positive effects and led to the underperformance.
- The data for Private Capital and its benchmark reflects time-weighted rates of return.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
12 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
12 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the Total Permanent University Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund underperformed its benchmark since inception 12 years ago. A period of underperformance from 1993-1999 led to the result, but the effect has been tempered by recent improved performance.
- The Risk Return graph above exhibits the risk return characteristics of the Total Permanent University Fund, relative to that of the Performance Benchmark. As shown, the Fund has underperformed its benchmark at a comparatively lower level of risk.

# PERMANENT UNIVERSITY FUND

\$7,245 Million

As of August 31, 2003

## HISTORICAL RETURNS\*

(BY YEAR)

	Permanent University Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.2	7.4	-0.2
1993	10.8	16.5	-5.7
1994	-0.4	2.4	-2.8
1995	26.3	27.0	-0.7
1996	12.7	15.7	-3.0
1997	21.0	20.2	0.8
1998	13.4	17.7	-4.3
1999	9.8	18.7	-8.9
2000	5.5	-1.6	7.1
2001	-6.1	-4.7	-1.4
2002	-7.6	-8.4	0.8
2003 (8 months)	12.9	13.7	-0.8
Trailing 1-Year	12.0%	12.8%	-0.8
Trailing 3-Year	-1.8	-2.3	0.5
Trailing 5-Year	5.4	6.9	-1.5
Trailing 10-Year	8.4	9.8	-1.4
Since Inception (8/31/91)	8.9	10.5	-1.6

- The table above compares the annual return history of the Permanent University Fund to that of its performance benchmark.

\* The annual returns in this exhibit represent calendar-year periods.

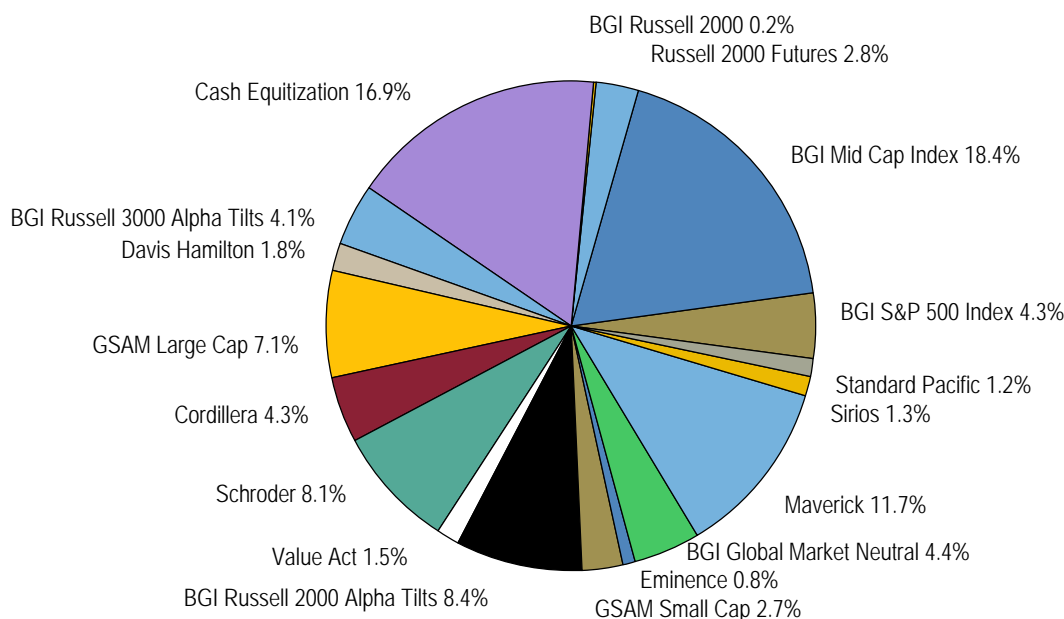
\*\* The Endowment Performance Benchmark represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total U.S. Equity</b>	<b>6.5%</b>	<b>13.8%</b>	<b>-5.9%</b>	<b>5.6%</b>	<b>10.2%</b>	<b>8/31/91</b>
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	

**MANAGER ALLOCATION AS OF 8/31/03**



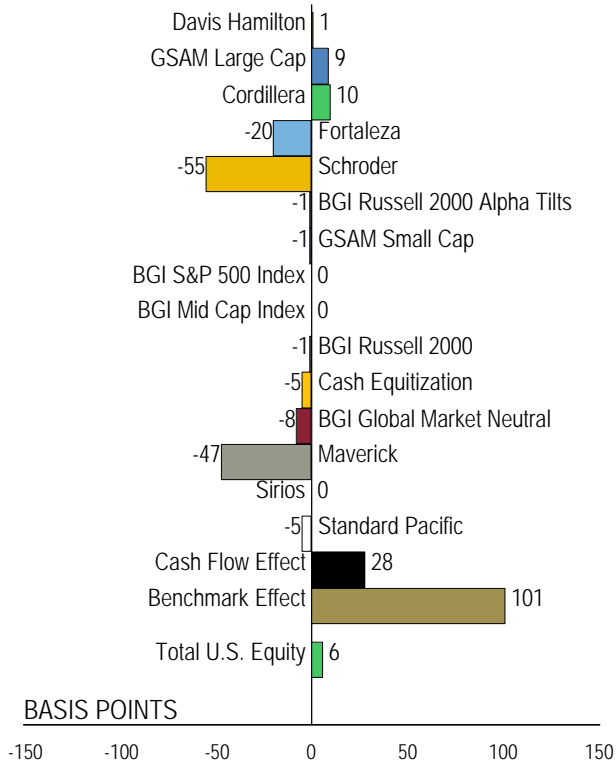
- The table above details the trailing-period performance of the total U.S. equity component relative to the Wilshire 5000 Index. The component has outperformed its benchmark over the three- and five-year periods, and matches its target since inception. One-year performance, however, is below-benchmark due to the underperformance of the component's active managers.
- The graph above details the allocation to each manager of the U.S. equity component as of quarter-end.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

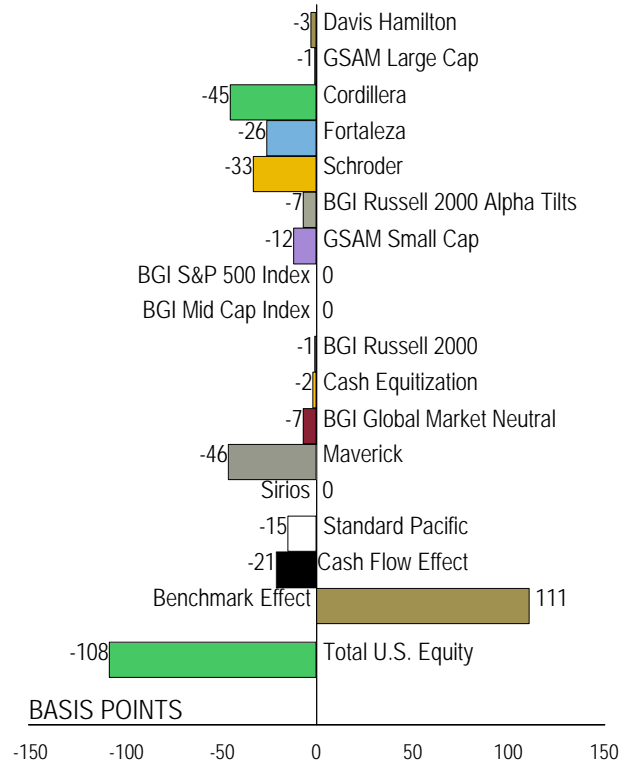
\$2,540 Million

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03



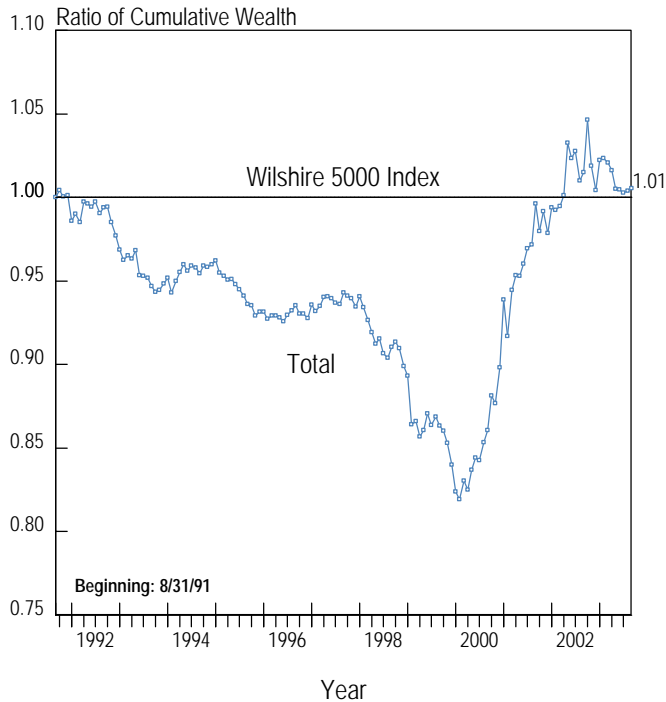
MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03



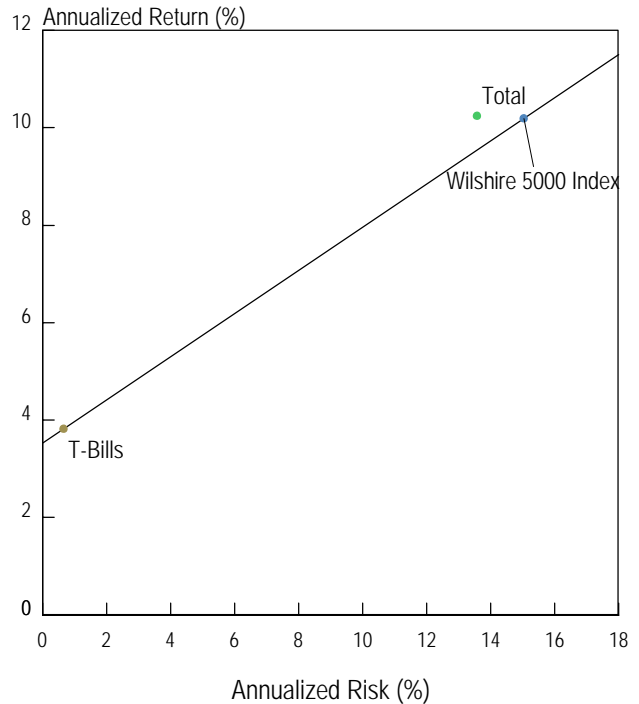
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total U.S. Equity" represents the component's performance relative to the Wilshire 5000 Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.
- As shown in the three-month exhibit, underperformance by the Fortaleza and Schroder small-cap and Maverick hedge fund portfolios was offset by the small capitalization bias of the component. The benchmark effect is a result of this bias during a period of which the small cap market outperformed the overall equity market.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
12 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
12 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of the Wilshire 5000 Index. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, significant relative-performance gains made since the beginning of 2000 have led to the component's outperformance.
- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the Wilshire 5000 Index. As shown, the component slightly outperformed its benchmark while incurring a lower level of risk.



\$2,540 Million

As of August 31, 2003

## HISTORICAL RETURNS\*

(BY YEAR)

	Total U.S. Equity	Wilshire 5000 Index	Return Difference
	Return	Return	
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.3	11.3	-2.0
1994	1.0	-0.1	1.1
1995	32.1	36.4	-4.3
1996	21.7	21.2	0.5
1997	32.0	31.3	0.7
1998	17.2	23.4	-6.2
1999	13.9	23.6	-9.7
2000	1.6	-10.9	12.5
2001	-5.7	-11.0	5.3
2002	-18.6	-20.9	2.3
2003 (8 months)	16.4	18.4	-2.0
Trailing 1-Year	13.8%	14.9%	-1.1
Trailing 3-Year	-5.9	-10.6	4.7
Trailing 5-Year	5.6	3.5	2.1
Trailing 10-Year	10.3	9.6	0.7
Since Inception (8/31/91)	10.2	10.2	0.0

- The table above compares the annual return history of the total U.S. equity component to that of the Wilshire 5000 Index.

\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>BGI S&amp;P 500 Index</b>	<b>5.1%</b>	<b>12.1%</b>	<b>-11.4%</b>	<b>2.5%</b>	<b>10.6%</b>	<b>10/31/92</b>
S&P 500 Index	5.1	12.1	-11.4	2.5	10.6	
<b>BGI Mid Cap Index</b>	<b>9.6</b>	<b>18.4</b>	<b>-0.4</b>	<b>14.4</b>	<b>14.0</b>	<b>11/30/92</b>
S&P 400 Mid Cap Index	9.6	18.4	-0.4	14.3	13.5	
<b>Russell 2000 Futures</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>5.2</b>	<b>6/30/03</b>
Russell 2000 Index	--	--	--	--	11.1	
<b>BGI Russell 2000</b>	<b>12.8</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>16.1</b>	<b>4/30/03</b>
Russell 2000 Index	13.1	--	--	--	25.3	
<b>Cash Equitization</b>	<b>4.9</b>	<b>11.9</b>	<b>--</b>	<b>--</b>	<b>-6.6</b>	<b>2/28/01</b>
S&P 500 Index	5.1	12.1	--	--	-6.5	
<b>Davis Hamilton</b>	<b>5.6</b>	<b>10.8</b>	<b>-12.9</b>	<b>3.7</b>	<b>9.5</b>	<b>12/31/93</b>
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
<b>GSAM Large Cap</b>	<b>6.3</b>	<b>12.1</b>	<b>-11.0</b>	<b>--</b>	<b>-6.7</b>	<b>2/29/00</b>
S&P 500 Index	5.1	12.1	-11.4	--	-7.0	
<b>Cordillera</b>	<b>19.8</b>	<b>20.4</b>	<b>-16.4</b>	<b>13.2</b>	<b>9.9</b>	<b>12/31/93</b>
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	4.6	
<b>Schroder</b>	<b>6.2</b>	<b>22.7</b>	<b>2.3</b>	<b>11.1</b>	<b>10.9</b>	<b>12/31/93</b>
Russell 2000 Index	13.1	29.1	-1.2	9.5	8.5	
<b>BGI Russell 2000 Alpha Tilts</b>	<b>13.0</b>	<b>27.0</b>	<b>--</b>	<b>--</b>	<b>4.1</b>	<b>12/31/01</b>
Russell 2000 Index	13.1	29.1	--	--	2.5	
<b>GSAM Small Cap</b>	<b>12.9</b>	<b>24.5</b>	<b>2.4</b>	<b>--</b>	<b>1.7</b>	<b>2/29/00</b>
Russell 2000 Index	13.1	29.1	-1.2	--	-2.9	
<b>Eminence</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-2.0</b>	<b>6/30/03</b>
90-Day T-Bill + 4%	--	--	--	--	0.8	
<b>BGI Global Market Neutral</b>	<b>3.4</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>11.5</b>	<b>12/31/02</b>
S&P 500 Index	5.1	--	--	--	15.9	
<b>Maverick</b>	<b>-2.3</b>	<b>2.7</b>	<b>9.1</b>	<b>--</b>	<b>11.3</b>	<b>2/29/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	--	7.7	
<b>Sirios</b>	<b>1.1</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>3.6</b>	<b>4/30/03</b>
90-Day T-Bill + 4%	1.3	--	--	--	1.7	
<b>Standard Pacific</b>	<b>-2.7</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-6.8</b>	<b>1/31/03</b>
90-Day T-Bill + 4%	1.3	--	--	--	3.1	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

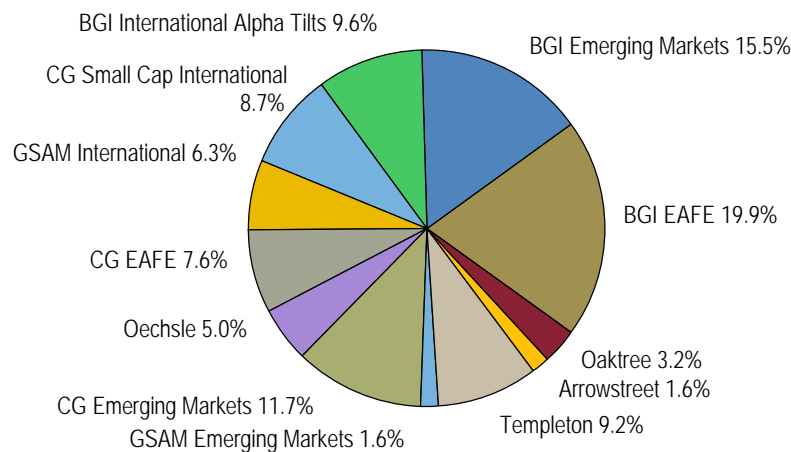
\$1,413 Million

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total International Equity</b>	<b>11.3%</b>	<b>16.3%</b>	<b>-10.1%</b>	<b>-0.8%</b>	<b>4.7%</b>	<b>3/31/93</b>
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	

**MANAGER ALLOCATION AS OF 8/31/03**

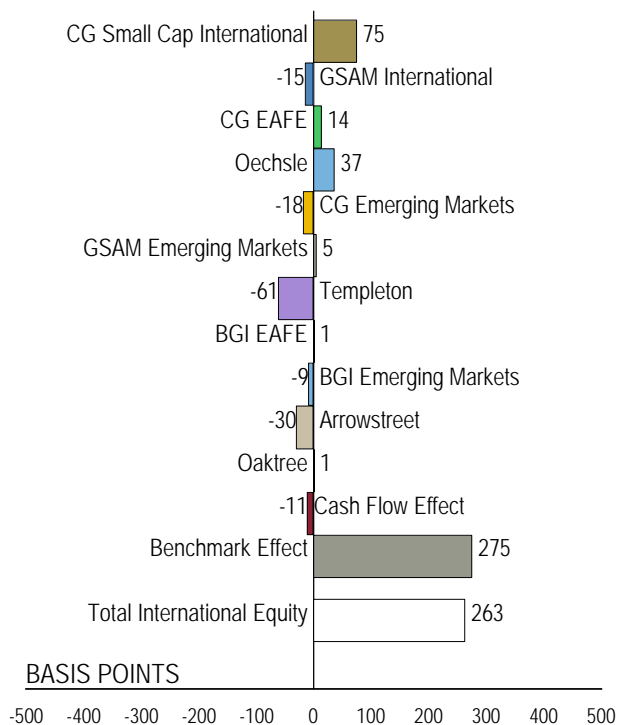


- The table above details the trailing-period performance of the total non-U.S. equity component relative to the MSCI All-Country World ex-U.S. Index. The component has outperformed its benchmark over the one-year and since-inception periods. Outperformance over the past fiscal quarter and one-year period has partly been a result of the component's emerging market exposure as these markets have significantly outperformed their developed counterparts. Relative performance earned by the emerging market managers, however, has been mixed.
- The graph above details the allocation to each manager of the non-U.S. equity component as of quarter-end.

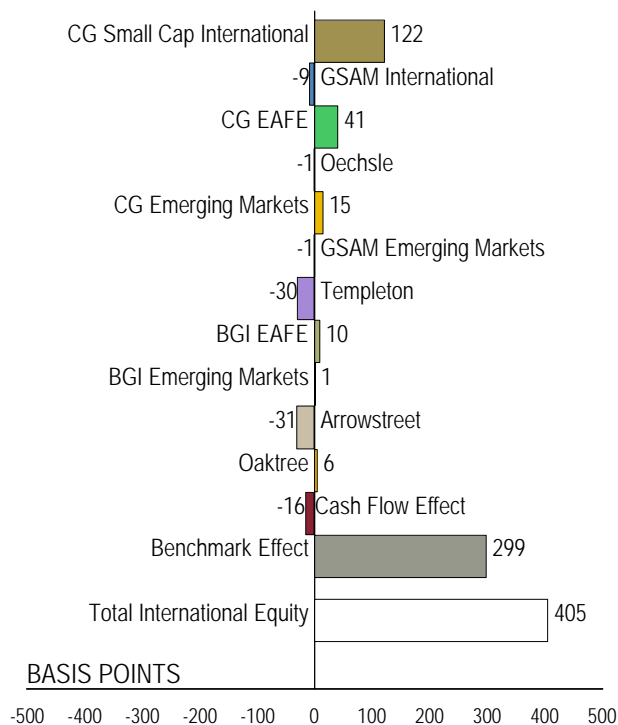
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**

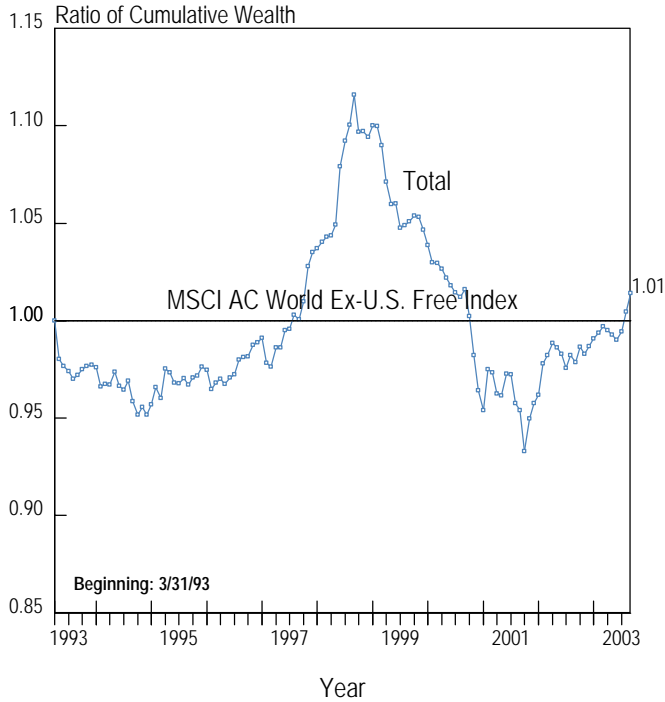


- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total International Equity" represents the component's relative performance to the MSCI All-Country World ex-U.S. Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the international equity benchmark.
- As shown in both exhibits, manager results have been mixed. The Capital Guardian Small Cap International portfolio has performed best relative to its benchmark. The benchmark effect is a result of the significant emerging market exposure of the component not represented in its benchmark during a period of which these markets outperformed developed markets by a significant margin.

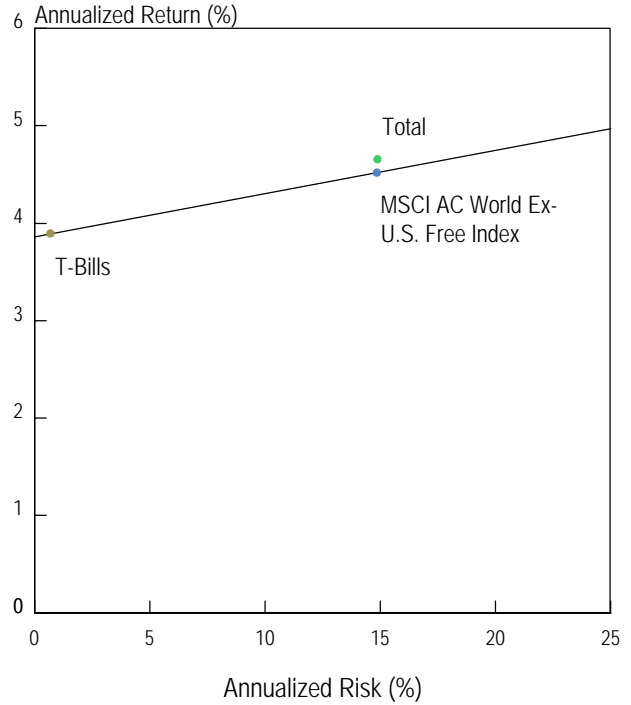
\$1,413 Million

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
10 YEARS 5 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
10 YEARS 5 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the international equity component's cumulative performance relative to that of MSCI All-Country World ex-U.S. Index. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has outperformed its benchmark after a period of significant underperformance from 1998-2000.
- The Risk Return graph above exhibits the risk return characteristics of the total international equity component, relative to that of the MSCI All-Country World ex-U.S. Index. As shown, the component has slightly outperformed its benchmark while incurring a similar level of risk.

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Total International Equity	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	18.0%	21.0%	-3.0
1994	4.6	6.6	-2.0
1995	12.0	9.9	2.1
1996	8.5	6.7	1.8
1997	6.8	2.0	4.8
1998	21.4	14.5	6.9
1999	23.6	30.9	-7.3
2000	-22.0	-15.1	-6.9
2001	-18.8	-19.5	0.7
2002	-12.1	-14.7	2.6
2003 (8 months)	20.2	17.5	2.7
Trailing 1-Year	16.3%	12.2%	4.1
Trailing 3-Year	-10.1	-10.0	-0.1
Trailing 5-Year	-0.8	1.1	-1.9
Trailing 10-Year	3.3	2.8	0.5
Since Inception (3/31/93)	4.7	4.5	0.2

- The table above compares the annual return history of the international equity component to that of the MSCI All-Country World ex-U.S. Index.

\* The annual returns in this exhibit represent calendar-year periods.

\$1,413 Million

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>BGI EAFE</b>	<b>7.5%</b>	<b>9.4%</b>	<b>-10.6%</b>	<b>-0.9%</b>	<b>4.6%</b>	<b>3/31/93</b>
EAFE Index	7.4	9.1	-11.1	-0.7	4.1	
<b>BGI Emerging Markets</b>	<b>19.0</b>	<b>30.9</b>	--	--	<b>11.2</b>	<b>1/31/02</b>
MSCI Emerging Markets Free Net	19.8	28.9	--	--	11.7	
<b>CG Small Cap International</b>	<b>16.3</b>	<b>22.5</b>	<b>-13.9</b>	--	<b>-13.2</b>	<b>2/29/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>GSAM International</b>	<b>5.2</b>	<b>8.5</b>	<b>-12.2</b>	--	<b>-11.9</b>	<b>2/29/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>CG EAFE</b>	<b>9.2</b>	<b>14.0</b>	<b>-11.3</b>	--	<b>-10.2</b>	<b>7/31/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>Oechsle</b>	<b>14.9</b>	<b>10.1</b>	<b>-13.5</b>	--	<b>-13.3</b>	<b>7/31/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>CG Emerging Markets</b>	<b>18.1</b>	<b>29.9</b>	<b>-5.5</b>	--	<b>-4.7</b>	<b>7/31/00</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
<b>GSAM Emerging Markets</b>	<b>22.9</b>	<b>29.5</b>	<b>-2.8</b>	--	<b>-6.1</b>	<b>2/29/00</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-5.7	
<b>Templeton</b>	<b>12.9</b>	<b>26.6</b>	<b>0.2</b>	--	<b>0.7</b>	<b>7/31/00</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
<b>Arrowstreet</b>	<b>-12.5</b>	--	--	--	<b>-12.5</b>	<b>5/31/03</b>
90-Day T- Bill + 4%	1.3	--	--	--	1.3	
<b>Oaktree</b>	<b>1.5</b>	<b>7.6</b>	--	--	<b>8.8</b>	<b>12/31/01</b>
90-Day T- Bill + 4%	1.3	5.5	--	--	5.7	

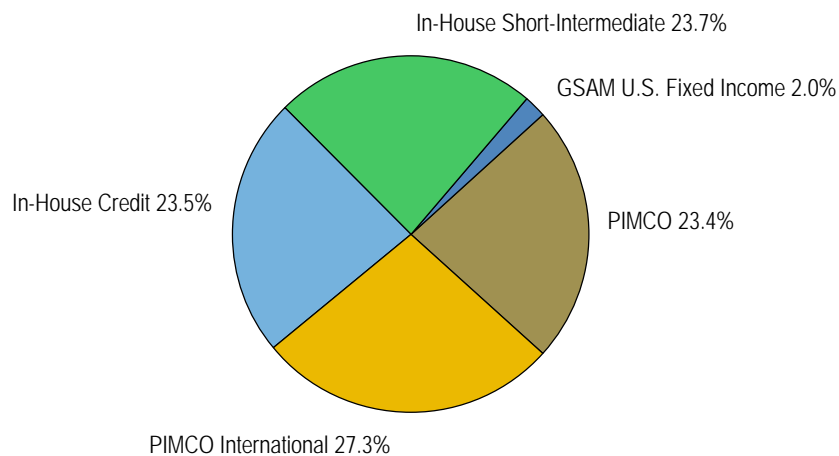
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total Fixed Income</b>	<b>-2.9%</b>	<b>6.6%</b>	<b>8.3%</b>	<b>5.6%</b>	<b>9.0%</b>	<b>8/31/85</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	8.7	

**MANAGER ALLOCATION AS OF 8/31/03**



- The table above details the trailing-period performance of the total fixed income component relative to the Lehman Brothers Aggregate Bond Index. The component has outperformed its benchmark over the one-year, three-year, and since-inception periods. Outperformance over the one-year period has been aided by the component's international market exposure as these markets have significantly outperformed the domestic market.
- The graph above details the allocation to each manager of the fixed income component as of quarter-end.

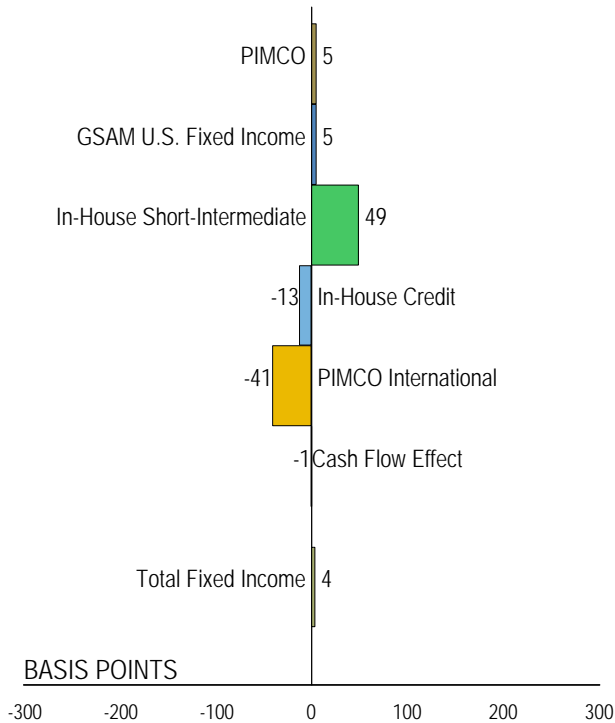
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.



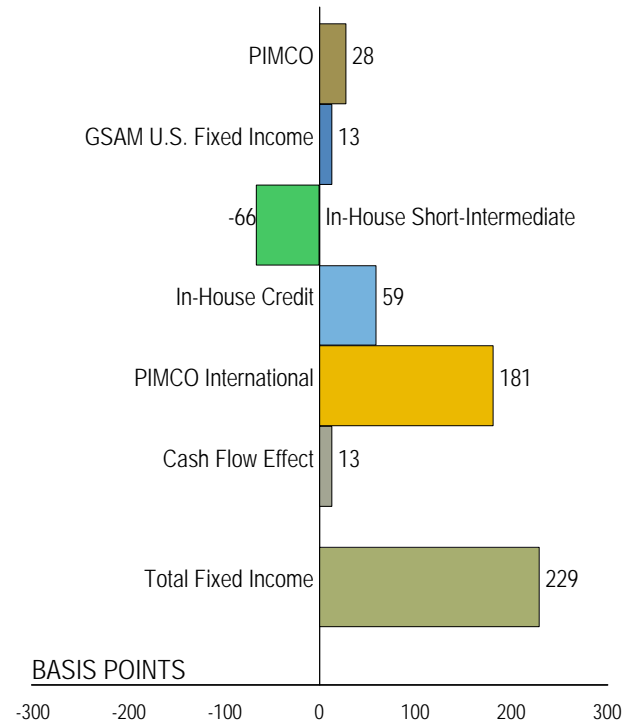
\$1,033 Million

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



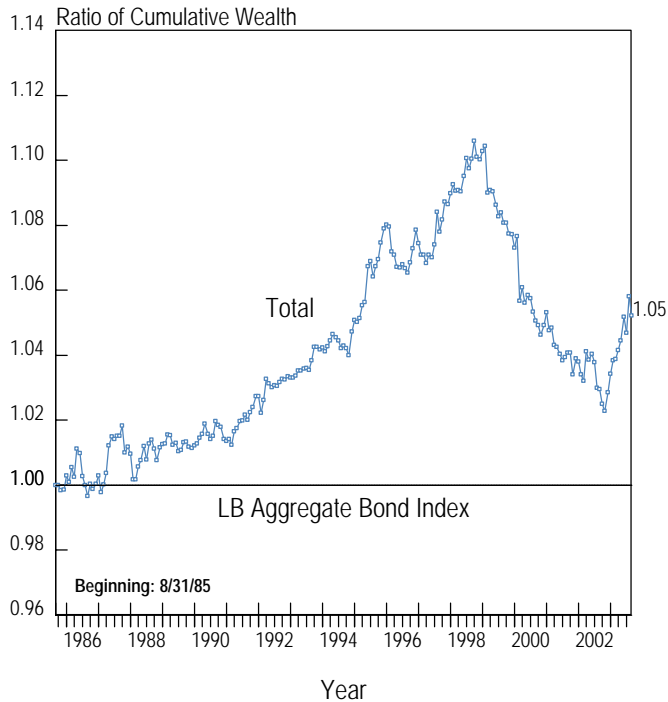
**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



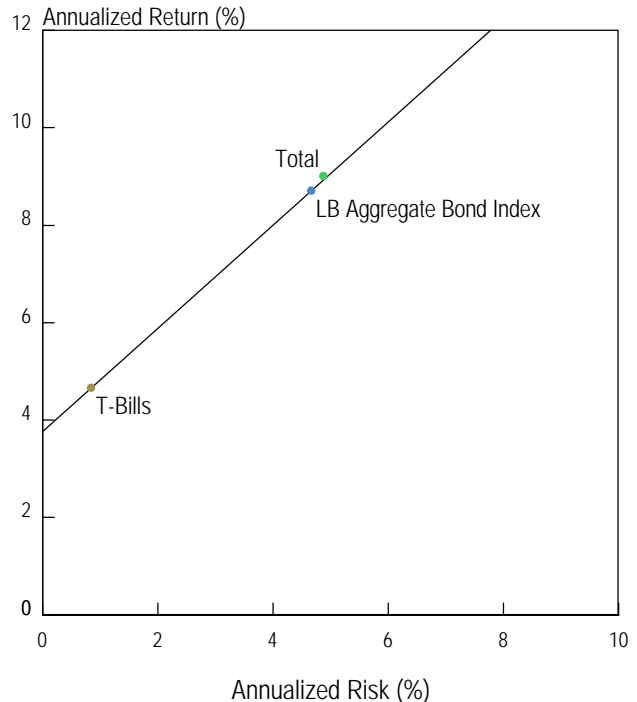
- The Performance Attribution shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
18 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
18 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the fixed income component's return exceeded that of the benchmark until 1999, then experienced a period of underperformance until the end of 2002. Recent outperformance has resulted in increased value-added relative to the Lehman Aggregate Bond Index since inception.
- The Risk Return graph above exhibits the risk return characteristics of the total fixed income component, relative to those of the performance benchmark. As shown, the component has generated a slightly higher rate of return than the Index while incurring a slightly higher level of risk.

**\$1,033 Million**

**As of August 31, 2003**

**HISTORICAL RETURNS\***

(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1985 (4 months)	8.7%	8.4%	0.3
1986	15.3	15.3	0.0
1987	3.5	2.8	0.7
1988	8.2	7.9	0.3
1989	14.5	14.5	0.0
1990	9.1	9.0	0.1
1991	17.6	16.0	1.6
1992	8.0	7.4	0.6
1993	10.7	9.7	1.0
1994	-2.1	-2.9	0.8
1995	21.8	18.5	3.3
1996	3.1	3.6	-0.5
1997	11.2	9.7	1.5
1998	10.0	8.7	1.3
1999	-3.5	-0.8	-2.7
2000	9.6	11.6	-2.0
2001	6.9	8.4	-1.5
2002	9.9	10.3	-0.4
2003 (8 months)	2.8	1.1	1.7
Trailing 1-Year	6.6%	4.4%	2.2
Trailing 3-Year	8.3	8.2	0.1
Trailing 5-Year	5.6	6.6	-1.0
Trailing 10-Year	6.8	6.7	0.1
Since Inception (8/31/85)	9.0	8.7	0.3

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>PIMCO</b>	<b>-2.7%</b>	<b>5.6%</b>	<b>9.2%</b>	<b>9.7%</b>	<b>1/31/00</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	8.8	
<b>GSAM U.S. Fixed Income</b>	<b>-2.3</b>	<b>6.2</b>	<b>8.3</b>	<b>8.7</b>	<b>2/29/00</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	8.7	
<b>In-House Short- Intermediate</b>	<b>-0.7</b>	<b>1.8</b>	<b>6.4</b>	<b>7.4</b>	<b>1/31/00</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	8.8	
<b>In-House Credit</b>	<b>-3.5</b>	<b>7.0</b>	<b>--</b>	<b>6.6</b>	<b>1/31/01</b>
LB Aggregate Bond Index	-2.9	4.4	--	6.9	
<b>PIMCO International</b>	<b>-4.5</b>	<b>13.2</b>	<b>8.8</b>	<b>6.8</b>	<b>2/29/00</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	8.7	
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	6.7	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

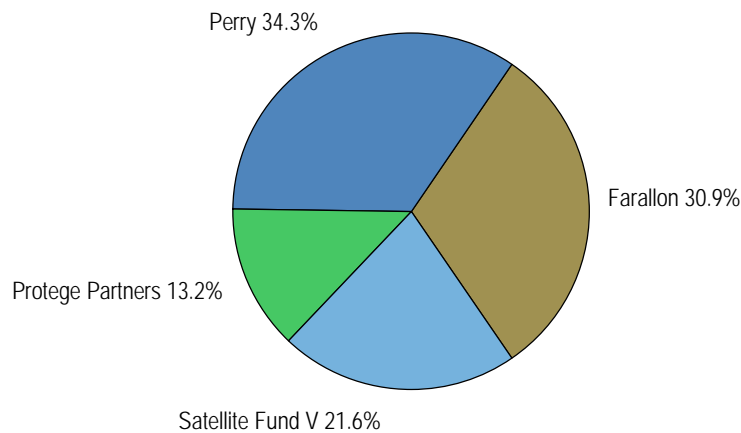
\$670 Million

**As of August 31, 2003**

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total Absolute Return</b>	<b>4.6%</b>	<b>21.3%</b>	<b>10.5%</b>	<b>11.9%</b>	<b>2/29/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	

**MANAGER ALLOCATION AS OF 8/31/03**

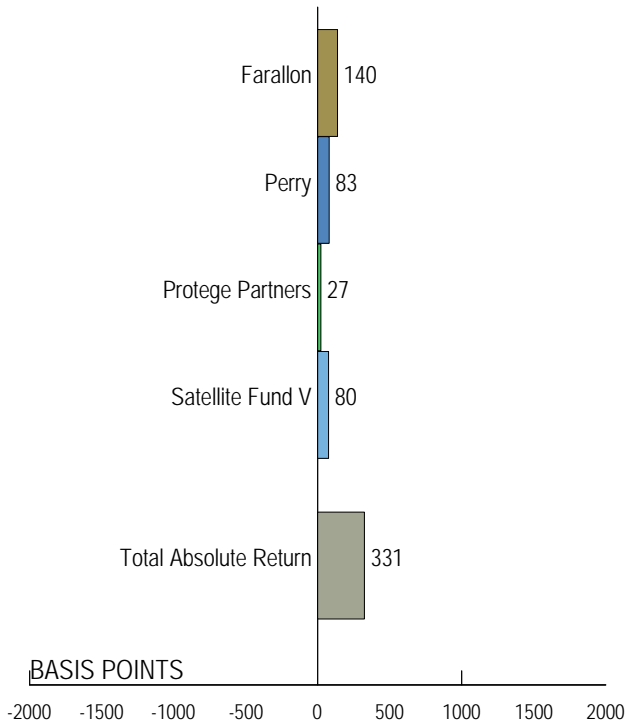


- The total absolute return component outperformed in the recent fiscal quarter as each of the managers earned a return exceeding that of the benchmark during the period. Longer-term performance shown above is also favorable as the component outperformed its benchmark by over four percentage points since inception.
- The graph above details the allocation to each manager of the absolute return component as of quarter-end.

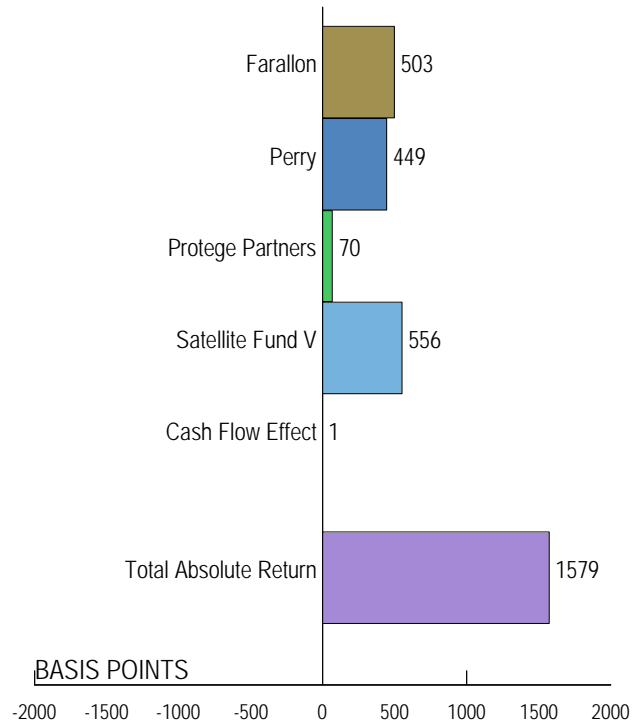
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03



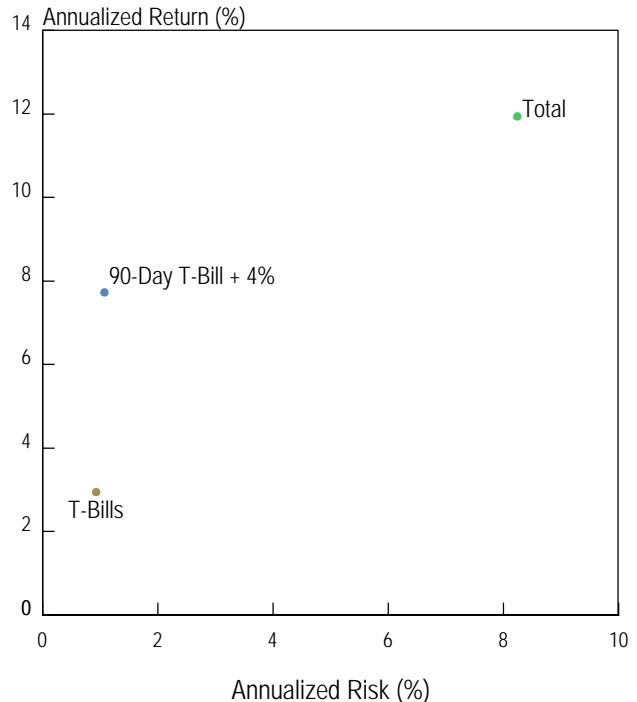
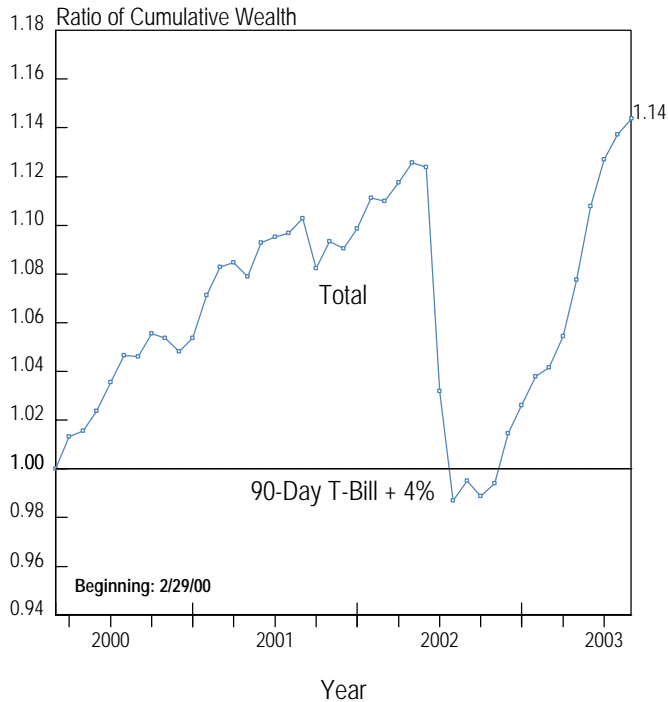
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Absolute Return" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

**\$670 Million**

**As of August 31, 2003**

**RATIO OF CUMULATIVE WEALTH  
3 YEARS 6 MONTHS ENDING 8/31/03**

**ANNUALIZED RISK/RETURN  
3 YEARS 6 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has experienced a significant relative-performance gain since mid-2002 and leads its benchmark since inception.
- The Risk Return graph above exhibits the risk return characteristics of the total absolute return component, relative to that of its performance benchmark. As shown, the component has outperformed its benchmark since inception, while incurring a significantly greater level of risk.

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Total Absolute Return	90-Day T-Bill + 4%	Return Difference
	Return	Return	
2000 (10 months)	14.6%	8.8%	5.8
2001	13.3	8.7	4.6
2002	-1.0	6.0	-7.0
2003 (8 months)	15.4	3.5	11.9
Trailing 1-Year	21.3%	5.5%	15.8
Trailing 3-Year	10.5	7.3	3.2
Since Inception (2/29/00)	11.9	7.7	4.2

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

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\* The annual returns in this exhibit represent calendar-year periods.



# ABSOLUTE RETURN HEDGE FUNDS SUMMARY      PERMANENT UNIVERSITY FUND

\$670 Million

As of August 31, 2003

## RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>Farallon</b>	<b>5.9%</b>	<b>21.0%</b>	<b>12.5%</b>	<b>12.8%</b>	<b>2/29/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	
<b>Perry</b>	<b>3.7</b>	<b>17.3</b>	<b>12.7</b>	<b>14.2</b>	<b>2/29/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	7.7	
<b>Protege Partners</b>	<b>3.4</b>	--	--	<b>7.8</b>	<b>2/28/03</b>
90-Day T-Bill + 4%	1.3	--	--	2.6	
<b>Satellite Fund V</b>	<b>5.0</b>	<b>31.4</b>	<b>5.5</b>	<b>5.5</b>	<b>8/31/00</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	7.3	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Private Capital</b>	<b>2.8%</b>	<b>-6.3%</b>	<b>-11.0%</b>	<b>3.8%</b>	<b>9.5%</b>	<b>1/31/89</b>
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- As shown in the table above, Private Capital has underperformed its performance benchmark over all periods shown. The component's return lagged its benchmark by over twenty-five percentage points in the recent fiscal year and trails its benchmark by nearly six percentage points since inception.
- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash flows and a beginning and ending market value. The internal rates of return for the Private Capital component are shown in the table on the following page. Each return shown represents a since-inception return ending at a given fiscal year-end. For example, the 10.5% return shown for 2003 corresponds to a 10.5% annualized IRR for the since-inception period ending at fiscal year-end 2003.
- The benchmark results shown represent the return (IRR) earned on the actual cash flows experienced in the Private Capital portfolio, had they been invested in the Wilshire 5000 Index plus 4% annually.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

\$845 Million

As of August 31, 2003

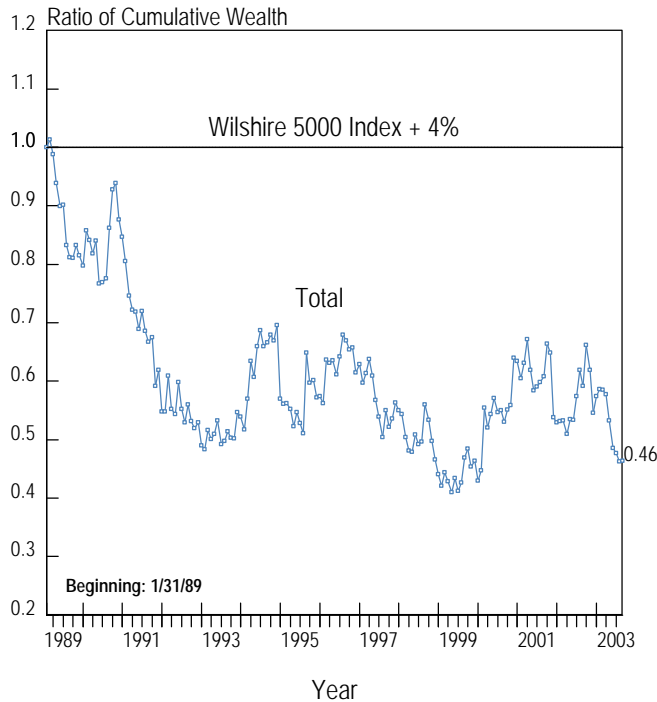
HISTORICAL RETURNS  
 PUF SINCE INCEPTION IRR  
 FISCAL YEAR ENDING 8/31/03

Fiscal Year Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
1989	22.2 %	46.2 %	-24.0 %
1990	-5.1	-3.8	-1.3
1991	6.6	17.0	-10.4
1992	-3.9	13.3	-17.4
1993	2.3	15.4	-13.1
1994	12.9	12.7	0.2
1995	18.2	14.5	3.7
1996	20.5	15.1	5.4
1997	20.1	18.0	2.1
1998	18.5	15.6	2.9
1999	19.0	18.7	0.3
2000	22.3	19.2	3.1
2001	17.8	12.2	5.6
2002	13.0	8.0	5.0
2003	10.5	9.3	1.2

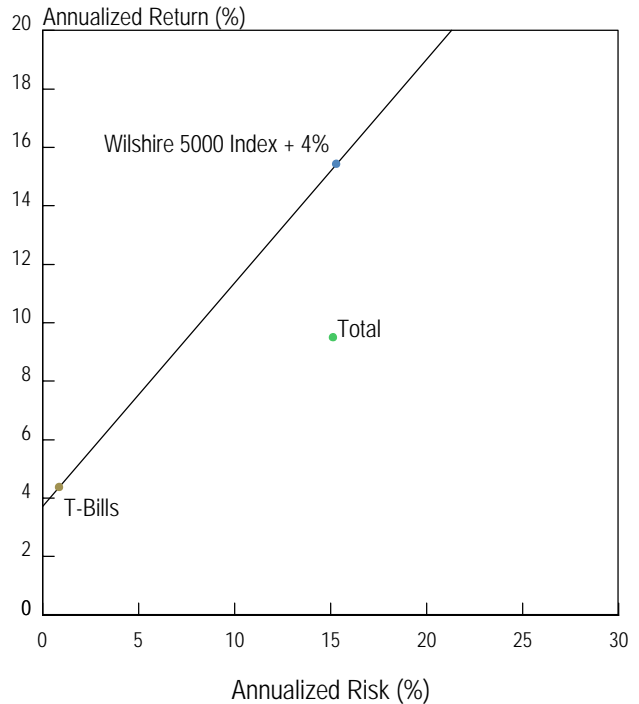
- The IRRs shown in the table above were provided by UTIMCO, as with all other data shown in this report.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
14 YEARS 7 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
14 YEARS 7 MONTHS ENDING 8/31/03**



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital securities component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the component has significantly underperformed since inception. A sizeable portion of the underperformance is a result of below-benchmark returns earned early in the component's life (namely 1990-1991).
- The Risk Return graph above exhibits the risk return characteristics of the private capital component, relative to that of its benchmark. As shown, the component has underperformed the benchmark of the Wilshire 5000 +4% while incurring a similar level of risk.

\$845 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Private Capital	Wilshire 5000 Index + 4%	Return Difference
	Return	Return	
1989 (11 months)	0.0%	25.4%	-25.4
1990	3.6	-2.3	5.9
1991	-9.7	39.5	-49.2
1992	1.4	13.4	-12.0
1993	27.4	15.8	11.6
1994	9.9	4.0	5.9
1995	43.0	41.9	1.1
1996	37.9	26.1	11.8
1997	19.4	36.5	-17.1
1998	2.8	28.4	-25.6
1999	25.6	28.5	-2.9
2000	36.8	-7.2	44.0
2001	-22.6	-7.3	-15.3
2002	-10.6	-17.6	7.0
2003 (8 months)	-1.8	21.5	-23.3
Since 5/31/03	2.8%	7.5%	-4.7
Trailing 1-Year	-6.3	19.5	-25.8
Trailing 3-Year	-11.0	-7.0	-4.0
Trailing 5-Year	3.8	7.7	-3.9
Trailing 10-Year	12.9	14.1	-1.2

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of the private capital component relative to its performance benchmark.

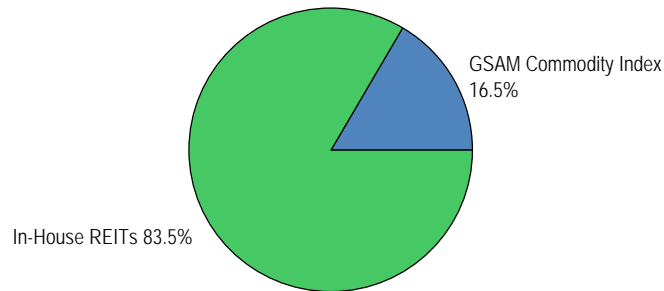
\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>Inflation Hedging</b>	<b>9.1%</b>	<b>22.2%</b>	<b>17.1%</b>	<b>23.2%</b>	<b>11/30/99</b>
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	13.0	

**MANAGER ALLOCATION AS OF 8/31/03**



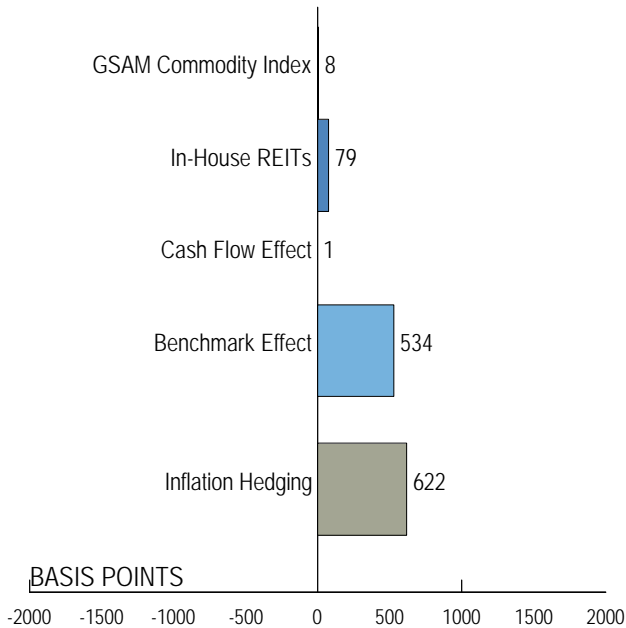
- The total inflation hedging component's return exceeded the performance of the benchmark over all time-periods shown above. The asset class component has outperformed its benchmark by over ten percentage points since inception.
- The graph above details the manager allocations of the inflation hedging asset class as of quarter-end.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

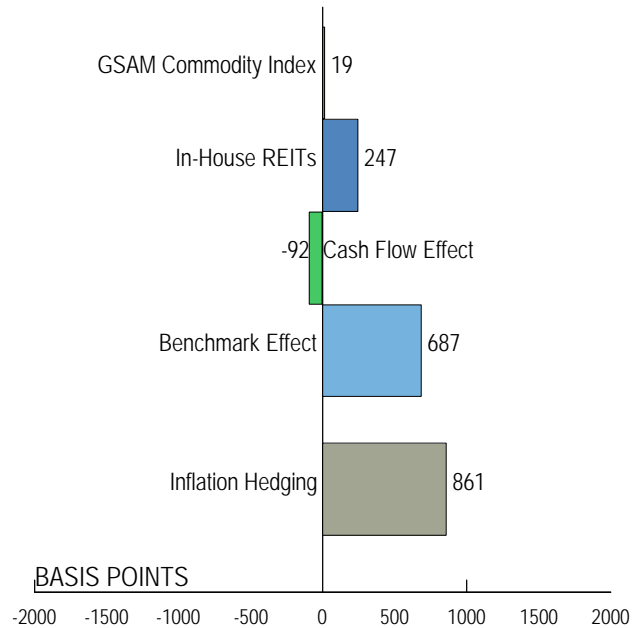
\$589 Million

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



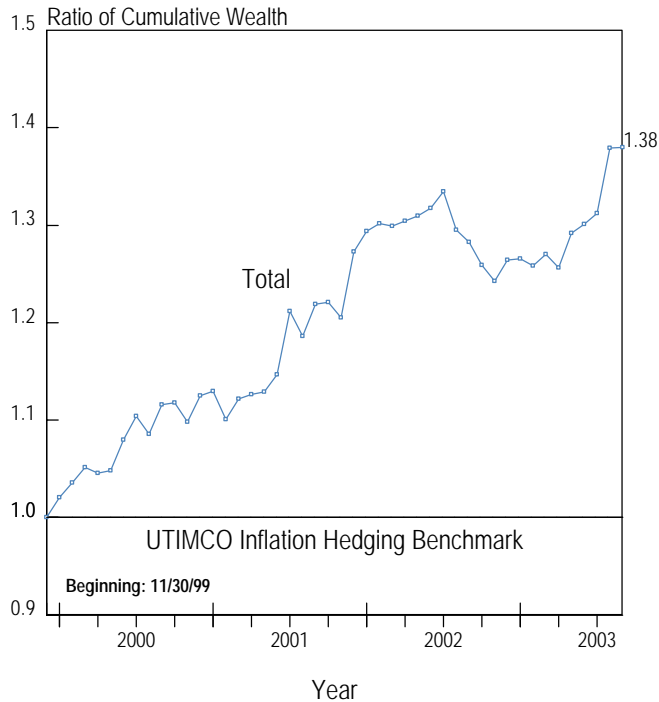
**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



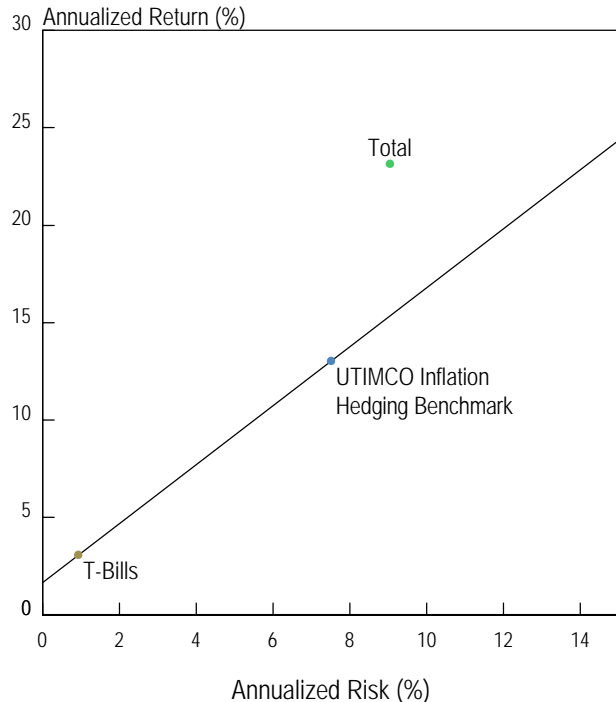
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Inflation Hedging" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the UTIMCO inflation hedging benchmark.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
3 YEARS 9 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
3 YEARS 9 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the inflation hedging component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the total inflation hedging component has significantly outperformed its benchmark since inception.
- The Risk Return graph above exhibits the risk return characteristics of the total inflation hedging component, relative to that of its performance benchmark. As shown, the component has outperformed while incurring a slightly higher level of risk.



\$589 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Inflation Hedging	UTIMCO Inflation Hedging Benchmark	Return Difference
	Return	Return	
1999 (1 month)	4.1%	2.0%	2.1
2000	39.5	26.0	13.5
2001	11.8	-2.5	14.3
2002	11.4	13.9	-2.5
2003 (8 months)	20.8	10.9	9.9
Since 5/31/03	9.1%	2.9%	6.2
Trailing 1-Year	22.2	13.6	8.6
Trailing 3-Year	17.1	9.1	8.0
Since Inception (11/30/99)	23.2	13.0	10.2

- The table above compares the annual return history of the inflation hedging component to that of the performance benchmark.

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\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>GSAM Commodity Index</b>	<b>5.3%</b>	<b>21.7%</b>	<b>--%</b>	<b>27.1%</b>	<b>3/31/02</b>
Goldman Sachs Commodity Index - 1%	4.8	20.8	--	19.2	
<b>In-House REITs</b>	<b>9.9</b>	<b>21.1</b>	<b>15.8</b>	<b>19.3</b>	<b>11/30/99</b>
Wilshire Real Estate Securities Index	9.0	17.3	14.1	18.1	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

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**GENERAL ENDOWMENT FUND**

# GENERAL ENDOWMENT FUND

\$3,585 Million

As of August 31, 2003

## RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03
<b>General Endowment Fund</b>	<b>5.5%</b>	<b>12.8%</b>	<b>-1.4%</b>	<b>7.1%</b>
Endowment Performance Benchmark**	4.6	12.8	-2.3	6.9
<b>Total U.S. Equity</b>	<b>6.5</b>	<b>13.8</b>	<b>-6.8</b>	<b>6.4</b>
Wilshire 5000 Index	6.4	14.9	-10.6	3.5
<b>Total International Equity</b>	<b>11.3</b>	<b>16.3</b>	<b>-10.0</b>	<b>1.0</b>
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1
<b>Total Fixed Income</b>	<b>-3.0</b>	<b>7.1</b>	<b>8.3</b>	<b>6.4</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6
<b>Total Absolute Return</b>	<b>4.6</b>	<b>21.3</b>	<b>11.3</b>	<b>11.7</b>
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1
<b>Inflation Hedging</b>	<b>9.1</b>	<b>22.1</b>	<b>17.2</b>	<b>--</b>
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	--
<b>Private Capital***</b>	<b>1.6</b>	<b>-6.6</b>	<b>-11.2</b>	<b>3.6</b>
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7

- The General Endowment Fund's performance exceeded that of its benchmark during the fiscal quarter ending August 31 by 0.9 percentage points. Strong performance by the U.S. equity and non-U.S. equity asset classes, as well as the absolute return and inflation hedging asset classes contributed to the positive relative performance.
- The Fund's fiscal year performance, ending August 31, matched that of the benchmark. The U.S. equity and private capital asset classes detracted from relative performance, while the non-U.S. equity, fixed income, absolute return and inflation hedging asset classes contributed positively to relative performance.

\* Time-period represents the total return for the fiscal fourth quarter ending 8/31/03.

\*\* Performance represents the UTIMCO Board of Directors approved Endowment Policy Portfolio.

\*\*\* The data for Private Capital and its benchmark reflects time-weighted rates of return. On page 70 we also show returns using the internal rate of return (IRR) methodology. Please see pages 69 and 70 for additional information.

# GENERAL ENDOWMENT FUND

\$3,585 Million

As of August 31, 2003

**UTIMCO POLICY COMPLIANCE  
ASSET ALLOCATION AS OF 8/31/03  
(\$ in millions)**

	Total	Percent of Total	UTIMCO Policy*	Variance
Passive Domestic	\$ 508	14.2 %	11.0 %	+3.2 %
Active Domestic	497	13.9	10.0	+3.9
Hedge & Structured Active Domestic	269	7.5	10.0	-2.5
Domestic Public Equity	\$ 1,274	35.5 %	31.0 %	+4.5 %
Passive International	\$ 286	8.0 %	6.5 %	+1.5 %
Active International	432	12.1	7.5	+4.6
Hedge & Structured Active International	35	1.0	5.0	-4.0
International Public Equity	\$ 753	21.0 %	19.0 %	+2.0 %
Fixed Income	\$ 495	13.8 %	15.0 %	-1.2 %
Absolute Return	369	10.3	10.0	+0.3
Inflation Hedging	309	8.6	10.0	-1.4
Private Capital	385	10.7	15.0	-4.3
GSAM Overlay	41	1.1	--	+1.1
Liquidity Reserve	-41	-1.1	--	-1.1
Total General Endowment Fund	\$ 3,585	100.0 %	100.0 %	0.0 %

- The table above summarizes and compares the actual asset allocation of the General Endowment Fund to UTIMCO Board of Directors approved policy targets of the Fund.
- As shown, the Fund was overweight to public equity as of August 31.
- As of August 31, 20.8% of the General Endowment Fund was representative of the Permanent Health Fund and the remaining 79.2% was of the Long Term Fund.

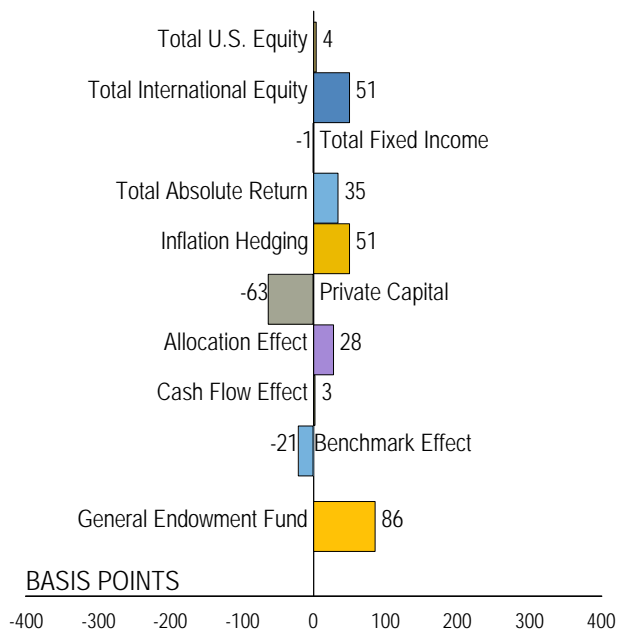
\* UTIMCO Policy represents the UTIMCO Board of Directors approved policy targets.

# GENERAL ENDOWMENT FUND

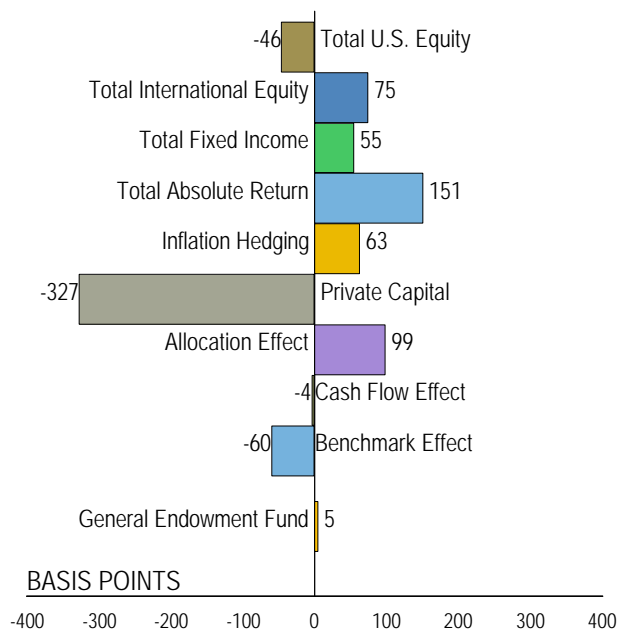
\$3,585 Million

As of August 31, 2003

**TOTAL FUND ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



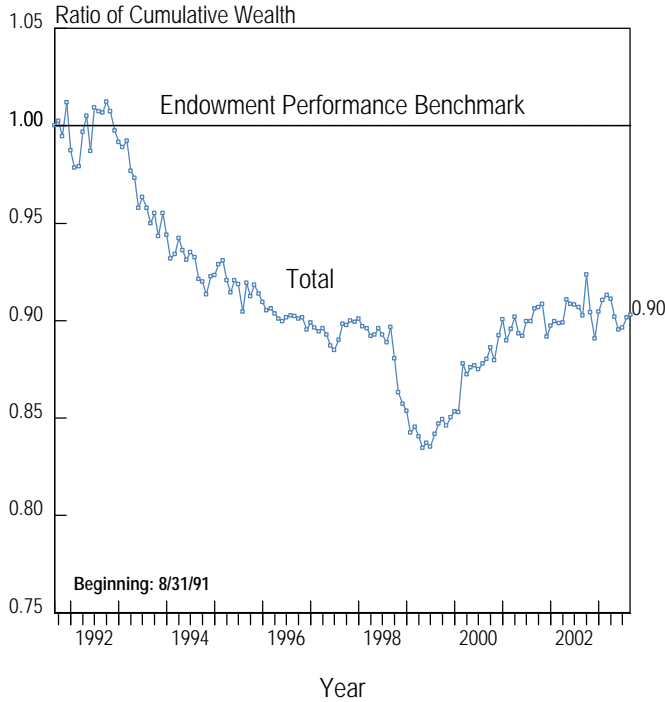
**TOTAL FUND ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



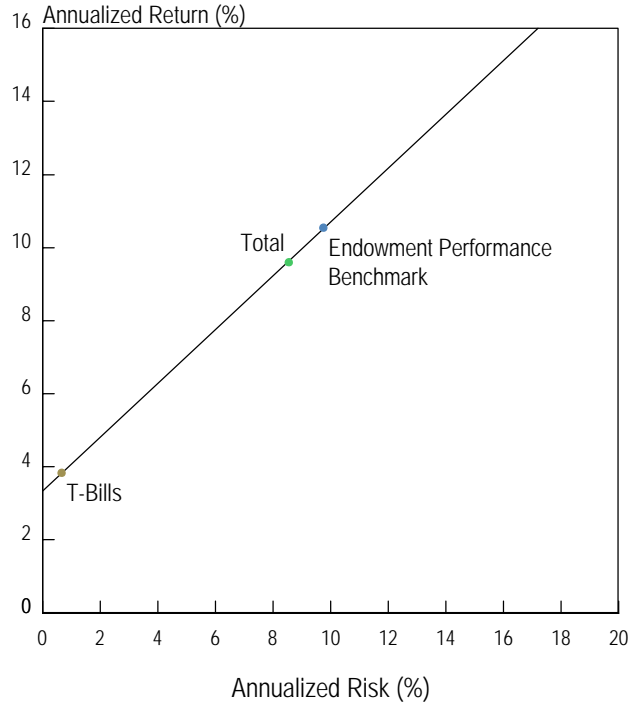
- The Performance Attribution exhibits shown above measure the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the component to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The asset class bar amounts are determined by multiplying the relative return of that asset class (actual return - policy benchmark return) by its policy weight. "Allocation Effect" details the degree to which the Fund's asset allocation differed from that of its policy, and what impact this had on performance. "Cash Flow Effect" details what impact any movement in Fund assets had on performance. "Benchmark Effect" details the impact of differences between the composition of the Total Fund benchmark and the benchmarks of the individual asset classes.
- As shown in the three-month exhibit, the favorable performance earned by the U.S. equity, non-U.S. equity, absolute return, and inflation hedging asset classes benefited performance, collectively offsetting the negative impact produced by the Private Capital component's trailing result. The General Endowment Fund also benefited from the overweight allocation to domestic and international public equities as both markets outpaced the other marketable asset classes invested in by the Fund.
- The one-year attribution analysis shows a similar story; however, the General Endowment Fund only narrowly outperformed its benchmark.
- The data for Private Capital and its benchmark reflects time-weighted rates of return.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
12 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
12 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the Total General Endowment Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, between 1993 and 1999 the Fund's performance trailed that of the benchmark. Since 1999, the Fund has exceeded the performance of its benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the Total General Endowment Fund, relative to that of the Performance Benchmark. As shown, the Fund earned a slightly lower return at a comparatively lower level of volatility.



# GENERAL ENDOWMENT FUND

\$3,585 Million

As of August 31, 2003

## HISTORICAL RETURNS\*

(BY YEAR)

	General Endowment Fund	Endowment Performance Benchmark**	Return Difference
	Return	Return	
1991 (4 months)	6.4%	7.8%	-1.4
1992	7.8	7.4	0.4
1993	10.9	16.5	-5.6
1994	0.2	2.4	-2.2
1995	25.1	27.0	-1.9
1996	14.3	15.7	-1.4
1997	20.5	20.2	0.3
1998	11.6	17.7	-6.1
1999	18.6	18.7	-0.1
2000	3.9	-1.6	5.5
2001	-5.0	-4.7	-0.3
2002	-7.7	-8.4	0.7
2003 (8 months)	13.5	13.7	-0.2
Trailing 1-Year	12.8%	12.8%	0.0
Trailing 3-Year	-1.4	-2.3	0.9
Trailing 5-Year	7.1	6.9	0.2
Trailing 10-Year	9.2	9.8	-0.6
Since Inception (8/31/91)	9.6	10.5	-0.9

- The table above compares the annual return history of the General Endowment Fund to that of its performance benchmark.

\* The annual returns in this exhibit represent calendar-year periods.

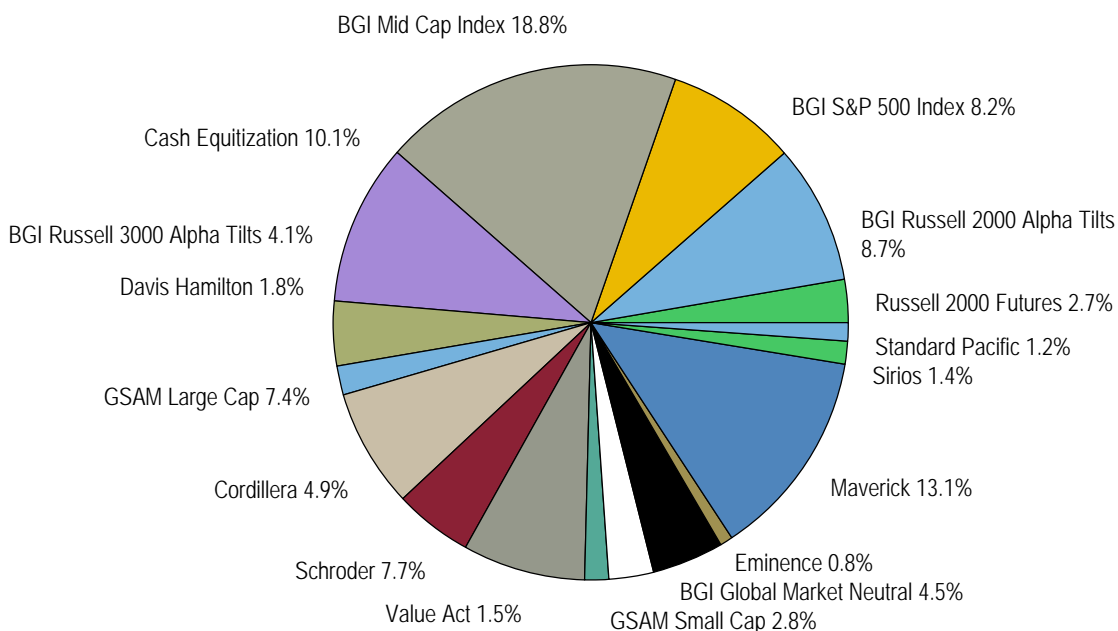
\*\* The Endowment Performance Benchmark represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total U.S. Equity</b>	<b>6.5%</b>	<b>13.8%</b>	<b>-6.8%</b>	<b>6.4%</b>	<b>10.3%</b>	<b>8/31/91</b>
Wilshire 5000 Index	6.4	14.9	-10.6	3.5	10.2	

**MANAGER ALLOCATION AS OF 8/31/03**



- The total U.S. equity asset class return exceeded the performance of the Wilshire 5000 Index by 0.1 percentage point during the fiscal quarter, though it trailed the benchmark by 1.1 percentage points during the fiscal year.
- The graph above details the manager allocations of the U.S. equity asset class as of August 31.

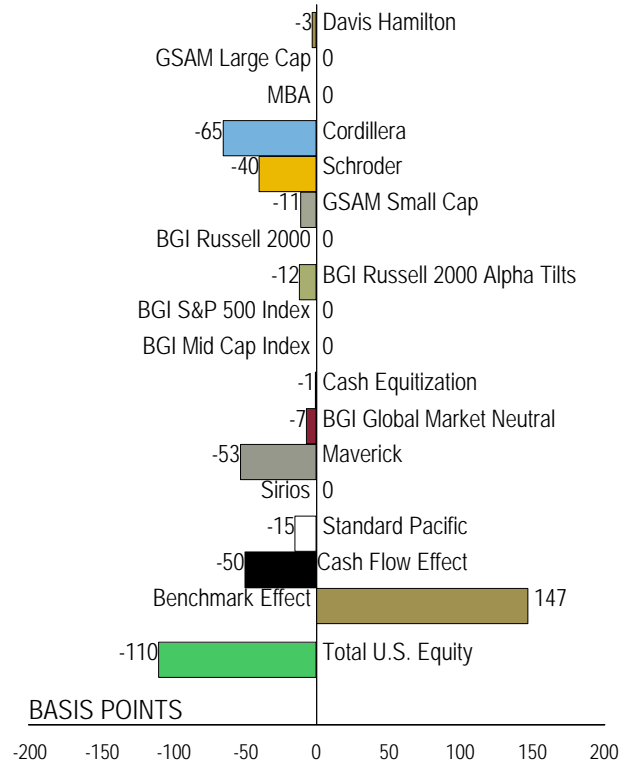
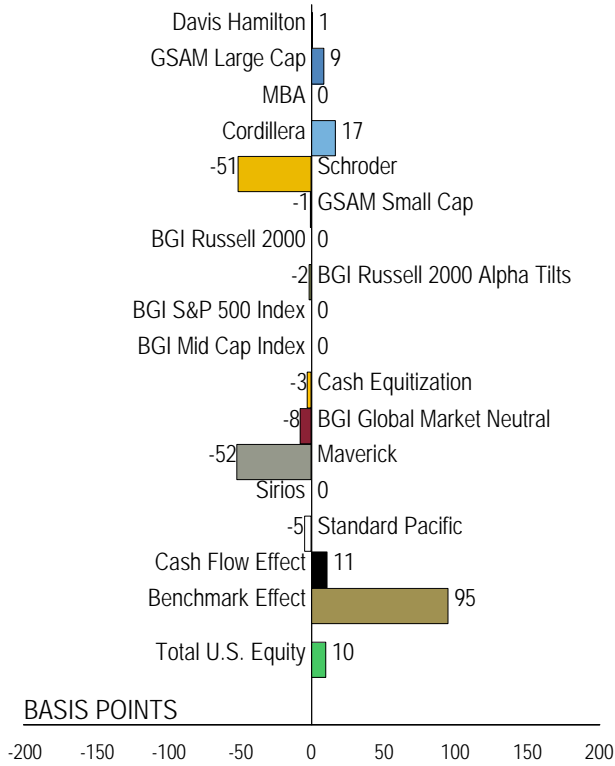
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

\$1,274 Million

As of August 31, 2003

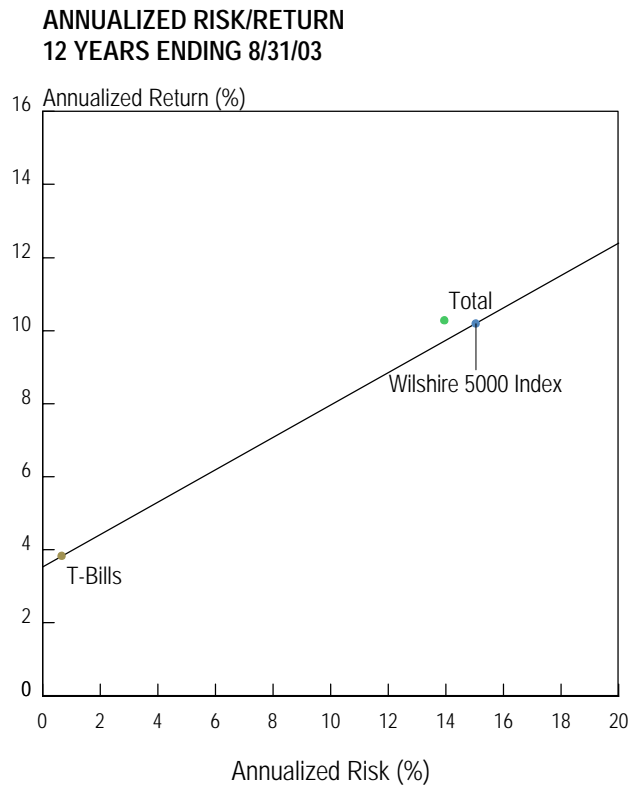
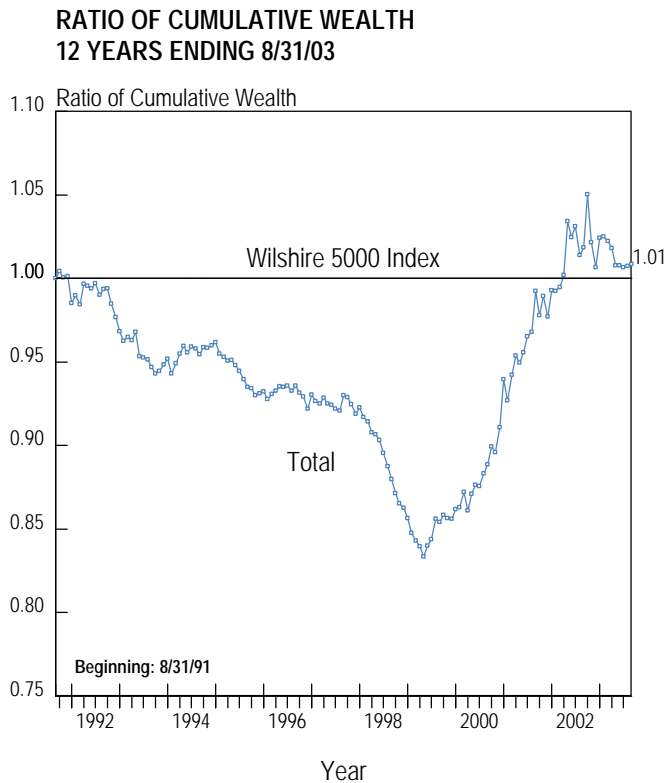
MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03

MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03



- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total U.S. Equity" represents the component's relative performance to the Wilshire 5000 in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the U.S. equity benchmark.

As of August 31, 2003



- The Ratio of Cumulative Wealth graph above illustrates the domestic equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance trailed the Index prior to 1999, though it has exceeded that of the Index since 1999.
- The Risk Return graph above exhibits the risk return characteristics of the total domestic equity component, relative to that of the Performance Benchmark. As shown, the asset class has achieved a similar return as the Index at a slightly lower level of volatility.

\$1,274 Million

As of August 31, 2003

## HISTORICAL RETURNS\*

(BY YEAR)

	Total U.S. Equity	Wilshire 5000 Index	Return Difference
	Return	Return	
1991 (4 months)	5.9%	7.5%	-1.6
1992	7.1	9.0	-1.9
1993	9.4	11.3	-1.9
1994	1.0	-0.1	1.1
1995	32.3	36.4	-4.1
1996	21.0	21.2	-0.2
1997	30.2	31.3	-1.1
1998	14.6	23.4	-8.8
1999	24.3	23.6	0.7
2000	-2.8	-10.9	8.1
2001	-5.9	-11.0	5.1
2002	-18.4	-20.9	2.5
2003 (8 months)	16.6	18.4	-1.8
Trailing 1-Year	13.8%	14.9%	-1.1
Trailing 3-Year	-6.8	-10.6	3.8
Trailing 5-Year	6.4	3.5	2.9
Trailing 10-Year	10.3	9.6	0.7
Since Inception (8/31/91)	10.3	10.2	0.1

- The table above compares the annual return history of the total domestic equity component to that of the Wilshire 5000 Index.

\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Russell 2000 Futures</b>	--	--	--	--	5.2%	6/30/03
Russell 2000 Index	--	--	--	--	11.1	
<b>BGI Russell 2000 Alpha Tilts</b>	13.0	26.9	--	--	4.1	12/31/01
Russell 2000 Index	13.1	29.1	--	--	2.5	
<b>BGI S&amp;P 500 Index</b>	5.1	12.1	-11.4	2.5	11.1	1/31/93
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
<b>BGI Mid Cap Index</b>	9.6	18.4	-0.4	14.4	14.0	11/30/92
S&P 400 Mid Cap Index	9.6	18.4	-0.4	14.3	13.5	
<b>Cash Equitization</b>	4.9	11.9	--	--	-7.1	2/28/01
S&P 500 Index	5.1	12.1	--	--	-6.5	
<b>Davis Hamilton</b>	5.6	10.5	-13.0	3.6	9.5	12/31/93
S&P 500 Index	5.1	12.1	-11.4	2.5	10.3	
<b>GSAM Large Cap</b>	6.3	12.1	-10.9	2.7	-0.6	3/31/98
S&P 500 Index	5.1	12.1	-11.4	2.5	-0.2	
<b>MBA</b>	6.8	10.4	-19.7	-2.5	2.1	10/31/95
S&P 500 Index	5.1	12.1	-11.4	2.5	9.0	
<b>Cordillera</b>	19.7	20.3	-16.7	12.9	9.8	12/31/93
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	4.6	
<b>Schroder</b>	6.3	22.3	2.0	11.0	10.4	12/31/93
Russell 2000 Index	13.1	29.1	-1.2	9.5	8.5	
<b>Value Act</b>	--	--	--	--	3.6	7/31/03
Russell 2000 Index	--	--	--	--	4.6	
<b>GSAM Small Cap</b>	12.8	24.4	2.1	10.6	3.4	3/31/98
Russell 2000 Index	13.1	29.1	-1.2	9.5	2.0	
<b>BGI Global Market Neutral</b>	3.4	--	--	--	11.5	12/31/02
S&P 500 Index	5.1	--	--	--	15.9	
<b>Eminence</b>	--	--	--	--	-2.0	6/30/03
90-Day T-Bill + 4%	--	--	--	--	0.8	
<b>Maverick</b>	-2.3	2.7	9.1	14.5	11.5	7/31/98
90-Day T-Bill + 4%	1.3	5.5	7.3	8.1	8.2	
<b>Sirios</b>	1.1	--	--	--	3.6	4/30/03
90-Day T-Bill + 4%	1.3	--	--	--	1.7	
<b>Standard Pacific</b>	-2.7	--	--	--	-6.4	2/28/03
90-Day T-Bill + 4%	1.3	--	--	--	2.6	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

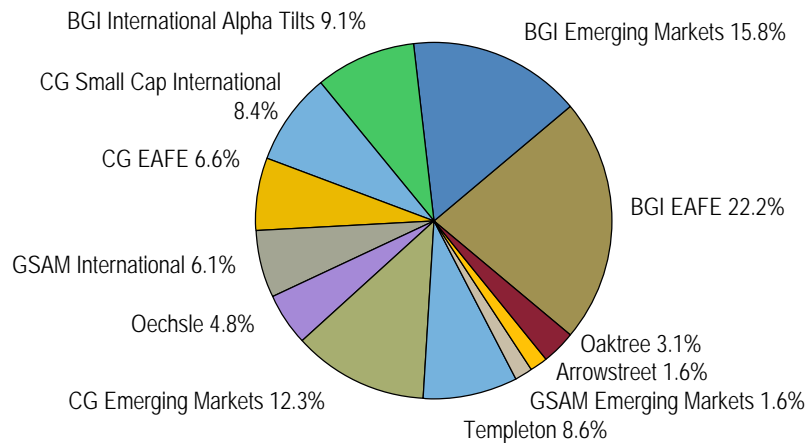
\$753 Million

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total International Equity</b>	<b>11.3%</b>	<b>16.3%</b>	<b>-10.0%</b>	<b>1.0%</b>	<b>3.9%</b>	<b>3/31/93</b>
MSCI AC World Ex-U.S. Free Index	8.7	12.2	-10.0	1.1	4.5	

**MANAGER ALLOCATION AS OF 8/31/03**

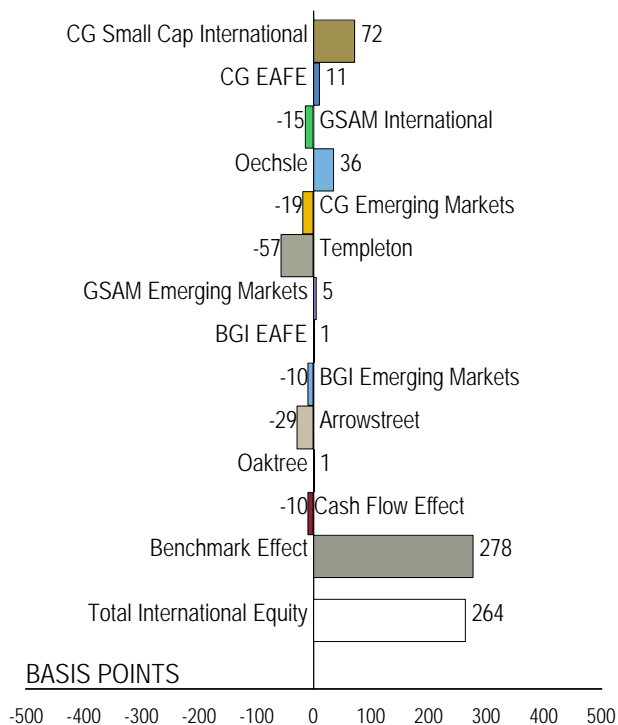


- The total international equity asset class exceeded the performance of the Index during the fiscal quarter by 2.6 percentage points, and by 4.1 percentage points during the fiscal year.
- The graph above details the manager allocations of the international equity asset class as of August 31.

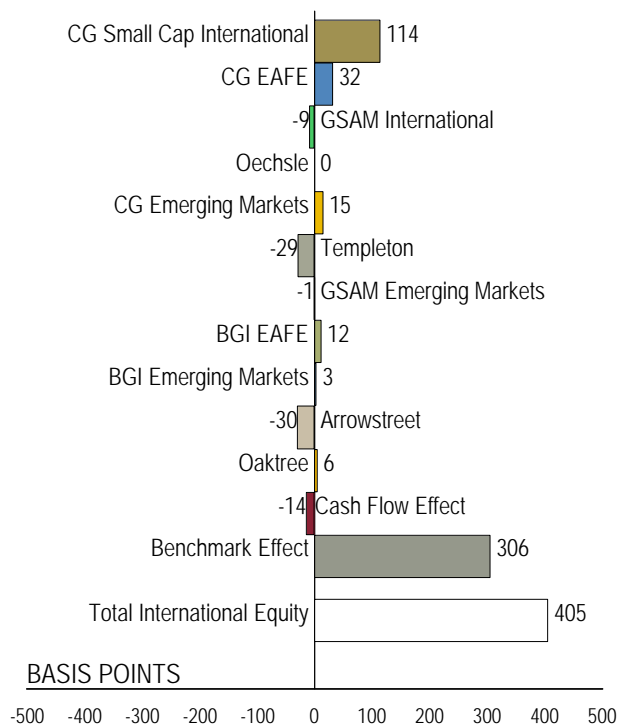
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



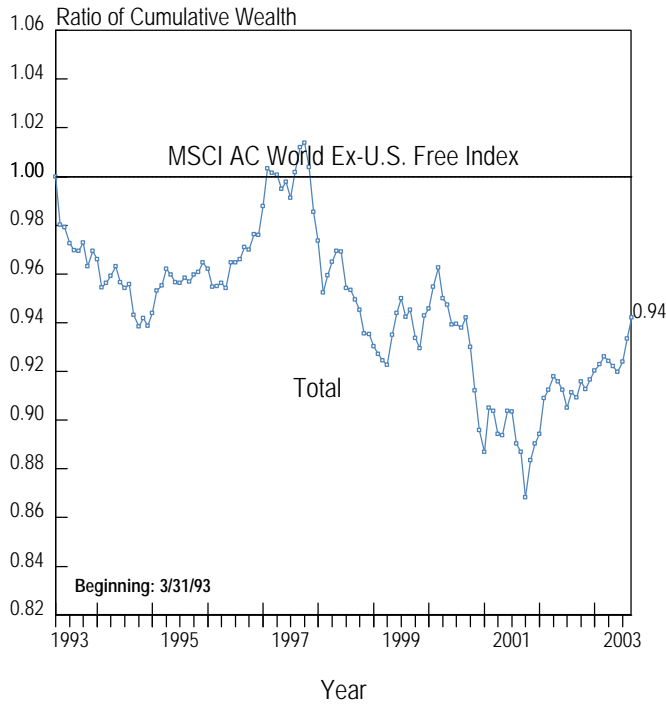
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total International Equity" represents the component's relative performance to the MSCI All Country World ex-U.S. Free Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the international equity benchmark.



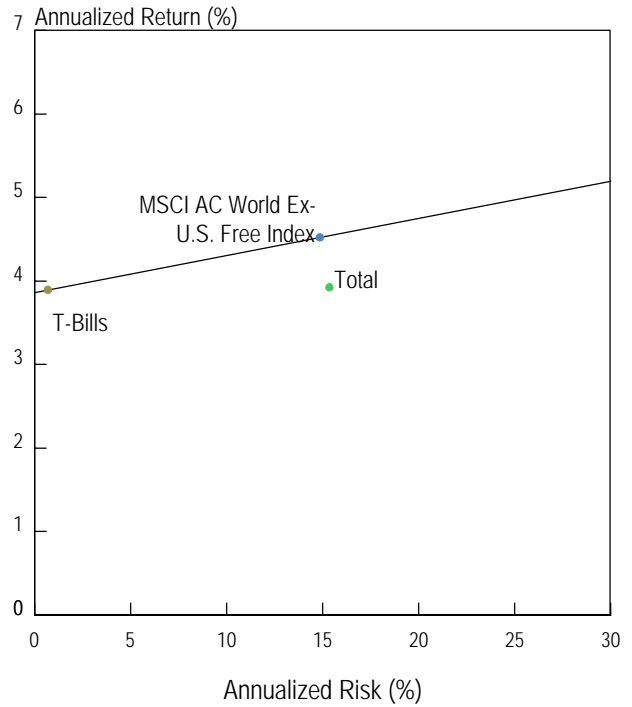
\$753 Million

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
10 YEARS 5 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
10 YEARS 5 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the international equity component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance exceeded that of the Index from 1994 to 1997, trailed it from 1997 to 2001 and has exceeded it since 2001.
- The Risk Return graph above exhibits the risk return characteristics of the total international equity component, relative to that of the Performance Benchmark. As shown, the asset class has earned a lower return than the Index at a similar level of volatility.

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Total International Equity	MSCI AC World Ex-U.S. Free Index	Return Difference
	Return	Return	
1993 (9 months)	16.8%	21.0%	-4.2
1994	4.2	6.6	-2.4
1995	12.0	9.9	2.1
1996	9.6	6.7	2.9
1997	0.6	2.0	-1.4
1998	9.3	14.5	-5.2
1999	33.1	30.9	2.2
2000	-20.4	-15.1	-5.3
2001	-18.8	-19.5	0.7
2002	-12.2	-14.7	2.5
2003 (8 months)	20.3	17.5	2.8
Trailing 1-Year	16.3%	12.2%	4.1
Trailing 3-Year	-10.0	-10.0	0.0
Trailing 5-Year	1.0	1.1	-0.1
Trailing 10-Year	2.6	2.8	-0.2
Since Inception (3/31/93)	3.9	4.5	-0.6

- The table above compares the annual return history of the international equity component to that of its performance benchmark.

\* The annual returns in this exhibit represent calendar-year periods.

\$753 Million

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>BGI EAFE</b>	<b>7.5%</b>	<b>9.4%</b>	<b>-10.6%</b>	<b>-0.9%</b>	<b>4.6%</b>	<b>3/31/93</b>
EAFE Index	7.4	9.1	-11.1	-0.7	4.1	
<b>BGI Emerging Markets</b>	<b>19.0</b>	<b>30.9</b>	<b>--</b>	<b>--</b>	<b>11.2</b>	<b>1/31/02</b>
MSCI Emerging Markets Free Net	19.8	28.9	--	--	11.7	
<b>CG Small Cap International</b>	<b>16.3</b>	<b>22.4</b>	<b>-13.9</b>	<b>1.0</b>	<b>-1.2</b>	<b>11/30/96</b>
EAFE Index	7.4	9.1	-11.1	-0.7	-0.1	
<b>CG EAFE</b>	<b>9.0</b>	<b>13.4</b>	<b>-11.3</b>	<b>--</b>	<b>-10.2</b>	<b>7/31/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>GSAM International</b>	<b>5.1</b>	<b>8.4</b>	<b>-12.1</b>	<b>-1.5</b>	<b>-2.9</b>	<b>3/31/98</b>
EAFE Index	7.4	9.1	-11.1	-0.7	-2.7	
<b>Oechsle</b>	<b>14.9</b>	<b>10.2</b>	<b>-13.3</b>	<b>--</b>	<b>-13.1</b>	<b>7/31/00</b>
EAFE Index	7.4	9.1	-11.1	--	-10.6	
<b>CG Emerging Markets</b>	<b>18.1</b>	<b>29.9</b>	<b>-5.5</b>	<b>--</b>	<b>-4.7</b>	<b>7/31/00</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	--	-1.5	
<b>Templeton</b>	<b>12.9</b>	<b>26.6</b>	<b>0.2</b>	<b>11.0</b>	<b>0.5</b>	<b>12/31/95</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	-0.6	
<b>GSAM Emerging Markets</b>	<b>22.9</b>	<b>29.5</b>	<b>-2.6</b>	<b>12.5</b>	<b>0.6</b>	<b>3/31/98</b>
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	-0.6	
<b>Arrowstreet</b>	<b>-12.5</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>-12.5</b>	<b>5/31/03</b>
90-Day T-Bill + 4%	1.3	--	--	--	1.3	
<b>Oaktree</b>	<b>1.5</b>	<b>7.6</b>	<b>--</b>	<b>--</b>	<b>8.8</b>	<b>12/31/01</b>
90-Day T-Bill + 4%	1.3	5.5	--	--	5.7	

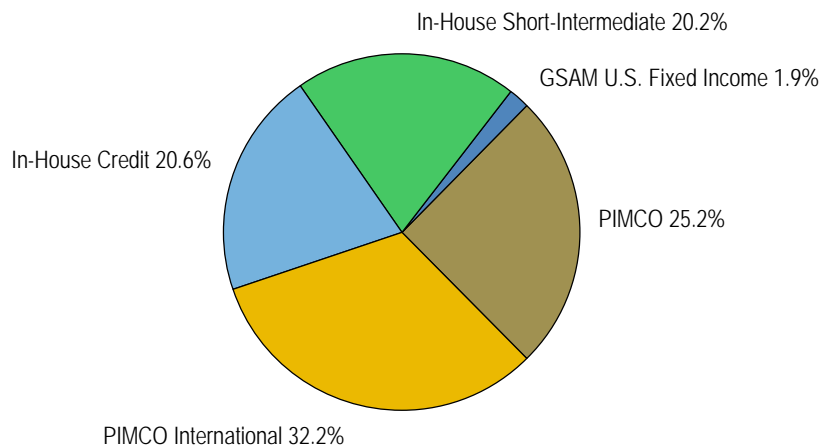
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total Fixed Income</b>	<b>-3.0%</b>	<b>7.1%</b>	<b>8.3%</b>	<b>6.4%</b>	<b>11.2%</b>	<b>8/31/81</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	10.6	

**MANAGER ALLOCATION AS OF 8/31/03**



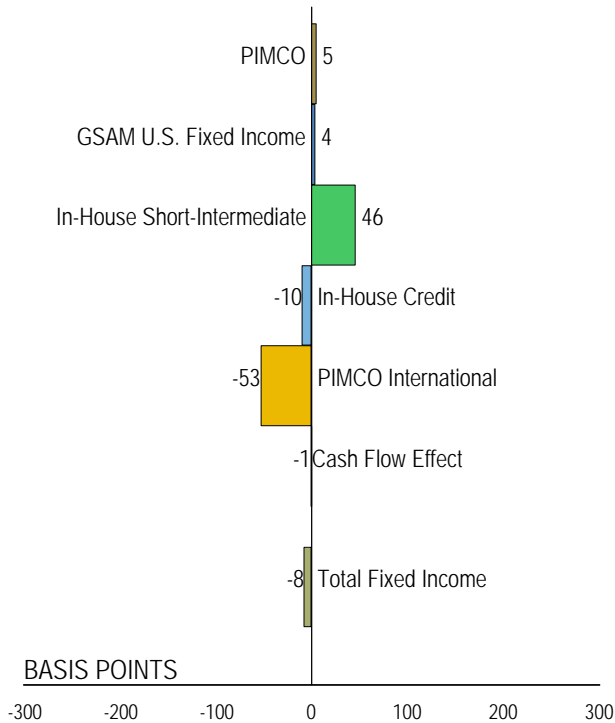
- The total fixed income asset class trailed the performance of the Index during the fiscal quarter by 0.1 percentage points, though exceeded it by 2.7 percentage points during the fiscal year.
- The graph above details the manager allocations of the fixed income asset class as of August 31.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

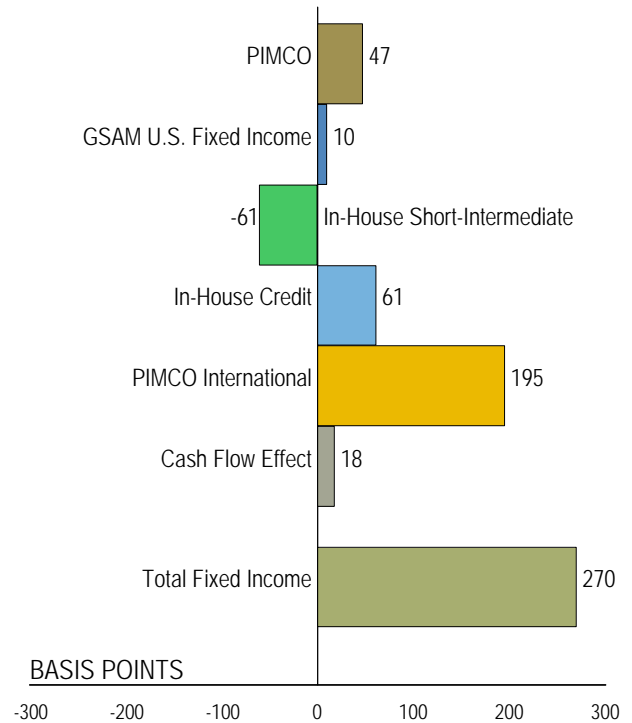
\$495 Million

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



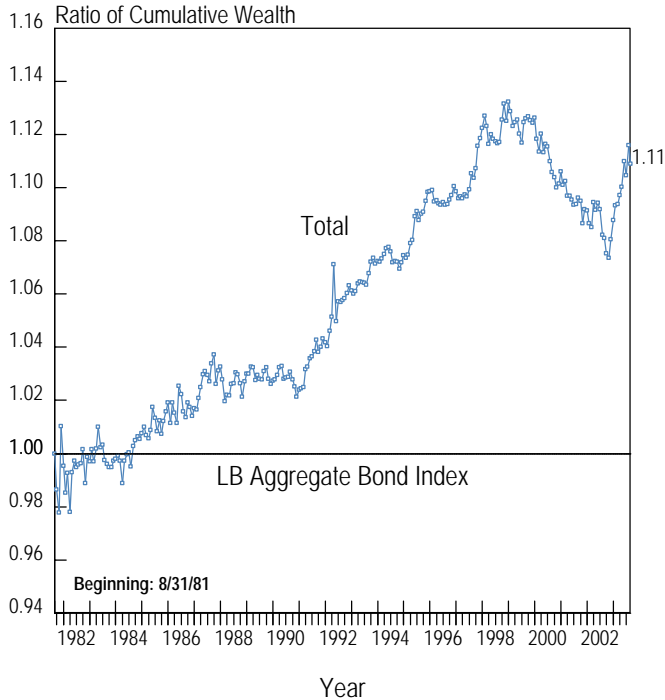
**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



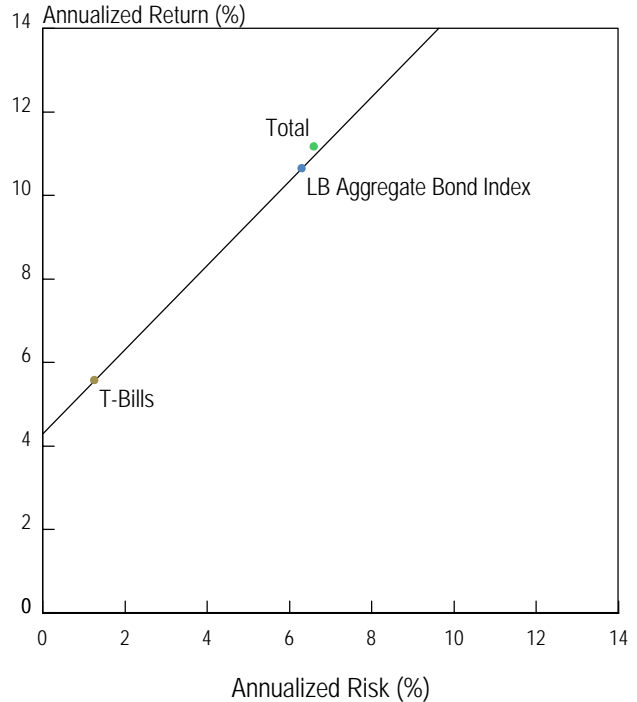
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Fixed Income" represents the component's relative performance to the Lehman Aggregate Bond Index in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
22 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
22 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the fixed income component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index, despite a period of underperformance in 2000 and 2001.
- The Risk Return graph above exhibits the risk return characteristics of the total fixed income asset class, relative to that of the Performance Benchmark. As shown, the asset class has earned a slightly greater return than the Index at a slightly greater level of volatility.

\$495 Million

As of August 31, 2003

## HISTORICAL RETURNS\*

(BY YEAR)

	Total Fixed Income	LB Aggregate Bond Index	Return Difference
	Return	Return	
1981 (4 months)	10.0%	10.5%	-0.5
1982	32.8	32.6	0.2
1983	8.5	8.4	0.1
1984	16.3	15.1	1.2
1985	23.5	22.1	1.4
1986	15.0	15.3	-0.3
1987	4.3	2.8	1.5
1988	7.6	7.9	-0.3
1989	14.2	14.5	-0.3
1990	8.6	9.0	-0.4
1991	18.0	16.0	2.0
1992	9.4	7.4	2.0
1993	10.9	9.7	1.2
1994	-2.7	-2.9	0.2
1995	21.1	18.5	2.6
1996	3.6	3.6	0.0
1997	12.0	9.7	2.3
1998	9.6	8.7	0.9
1999	-1.3	-0.8	-0.5
2000	9.6	11.6	-2.0
2001	7.0	8.4	-1.4
2002	9.9	10.3	-0.4
2003 (8 months)	3.1	1.1	2.0
Trailing 1-Year	7.1%	4.4%	2.7
Trailing 3-Year	8.3	8.2	0.1
Trailing 5-Year	6.4	6.6	-0.2
Trailing 10-Year	7.1	6.7	0.4
Since Inception (8/31/81)	11.2	10.6	0.6

- The table above compares the annual return history of the total fixed income component to that of the Lehman Aggregate Bond Index.

\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>PIMCO</b>	<b>-2.7%</b>	<b>6.2%</b>	<b>9.2%</b>	<b>7.4%</b>	<b>7.7%</b>	<b>2/28/98</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.8	
<b>GSAM U.S. Fixed Income</b>	<b>-2.4</b>	<b>5.6</b>	<b>8.0</b>	<b>6.5</b>	<b>6.8</b>	<b>3/31/98</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.9	
<b>In-House Short- Intermediate</b>	<b>-0.4</b>	<b>2.1</b>	<b>6.4</b>	<b>--</b>	<b>7.4</b>	<b>1/31/00</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	--	8.8	
<b>In-House Credit</b>	<b>-3.4</b>	<b>7.3</b>	<b>--</b>	<b>--</b>	<b>6.7</b>	<b>1/31/01</b>
LB Aggregate Bond Index	-2.9	4.4	--	--	6.9	
<b>PIMCO International</b>	<b>-4.7</b>	<b>13.0</b>	<b>9.0</b>	<b>5.1</b>	<b>4.4</b>	<b>2/28/98</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	6.6	6.8	
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	5.0	5.0	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.



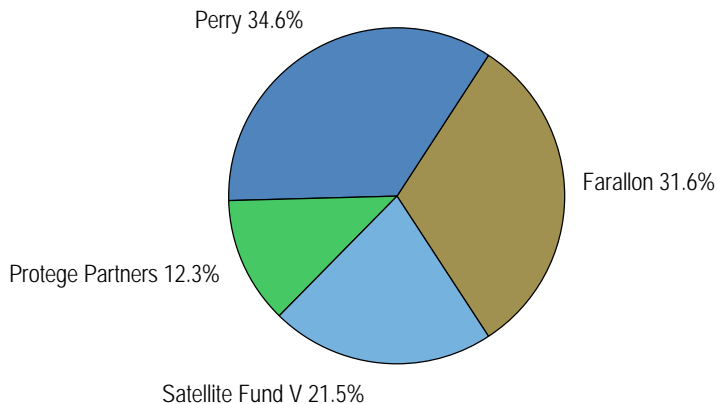
\$369 Million

**As of August 31, 2003**

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Total Absolute Return</b>	<b>4.6%</b>	<b>21.3%</b>	<b>11.3%</b>	<b>11.7%</b>	<b>10.3%</b>	<b>7/31/98</b>
90-Day T- Bill + 4%	1.3	5.5	7.3	8.1	8.2	

**MANAGER ALLOCATION AS OF 8/31/03**

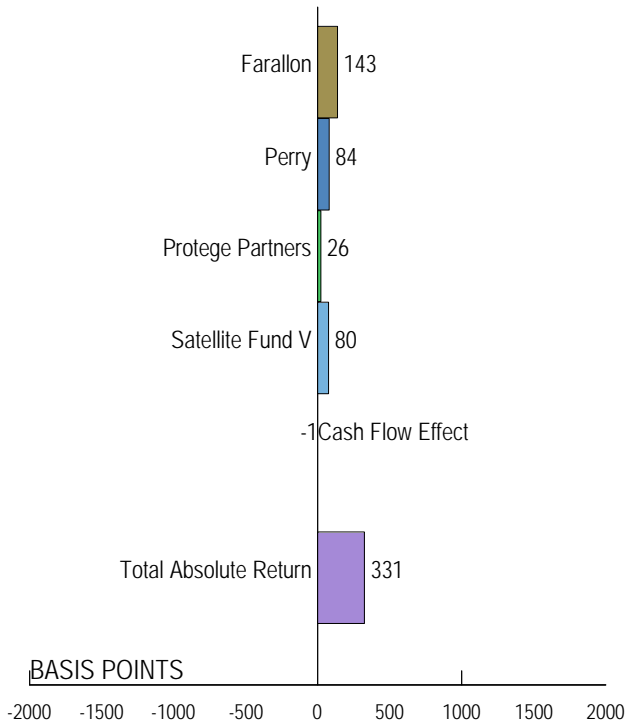


- The total absolute return asset class exceeded the performance of the benchmark during the fiscal quarter by 3.3 percentage points, and exceeded it by 15.8 percentage points during the fiscal year.
- The graph above details the manager allocations of the absolute return asset class as of August 31.

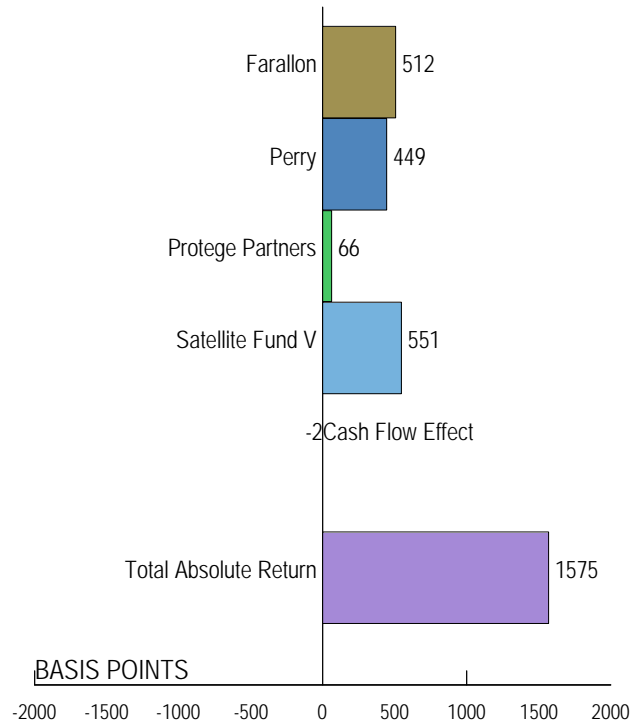
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03



MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03



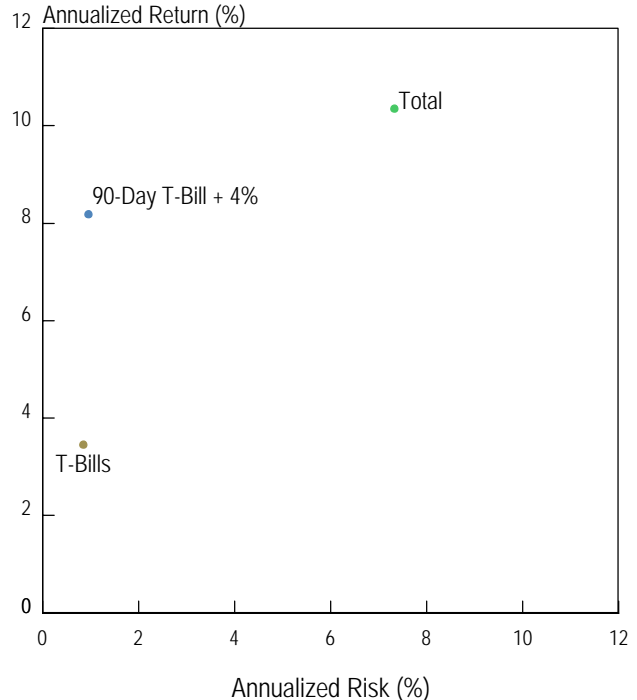
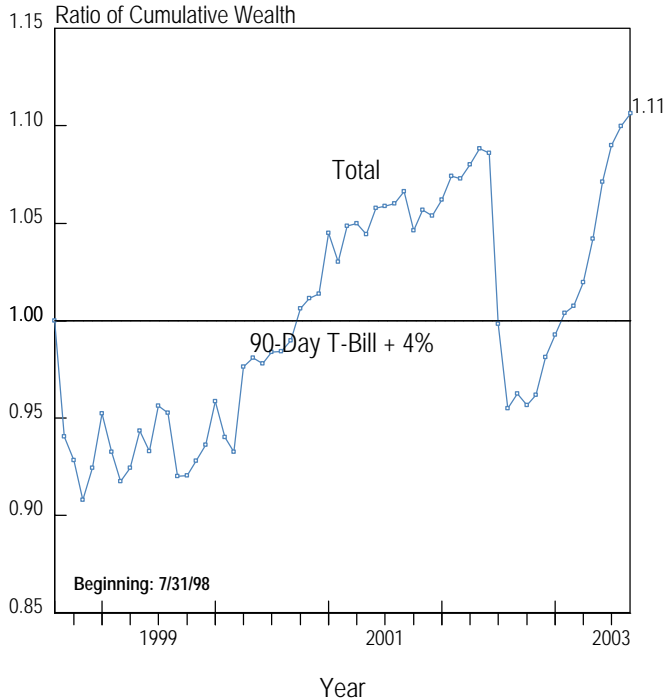
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Absolute Return" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component.

\$369 Million

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
5 YEARS 1 MONTH ENDING 8/31/03**

**ANNUALIZED RISK/RETURN  
5 YEARS 1 MONTH ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the absolute return component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index, despite a period of underperformance in 2002.
- The Risk Return graph above exhibits the risk return characteristics of the absolute return asset class, relative to that of the benchmark. As shown, the asset class has earned a greater return than the benchmark at a greater level of volatility.

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Total Absolute Return	90-Day T-Bill + 4%	Return Difference
	Return	Return	
1998 (5 months)	-1.1%	3.8%	-4.9
1999	9.8	9.1	0.7
2000	20.5	10.5	10.0
2001	10.4	8.7	1.7
2002	-1.0	6.0	-7.0
2003 (8 months)	15.4	3.5	11.9
Since 5/31/03	4.6%	1.3%	3.3
Trailing 1-Year	21.3	5.5	15.8
Trailing 3-Year	11.3	7.3	4.0
Trailing 5-Year	11.7	8.1	3.6

- The table above compares the annual return history of the total absolute return component to that of the performance benchmark.

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\* The annual returns in this exhibit represent calendar-year periods.

\$369 Million

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Farallon</b>	<b>5.9%</b>	<b>21.0%</b>	<b>12.5%</b>	<b>14.5%</b>	<b>13.3%</b>	<b>7/31/98</b>
90-Day T- Bill + 4%	1.3	5.5	7.3	8.1	8.2	
<b>Perry</b>	<b>3.7</b>	<b>17.3</b>	<b>12.5</b>	<b>15.2</b>	<b>12.9</b>	<b>7/31/98</b>
90-Day T- Bill + 4%	1.3	5.5	7.3	8.1	8.2	
<b>Protege Partners</b>	<b>3.4</b>	--	--	--	<b>7.8</b>	<b>2/28/03</b>
90-Day T- Bill + 4%	1.3	--	--	--	2.6	
<b>Satellite Fund V</b>	<b>5.0</b>	<b>31.4</b>	<b>5.5</b>	--	<b>5.5</b>	<b>8/31/00</b>
90-Day T- Bill + 4%	1.3	5.5	7.3	--	7.3	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Private Capital</b>	<b>1.6%</b>	<b>-6.6%</b>	<b>-11.2%</b>	<b>3.6%</b>	<b>9.5%</b>	<b>11/30/86</b>
Wilshire 5000 Index + 4%	7.5	19.5	-7.0	7.7	15.4	

- The private capital asset class trailed the performance of the benchmark during the fiscal quarter by 5.9 percentage points, and by 26.1 percentage points during the fiscal year.
- The returns shown in the table above are reported on a time-weighted basis, consistent with the methodology used for returns throughout this report. Time-weighted returns are calculated using monthly asset values and daily cash flows. Time-weighted rates of return are the industry standard for reporting the performance of traditional, marketable investments. For investments such as private equity, the time-weighted return calculation methodology suffers from a number of flaws, including the attribution of control over cash flows to the investor rather than the investment manager. In these cases, the industry standard is to use the internal rate of return (IRR), which is the annualized rate of return implied by a series of cash flows and a beginning and ending market value. The internal rates of return for the Private Capital component are shown in the table on the following page. Each return shown represents a since-inception return ending at a given fiscal year-end. For example, the 8.6% return shown for 2003 corresponds to a 8.6% annualized IRR for the since-inception period ending at fiscal year-end 2003.
- The benchmark results shown represent the return (IRR) earned on the actual cash flows experienced in the Private Capital portfolio, had they been invested in the Wilshire 5000 Index plus 4% annually.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

\$385 Million

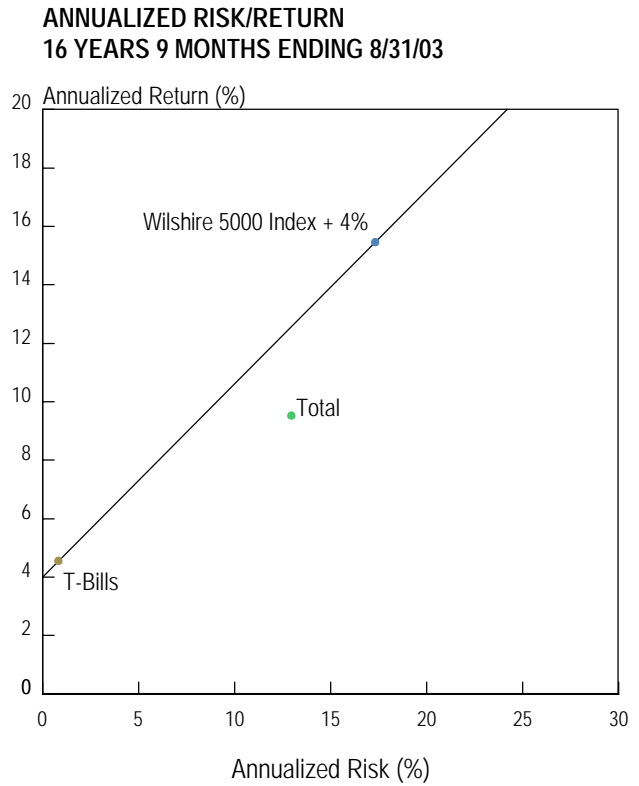
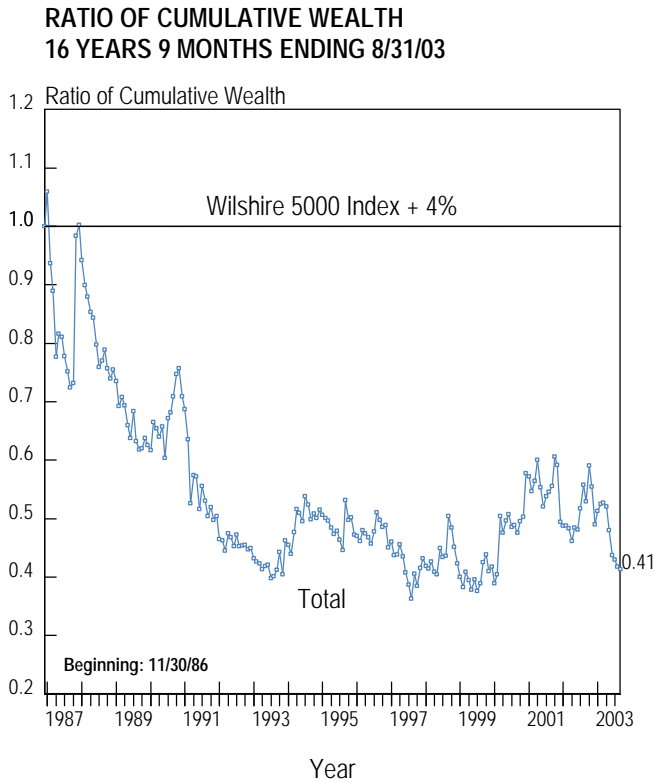
As of August 31, 2003

HISTORICAL RETURNS  
 GEF SINCE INCEPTION IRR  
 FISCAL YEAR ENDING 8/31/03

Fiscal Year Ending	Private Capital	Wilshire 5000 Index + 4%	Return Difference
1987	31.6 %	31.0 %	0.6 %
1988	8.1	0.0	8.1
1989	3.1	20.3	-17.2
1990	9.5	8.2	1.3
1991	5.6	14.0	-8.4
1992	4.4	12.8	-8.4
1993	6.1	14.1	-8.0
1994	10.7	12.8	-2.1
1995	13.0	13.8	-0.8
1996	13.6	14.2	-0.4
1997	13.9	16.2	-2.3
1998	15.5	15.1	0.4
1999	16.1	17.0	-0.9
2000	18.5	17.5	1.0
2001	15.4	12.1	3.3
2002	11.1	8.1	3.0
2003	8.6	9.6	-1.0

- The IRRs shown in the table above were provided by UTIMCO, as with all other data shown in this report.

As of August 31, 2003



- The data shown in the exhibits above reflect time-weighted returns.
- The Ratio of Cumulative Wealth graph above illustrates the private capital component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally trailed the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the private capital asset class, relative to that of the benchmark. As shown, the asset class has earned a lower return than the benchmark at a slightly lower level of volatility.



\$385 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Private Capital	Wilshire 5000 Index + 4%	Return Difference
	Return	Return	
1986 (1 month)	3.6%	-2.1%	5.7
1987	-5.4	6.5	-11.9
1988	-4.3	22.7	-27.0
1989	12.7	34.3	-21.6
1990	8.8	-2.3	11.1
1991	-5.7	39.5	-45.2
1992	5.5	13.4	-7.9
1993	21.8	15.8	6.0
1994	15.9	4.0	11.9
1995	31.5	41.9	-10.4
1996	23.5	26.1	-2.6
1997	24.3	36.5	-12.2
1998	22.4	28.4	-6.0
1999	25.1	28.5	-3.4
2000	36.4	-7.2	43.6
2001	-21.0	-7.3	-13.7
2002	-13.1	-17.6	4.5
2003 (8 months)	-2.1	21.5	-23.6
Since 5/31/03	1.6%	7.5%	-5.9
Trailing 1-Year	-6.6	19.5	-26.1
Trailing 3-Year	-11.2	-7.0	-4.2
Trailing 5-Year	3.6	7.7	-4.1
Trailing 10-Year	14.1	14.1	0.0

- The returns shown in the table above reflect time-weighted returns.
- The table above compares the annual return history of private capital to that of its performance benchmark.

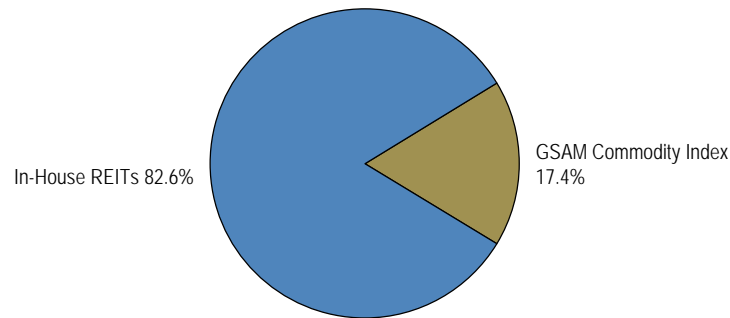
\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

**RETURN SUMMARY  
ENDING 8/31/03**

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>Inflation Hedging</b>	<b>9.1%</b>	<b>22.1%</b>	<b>17.2%</b>	<b>23.7%</b>	<b>11/30/99</b>
UTIMCO Inflation Hedging Benchmark	2.9	13.6	9.1	13.0	

**MANAGER ALLOCATION AS OF 8/31/03**



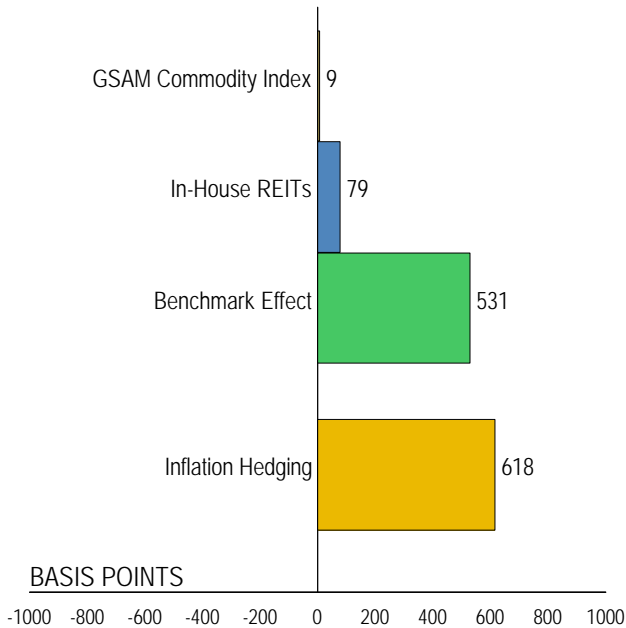
- The total inflation hedging asset class exceeded the performance of the benchmark during the fiscal quarter by 6.2 percentage points, and exceeded it by 8.5 percentage points during the fiscal year.
- The graph above details the manager allocations of the inflation hedging asset class as of August 31.

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

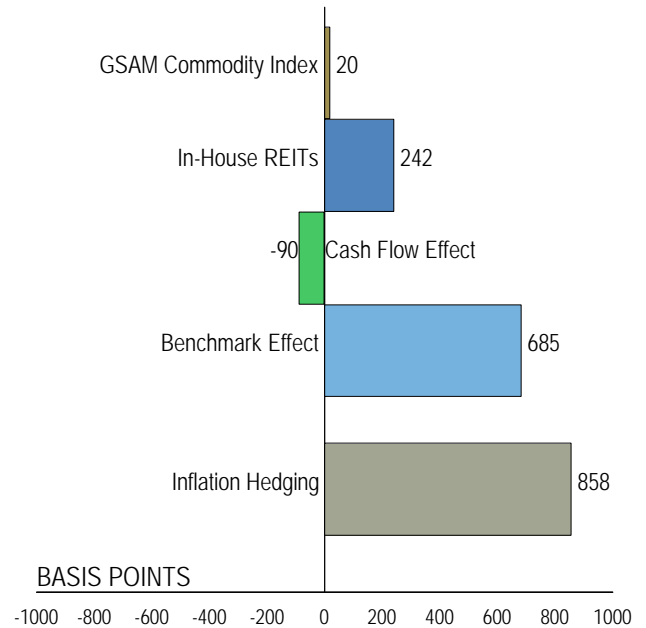
\$309 Million

As of August 31, 2003

**MANAGER ATTRIBUTION ANALYSIS  
3 MONTHS ENDING 8/31/03**



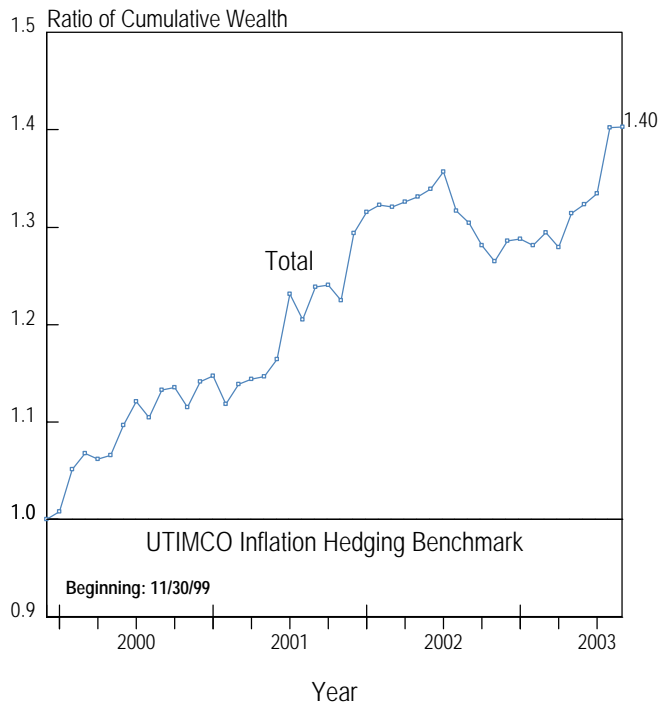
**MANAGER ATTRIBUTION ANALYSIS  
1 YEAR ENDING 8/31/03**



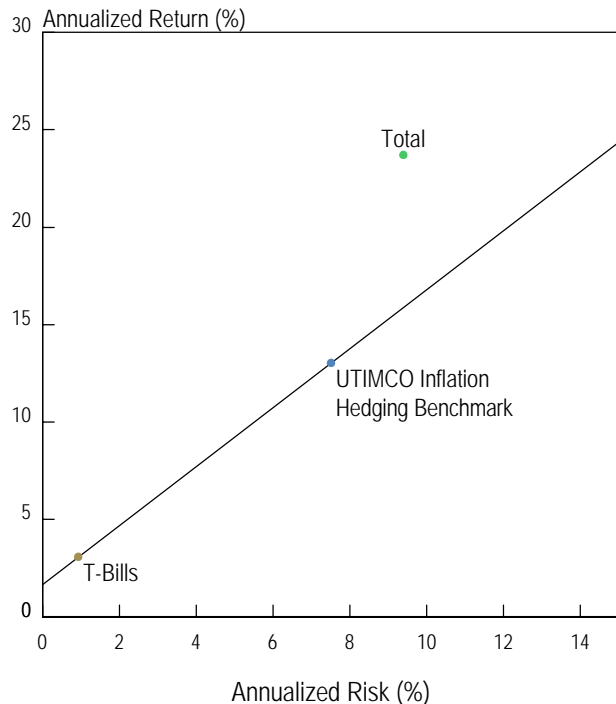
- The Performance Attribution exhibits shown above measure the source of the deviation of the asset class performance from that of its benchmark. The bar labeled "Total Inflation Hedging" represents the component's relative performance to the performance benchmark in basis points. The value of the manager bars are derived by taking the relative performance of each manager, versus its style specific benchmark, and multiplying this by the manager's asset weight in the component. The bar labeled "Benchmark Effect" represents the difference between the benchmarks of the individual managers and the UTIMCO inflation hedging benchmark.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
3 YEARS 9 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
3 YEARS 9 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the inflation hedging component's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, performance has generally been favorable relative to the Index.
- The Risk Return graph above exhibits the risk return characteristics of the inflation hedging asset class, relative to that of the benchmark. As shown, the asset class has earned a greater return than the benchmark at a greater level of volatility.

\$309 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	Inflation Hedging	UTIMCO Inflation Hedging Benchmark	Return Difference
	Return	Return	
1999 (1 month)	2.8%	2.0%	0.8
2000	43.5	26.0	17.5
2001	11.9	-2.5	14.4
2002	11.5	13.9	-2.4
2003 (8 months)	20.8	10.9	9.9
Since 5/31/03	9.1%	2.9%	6.2
Trailing 1-Year	22.1	13.6	8.5
Trailing 3-Year	17.2	9.1	8.1

- The table above compares the annual return history of the inflation hedging component to that of the performance benchmark.

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\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

RETURN SUMMARY  
ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	Since Inception	Inception Date
<b>GSAM Commodity Index</b>	<b>5.3%</b>	<b>21.8%</b>	<b>--%</b>	<b>27.3%</b>	<b>3/31/02</b>
Goldman Sachs Commodity Index - 1%	4.8	20.8	--	19.2	
<b>In-House REITs</b>	<b>9.9</b>	<b>21.0</b>	<b>15.8</b>	<b>13.8</b>	<b>4/30/93</b>
Wilshire Real Estate Securities Index	9.0	17.3	14.1	10.4	

\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

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**OPERATING FUNDS**



# OPERATING FUNDS

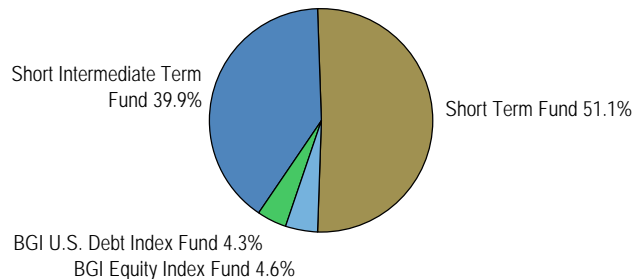
\$3,594 Million

As of August 31, 2003

## RETURN SUMMARY ENDING 8/31/03

	Since 5/31/03*	1 Year Ending 8/31/03	3 Years Ending 8/31/03	5 Years Ending 8/31/03	Since Inception	Inception Date
<b>Short Term Fund</b>	<b>0.3%</b>	<b>1.3%</b>	<b>3.1%</b>	<b>4.1%</b>	<b>4.5%</b>	<b>8/31/92</b>
ML 90-day T-Bill	0.3	1.4	3.1	3.9	4.4	
<b>Short Intermediate Term Fund</b>	<b>-0.3</b>	<b>1.6</b>	<b>4.7</b>	<b>4.6</b>	<b>5.3</b>	<b>2/28/93</b>
Govt. Bond Index	-4.1	3.0	7.9	6.3	6.8	
<b>BGI U.S. Debt Index Fund</b>	<b>-2.8</b>	<b>4.7</b>	<b>8.3</b>	<b>--</b>	<b>7.4</b>	<b>5/31/99</b>
LB Aggregate Bond Index	-2.9	4.4	8.2	--	7.4	
<b>BGI Equity Index Fund</b>	<b>5.1</b>	<b>12.1</b>	<b>-11.4</b>	<b>--</b>	<b>-4.5</b>	<b>5/31/99</b>
S&P 500 Index	5.1	12.1	-11.4	--	-4.5	

## ASSET ALLOCATION AS OF 8/31/03

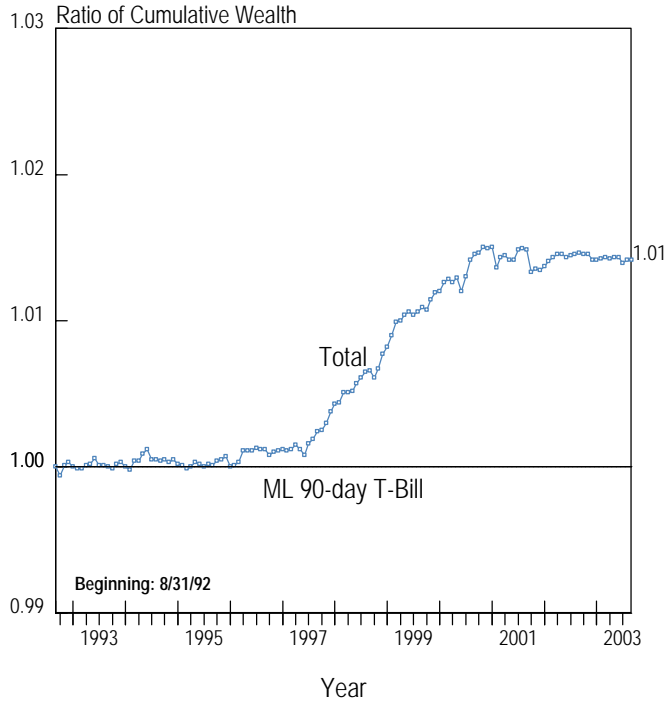


- The Short Term Fund has approximated the performance of the benchmark during the periods shown above.
- The Short Intermediate Fund exceeded the performance of the Index during the fiscal quarter by 3.8 percentage points, though it has trailed the performance of the Index over all longer periods shown above.
- The BGI Index funds have approximated the performance of their respective indices during all periods shown above.
- The graph above details the individual Fund allocations of the Operating Funds as of August 31.

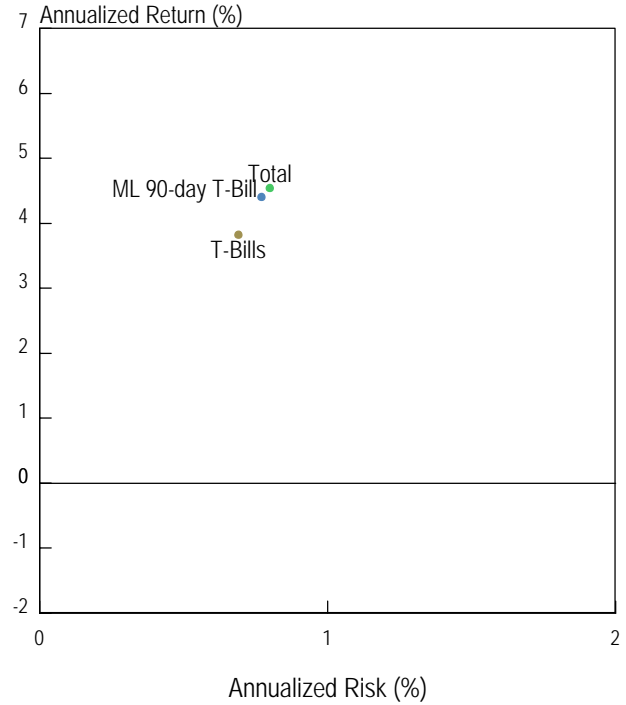
\* Time period represents the total return for the fiscal fourth quarter ending 8/31/03.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
11 YEARS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
11 YEARS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the Short Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has exceeded the performance of the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has approximated marginally exceeded the performance of the benchmark at a marginally greater level of volatility.

\$1,837 Million

**As of August 31, 2003**

**HISTORICAL RETURNS\***

(BY YEAR)

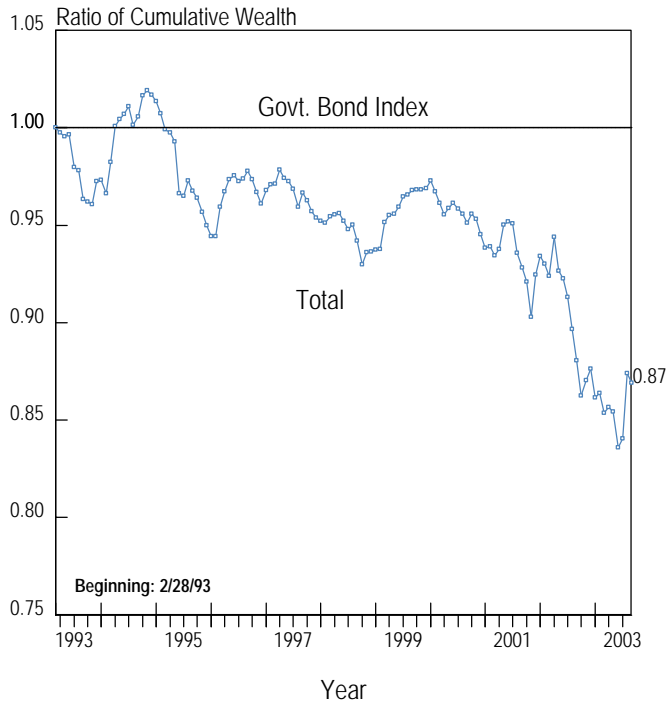
	Short Term Fund	ML 90-day T-Bill	Return Difference
	Return	Return	
1992 (4 months)	1.1%	1.1%	0.0
1993	3.2	3.2	0.0
1994	4.3	4.3	0.0
1995	6.0	6.0	0.0
1996	5.4	5.3	0.1
1997	5.7	5.3	0.4
1998	5.6	5.2	0.4
1999	5.2	4.8	0.4
2000	6.5	6.2	0.3
2001	4.3	4.4	-0.1
2002	1.9	1.8	0.1
2003 (8 months)	0.8	0.8	0.0
Since 5/31/03	0.3%	0.3%	0.0
Trailing 1-Year	1.3	1.4	-0.1
Trailing 3-Year	3.1	3.1	0.0
Trailing 5-Year	4.1	3.9	0.2
Trailing 10-Year	4.7	4.5	0.2

- The table above compares the annual return history of the Short-Term Fixed Income Fund to that of the performance benchmark.

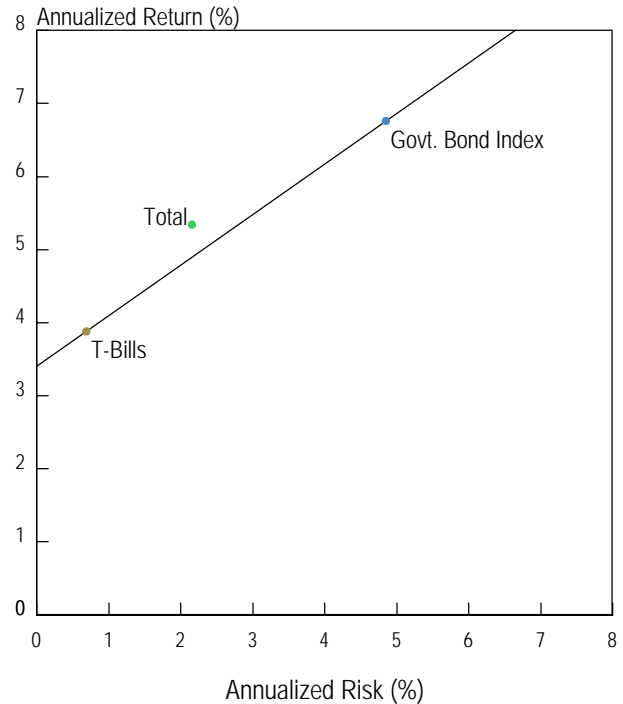
\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
10 YEARS 6 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
10 YEARS 6 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the Short Intermediate Term Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund has trailed the performance of the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the Short Term Fixed Income Fund, relative to that of the Performance Benchmark. As shown, the Fund has earned a lower return than the benchmark at a lower level of volatility.

**\$1,435 Million**

**As of August 31, 2003**

**HISTORICAL RETURNS\***

(BY YEAR)

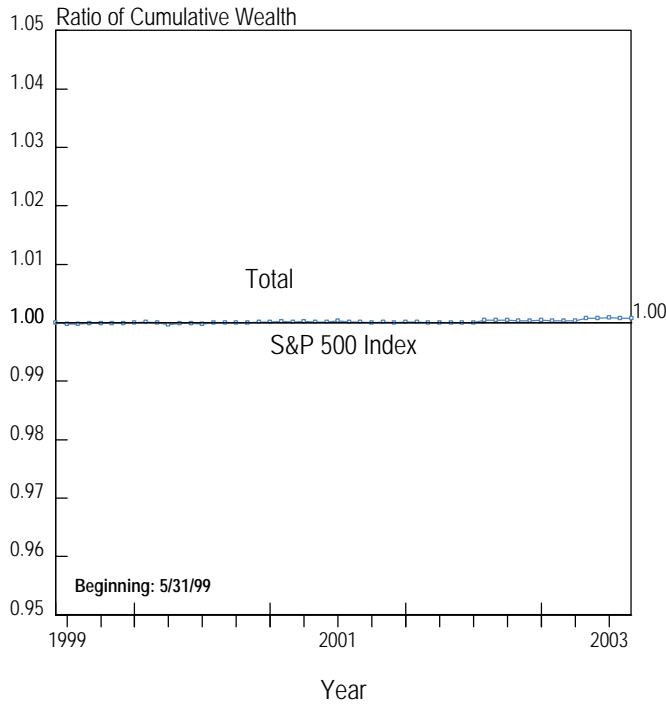
	Short Intermediate Term Fund	Govt. Bond Index	Return Difference
	Return	Return	
1993 (10 months)	3.4%	6.2%	-2.8
1994	0.6	-3.4	4.0
1995	10.3	18.3	-8.0
1996	5.3	2.8	2.5
1997	7.8	9.6	-1.8
1998	8.2	9.9	-1.7
1999	1.5	-2.2	3.7
2000	9.2	13.2	-4.0
2001	6.8	7.2	-0.4
2002	2.8	11.5	-8.7
2003 (8 months)	0.8	-0.1	0.9
Since 5/31/03	-0.3%	-4.1%	3.8
Trailing 1-Year	1.6	3.0	-1.4
Trailing 3-Year	4.7	7.9	-3.2
Trailing 5-Year	4.6	6.3	-1.7
Trailing 10-Year	5.4	6.5	-1.1

- The table above compares the annual return history of the Short-Intermediate Fund to that of the performance benchmark.

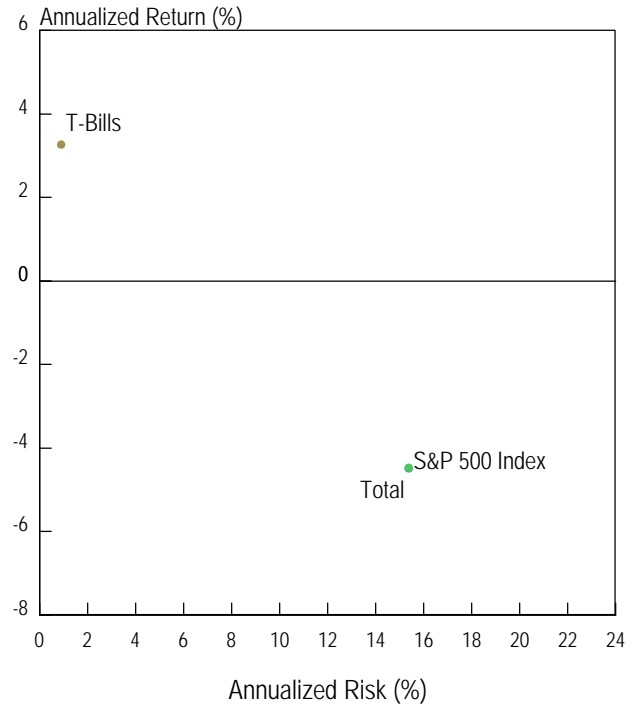
\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
4 YEARS 3 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
4 YEARS 3 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the BGI Equity Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the BGI Equity Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.

\$166 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	BGI Equity Index Fund	S&P 500 Index	Return Difference
	Return	Return	
1999 (7 months)	13.7%	13.7%	0.0
2000	-9.1	-9.1	0.0
2001	-11.9	-11.9	0.0
2002	-22.1	-22.1	0.0
2003 (8 months)	16.0	15.9	0.1
Since 5/31/03	5.1%	5.1%	0.0
Trailing 1-Year	12.1	12.1	0.0
Trailing 3-Year	-11.4	-11.4	0.0

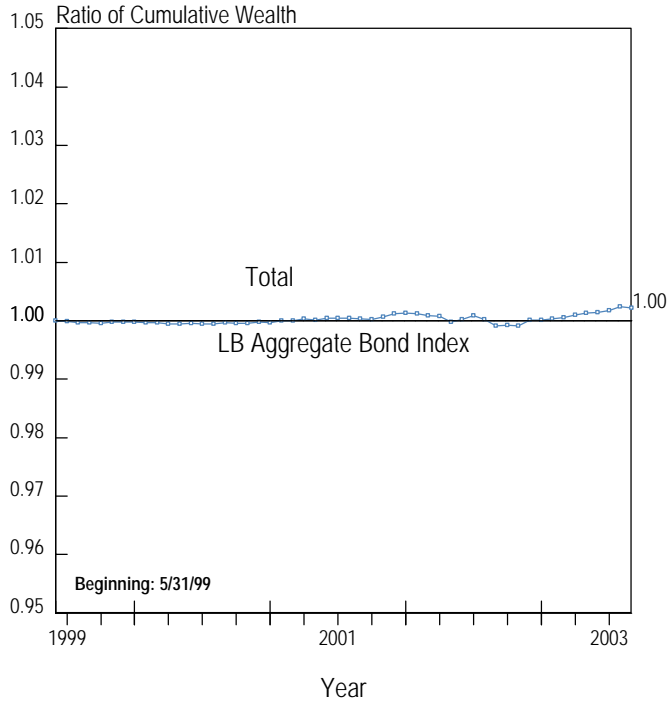
- The table above compares the annual return history of the BGI Equity Index Fund to that of the performance benchmark.

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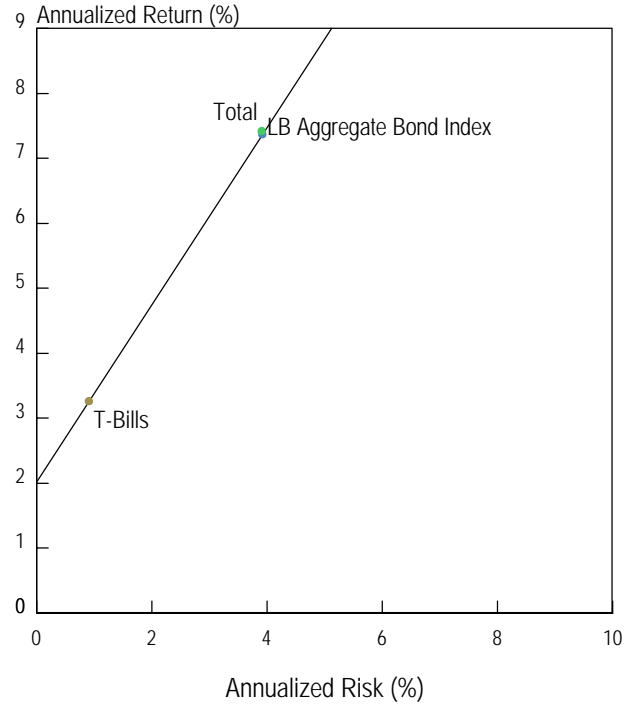
\* The annual returns in this exhibit represent calendar-year periods.

As of August 31, 2003

**RATIO OF CUMULATIVE WEALTH  
4 YEARS 3 MONTHS ENDING 8/31/03**



**ANNUALIZED RISK/RETURN  
4 YEARS 3 MONTHS ENDING 8/31/03**



- The Ratio of Cumulative Wealth graph above illustrates the BGI Fixed Income Index Fund's cumulative performance relative to that of its benchmark. An upward sloping line between two points indicates that the component's return exceeded that of the benchmark, while a downward sloping line indicates a lesser return. As seen in the graph, the Fund approximated the performance of the benchmark.
- The Risk Return graph above exhibits the risk return characteristics of the BGI Fixed Income Index Fund, relative to that of the benchmark. As shown, the Fund has approximated the return and volatility of the benchmark.



\$156 Million

As of August 31, 2003

**HISTORICAL RETURNS\***

(BY YEAR)

	BGI U.S. Debt Index Fund	LB Aggregate Bond Index	Return Difference
	Return	Return	
1999 (7 months)	0.2%	0.2%	0.0
2000	11.6	11.6	0.0
2001	8.6	8.4	0.2
2002	10.1	10.3	-0.2
2003 (8 months)	1.3	1.1	0.2
Since 5/31/03	-2.8%	-2.9%	0.1
Trailing 1-Year	4.7	4.4	0.3
Trailing 3-Year	8.3	8.2	0.1

- The table above compares the annual return history of the BGI Fixed Income Index Fund to that of the Lehman Aggregate Bond Index.

\* The annual returns in this exhibit represent calendar-year periods.

## RETURNS OF THE MAJOR CAPITAL MARKETS

## RETURNS OF THE MAJOR CAPITAL MARKETS

	Fiscal Quarter	Annualized Periods Ending 8/31/03			
		1-Year	3-Year	5-Year	10-Year
<b>Stock Indices:</b>					
Wilshire 5000 Index	6.4%	14.9%	-10.6%	3.5%	9.6%
S&P 500 Index	5.1	12.1	-11.4	2.5	10.1
Russell Top 200 Value Index	3.0	9.7	-4.9	3.6	10.2
Russell Top 200 Growth Index	5.4	10.3	-22.2	-2.3	9.0
Russell MidCap Value Index	7.5	16.2	7.2	9.8	11.5
Russell MidCap Growth Index	10.8	30.4	-18.1	6.4	8.8
Russell 2000 Value Index	10.8	23.7	11.3	12.3	11.7
Russell 2000 Growth Index	15.5	34.9	-13.4	5.3	5.1
<b>Bond Indices:</b>					
Lehman Brothers Aggregate	-2.9%	4.4%	8.2%	6.6%	6.7%
Lehman Brothers Gov't/Credit	-3.9	5.5	8.6	6.6	6.7
Lehman Brothers Long-Term Gov't/Credit	-8.2	6.1	9.3	6.6	7.4
Lehman Brothers Intermed. Gov't/Credit	-2.6	5.2	8.4	6.7	6.4
Lehman Brothers Mortgage-Backed	-1.0	2.5	7.4	6.4	6.7
Lehman Brothers 1-3 Yr Gov't	-0.4	2.6	6.3	5.7	5.7
Lehman Brothers Universal	-2.5	5.8	8.2	6.8	6.7
<b>Foreign Indices:</b>					
MSCI All Country World ex-U.S. Index	8.6%	11.8%	-10.3%	0.8%	2.5%
MSCI EAFE Free	7.4	9.1	-11.1	-0.7	2.4
MSCI Emerging Markets Free Net	19.8	28.9	-1.7	11.6	1.4
MSCI Hedged EAFE Foreign Stock Index	10.9	0.9	-14.3	-0.7	4.0
SSB Non-U.S. World Gov't Bond	-5.2	11.4	8.4	5.0	5.6
SSB Non-U.S. World Gov't Bond - Hedged	-2.3	3.5	6.1	5.8	7.8
<b>Cash Equivalents:</b>					
Treasury Bills (30-Day)	0.2%	1.0%	2.6%	3.4%	3.9%
EnnisKnupp STIF Index	0.3	1.6	3.3	4.2	4.7
<b>Inflation Index</b>					
Consumer Price Index	0.6%	2.2%	2.2%	2.5%	2.5%

## APPENDIX II

### GLOSSARY OF TERMS

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#### DESCRIPTION OF INDICES

**Endowment Performance Benchmark** - Represents the returns of the UTIMCO Board of Directors approved Endowment Policy Portfolio. The return history of this benchmark has been supplied by UTIMCO, and the composition of the benchmark is understood as follows:

Returns prior to December 1, 1999, were comprised of 30% S&P 500 Index, 10% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 7% Merrill Lynch T-Bill Index + 7%, 18% Wilshire 5000 Index + 4%, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective December 1, 1999, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% FT World ex-U.S. Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective October 1, 2000, returns were comprised of 25% S&P 500 Index, 7.5% Russell 2000 Index, 12% MSCI EAFE Index, 3% MSCI Emerging Markets Free Index, 10% Merrill Lynch T-Bill Index + 7%, 15% Wilshire 5000 Index + 4%, 2.5% Goldman Sachs Commodity Index, 5% NCREIF Index, 15% Lehman Brothers Aggregate Bond Index and 5% Citigroup World Government Bond Index ex-U.S.

Effective September 1, 2002, returns are comprised of 31% Wilshire 5000 Index, 19% MSCI All Country World Free ex-U.S. Index, 15% Wilshire 5000 Index + 4%, 10% Merrill Lynch T-Bill Index + 4%, 2.5% Goldman Sachs Commodity Index, 2.5% Lehman Brothers TIPS Index, 2.5% NCREIF Index, 2.5% Wilshire Real Estate Securities Index, 5% Lehman Brothers Aggregate Bond ex-Government Index and 10% Lehman Brothers Government Bond Index.

**UTIMCO Inflation Hedging Benchmark**- Returns for this benchmark have been supplied by UTIMCO. The composition of the benchmark is understood as 25% of the Goldman Sachs Commodity Index -100 basis points, 25% of the Lehman Brothers TIPS Index, 25% of the NCREIF Index, and 25% of the Wilshire Real Estate Securities Index.

**DESCRIPTION OF INDICES CONTINUED**

**Wilshire 5000 Stock Index** - A capitalization-weighted stock index representing all domestic common stocks traded regularly on the organized exchanges. The Index is the broadest measure of the aggregate domestic stock market.

**S&P 500 Stock Index** - A capitalization-weighted stock index representing the 500 largest stocks in the U.S. equity market.

**Russell 2000 Stock Index** - A capitalization-weighted index of the 2000 smallest stocks in the Russell 3000 Index. This index excludes the largest and smallest capitalization issues in the domestic stock market.

**MSCI All-Country World Ex-U.S. Index** - A capitalization-weighted index of stocks representing a broad range of developed and emerging country markets, excluding the U.S. market.

**MSCI Europe, Australasia, Far East (EAFE) Index** - A capitalization-weighted index of stocks representing 21 developed markets in Europe, Australia, Asia and the Far East.

**MSCI Emerging Markets Free Index** - A capitalization-weighted index of stocks representing 26 emerging markets.

**Lehman Brothers Aggregate Bond Index** - A market value-weighted index consisting of the Lehman Brothers Corporate, Government, and Mortgage-Backed Securities Indices. The index also includes asset-backed securities, and is the broadest measure of the aggregate U.S. fixed-income market.

**Lehman Brothers Government Bond Index** - A market value-weighted index consisting of all public obligations of the U.S. Treasury, excluding flower bonds, foreign targeted issues, debt of U.S. Government Agencies and corporate debt guaranteed by the U.S. Government.

**Lehman Brothers Aggregate Bond ex-Government Index** - A market value-weighted index consisting of the Lehman Brothers Corporate and Mortgage-backed Securities Indices and includes asset-backed securities.

## APPENDIX II

### GLOSSARY OF TERMS

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#### DESCRIPTION OF TERMS

**Performance Comparison - Ratio of Cumulative Wealth:** An illustration of a portfolio's cumulative, unannualized performance relative to that of its benchmark. An upward sloping line indicates fund outperformance. Conversely, a downward sloping line indicates underperformance by the fund. A flat line is indicative of benchmark-like performance.

**Performance Comparison- Risk-Return:** The horizontal axis, annualized standard deviation, is a statistical measure of risk, or the volatility of returns. The vertical axis is the annualized rate of return. As most investors generally prefer less risk to more risk and always prefer greater returns, the upper left corner of the graph is the most attractive place to be. The line on this exhibit represents the risk and return tradeoffs associated with market portfolios, or index funds.

**Performance Attribution** A measure of the source of the deviation of a fund's performance from that of its benchmark. Each bar on the graph represents the contribution made by the manager to the total difference in performance (shown at the bottom of the exhibit). A positive value for a component indicates a positive contribution to the aggregate relative performance. A negative value indicates a detrimental impact. The magnitude of each component's contribution is a function of (1) the performance of the component relative to its benchmark, and (2) the weight of the component in the aggregate.

## 6. U. T. System: Permanent University Fund quarterly update

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will update the Committee on changes in the forecasted distributions from the Permanent University Fund (PUF) to the Available University Fund (AUF) and the resulting impacts on remaining PUF debt capacity, U. T. Austin excellence funds, and the AUF balance.

### REPORT

As of August 31, 2003, the market value of the PUF was \$7.24 billion compared to \$6.85 billion as of May 31, 2003 (Figure A on Page 28.1). During Fiscal Year 2004, \$348 million will be distributed to the AUF, compared to \$363 million in Fiscal Year 2003 (Figure B on Page 28.2). PUF distributions to the AUF are projected to decline in Fiscal Year 2005 to \$336 million before increasing thereafter. Beginning in Fiscal Year 2009, PUF distributions may be capped for a period of time because the purchasing power of the PUF will not have been maintained as required by the Texas Constitution (Figure B on Page 28.2). Based on the current assumptions and anticipated Library, Equipment, Repair and Rehabilitation allocations, there is an estimated \$137-\$181 million of additional debt capacity through Fiscal Year 2010 beyond the PUF projects currently approved, assuming a 7.40% or 9.35% investment return, respectively (Figures C and D on Pages 28.3 - 28.4). PUF debt capacity is affected by various factors, some of which are determined by the Board while others are dependent on future market conditions (Figure E on Page 28.5).

Annually, the U. T. Board of Regents approves a distribution amount to the AUF. The PUF investment policy provides that, in conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the U. T. Board each May an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation on the annual distribution shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year. The AUF spending policy provides that a minimum of 45% of the projected income available to the U. T. System is distributed to U. T. Austin for excellence programs, the projected PUF debt service coverage ratio must not be less than 1.50 times, and the AUF balance must not be less than \$30 million.

# Comparison of Projected Trailing 12Q Market Averages

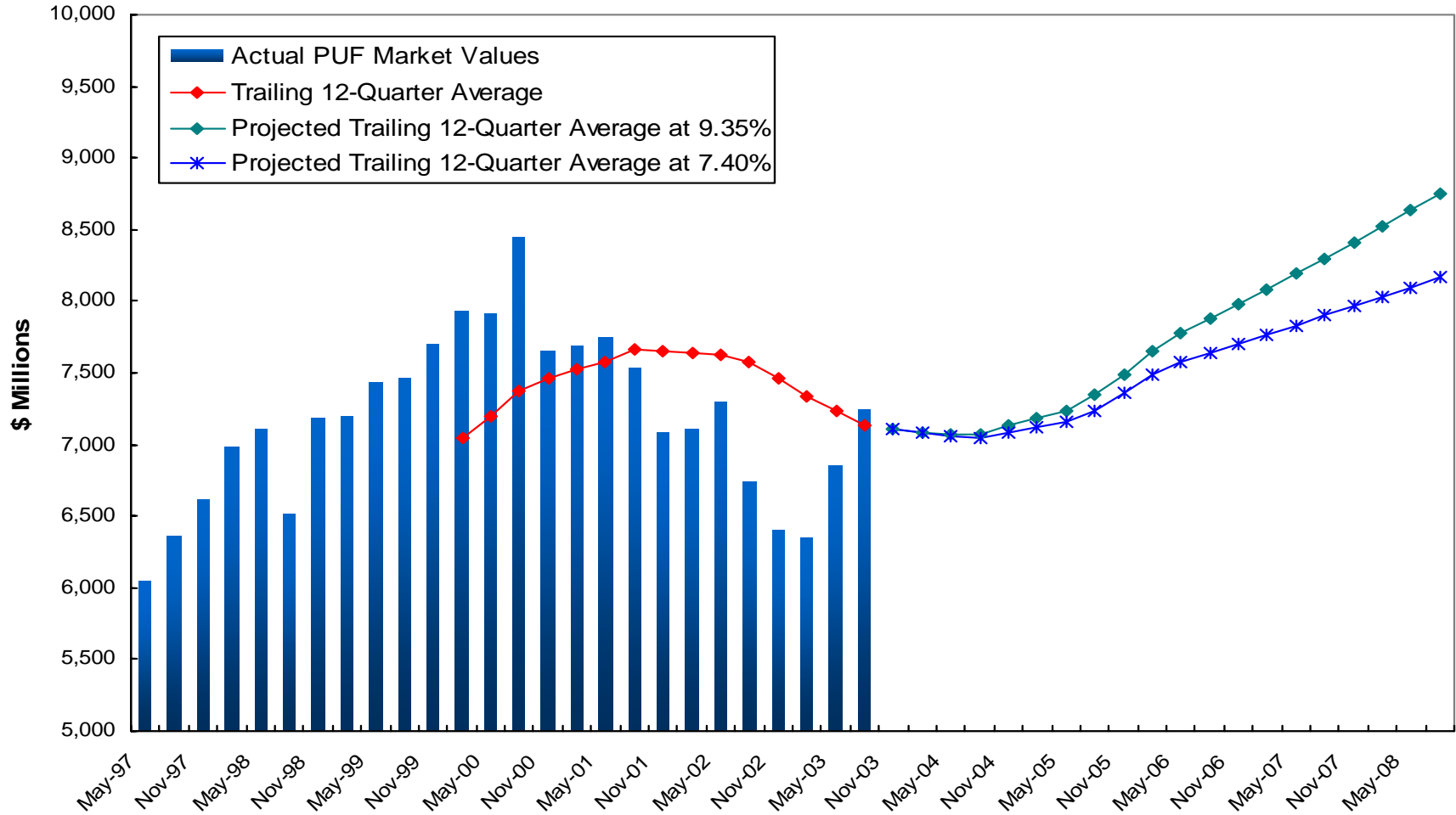
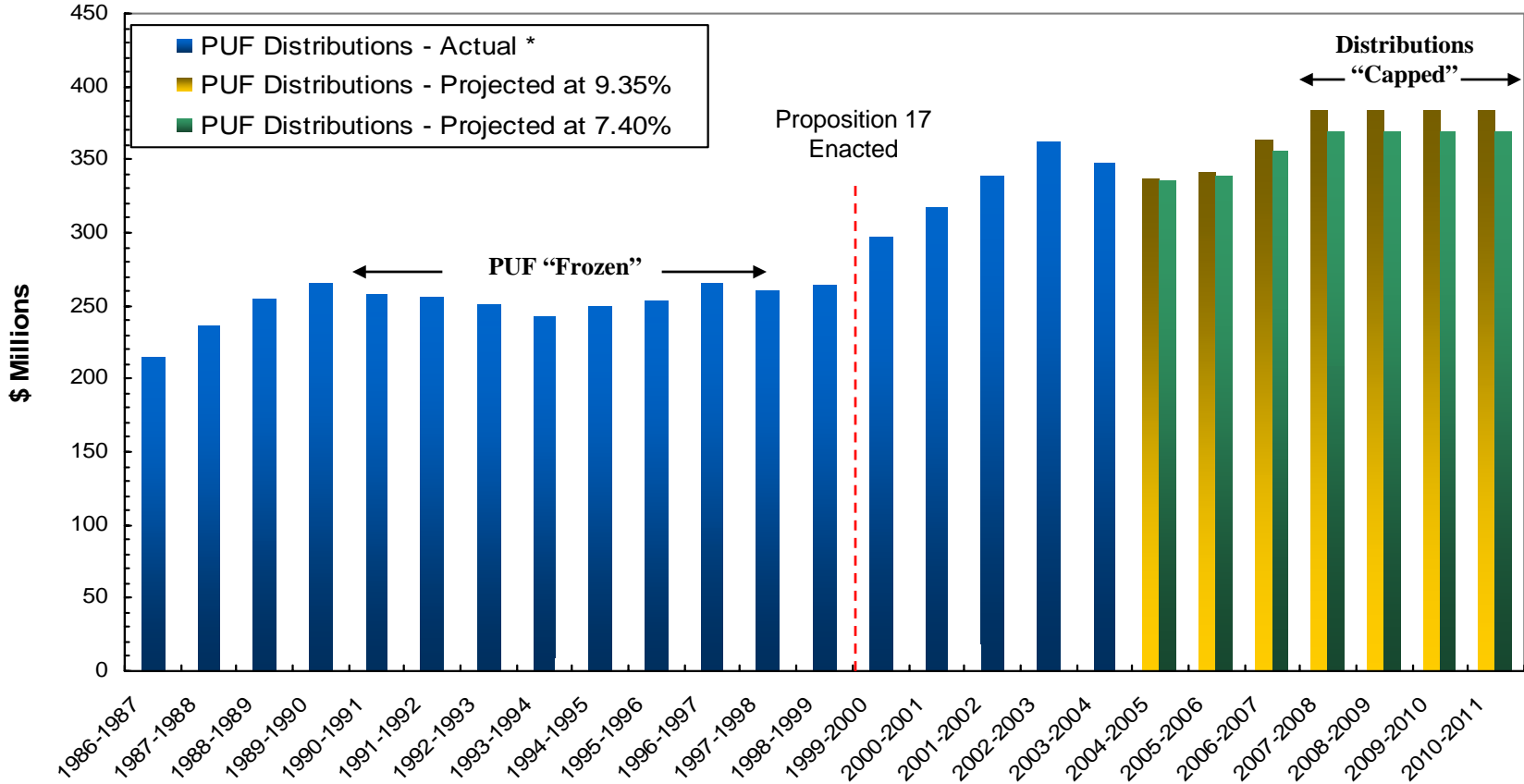


Figure A

# Permanent University Fund Distributions



\* Effective September 1, 1997, a statutory amendment changed the distribution of income from cash to an accrual basis, resulting in a one-time distribution adjustment to the AUF of \$47.3 million, which is not reflected.

Figure B



## PUF Debt Capacity-Base Case at 9.35%

Additional PUF Debt Capacity (\$180.6 Million)	\$180.6	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity	\$180.6	\$180.6	\$180.6	\$180.6	\$180.6	\$180.6

Available University Fund Operating Statement Forecast Data (\$ Millions)	Preliminary	Projected						
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	\$363.0	\$348.0	\$336.8	\$341.4	\$363.4	\$384.0	\$384.0	\$384.0
Surface & Other Income	6.5	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	369.6	354.6	343.4	348.0	370.1	390.7	390.7	390.7
UT System Share (2/3)	246.4	236.4	228.9	232.0	246.7	260.5	260.5	260.5
AUF Interest Income	5.1	4.7	6.9	9.6	11.9	13.6	13.4	13.0
Income Available to U.T.	251.5	241.1	235.8	241.7	258.6	274.0	273.9	273.5
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.5)	(106.1)	(108.8)	(116.4)	(123.3)	(123.3)	(123.1)
PUF Debt Service on Approved Projects	(69.8)	(78.4)	(98.1)	(105.2)	(108.8)	(112.1)	(114.8)	(117.7)
PUF Debt Service on Add. Debt Capacity	-	-	(14.4)	(14.4)	(14.4)	(14.4)	(14.4)	(14.4)
System Administration	(29.1)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)
Other	(1.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	22.0	(11.6)	(15.5)	(9.7)	(4.5)	(7.3)	(10.4)
Ending AUF Balance - System	82.0	104.0	92.4	76.9	67.2	62.7	55.4	45.0
PUF Debt Service Coverage	3.60:1	3.08:1	2.10:1	2.02:1	2.10:1	2.17:1	2.12:1	2.07:1

**Figure C**

## PUF Debt Capacity-Base Case at 7.40%

Additional PUF Debt Capacity (\$137.1 Million)	\$137.1	\$0.0	\$0.0	\$0.0	\$0.0	\$0.0
Cumulative Additional PUF Debt Capacity	\$137.1	\$137.1	\$137.1	\$137.1	\$137.1	\$137.1

Available University Fund Operating Statement Forecast Data (\$ Millions)	Preliminary	Projected						
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FYE 10
PUF Distribution Amount	\$363.0	\$348.0	\$336.4	\$338.5	\$355.6	\$369.0	\$369.0	\$369.0
Surface & Other Income	6.5	6.6	6.6	6.6	6.7	6.7	6.7	6.7
Divisible Income	369.6	354.6	343.0	345.2	362.3	375.7	375.7	375.7
UT System Share (2/3)	246.4	236.4	228.7	230.1	241.5	250.4	250.4	250.4
AUF Interest Income	5.1	4.7	6.9	9.7	12.0	13.5	13.3	12.7
Income Available to U.T.	251.5	241.1	235.6	239.8	253.5	263.9	263.7	263.1
TRANSFERS:								
UT Austin Excellence Funds (45%)	(114.8)	(108.5)	(106.0)	(107.9)	(114.1)	(118.8)	(118.7)	(118.4)
PUF Debt Service on Approved Projects	(69.8)	(78.4)	(98.1)	(105.2)	(108.8)	(112.1)	(114.8)	(117.7)
PUF Debt Service on Add. Debt Capacity	-	-	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)	(10.9)
System Administration	(29.1)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)	(27.9)
Other	(1.6)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)	(0.9)
Debt Service (Bldg Rev)	(3.4)	(3.4)	-	-	-	-	-	-
Net Surplus/(Deficit)	32.8	22.0	(8.2)	(13.0)	(9.0)	(6.6)	(9.4)	(12.6)
Ending AUF Balance - System	82.0	104.0	95.7	82.7	73.7	67.1	57.6	45.0
PUF Debt Service Coverage	3.60:1	3.08:1	2.16:1	2.06:1	2.12:1	2.15:1	2.10:1	2.05:1

**Figure D**

# PUF Debt Capacity Sensitivities at 9.35%

Board-Determined	Board-Determined	Board-Determined	Market-Dependent	Market-Dependent	Additional Debt Capacity (\$ Millions)						TOTAL FY 2005- FY 2010	Projected PUF Market Value in FY 2030
Annual LERR	U.T. Austin Excellence	PUF Distribution Rate	PUF Investment Return	Change in Tax-Exempt Rates	FY2005	FY2006	FY2007	FY2008	FY2009	FY2010		
\$30 Million	45.0%	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
<b>\$30 Million</b>	45.0%	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
<b>\$20 Million</b>	45.0%	4.75%	9.35%	NA	190.6	10.0	10.0	10.0	10.0	10.0	240.6	26,403,121,562
<b>\$10 Million</b>	45.0%	4.75%	9.35%	NA	200.6	20.0	20.0	20.0	20.0	20.0	300.6	26,403,121,562
<b>None</b>	45.0%	4.75%	9.35%	NA	210.6	30.0	30.0	30.0	30.0	30.0	360.6	26,403,121,562
\$30 Million	<b>40.0%</b>	4.75%	9.35%	NA	343.2	0.0	0.0	0.0	0.0	0.0	343.2	26,403,121,562
\$30 Million	<b>45.0%</b>	4.75%	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
\$30 Million	<b>50.0%</b>	4.75%	9.35%	NA	18.0	0.0	0.0	0.0	0.0	0.0	18.0	26,403,121,562
\$30 Million	45.0%	<b>4.50%</b>	9.35%	NA	92.1	0.0	0.0	0.0	0.0	0.0	92.1	28,083,650,633
\$30 Million	45.0%	<b>4.75%</b>	9.35%	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
\$30 Million	45.0%	<b>5.00%</b>	9.35%	NA	268.9	0.0	0.0	0.0	0.0	0.0	268.9	24,806,326,769
\$30 Million	45.0%	4.75%	<b>8.35%</b>	NA	158.0	0.0	0.0	0.0	0.0	0.0	158.0	20,286,359,140
\$30 Million	45.0%	4.75%	<b>9.35%</b>	NA	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
\$30 Million	45.0%	4.75%	<b>10.35%</b>	NA	261.3	0.0	0.0	0.0	0.0	0.0	261.3	33,804,997,440
\$30 Million	45.0%	4.75%	9.35%	<b>+ 50 bps</b>	149.1	0.0	0.0	0.0	0.0	0.0	149.1	26,403,121,562
\$30 Million	45.0%	4.75%	9.35%	<b>NA</b>	180.6	0.0	0.0	0.0	0.0	0.0	180.6	26,403,121,562
\$30 Million	45.0%	4.75%	9.35%	<b>-50 bps</b>	214.3	0.0	0.0	0.0	0.0	0.0	214.3	26,403,121,562

Figure E

**7. U. T. System: Report of the Energy Utility Task Force for Fiscal Year 2003**

REPORT

Mr. Philip R. Aldridge, Interim Vice Chancellor for Business Affairs, will report on the progress of the Energy Utility Task Force for Fiscal Year 2003 using materials attached on Pages 29.1 - 29.7. The Energy Utility Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System component institutions to reduce energy consumption, better manage commodity price risk, and leverage its purchasing power to reduce energy costs. Initial recommendations and energy consumption reduction goals were presented to the Board in November 2001. A 2-4% reduction in System-wide energy usage per square foot was targeted for Fiscal Year 2003. An annual update is presented to the Finance and Planning Committee of the Board each year.

# Energy Utility Task Force

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- The EUTF was created in February 2001 to evaluate and recommend strategies for U.T. System institutions to:
  1. Reduce energy consumption
  2. Better manage commodity price risk
  3. Leverage System-wide purchasing power
  
- In order to facilitate the achievement of these goals, a series of recommendations and energy consumption reduction goals were presented to the Board of Regents in November 2001.
  
- Energy Management Plans were completed by each component institution as of 5/31/02. These serve as the “road map” for accomplishing the objectives of the EUTF.

# Goal # 1: Reduce Energy Consumption

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- A 2.0% to 4.0% reduction in System-wide energy usage per square foot was targeted by the EUTF for FY 2003. The current estimate for FY 2003 shows a 6.5% reduction from FY 2001 levels.
- Literally hundreds of energy efficiency projects have been initiated across the U.T. System since FY 2001.
- Several dozen discrete capital projects have also been initiated to reduce energy costs. These projects range in size from several thousand dollars to \$25 million.

## **Goal # 2: Better Manage Energy Price Risk**

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- U.T. Austin has signed a new natural gas contract with the General Land Office that provides a fixed price for 81% of its expected natural gas usage in FY 2004 at \$3.61 per MMBtu. This price is well below the current and forward prices for natural gas.
- All three Houston-area institutions signed new electricity contracts with the General Land Office (through its agent, Reliant Energy Solutions). Generally, these contracts lock in a fixed price for a portion of the electricity cost for periods of up to 46 months. Savings are approximately 2.2% off of local utility rates.

## Goal # 3: Leverage Purchasing Power

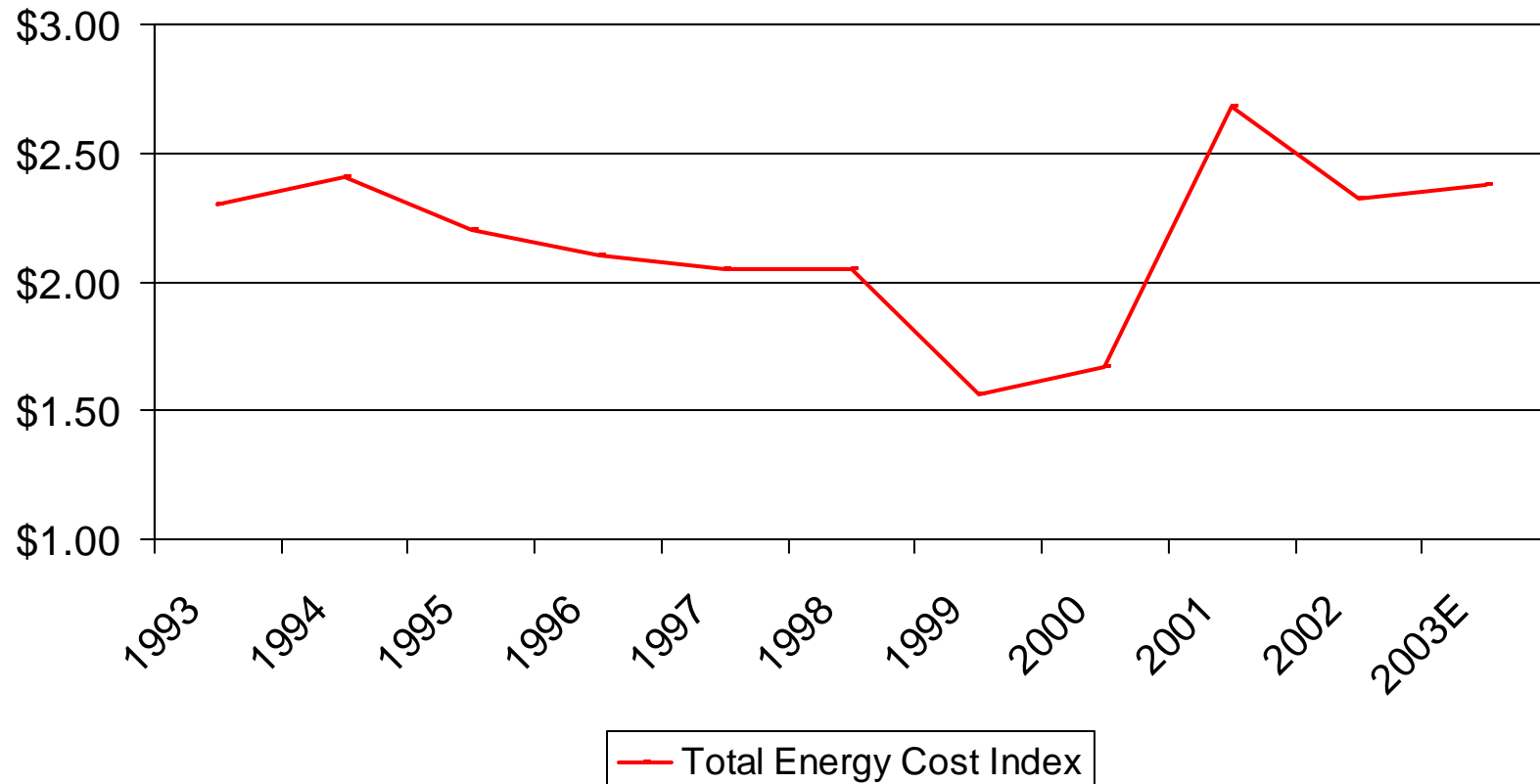
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- U. T. Southwestern Medical Center - Dallas, U. T. Arlington, U. T. Dallas, U. T. Permian Basin, U. T. Tyler and U. T. Health Center - Tyler have issued a joint RFP for the purpose of procuring electricity from a single provider. The contract will provide for a discounted rate for electricity at each institution for a period of up to three years. Savings in the first year are estimated to be \$3.5 million.



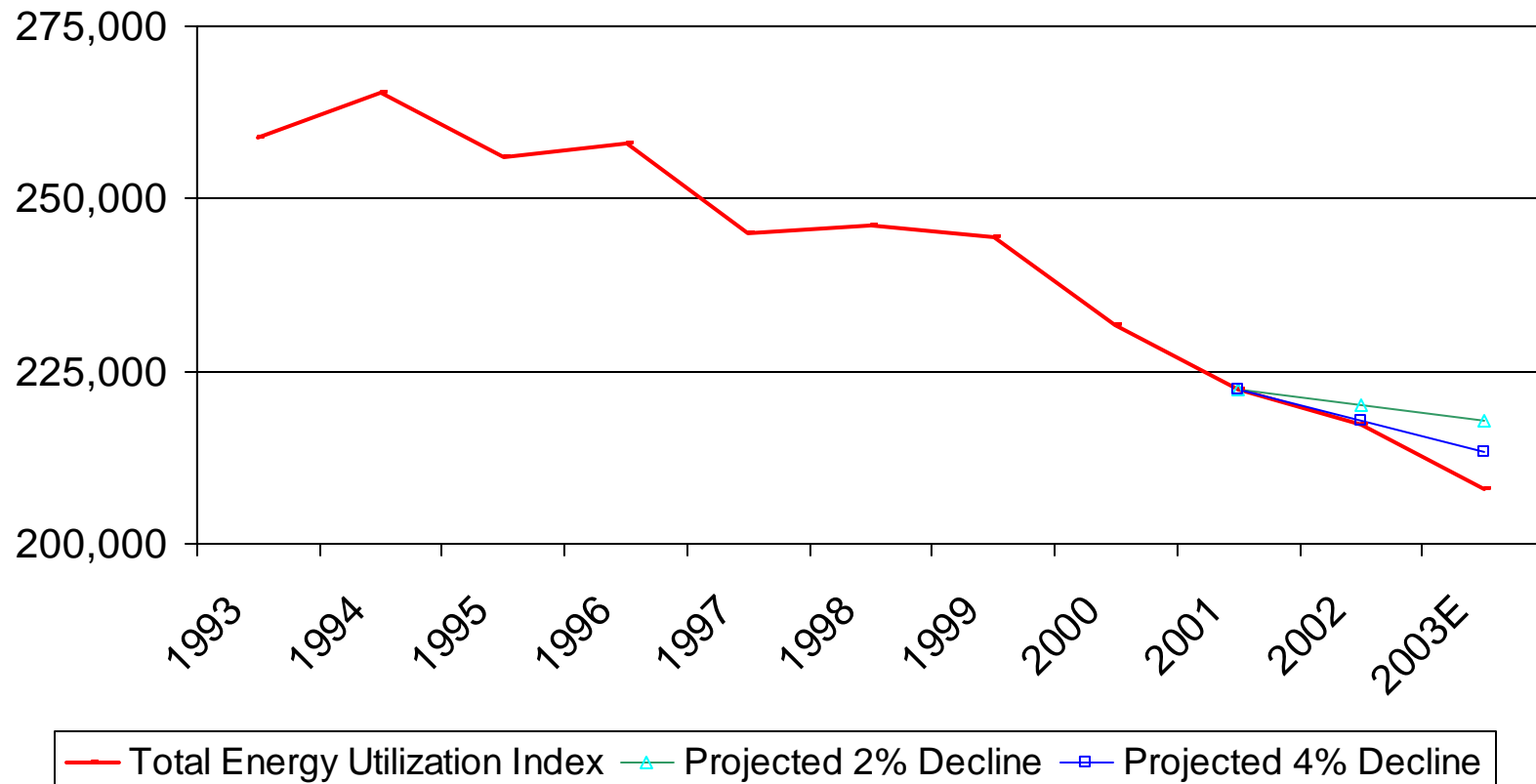
# Updated Energy Cost Index (ECI)

(\$ / ft<sup>2</sup> /year)



# Updated Energy Utilization Index (EUI)

(Btu / ft<sup>2</sup> /year)



# Updated Energy Consumption and Costs

Fiscal Year	Electricity	Natural Gas	Electricity	Natural Gas	Total	Total	Other	Other	Total	Gross	Total	Total
	Usage (Kwh)	Usage (Mcf)	Cost (\$/Kwh)	Cost (\$/Mcf)	Electricity Cost	Natural Gas Cost	Energy (MMBtu)	Energy Cost	Energy Cost	Square Footage	Energy Utilization Index (Btu / ft2 / yr.)	Energy Cost Index ( \$ / ft2 / yr.)
1993	758,530,624	5,853,351	\$0.0513	\$2.5104	\$ 38,935,177	\$ 14,694,160	13,089	\$ 20,417,665	\$ 99,749,453	43,391,126	258,814	\$ 2.30
1994	769,038,496	6,206,141	\$0.0532	\$2.4911	\$ 40,904,405	\$ 15,460,025	337	\$ 22,402,366	\$ 104,788,726	43,546,488	265,351	\$ 2.41
1995	808,741,916	6,042,415	\$0.0487	\$1.9311	\$ 39,375,137	\$ 11,668,437	40,677	\$ 24,128,388	\$ 97,624,796	44,244,580	256,299	\$ 2.21
1996	827,474,008	6,339,050	\$0.0432	\$2.3751	\$ 35,713,888	\$ 15,056,131	52,915	\$ 22,256,631	\$ 95,411,303	45,315,436	258,345	\$ 2.11
1997	929,746,528	6,773,047	\$0.0447	\$2.7372	\$ 41,591,080	\$ 18,539,034	27,059	\$ 24,583,570	\$ 97,767,351	48,171,597	244,217	\$ 2.03
1998	1,003,307,037	7,146,175	\$0.0449	\$2.7220	\$ 45,026,159	\$ 19,451,796	49,426	\$ 26,131,767	\$ 101,093,039	49,684,186	245,742	\$ 2.03
1999	1,006,136,057	6,972,357	\$0.0445	\$2.4820	\$ 44,763,535	\$ 17,305,073	28,863	\$ 25,298,997	\$ 99,614,128	50,930,293	242,971	\$ 1.96
2000	1,059,087,750	7,057,246	\$0.0460	\$3.4032	\$ 48,672,004	\$ 24,017,260	7,804	\$ 27,862,519	\$ 114,201,844	54,146,443	233,740	\$ 2.11
2001	1,054,912,766	7,173,448	\$0.0569	\$5.9528	\$ 60,042,574	\$ 42,701,958	13,640	\$ 29,463,687	\$ 149,802,396	57,348,051	222,277	\$ 2.61
2002	1,084,875,822	7,155,613	\$0.0562	\$3.8175	\$ 61,024,225	\$ 27,316,386	9,853	\$ 32,089,508	\$ 136,953,021	59,104,344	217,331	\$ 2.32
2003E	1,100,798,728	6,784,043	\$0.0558	\$5.0002	\$ 61,471,425	\$ 33,921,734	9,040	\$ 31,173,666	\$ 143,874,574	60,481,359	207,861	\$ 2.38
2004E	1,179,970,332	7,294,028	\$0.0566	\$4.8848	\$ 66,815,577	\$ 35,630,074	7,677	\$ 31,991,297	\$ 155,211,083	64,311,462	211,909	\$ 2.41



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel  
**Board Meeting:** 11/13/2003  
U. T. Permian Basin

Cyndi Taylor Krier, *Chairman*  
H. Scott Caven, Jr.  
Judith L. Craven, *M.D.*  
Robert A. Estrada  
James Richard Huffines

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>2:00 p.m.</i> <i>Chairman Krier</i>		
1. <b>U. T. System: Update on Academic Affairs issues and response to questions concerning tuition review process</b>	<i>2:05 p.m.</i> <b>Discussion</b> <i>Dr. Sullivan</i>	Not on Agenda	<b>30</b>
2. <b>U. T. Board of Regents: Amendment of the Regents' <u>Rules and Regulations</u> regarding solicitation [Part One, Chapter VI, Section 6, Subsection 6.6 and Subdivision 6.61, Subparagraph 6.61(r)]</b>	<i>2:10 p.m.</i> <b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>30</b>
3. <b>U. T. Board of Regents: Amendment of the Regents' <u>Rules and Regulations</u> regarding Special Use Facilities [Part One, Chapter VI, Section 6, Subsection 6.(10), Subparagraph 6.(10)3] and delegation of authority for U. T. Austin to execute use agreement for arena football games</b>	<i>2:15 p.m.</i> <b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>31</b>
4. <b>U. T. Board of Regents: Amendment to the Regents' <u>Rules and Regulations</u> regarding charter schools (Part One, Chapter I, Section 9, Subsection 9.5 and Part Two, Chapter I, Section 5)</b>	<i>2:20 p.m.</i> <b>Action</b> <i>Mr. Godfrey</i>	<b>Action</b>	<b>33</b>
5. <b>U. T. Arlington: Authorization to purchase real property located at 509 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt</b>	<i>2:25 p.m.</i> <b>Action</b> <i>Dr. Sorber</i> <i>Mr. Jim Wilson</i>	<b>Action</b>	<b>34</b>
6. <b>U. T. Arlington: Authorization to purchase real property located at 515 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt</b>	<i>2:28 p.m.</i> <b>Action</b> <i>Dr. Sorber</i> <i>Mr. Jim Wilson</i>	<b>Action</b>	<b>36</b>
7. <b>U. T. Arlington: University Center Fire and Life Safety Project - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include new project; authorize institutional management; appropriate funds and authorize expenditure; parity debt</b>	<i>2:31 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>37</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. Austin: Authorization to lease approximately 45.783 acres of land in Austin, Travis County, Texas</b>	2:34 p.m. <b>Action</b> <i>Dr. Faulkner</i> <i>Mr. Jim Wilson</i>	<b>Action</b>	<b>38</b>
9. <b>U. T. Dallas: Approval of M.S. in Biotechnology</b>	2:37 p.m. <b>Action</b> <i>Dr. Sullivan</i>	<b>Action</b>	<b>41</b>
10. <b>U. T. Dallas: Campus Housing Phase IX - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:40 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>42</b>
11. <b>U. T. Dallas: Center for BrainHealth - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:43 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>43</b>
12. <b>U. T. Dallas: Natural Science and Engineering Research Building - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:46 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>43</b>
13. <b>U. T. San Antonio: Approval of Ph.D. in Counselor Education and Supervision</b>	2:49 p.m. <b>Action</b> <i>Dr. Sullivan</i>	<b>Action</b>	<b>45</b>
14. <b>U. T. San Antonio: East Campus Building Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:52 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>46</b>
15. <b>U. T. San Antonio: East Campus Thermal Energy Plant - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:55 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>47</b>
16. <b>U. T. San Antonio: North/South Connector Road - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project</b>	2:58 p.m. <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>48</b>

**Adjourn**

1. **U. T. System: Update on Academic Affairs issues and response to questions concerning tuition review process**

### REPORT

Dr. Teresa A. Sullivan, Executive Vice Chancellor for Academic Affairs, will provide an update on recent increases in enrollment and on recent actions of the Texas Higher Education Coordinating Board. She will also respond to questions regarding the tuition review process.

2. **U. T. Board of Regents: Amendment of the Regents' Rules and Regulations regarding solicitation [Part One, Chapter VI, Section 6, Subsection 6.6 and Subdivision 6.61, Subparagraph 6.61(r)]**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6 and Subdivision 6.61, Subparagraph 6.61(r), concerning solicitation, be amended as set forth below in congressional style:

6.6 Solicitation

The term "solicitation" means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; ~~the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization;~~ the receipt of or request for any gift or contribution; or the request to support or oppose or to vote for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to State or federal law or local ordinances.

6.61

...

- (r) Subject to the component institution's reasonable and nondiscriminatory rules concerning the time, place, and manner of distribution, sale, or display of material, the distribution, sale, or display by a students' association or a registered student, faculty, or staff organization of printed material (including any newspaper, magazine, or other

publication, and any leaflet, flyer, or other informal matter, or any sign, banner or exhibit), or the distribution or display of such material, at no cost, by individual students, faculty, or staff, or oral statements by students, faculty, staff, or their associations or registered organizations. A Such a publication within this rule may contain paid advertising, but only if the publication is devoted to promoting the views of a not-for-profit organization or to other bona fide editorial content distinct from the advertising. Printed material and oral statements under this rule may also contain advertising for academic or administrative units of The University of Texas System or its component institutions, for registered student, faculty, or staff organizations, or for organizations that are not operated for profit. This rule does not authorize any form of advertising except as provided in the preceding two sentences. This rule does not authorize distribution, sale, or display of any publication operated for profit. An organization, or A-publication is operated for profit if any part of the net earnings of the publication, or of its operation or distribution, inures to the benefit of any private shareholder or individual.

### BACKGROUND INFORMATION

These proposed amendments to the Regents' Rules and Regulations are a further recommendation of U. T. Austin's Task Force on Assembly and Expression. The Task Force concluded that students, faculty, and staff should be entitled to publicize and urge support for off-campus, not-for-profit organizations. The amendments would delete such activities from the definition of prohibited "solicitation" and would revise Subparagraph 6.61(r) to recognize the authority to pursue such activities. Specifically, the revision recognizes that students, faculty, and staff may urge support for and distribute the literature of off-campus, not-for-profit entities with which they identify.

3. **U. T. Board of Regents: Amendment of the Regents' Rules and Regulations regarding Special Use Facilities [Part One, Chapter VI, Section 6, Subsection 6.(10), Subparagraph 6.(10)3] and delegation of authority for U. T. Austin to execute use agreement for arena football games**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel

that the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.(10), Subparagraph 6.(10)3, concerning Special Use Facilities, be amended as set forth below in congressional style:

- 6.(10)3 As a lower priority, the rules and regulations may provide for reservation and use of Special Use Facilities by individuals, groups, associations, or corporations without the necessity of joint sponsorship by the U. T. System or component institution. Subject to all constitutional and statutory provisions relating to the use of State property or funds for religious or political purposes, Special Use Facilities may be made available for religious and political conferences or conventions. Rates must be charged for the use of the Special Use Facility that, at a minimum, ensure recovery of that part of the operating cost of the facility attributable directly or indirectly to such use. If the user charges those attending an event any admission or registration fee, or accepts donations from those in attendance, the component institution shall require the user to make a complete account of all funds collected and of the actual cost of the event. If the funds collected exceed the actual cost of the event, the user shall be required to remit such excess funds to the component institution as an additional charge for the use of the Special Use Facility provided however, the Board may permit exceptions to this requirement by the authorization of specific special use agreements via the Docket or Agenda.

It is further recommended that, as a permitted exception, President Faulkner or his designee be authorized to negotiate and enter into a use agreement with FesteCapital Sports Enterprises Ltd., for the use of the Frank C. Erwin, Jr. Special Events Center and the indoor practice facility for arena football.

### BACKGROUND INFORMATION

This proposed amendment to the Regents' Rules and Regulations would permit a component institution to enter into a special use agreement for a Special Use Facility with an entity that intends to use the Facility as the site of a "for-profit" activity subject to the Board's prior authorization.

U. T. Austin has been approached by the owners of a professional arena football team for the use of the Frank C. Erwin, Jr. Special Events Center for eight annual home games and the indoor practice facility for limited practice sessions, and this proposed revision of the Regents' Rules and Regulations is necessary to allow such use.

Background materials from U. T. Austin providing more detail about the proposed use is included on Pages 32.1 - 32.8.





OFFICE OF THE PRESIDENT  
THE UNIVERSITY OF TEXAS AT AUSTIN

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P.O. Box T • Austin, TX 78713-8920  
(512) 471-1232 • FAX (512) 471-8102

September 26, 2003

Dr. Teresa A. Sullivan  
Executive Vice Chancellor for Academic Affairs  
OHH 305  
(P4300)

RE: Arena Football

Dear Terry:

Enclosed is a proposal that has been tentatively agreed upon by The University of Texas at Austin and Mr. Greg Feste of Feste Capital who is heading up a group intending to purchase an Arena Football franchise for Austin. The Arena Football group wants to play its eight home games in the Frank Erwin Special Events Center beginning in the spring of 2004. (The regular football season for the team will be February through May.) The University asks that this proposed arrangement be considered by the Board of Regents at the regular November 2003 meeting. We ask that the Board of Regents authorize the University to negotiate and enter into a contract with the Arena Football group that is written in accordance with the basic principles set out in the enclosed proposal.

Under current *Regents' Rules*, external entities can use the Frank Erwin Center for their own activities under use agreements with the University. However, the policies provide that such entities cannot "make a profit" when using our facilities. In this case we propose to allow the Arena Football League to use the Frank Erwin Center since it is a unique facility and the only one in Austin in which the team could play. We believe that this is an important step that The University can take to assist the State and the Austin community in its economic development efforts.


The enclosed documents contain the primary points around which the contract will be centered. As a starting point, we advised Mr. Feste that we need to make at least the same amount of money had the eight prime dates been used by the Erwin Center for concerts or other regular Erwin Center programs. The enclosed proposal to which the Arena Football group has agreed provides for that amount plus the possibility of additional income through use fees, concessions, etc. The University policies regarding sponsorships will be followed (no alcoholic beverages, tobacco products, etc.), no UT logos will be used, and no Arena Football activities will displace academic activities regularly scheduled in the Erwin Center, such as high school and

Dr. Teresa A. Sullivan  
September 26, 2003  
Page 2

University graduations in May. In addition, the Arena Football group will pay the University for all out-of-pocket costs, and for any modifications required in the Erwin Center. The only such modification anticipated is a change-out of lower level end-zone telescopic seating. This seating change will not negatively impact regular Erwin Center programming.

Please let me know if additional information is needed. Thank you for your consideration of this request.

Sincerely,



Larry R. Faulkner  
President

LRF/dh

Enclosures

cc: Chancellor Mark G. Yudof, w/enclosures  
Vice President Patricia C. Ohlendorf  
Athletics Director D. DeLoss Dodds  
Associate Athletics Director D. Douglas Messer

**THE UNIVERSITY OF TEXAS AT AUSTIN**  
**MEN'S ATHLETICS DEPARTMENT**

P. O. Box 7399

471-5317

MEMORANDUM

September 24, 2003

TO: Patti Ohlendorf  
Vice President for Institutional Relations and Legal Affairs

FROM: DeLoss Dodds

SUBJ: Arena Football

*Recommend  
approval,  
P. Ohlendorf  
9/25/03*

In late July we were contacted by Greg Feste, Feste Capital advising us that he was representing a group of investors that were planning to acquire an Arena Football franchise and wanted to bring a team to Austin. He indicated that they would like to play their games in the Frank Erwin Center and that they would like to start a team that would be ready to play beginning in February, 2004. (Their regular playing season is February through May.)

Following that initial meeting many hours of work on their part and our part have resulted in their agreement to the terms of a proposal the University has developed (see attached). In all of our dialog with Mr. Feste we have stressed that there are several key issues that must be resolved to the University's satisfaction before an agreement can be finalized. We have specifically noted the following with him: (1) the playing field must fit in the Erwin Center without disruption to other uses of the Center, (2) any cost required to modify the arena in order to accommodate their playing field will be paid by Feste in advance, (3) their field and the set-up for their event must meet the egress standards required by the safety officials, (4) the use agreement will be contained in a contract prepared by the University, and (5) until all of these issues are resolved there is no official deal or relationship with the University for use of the Erwin Center.

At this time we have hired the Heery architects to help us address the many physical concerns listed above. Their work is underway. Mr. Feste has agreed to reimburse us for the cost of Heery's services.

With the reservations mentioned above, we request your assistance in moving forward with this agreement.

Attachment

# THE UNIVERSITY OF TEXAS AT AUSTIN

## ARENA FOOTBALL PROPOSAL

Draft #5 – September 22, 2003

1) **Ticketing:** All tickets will be sold by Texas Box Office (TBO) The base charge for TBO services in the first year will be 1.5% of Gross Sales. The Base Charge for years two through four will be set according to the following schedule - if the previous years total Gross Sales exceed \$3 million the charge will be 1%, if sales are between \$1.5 million and \$2, 999,999 then the charge will be 1.5%, if sales are less than \$1.5 million then the charge will be 2%. An additional charge of 2% will be applied to all sales made by credit card. TBO may charge a customer convenience fee and retain all proceeds from customer convenience fees. Convenience fees will be set by TBO and may be changed from time to time in TBO's sole discretion.

2) **Use Fee:** \$22,500 per game or 20% of Gross Ticket Sales per game whichever is greater. University will pay house costs (i.e. ticket sellers, ticket takers, ushers, security, etc.) from its share.

"Use Fee" includes the use of Burnt-Orange room, auxiliary rooms for locker rooms, officials, press, etc. on game days (to be determined by Team from the existing space available in the building).

Use Fees will be calculated on a per game basis and these fees will be either deducted from Gross Sales on the day of a game or paid by Team on the day of a game.

Team receives the following incentive based on the **number of tickets sold . . .**

5001-7500 tickets sold-\$1.50 per ticket rebate to Football Team.

7501-10,000 tickets sold-\$2.00 per ticket rebate to Football Team.

10,001-12,500 tickets sold-\$2.25 per ticket rebate to Football Team.

12,501-15,000 tickets sold-\$2.50 per ticket rebate to Football Team.

3) **Marketing-Advertising:** Publicity and media promotions must go through the University (Frank Erwin Center). All advertising and media promotions must be approved and placed by the University.

4) **Sponsorships and Advertising:** All Sponsorships, arena advertising, and arena signage must be sold and managed through HOST Communications. Host will charge 15% commission on all Sponsorships, arena advertising, and arena signage. The University will charge 15% user fee for all arena advertising,

sponsorships, and arena signage. The University does not permit sponsorships or advertising for alcoholic beverages, tobacco products, gambling services or venues, sexual services or adult entertainment, or firearms.

- 5) **Concessions Receipts:** All concession receipts shall belong to Sodexho and University.
- 6) **Set Up\Tear Down:** In addition to Use Fees, Football Team will pay University for all "in/out set-up/tear down" costs associated with the field and other equipment needed for their event (hourly per person). (Estimated cost \$3,500 to \$5,000 for "set up" and repeat cost for take down . . . totaling approximately \$7,000 - \$10,000 per game.)
- 7) **Arena Modifications:** Football Team to pay for all architectural/engineering reviews (estimated cost - \$20,000) and any permanent arena modification costs for arena to accommodate their event. Such changes will be under the exclusive management of the University. (Estimated cost of drilling holes in floor for side wall supports - \$20,000). Changes shall not be made unless agreed to by University and it is clear that the changes will not impact negatively University's use of arena or any other programs in the arena.

It is estimated that the cost to change out the lower end zone arena telescoping bleacher system will run approximately \$560,000. Football Team will be responsible for providing University 100% of this amount of funding or more if costs prove to be higher prior to awarding a contract for the construction and installation of these systems and prior to any associated cost being incurred. .

- 8) **Offices and Storage:** Arena Football responsible to provide off-site storage and offices on non-game days off campus.
- 9) **Team Merchandise:** Team merchandise will be sold at all events through Sodexho Services-70/30 split after tax. - 70% to Football Team-30% to Sodexho..
- 10) **Practice facility:** If the University is given permission to allow an outside entity use of the bubble, the University will make bubble available for practice as follows:

Pre-Season Practice - \$7,500  
(Maximum of 15 days - max of 3 hrs per practice);

Regular Season Practice - \$40,000  
(Maximum of 80 days – max of 5 days/wk - max of 3 hrs per practice – Feb through May);

Post Season Practice - \$1,000 per day  
(Max of 3 hrs per practice)

Note: The schedule noted above is not final . . . based on estimated information.

The facility will be provided in its "as is" state. No remarking or change of the field will be permitted.

The grass fields are not included in this agreement and Team will refrain from any use of these areas.

The University's football team will have first choice on practice days and times. The two teams shall not be on or in these facilities (Denius Fields) at the same time.

All terms of this facility "Use" relationship shall comply with the rules and regulations of the University and the Board of Regents.

**11) Training/Medical Facilities and Weight Training Facilities:** The University's training/medical facilities and Weight Training facilities are not available to arena football team. Team will need to address these facility needs at some other site off campus.

**12) Parking:** Parking is provided on game days only. Team will be provided 24 parking spaces in South Service Drive. Some of these spaces may be used by television trucks to connect to building cable . . . number of spaces used by TV vehicles varies.

Parking is available to Team in Lot 108 (Lot South of Erwin Center) after providing space for Suite holders. Some system of identifying who is associated with team must be developed to control access to this lot.

University parking can not be sold by Team.

**13) Suites:** The University will maintain control of all suites and will retain all revenues derived from licensing use of suites for events held in Erwin Center. Suite ticket revenues will be included in Gross Ticket Sales of each event. If Football Team would like to lease or license a suite, team can make this known to University and University will provide information about suite availability, cost, benefits, and rules. Suites are not provided to anyone on a complimentary basis except as determined by University for University use. Also, suite lessees or licensees are not permitted to sublease or sublicense use of suites and suite tickets may not be resold by lessees or licensees.

**14) Open House:** Team may use Erwin Center facilities at no cost (no usage fee) to hold an "Open House" to the public in an effort to promote season ticket sales. Team will work with University in selection of suitable date for this event. University has final authority on date selected for this event. Team will pay out-of-pocket cost of personnel required to run the building, provide security, traffic

control, and other building services as needed, including field "set up and take down" if requested by Team.

- 15) **Term of Agreement:** Football Team will enter into an agreement with Erwin Center for a period of four years.
- 16) **Insurance:** Football Team will obtain a general liability policy naming University as additional insured in the amount of \$1,000,000 (or the amount required by University). Team will also provide proof of other insurance as needed to operate in State of Texas (i.e. Workmen's Comp, etc.). Financial limits may change. University will require Team to provide full indemnification.
- 17) **Use of Erwin Center on Game Day:** Team can begin using Erwin Center on game day at 6:00 AM and until two hours after game is over.
- 18) **Game Day Personnel:** Team will provide and arrange for game officials, PA Announcer, Official Game Stats personnel, Chain Crew, Clock Operators and any other personnel needed to run the game.
- 19) **Scoreboard, Video System, 360 Video, Marquee:** Special effects on any of these systems will require review and approval of University. Cost of producing special effects, instant replay, etc. will be billed to Team at the same cost charged to University by Video Systems provider.
- 20) **Ownership:** If Team ownership changes during the term of an agreement with the University (i.e. the Limited Partnership is bought by another business entity and/or Feste no longer involved), the University will have the exclusive right to terminate this agreement.
- (21) **Schedule:** Schedule of available dates to play may not be available until the end of September and will be set by University. May and June weekend dates may not be available due to Graduations (UT and Local Area High Schools) and Summer Basketball Camps. When University provides notice of the available dates Team may use, Team will have 30 days to decide which dates will be used and notify University accordingly.
- (22) **Payment for "Held" Dates:** University and Team will agree on eight playing dates yearly. Schedule of dates may include Friday dates, Saturday dates, and/or Sunday dates. If Team defaults and does not play on any one of the eight dates then Team will pay University an appearance fee equal to \$22,500 times eight appearances regardless of the number remaining on the contract. Contract may be terminated at University's discretion.
- (23) **Special Equipment:** Team will pay for any equipment needed by University to properly "set-up and take-down" field, sidewalls, goal post, netting, etc.

*He will require significantly more than \$1 million due to the nature of the activity.*  
JD  
9/25/03

- (24) **Team Name, Uniform Colors, Mascots, Other Identifying Marks:** Team will not use any names, uniform colors, mascots, or other identifying marks of University or simulate marks used or owned by University.
- (25) **Contacts With University Athletes:** All employees (full or part time), owners, contracted personnel, players, and volunteers of Team will abide by all Texas State laws that pertain to "Agents" conduct, all NCAA and Big 12 rules regarding contact with University athletes, and all Institutional rules regarding contact with University athletes. Violations of any of these rules, regulations, laws, and Institutional directions may cause termination of this agreement. Such termination will be the University's exclusive right if such rules are violated.



4. **U. T. Board of Regents: Amendment to the Regents' Rules and Regulations regarding charter schools (Part One, Chapter I, Section 9, Subsection 9.5 and Part Two, Chapter I, Section 5)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Vice Chancellor and General Counsel that the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.5 and Part Two, Chapter I, Section 5, regarding charter school operations, be amended as set forth below in congressional style:

- a. Amend Part One, Chapter I, Section 9, Subsection 9.5 as follows:

Sec. 9. Delegation to Act on Behalf of the Board

...

9.5 Delegation of Authority Related to Charter School Operations

Authority delegated by the Board in these Rules and Regulations includes actions related to the oversight and operation of ~~a an open enrollment~~ charter school as authorized in Part Two, Chapter I, Section 5 of these Rules and Regulations.

- b. Amend Part Two, Chapter I, Section 5 as follows:

Sec. 5. Charter School Operations

Upon a finding by the Chancellor and the Executive Vice Chancellor for Academic Affairs that a proposed application ~~for a charter~~ to operate ~~a an open enrollment~~ charter school as authorized by Texas Education Code Chapter 12 meets requirements of State law and furthers the institutional mission, an institution may apply to the State Board of Education to operate a charter school. Charter school operations will adhere to all applicable provisions of State law including the Texas Public Information Act.

The oversight and supervision of the charter school is delegated to the institutional president, with a report to the Board each year, detailing activities and performance of the charter school.

~~A board or An advisory council~~ may shall be appointed by the president to advise him or her on operation of the charter school. The ~~board or advisory~~ council will comply with all provisions of the Texas Open Meetings Act applicable to the Board of Regents.

### BACKGROUND INFORMATION

These amendments to the Regents' Rules and Regulations are proposed to reflect the legislative change authorizing a university to apply for an open enrollment charter as well as a college or university charter. At the time these Regents' Rules were added, Section 12.101 of the Texas Education Code authorized a university to apply to the State Board of Education to operate an open enrollment charter school. The legislature has provided authorization for another class of charter schools (a college or university charter) in Texas Education Code Section 12.152.

The amendment to the Regents' Rules also authorizes a "board" to be appointed by the president to advise him or her regarding operations of the charter school.

5. **U. T. Arlington: Authorization to purchase real property located at 509 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents:

- a. authorize the Executive Director of Real Estate to take all steps necessary to purchase the property located at 509 Summit Avenue, Arlington, Tarrant County, Texas, and to execute all documents related thereto; and
- b. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

## BACKGROUND INFORMATION

U. T. Arlington wishes to acquire the Racquet Club Apartments property, which exists in a strategic location within the legislatively authorized acquisition zone for the U. T. Arlington campus and is needed to assemble a site on which to construct new student housing. The property is also designated for future acquisition in the campus master plan approved by the U. T. Board of Regents. The proposed purchase price is the appraised market value of \$1.45 million, and the proposed source of acquisition financing is Revenue Financing System Bond Proceeds to be repaid with net revenues from U. T. Arlington's housing operations. The terms and conditions are as reflected in the transaction summary below:

### **Transaction Summary**

Component:	U. T. Arlington
Type of Transaction:	Purchase
Property Name:	Racquet Club Apartments
Property Address:	509 Summit Avenue
Type of Property:	52-unit apartment complex
Year Built:	1958
Site:	56,088 square feet (1.29 acres)
Improvements:	39,422 gross square feet 38,749 rentable square feet
Parking:	66 spaces
Purchase Price:	\$1,450,000
Price Per Unit:	\$27,885
Price Per Rentable S.F.:	\$37.42
Appraised Value:	\$1,450,000 (Hanes Appraisal Company, James S. Hanes, MAI, July 2, 2003)

6. **U. T. Arlington: Authorization to purchase real property located at 515 Summit Avenue, Arlington, Tarrant County, Texas; and parity debt**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents:

- a. authorize the Executive Director of Real Estate to take all steps necessary to purchase the property located at 515 Summit Avenue, Arlington, Tarrant County, Texas, and to execute all documents related thereto; and
- b. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the Code of Federal Regulations.

**BACKGROUND INFORMATION**

U. T. Arlington wishes to acquire the Campus West Apartments property, which exists in a strategic location within the legislatively authorized acquisition zone for the U. T. Arlington campus and is needed to assemble a site on which to construct new student housing. The property is also designated for future acquisition in the campus master plan approved by the U. T. Board of Regents. The proposed purchase price is the appraised market value of \$1.4 million, and the proposed source of acquisition financing is Revenue Financing System Bond Proceeds to be repaid with net revenues from U. T. Arlington's housing operations. The terms and conditions are as reflected on the transaction summary below:

**Transaction Summary**

Component:	U. T. Arlington
Type of Transaction:	Purchase
Property Name:	Campus West Apartments
Property Address:	515 Summit Avenue
Type of Property:	50-unit apartment complex

Year Built: 1962

Site: 46,174 square feet (1.06 acres)

Improvements: 30,355 gross square feet  
29,907 rentable square feet

Parking: 66 spaces

Purchase Price: \$1,400,000

Price Per Unit: \$28,000

Price Per Rentable S.F.: \$46.81

Appraised Value: \$1,400,000 (Hanes Appraisal Company,  
James S. Hanes, MAI, August 27, 2003)

**7. U. T. Arlington: University Center Fire and Life Safety Project - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include new project; authorize institutional management; appropriate funds and authorize expenditure; parity debt**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President ad Interim Sorber that the U. T. Board of Regents approve the recommendations listed below for the U. T. Arlington University Center Fire and Life Safety Project:

**Architecturally or Historically Significant:**

Yes  No

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

June 2004

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$1,170,000

**Debt Service:**

The debt will be repaid from U. T. Arlington's auxiliary enterprise income and fund balances. The \$1,170,000 will be funded by commercial paper notes and retired over five years. The annual debt service coverage on this project is expected to be at least 1.8 times.

**Recommendations:**

- a. amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the University Center Fire and Life Safety Project at U. T. Arlington at a preliminary project cost of \$1,170,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Arlington to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds and authorize expenditure of \$1,170,000 from Revenue Financing System Bond Proceeds; and
- d. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

**Project Description:**

U. T. Arlington prepared a campus-wide survey to determine general compliance with good fire protection and life safety practice. The University Center currently has an outdated fire alarm system throughout, along with a fire sprinkler system in approximately 60% of the building. The University Center Fire and Life Safety Project will update and replace the existing fire alarm and fire sprinkler systems and add to the existing fire suppression system in the University Center to ensure compliance as defined by the National Fire Protection Association (NFPA) 101, 2000 Edition.

Due to the coordination issues, this repair and rehabilitation project would best be managed by the U. T. Arlington Facilities Management personnel who have the experience and capability to manage all aspects of the work.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)

**8. U. T. Austin: Authorization to lease approximately 45.783 acres of land in Austin, Travis County, Texas**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that authorization be given for the U. T. System Real Estate Office, on behalf of U. T. Austin, to lease approximately 45.783 acres of land in Austin, Travis County, Texas, to the Simon Property Group, Inc., or affiliated business entity.

It is further recommended that the Interim Vice Chancellor for Business Affairs or the Executive Director of Real Estate be authorized to execute all documents, instruments and other agreements, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

#### BACKGROUND INFORMATION

On July 7, 2003, the U. T. Board of Regents reviewed ground lease proposals submitted by six development firms in response to a Request for Ground Lease Proposals issued on May 1, 2003, by the U. T. System Real Estate Office on behalf of U. T. Austin. The Board authorized negotiations with the Simon Property Group for the ground lease of approximately 45.8 acres of vacant land located immediately west of the main J. J. Pickle Research Campus in Austin, Texas.

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## 9. U. T. Dallas: Approval of M.S. in Biotechnology

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Jenifer that authorization be granted to establish a Master of Science in Biotechnology at U. T. Dallas; to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and to authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. Dallas to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Dallas will be amended to reflect this action.

### BACKGROUND INFORMATION

#### Program Description

The primary educational objective of the proposed program is to provide a professional master's degree that links the technical skills of students and the needs of biotechnology companies in the Dallas/Fort Worth Metroplex. Because biotechnology companies need employees with a wide variety of disciplinary backgrounds, the program is designed to combine a rigorous 12 semester credit hour core of biology with 24 semester credit hours of electives from the fields of chemistry, computer science, mathematics, management, and political economy. The program will target students who have just completed their baccalaureate degrees and an important group of individuals who have entered career employment and who seek to enhance their skills, such as individuals who seek to use their chemistry, computer science, or management degrees in the new and growing area of biotechnology.

#### Program Quality

The proposed program will be administered by the School of Natural Sciences and Mathematics. The School currently offers master's and doctoral degrees in Chemistry, Mathematics, Molecular and Cell Biology, Physics, and Science Education. The same highly qualified faculty who teach and conduct research in these graduate degree programs will teach the core courses for the proposed program.

Program Cost

Estimated expenditures for the first five years of the proposed program are \$376,500. This includes \$160,000 for new faculty salaries, \$90,000 for program administration, \$90,000 for new graduate assistantships, \$12,500 for clerical staff, and \$24,000 for supplies and materials. U. T. Dallas will commit \$141,000 of existing resources in addition to \$409,416 in formula funding to finance the first five years of the program.

**10. U. T. Dallas: Campus Housing Phase IX - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Campus Housing Phase IX project at U. T. Dallas.

**Architecturally or Historically Significant:**

(Note: Item is before the Board; see Item 10 on Page 71)

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

July 2005

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$4,000,000

**Project Description:**

U. T. Dallas has requested that the Campus Housing Phase IX project begin because of the anticipated growth in enrollment and the heavy demand for housing. Current facilities are operating at close to 100% occupancy. The number of beds will increase by approximately 200 to be constructed in garden-style apartments.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)

**11. U. T. Dallas: Center for BrainHealth - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Center for BrainHealth project at U. T. Dallas.

**Architecturally or Historically Significant:**

(Note: Item is before the Board; see Item 10 on Page 71)

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

October 2005

**Total Project Cost:**

<u>Source</u>	<u>Current</u>	<u>Proposed</u>
Gifts	–	\$5,000,000

**Project Description:**

U. T. Dallas has received a significant contribution to support the building or the acquisition of a facility to house the Center for BrainHealth. The Center, which conducts innovative research and provides clinical services for a variety of brain disorders including brain injury, Alzheimer's disease, and stroke, is an important initiative and has generated significant community support in addition to this pledge.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

**12. U. T. Dallas: Natural Science and Engineering Research Building - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Jenifer that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Natural Science and Engineering Research Building project at U. T. Dallas.

**Architecturally or Historically Significant:**

(Note: Item is before the Board; see Item 10 on Page 71)

**Project Delivery Method:**

Construction Manager at Risk

**Substantial Completion Date:**

December 2006

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$85,000,000

**Project Description:**

U. T. Dallas has requested a Natural Science and Engineering Research Building project with approximately 200,000 gross square feet for technology research and development. The departments of computer science, natural science, and the engineering program are being developed with a goal to establish top ranking for the institution.

U. T. Dallas has requested the project be financed on an interim basis with Revenue Financing System (RFS) Bond Proceeds pending a long-term financing of the project under an agreement among U. T. Dallas, the General Land Office (GLO) and the Governor's Office. The current plan provides that, once completed, the facility will be sold to the GLO, on behalf of the Permanent School Fund, under a ground lease arrangement with U. T. Dallas which would simultaneously lease the facility back from the GLO under a 40-year operating lease. Proceeds from the sale of the facility to the GLO would be used to retire the interim RFS financing.

The agreement calls for U. T. Dallas, with the assistance of the Governor's Office, to attempt to secure general revenue appropriations during each biennium to offset the operating lease payments for the 40-year lease term. The agreement provides that U. T. Dallas will seek 100% reimbursement of operating lease costs for the first 10 years, with the percentage declining to 0% by the 19th year of the lease. U. T. Dallas has agreed to generate income from external research contracts and other collaborative efforts to satisfy the lease obligations not covered through general revenue appropriations.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)

13. **U. T. San Antonio: Approval of Ph.D. in Counselor Education and Supervision**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Romo that authorization be granted to establish a Doctor of Philosophy in Counselor Education and Supervision at U. T. San Antonio and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. In addition, the Coordinating Board will be asked to change the Table of Programs for U. T. San Antonio to reflect authorization for the proposed degree program.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. San Antonio will be amended to reflect this action.

BACKGROUND INFORMATION

Program Description

The proposed program is designed to prepare students to become effective counselor educators, scholarly researchers, clinical supervisors and counseling practitioners. In addition, the program will prepare students to effectively address the pressing needs of linguistically and culturally diverse populations in San Antonio and South Texas.

The program will require 58 semester credit hours of coursework beyond the master's plus a satisfactory dissertation based on original research in the area of Counselor Education and Supervision. Students will be able to specialize in one or more areas including: community counseling, school counseling, cultural diversity in counseling, and educational leadership. Expertise in these areas will enable graduates to serve as leaders in local school districts, make significant contributions to mental health research, and offer essential support to meet the growing mental health needs of San Antonio and South Texas.

Program Quality

Twelve tenured and tenure-track current faculty with expertise in Counselor Education and Supervision will form the core of the program. In addition, it is anticipated that two additional full-time faculty members will join the core team by the third year of the program.

The Counseling faculty and staff have recently moved to the newly constructed Durango Building at the U. T. San Antonio Downtown campus. An existing clinic in the building includes audiovisual equipment and will be used to provide students with supervised clinical experience.

Program Cost

Estimated expenditures for the first five years of the program total \$2,010,500. This includes \$747,500 for new faculty salaries; \$82,500 for new program administrative costs; \$546,000 for student fellowships; \$409,500 for new teaching assistantships; \$125,000 for new clerical staff; and \$100,000 for supplies, materials, and equipment.

U. T. San Antonio will commit \$1,405,024 of existing resources (\$981,000 reallocated from department funds and \$424,024 reallocated from other University funds) in addition to \$663,941 in formula funding to finance the first five years of the program.

**14. U. T. San Antonio: East Campus Building Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the East Campus Building Phase I project at U. T. San Antonio.

**Architecturally or Historically Significant:**

(Note: Item is before the Board; see Item 10 on Page 71)

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

November 2007

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$72,000,000
Gifts		<u>\$ 3,000,000</u>
		\$75,000,000

**Project Description:**

Phase I of this project is a multiphase plan for developing U. T. San Antonio's East Campus Master Plan. The project would consist of a 150,000 gross square foot Research Building to include seminar rooms and conferencing facilities, research laboratories, faculty and staff offices, and student and faculty support facilities. This building would include sophisticated information technology features designed and installed for an information-intensive environment.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)

**15. U. T. San Antonio: East Campus Thermal Energy Plant - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the East Campus Thermal Energy Plant project at U. T. San Antonio.

**Architecturally or Historically Significant:**

(Note: Item is before the Board; see Item 10 on Page 71)

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

December 2006

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$5,000,000

**Project Description:**

The increase of U. T. San Antonio enrollment and campus growth have made expansion necessary for the undeveloped east portion of the 1604 Campus. The Thermal Energy Plant will be built in conjunction with the East Campus Building Phase I project. This project will contain approximately 25,000 gross square feet to provide chilled water, hot water and steam to support new buildings planned for the East Campus development.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)

**16. U. T. San Antonio: North/South Connector Road - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the North/South Connector Road project at U. T. San Antonio.

**Architecturally or Historically Significant:**

Yes  No

**Project Delivery Method:**

Competitive Sealed Proposals

**Substantial Completion Date:**

June 2005

**Total Project Cost:**

<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
RFS	-	\$8,000,000

**Project Description:**

The North/South Connector Road project will be constructed to link the north and south sides of the U. T. San Antonio campus by providing access from UTSA Boulevard from the south and Loop 1604 from the north. This project will also provide bridged pedestrian and vehicular connections from the existing 1604 Campus to the East Campus development.

This off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the Capital Improvement Program.

\*Funding Source = RFS (Revenue Financing System Bond Proceeds)





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**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel  
**Board Meeting:** 11/13/2003  
U. T. Permian Basin

Rita C. Clements, *Chairman*  
H. Scott Caven, Jr.  
Judith L. Craven, *M.D.*  
James Richard Huffines  
Cyndi Taylor Krier

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>3:00 p.m.</i> <i>Chairman Clements</i>		
1. <b>U. T. System: Requested revision of Mission Statements for U. T. Health Science Center - Houston and U. T. Health Center - Tyler and expansion of degree planning authority for U. T. Health Science Center - San Antonio</b>	<i>3:05 p.m.</i> <b>Action</b> <i>Dr. Guckian</i>	<b>Action</b>	<b>49</b>
2. <b>U. T. Health Science Center - Houston: Approval to name the Institute of Molecular Medicine for the Prevention of Human Diseases as the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (Regents' <u>Rules and Regulations</u>, Part Two, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)</b>	<i>3:10 p.m.</i> <b>Action</b> <i>Dr. Willerson</i>	<b>Action</b>	<b>55</b>
3. <b>U. T. Health Science Center - San Antonio: Medical Integrated Plaza Feasibility and Planning Study - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include study</b>	<i>3:15 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>55</b>
4. <b>U. T. Health Science Center - San Antonio: Recommendation for approval to include adjustment in allocation of royalties and award of incentive payments as provisions of institutional Invention Revenue Sharing Policy</b>	<i>3:20 p.m.</i> <b>Action</b> <i>Dr. Cigarroa</i>	<b>Action</b>	<b>56</b>
5. <b>U. T. Health Science Center - San Antonio: Authorization to conduct a private fundraising campaign</b>	<i>3:30 p.m.</i> <b>Action</b> <i>Dr. Cigarroa</i>	<b>Action</b>	<b>57</b>
6. <b>Expanded role with U. T. Austin and other organizations in medical education and health research in Austin</b>	<i>3:45 p.m.</i> <b>Discussion</b> <i>Dr. Guckian</i>	Not on Agenda	<b>58</b>
<b>Adjourn</b>			

1. **U. T. System: Requested revision of Mission Statements for U. T. Health Science Center - Houston and U. T. Health Center - Tyler and expansion of degree planning authority for U. T. Health Science Center - San Antonio**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs and President Willerson, President Calhoun, and President Cigarroa that proposed changes to the Mission Statements for U. T. Health Science Center - Houston (Pages 50 - 52) and U. T. Health Center - Tyler (Page 53) and to the Table of Programs for U. T. Health Science Center - San Antonio (Page 54) be approved and forwarded to the Texas Higher Education Coordinating Board for consideration.

### BACKGROUND INFORMATION

Texas Education Code Section 61.051(e) requires the Texas Higher Education Coordinating Board to review public university Mission Statements and Tables of Programs every four years. These documents broadly describe the academic mission of each institution and the academic fields and degree levels that are appropriate to the mission. The Table of Programs specifically describes the current degree granting authority of each institution and those academic fields and degree levels within fields that each institution has the authority to plan for future degree offerings. Coordinating Board approval of new degree programs involves two steps: gaining planning authority for a program via the Table of Programs and submitting an acceptable proposal.

The four-year cycle of review is due for the health component institutions of The University of Texas System. Changes to Mission Statements and Table of Programs must be approved by the Board of Regents prior to submittal to the Coordinating Board for consideration.

## The University of Texas Health Science Center at Houston

### Mission Statement (Changes shown in congressional style)

The University of Texas Health Science Center at Houston (UTHSC-H) is a component of The University of Texas System committed to the pursuit of high standards of achievement in finest instruction, academic performance, student performance, clinical service, research, and scholarly accomplishment, and clinical training of students in the major health disciplines; and in the instruction and training of biomedical research scholars – all toward improvement of the health of Texans.

As an academic health science center, U. T. Health Science Center – Houston ~~this institution is one in which undergraduate, graduate, and post-graduate students are educated broadly in the sciences of health and disease and are prepared for health-related careers in the provision of human services, and for investigating~~ educates selected undergraduate medical and dental professional, graduate and postgraduate students in their individual disciplines and in aspects of health, disease and the mysteries of the biomedical sciences, particularly those that cross disciplinary boundaries. Within an environment of academic freedom, students U. T. Health Science Center – Houston ~~offers sixteen distinct degree programs and seven joint degree programs to over 3,000 of these students each year. Students learn from faculty scholars who have in-depth and broad-ranging expertise in the predominant health disciplines and the biomedical sciences. The faculty conduct research~~ Research both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise is led by faculty who involves and educates ~~S~~ students and trainees have many opportunities to participate in these research pursuits.

UTHSC-H consists of the following organizational units which are listed by date of establishment:

Dental Branch (established 1905; joined U. T. 1943)\*

Graduate School of Biomedical Sciences (1963)\*

School of Public Health (1967)\*

Medical School (1970)\*

School of Nursing (1972)\*

School of Health Information Sciences (established as the School of Allied Health Sciences 1973; reorganized and name changed 2001)\*

Harris County Psychiatric Center (established 1981; joined UTHSC-H 1989)

The comprehensiveness of this uUniversity, featuring the presence of six major health-related schools – medicine, dentistry, public health, nursing, health informatics, and biomedical science – provides an environment beneficial both to individual health disciplines and to interdisciplinary and collaborative endeavors in teaching, research

and service. Interdisciplinary projects and activities bring faculty and students together in a rich learning environment. Collectively, these units respond to the health care manpower needs of the citizens of Texas, the City of Houston, and Harris County and its surrounding counties by developing creative models for the training of health professionals, particularly emphasizing interdisciplinary educational models, and addressing the growing demand for primary care health professionals. Collaboration among faculty across the six schools and colleague institutions in the Texas Medical Center produce scholarly innovations in research and services. The academic units of U. T. Health Science Center – Houston include:

- Dental Branch (established 1905, joined U. T. 1943)\*
- Graduate School of Biomedical Sciences (1963)\*
- School of Public Health (1967)\*
- Medical School (1970)\*
- School of Nursing (1972)\*
- School of Allied Health Sciences (1973)\*

\*This academic unit offers degrees and programs with subjects limited to health-related fields.

U. T. Health Science Center – Houston responds to the health care manpower needs of the citizens of Texas, the city of Houston, and Harris County and its surrounding counties. With over 200 clinical affiliates in the State, U. T. Health Science Center – Houston UTHSC-H provides health professions students with a variety of clinical and community-based experiences. With such experiences in urban, suburban, and rural environments, UTHSC-H students are trained where Texans live. The School of Public Health, the oldest accredited school of public health in the State of Texas, acknowledges and accepts a unique responsibility to reach throughout the state to prepare individuals for the challenges of this expanding field. Four regional campuses are already in place in Brownsville, Dallas, El Paso, and San Antonio to assist in meeting the increasing demand for public health professionals. The health informatics program in the School of Health Information Sciences is unique in Texas – and the nation. With its interdisciplinary focus, this program provides an invaluable resource of expertise and training in health informatics for our state. Primary clinical affiliates are the Memorial Hermann Hospital and the L.B.J. General Hospital and Neighborhood Health Centers of the Harris County Hospital District.

In addition to the six schools, theThe Harris County Psychiatric Center (HCPC) is a unique feature of the organization clinical affiliate managed by the U. T. Health Science Center – Houston that is committed to advances in mental health services and care as well as education of mental health-care professionals.

The University of Texas Health Science Center at Houston considers itself a member of a large learning community and works to contribute to and draw from the intellectual pursuit of the other institutions in the Texas Medical Center and the greater Houston

area. ~~Many and varied community-based sites and internships are available to students for experiences outside the clinical setting. With such varied opportunities to learn by doing in urban, suburban and rural environments, U. T. Health Science Center—Houston students are trained where Texans live.~~

To benefit ~~the~~ this local community and the entire State of Texas, U. T. Health Science Center—Houston ~~this~~ this institution offers a variety of continuing education and outreach programs to assist practicing health professionals in utilizing the latest findings of research from the worldwide community of scholars and practice in clinical and biomedical fields. As a result of participation in these ~~Through these~~ professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease. With these ~~Other~~ outreach efforts and programs are aimed at promoting science and math as well as careers in health care to young students in grades K-12, UTHSC-H and to undergraduate institutions. U. T. Health Science Center—Houston ~~aspires to create new opportunities for students to enter the health and science professions and thus address future~~ will meet new challenges to the health of the citizens of the State of Texas.

\*This academic unit offers degrees and programs with subjects limited to health-related fields.

## **The University of Texas Health Center at Tyler**

### **Proposed Mission Statement**

To serve East Texas and beyond through excellent patient care and community health, comprehensive education, and innovative research.

### **Current Mission Statement**

The University of Texas Health Center at Tyler will provide the citizens of Texas with leadership and excellence in the diagnosis, treatment, and prevention of diseases, and in primary patient care, biomedical research and health education with an emphasis on cardiopulmonary disease.

**The University of Texas Health Science Center at San Antonio  
Requested Expansion of Degree Planning Authority**

**Dentistry:** Planning Authority for an integrated D.D.S. /  
Ph.D. in Dentistry

**Medicine:** Planning Authority for an integrated M.D. /  
Ph.D. in Medicine

2. **U. T. Health Science Center - Houston: Approval to name the Institute of Molecular Medicine for the Prevention of Human Diseases as the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that approval be given U. T. Health Science Center - Houston to name the Institute of Molecular Medicine for the Prevention of Human Diseases as the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases.

#### BACKGROUND INFORMATION

The Brown Foundation of Houston has been a longtime supporter of The University of Texas Health Science Center at Houston. The Foundation made a recent contribution of \$20 million to the Health Science Center's New Frontiers Campaign. In recognition of the Foundation's continuous and generous support, it is fitting that one of the institution's major research centers be named in honor of the Foundation. The Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases designates the official name of the center rather than the building. The specific name is in agreement with the action of the Foundation's Board of Trustees on September 16, 2003.

3. **U. T. Health Science Center - San Antonio: Medical Integrated Plaza Feasibility and Planning Study - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include study**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Medical Integrated Plaza Feasibility and Planning Study at U. T. Health Science Center - San Antonio at a preliminary project cost of \$300,000 with funding from Medical Services, Research and Development Plan.



BACKGROUND INFORMATION

U. T. Health Science Center - San Antonio intends to explore the feasibility of developing an ambulatory clinic building to support the medical practice plan of the institution's medical faculty. Such a facility would allow the institution greater control in delivering health-care service, and enhancing the financial efficiency.

In order to determine the feasibility, scope, and budget of the project, the institution will need to complete a facility use program involving preliminary design and the cost estimate.

The Medical Integrated Plaza Feasibility and Planning Study at U. T. Health Science Center - San Antonio will help determine the scope of the project which will be submitted to the U. T. Board of Regents for approval at a future date.

**4. U. T. Health Science Center - San Antonio: Recommendation for approval to include adjustment in allocation of royalties and award of incentive payments as provisions of institutional Invention Revenue Sharing Policy**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that The University of Texas Health Science Center at San Antonio be authorized to include provisions in its institutional Invention Revenue Sharing Policy to adjust the allocation of royalties, based upon net intellectual property income, as set out below:

<b>Amount*</b>	<b>Inventor</b>	<b>HSC</b>	<b>Unit**</b>	<b>Dean</b>
≤ \$250,000	40%	27.5%	27.5%	5%
>\$250,000	40%	37.5%	17.5%	5%

\*Net intellectual property income

\*\*Unit refers to the appropriate department, center, etc. When this is unclear, the Institutional Intellectual Property Advisory Committee will determine the appropriate unit.

It is further recommended that the institution be authorized to include provisions for award of incentive payments in its Invention Revenue Sharing Policy as follows:

- \$250, shared by inventor(s), upon approval to go forward with the patent application; and
- \$2,000, shared by the inventor(s), when patent is granted.

## BACKGROUND INFORMATION

Part Two, Chapter XII, Section 4, Subsection 4.2, Subdivision 4.25 of the Regents' Rules and Regulations provides that components may change the default royalty-sharing provision of 50% to the inventor(s) and 50% to the employing U. T. System institution with the Board's prior approval via an agenda item. Subdivision 4.25 requires that "in no event" shall the inventor receive more than 50% or less than 25% of such royalty proceeds.

U. T. Health Science Center - San Antonio believes the proposed alternative royalty-sharing allocation and incentive payment authorization will encourage faculty to apply for patents and more appropriately reward the departments in which they are employed.

The proposed policy changes are consistent with recommendations of a U. T. System Task Force on Technology Transfer presented to the Board's Finance and Planning Committee on April 2, 2002. The Task Force recommended allocation of 40% of the royalties to the inventor and 60% to the institution.

The proposed policy changes have been the subject of considerable review and discussion by faculty, staff, and administrators at U. T. Health Science Center - San Antonio and have received a favorable response.

### **5. U. T. Health Science Center - San Antonio: Authorization to conduct a private fundraising campaign**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Cigarroa that authorization be given for U. T. Health Science Center - San Antonio to conduct a private fundraising campaign to fund priority areas of excellence pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 5, Subsection 5.5.

## BACKGROUND INFORMATION

Over the past three years, groundwork has been laid for a comprehensive fundraising campaign. After careful study, a recommendation was made to proceed with the campaign, which received unanimous endorsement by The University of Texas Health Science Center at San Antonio's Development Board on November 6, 2002.

The proposed campaign will focus on a major research building in the South Texas Medical Center and funding for five areas of excellence including (1) cardiovascular and metabolic biology, (2) neurobiology, (3) developmental and regenerative biology, (4) cancer biology, and (5) biodefense and infection.

A goal for private sector support has been set at \$200 million over five years, beginning January 1, 2004, and concluding December 31, 2008. To accomplish this goal, U. T. Health Science Center - San Antonio has worked to strengthen development and other volunteer organizations and continue to implement plans for alumni involvement.

**6. Expanded role with U. T. Austin and other organizations in medical education and health research in Austin**

PURPOSE

Dr. Guckian will lead a discussion of proposed collaborative plans for possible expanded medical education and research in Austin. No action is requested of the Board of Regents at this time. Any program or agreement requiring Regental action (for example, joint degree programs and contracts) will be presented for action at a later date.

BACKGROUND INFORMATION

The University of Texas Medical Branch at Galveston has a long history of medical service and partnership in Austin. U. T. Medical Branch - Galveston has been training residents at Brackenridge Hospital since the 1950s. The 77th and 78th Legislatures authorized U. T. Medical Branch - Galveston to spend appropriated and institutional funds to support and develop student and resident training services in Austin (General Appropriations Act, Article III, Section 7). In 2002, 106 U. T. Medical Branch - Galveston medical students performed clerkships in Austin; U. T. Medical Branch - Galveston currently has 112 medical students in clerkships in Austin. Most recently, U. T. Medical Branch - Galveston presented to the accrediting body for medical residencies, the Residency Review Committee (RRC), its plan for an Austin-based U. T. Medical Branch - Galveston Obstetrics/Gynecology residency.

U. T. Medical Branch - Galveston has entered into discussions with a number of organizations in Central Texas, with the U. T. Austin Graduate School establishing a M.D./Ph.D. program, with Seton/Brackenridge Hospital regarding expanding the number of residency programs and medical students in Austin, and with the Central Texas Veterans Healthcare System (VA System) regarding additional services provided to veterans and participating in clinical research. The U. T. Health Science Center - Houston School of Public Health likewise has entered into discussions with U. T. Austin

and the Texas Department of Health regarding collaborative planning in research and education. These collaborations would complement and benefit all three U. T. component institutions. Examples include bioengineering, informatics, and expanded and diverse clinical experiences for students and residents. Eventually, these organizations, along with several others, decided to work and plan more formally. As a consequence, they formed a nonprofit association, Central Texas Institute for Research and Education in Medicine and Biotechnology (CTI). CTI is committed to the advancement and application of biomedical research and health science education in Central Texas. Members of CTI include:

- The University of Texas at Austin
- The University of Texas Medical Branch at Galveston
- The University of Texas School of Public Health at Houston
- Daughters of Charity Health Services (Seton Medical Center/Brackenridge Hospital) - Austin
- St. David's Healthcare Partnership - Austin
- Central Texas Veterans Healthcare System - Temple
- Greater Austin Chamber of Commerce

The University of Texas Health Science Center at San Antonio recently appointed an advisory representative to CTI.

### EDUCATIONAL GOALS OF CTI

#### Expand Health Professional Education in Austin

To support, enhance, and bring recognition to undergraduate and graduate medical education by

- providing a system for education of medical students and residents through affiliated in-patient facilities and clinics in Austin;
- studying community needs and providing additional residency programs to address those needs; and
- expanding access to health services to, and public health infrastructure for, citizens in Central Texas.

#### Establish Joint Degree Programs

A jointly developed curriculum for M.D./Ph.D. (U. T. Austin and U. T. Medical Branch - Galveston) and M.D./Master of Public Health programs (U. T. Austin and U. T. Medical Branch - Galveston; U. T. Austin and U. T. School of Public Health - Houston) will be planned.

### Expand School of Public Health Programs

Strengthen public health activities in Austin by building relationships with other public health entities for the purpose of collaborating on meaningful and functional public health projects.

### Health-care Workforce Development

To collaborate, develop, and participate in the coordination of health science education and training at the community college, undergraduate, and graduate levels for the purpose of creating a supply of medical personnel to staff area medical facilities.

### RESEARCH GOALS OF CTI

#### Increase Multi-Institutional Collaboration

- Develop facilities, infrastructure, and personnel
- Joint work on clinical studies
- Develop wet lab space
- Acquire medical instrumentation
- Imaging Center (The VA System, U. T. Austin and U. T. Medical Branch - Galveston plan to install and operate an imaging center by the end of 2004.)
- Move basic science research to commercialization
- Collaborative grant writing

#### Enhance the Development of Intellectual Property for Commercialization

Interface with business community for the commercialization of biomedical and biotech research. Outcome of interfacing is to gain venture capital, business plans, and marketing expertise and to produce patents, products, and services.

#### Increase Influence on Public Policy Through Evidence-Based Research

Develop the capacity to enable researchers and public health students to collaborate and consolidate research expertise for all areas of public health. Expected outcomes are reports on the health of Texas and to translate research findings into public health policy.



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FOR  
FACILITIES PLANNING AND CONSTRUCTION  
COMMITTEE**

**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel  
**Board Meeting:** 11/13/2003  
U. T. Permian Basin

*James Richard Huffines, Chairman*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Woody L. Hunt*

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>4:00 p.m.</i> <i>Chairman Huffines</i>		
1. <b>U. T. Austin: Benedict/Mezes/Batts Renovation - Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine Phase I and Phase II projects; increase total project cost; appropriate funds and authorize expenditure</b>	<i>4:05 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>61</b>
2. <b>U. T. Austin: Marine Science Institute Wetlands Education Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise source of funds and appropriate funds and authorize expenditure</b>	<i>4:10 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>62</b>
3. <b>U. T. Dallas: Campus Master Plan Update</b>	<i>4:15 p.m.</i> <b>Report</b> <i>Dr. Jenifer Managan, 3D/International Mr. Sanders</i>	Not on Agenda	<b>63</b>
4. <b>U. T. San Antonio: Academic Building III - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine the Campus Parking Garage, Phase III and increase total project cost</b>	<i>4:25 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>64</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
5. <b>U. T. San Antonio: Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase) - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase the total project cost; revise the source of funds; appropriate funds and authorize expenditure; and parity debt</b>	<i>4:30 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>65</b>
6. <b>U. T. Tyler: Student Apartments - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt</b>	<i>4:35 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>66</b>
7. <b>U. T. Tyler: Student Dormitory and Academic Excellence Center - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt</b>	<i>4:40 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>68</b>
8. <b>U. T. Medical Branch - Galveston: BSL-4 Laboratory Facility - Honorific Naming of Facility as the John Sealy Pavilion for Infectious Disease Research and Honorific Naming of Laboratory as the Robert E. Shope Laboratory</b>	<i>4:45 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>69</b>
9. <b>U. T. Health Science Center - Houston: Recreation Center Reconstruction - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriate funds and authorize expenditure</b>	<i>4:50 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	<b>Action</b>	<b>70</b>
10. <b>U. T. System: Consideration of architecturally significant projects</b>	<i>4:55 p.m.</i> <b>Action</b> <i>Mr. Sanders</i>	Not on Agenda	<b>71</b>
11. <b>U. T. System: Historically Underutilized Businesses (HUB) Report and Update on Bonding and Technical Assistance program</b>	<i>4:58 p.m.</i> <b>Report</b> <i>Mr. Sanders</i>	Not on Agenda	<b>73</b>

**Adjourn**

**1. U. T. Austin: Benedict/Mezes/Batts Renovation - Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine Phase I and Phase II projects; increase total project cost; appropriate funds and authorize expenditure**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the Benedict/Mezes/Batts Renovation - Phase I.

**Project Number:** 102-027

**CIP Approval and Amendments:** November 1999; May 2002; November 2002

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** March 2004

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	RFS	\$30,000,000	\$30,000,000
	Designated Tuition		\$18,000,000
			\$48,000,000

- Recommendations:**
- a. combine Phase I and Phase II;
  - b. increase the total project cost from \$30,000,000 to \$48,000,000; and
  - c. appropriate funds and authorize expenditure of \$18,000,000 from Designated Tuition.

**Previous Board Actions:** In November 1999, the project was authorized for inclusion in the CIP. In May 2002, the project received design development approval and funding was appropriated. In November 2002, total project cost was reduced and funding source was revised.

**Project Description:** The Phase I renovation work for Benedict Hall and Mezes Hall is under construction and expected to be completed in May 2004. Combining Benedict/Mezes/Batts Renovation Phase I and Phase II would enable the University to increase the scope of work and realize efficiencies by renovating Batts Hall under the same construction contract.

The additional \$18,000,000 of work associated with the Phase II work will include the completion of renovation of classrooms and offices in Batts Hall and is proposed to be funded from Designated Tuition. The combined Benedict/Mezes/Batts Renovation Phase I and Phase II project would have a total project cost of \$48,000,000.

\* Funding Source = RFS (Revenue Financing System Bond Proceeds)



**2. U. T. Austin: Marine Science Institute Wetlands Education Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise source of funds and appropriate funds and authorize expenditure**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Faulkner that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the Marine Science Institute Wetlands Education Center.

**Project Number:** 102-026

**CIP Approval and Amendments:** November 1999; August 2001

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** December 2005

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$4,870,000	\$3,870,000
	Designated Tuition		\$450,000
	Unexpended Plant Fund		\$550,000
	Gifts	<u>\$ 130,000</u>	<u>\$130,000</u>
		\$5,000,000	\$5,000,000

- Recommendations:**
- a. revise the source of funds; and
  - b. appropriate funds and authorize expenditure of \$450,000 of Designated Tuition and \$550,000 of Unexpended Plant Funds.

**Previous Board Actions:** The Board of Regents originally added this project to the CIP in November 1999 at \$1,000,000. The project was increased to \$5,000,000 as part of the CIP approval in August 2001.

**Project Description:** The University of Texas at Austin seeks Board of Regents' approval to revise the source of funds in order to enter into a Section 206 Project Cooperation Agreement with the U. S. Department of the Army (Corps of Engineers or the Corps) for the purpose of accomplishing Stage 1a of the Marine Science Institute (MSI) Wetlands Education Center. This project is currently approved by the Board of Regents with a preliminary project cost of \$5,000,000 with funding from Gifts and Grants. Institutional management of Stage 1a (\$1.8 million) was approved by the Chancellor in June 2003.

U. T. Austin is prepared to enter into an agreement with the Corps under which the Corps will perform the majority of the work in Stage 1a of the MSI Wetlands Education Center project. The total value of the Corps work is estimated at approximately \$2.5 million to \$2.85 million, of which 65% will be funded by the federal government under the Federal Waterways Act and 35% by U. T. Austin. To secure the federal portion of the funding for this project, U. T. Austin is required to demonstrate that it has matching funds of up to \$1 million available to satisfy its obligations. Approval of the proposed change in funding satisfies the matching requirement and will allow Stage 1a to proceed. The remaining stages of the project (totaling \$3.2 million) will be presented to the Board of Regents for design development approval at a future date.

Stage 1a consists of site work to construct a salt marsh and modifications to the ship channel and boat basin to create a tidal pool. Future stages will include elevated walkways, trails, modifications to the existing visitor center and related parking. This facility will enhance the MSI Public Outreach Program as well as research opportunities for MSI students.

### **3. U. T. Dallas: Campus Master Plan Update**

#### REPORT

Mr. Sidney J. Sanders and Mr. Mike Managan, architect with 3D/International, will narrate graphics illustrating the Campus Master Plan, 2002 at U. T. Dallas, following remarks by President Franklyn Jenifer. The original campus plan of 1971 has been substantially built out and the campus continues to experience substantial growth pressures. The plan was prepared with an assumed period of growth and change that would, by 2027, result in a student body that is double its present size from 12,500 to 25,000. The goal of this campus master plan is to facilitate the development of the buildings, streets, infrastructure, and landscaping of the built environment that supports the mission and strategic intent of U. T. Dallas.

**4. U. T. San Antonio: Academic Building III - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine the Campus Parking Garage, Phase III and increase total project cost**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. San Antonio Academic Building III.

**Project Number:** 401-997

**CIP Approval and Amendments:** February 2000, August 2003

**Architecturally or Historically Significant:** (Note: Campus Parking Garage, Phase III is before the Board as architecturally significant item; see Item 10 on Page 71.)

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** March 2005

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>	<u>Debt Service</u>
	PUF	\$37,332,154	\$37,332,154	
	TRB	\$15,000,000	\$15,000,000	
	RFS	\$ 0	\$ 9,450,000	\$9,450,000
		\$52,332,154	\$61,782,154	

- Recommendations:**
- a. amend FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine the Campus Parking Garage, Phase III project at U. T. San Antonio with the previously approved Academic Building III; and
  - b. increase the total project cost from \$52,332,154 to \$61,782,154 with additional funding of \$9,450,000 from Revenue Financing System Bond Proceeds.

**Previous Board Actions:** The Academic Building III project received additional funding approval in February 2000 and design development approval in August 2000. Both projects were approved in the CIP in August 2003.

**Project Description:** The Campus Parking Garage, Phase III project will be located immediately adjacent to the Academic Building III site. U. T. San Antonio is requesting that the projects be combined because the design team is already mobilized and understands the design characteristics. In addition, completion of the garage will help mitigate the parking shortage at the site. Design development approval will be presented to the Board at a future date.

\* Funding Sources = PUF (Permanent University Fund Bond Proceeds); TRB (Tuition Revenue Bond Proceeds); RFS (Revenue Financing System Bond Proceeds)

**5. U. T. San Antonio: Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase) - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase the total project cost; revise the source of funds; appropriate funds and authorize expenditure; and parity debt**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Romo that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. San Antonio Biotechnology, Sciences and Engineering Building (West Campus Wet Lab phase).

**Project Number:** 401-030

**CIP Approval and Amendments:** February 2000; August 2003

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** April 2005

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>	<u>Debt Service</u>
	PUF	\$54,000,000	\$54,000,000	
	TRB	\$22,950,000	\$22,950,000	
	Gifts	\$12,750,000	\$ 6,750,000	
	RFS	\$ 0	\$ 7,500,000	\$7,500,000
		<u>\$89,700,000</u>	<u>\$91,200,000</u>	

**Debt Service:** The debt will be repaid from U. T. San Antonio's indirect cost recoveries. The annual debt service on the \$7,500,000 in Revenue Financing System Bond Proceeds is projected to be \$653,844. The debt service coverage for the project is expected to be at least 1.78 times.

- Recommendations:**
- a. increase total project cost by \$1,500,000 from \$89,700,000 to \$91,200,000;
  - b. revise source of funds;
  - c. appropriate funds and authorize expenditure of \$7,500,000 from Revenue Financing System Bond Proceeds; and
  - d. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

**Previous Board Actions:** The Facilities Planning and Construction Committee designated the project as architecturally significant in January 2001. The project received design development approval at \$83,700,000 in May 2002. In August 2003, the total project cost was increased to \$89,700,000.

**Project Description:** The West Campus Wet Lab phase of the project is a part of the Biotechnology, Sciences and Engineering Building at U. T. San Antonio. The new phase will contain 20,000 gross square feet adjacent to the Biotechnology, Sciences and Engineering Building and will house the wet lab research laboratory that includes 12 biology labs. The increase of \$1,500,000 is the result of finalizing the West Campus Wet Lab project scope.

\* Funding Sources = PUF (Permanent University Fund Bond Proceeds); TRB (Tuition Revenue Bond Proceeds); RFS (Revenue Financing System Bond Proceeds)

**6. U. T. Tyler: Student Apartments - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations listed below for the U. T. Tyler Student Apartments to:

**Project Number:** 802-171

**CIP Approval and Amendments:** August 2003

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** July 2004

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Proposed</u>
	RFS	\$7,200,000

**Debt Service:** The \$7,200,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the Student Apartments project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.3 times.

**Recommendations:** a. approve design development plans;

- b. approve the evaluation of alternative energy economic feasibility;
- c. approve total project cost;
- d. appropriate funds and authorize expenditure of funds; and
- e. make the "finding of fact" determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

**Project Description:**

The Student Apartments project at U. T. Tyler will contain two three-story wood frame structures and a single-story, 2,000 gross square foot community building. The total gross square feet for the project is approximately 77,500. The apartment structures will accommodate a mix of four-bedroom and two-bedroom suites for housing approximately 184 students, a resident director, and 14 resident advisors.

A single-story community building will accommodate the director's offices, game room, television area, kitchen, and mailboxes. Outdoor recreation amenities are included in the project. The project is located on approximately seven acres of wooded land near the western edge of the campus and is adjacent to the existing University Pines Apartment complex. The project includes a perimeter security fence, parking for all residents, and landscaping.

Enrollment expansion and enhanced character of student life on campus require housing for upper- and lower-division students. This apartment style housing will be the first housing project to be directly managed by U. T. Tyler and is needed to support the continued growth at U. T. Tyler.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

\* Funding Source = RFS (Revenue Financing System Bond Proceeds)

**7. U. T. Tyler: Student Dormitory and Academic Excellence Center - Approve design development; approve alternative energy economic feasibility; approve total project cost; appropriate funds and authorize expenditure; and parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Interim Vice Chancellor for Business Affairs, and President Mabry that the U. T. Board of Regents approve the recommendations listed below for the U. T. Tyler Student Dormitory and Academic Excellence Center:

**Project Number:** 802-166

**CIP Approval and Amendments:** August 2003

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** July 2005

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Proposed</u>
	RFS	\$ 8,000,000
	Gifts	\$ 3,000,000
		\$11,000,000

- Recommendations:**
- a. approve design development plans;
  - b. approve the evaluation of alternative energy economic feasibility;
  - c. approve total project cost;
  - d. appropriate funds and authorize expenditure of funds; and
  - e. make the “finding of fact” determinations required by Section 5 of the Master Resolution regarding the ability to repay debt prior to the issuance of additional Revenue Financing System parity debt.

**Debt Service:** The \$8,000,000 in Revenue Financing System Bond Proceeds debt will be repaid from net revenues on the Student Dormitory and Academic Excellence Center project. The annual debt service will be structured proportionately to the projected amount of net revenue available. Debt service coverage on the project is expected to be at least 1.4 times.

**Project Description:** The Student Dormitory and Academic Excellence Center at U. T. Tyler will be constructed in multiple wings in a compact building configuration. The dormitory will provide living and learning spaces for approximately 200 students. The facility will consist of a four-story, 58,456 gross square foot building and will include dormitory rooms, lounge areas,

centralized laundry facility and kitchen, and offices for dormitory staff. The Academic Excellence Center will consist of a one-story, 12,829 gross square foot building with a large meeting room and smaller breakout rooms and will be connected on the first floor to the dormitory.

Enrollment expansion and enhanced character of student life on campus require housing for freshman and sophomore students. This dormitory will be the first dormitory project to be directly managed by U. T. Tyler and is needed to support the continued growth at U. T. Tyler.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project will be reported to the U. T. Board of Regents as part of the design development presentation.

\* Funding Source = RFS (Revenue Financing System Bond Proceeds)

**8. U. T. Medical Branch - Galveston: BSL-4 Laboratory Facility - Honorific Naming of Facility as the John Sealy Pavilion for Infectious Diseases Research and Honorific Naming of Laboratory as the Robert E. Shope Laboratory (Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Honorific Namings)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, the Vice Chancellor for External Relations, and President Stobo that the U. T. Board of Regents:

- a. approve the naming of the BSL-4 Laboratory Facility project at U. T. Medical Branch - Galveston as the John Sealy Pavilion for Infectious Diseases Research; and
- b. approve the naming of the laboratory of the BSL-4 Laboratory Facility as the Robert E. Shope Laboratory.



## BACKGROUND INFORMATION

The BSL-4 Laboratory Facility at U. T. Medical Branch - Galveston consists of a three-story addition to the existing Keiller Building as well as some renovation work within the building to accommodate the addition. The combination of new work and renovation work will be approximately 12,000 gross square feet. Biosafety level-4 (BSL-4) containment laboratories are technically advanced facilities built with proven construction and engineering technologies to provide a safe environment for the researcher and minimize hazards to the outside environments.

The naming of the John Sealy Pavilion for Infectious Diseases Research will recognize the commitment and the significant contribution of \$7,500,000 by the Sealy & Smith Foundation toward the \$15,500,000 total project cost.

U. T. Medical Branch - Galveston's program in tropical and emerging infectious diseases flourished with the recruitment of Dr. Robert E. Shope, John D. Dunn Professor of Biodefense in the Department of Pathology and the Center for Biodefense and Emerging Infectious Diseases. Dr. Shope is a legend in his field and is revered by scientists from around the world. He has a vast lifetime of experience of conducting cutting-edge research on some of the world's most dangerous viruses. Dr. Shope has led a multidisciplinary team of U. T. Medical Branch scientists seeking to develop countermeasures for the Defense Advanced Research Projects Agency (DARPA) for viruses bioterrorists might employ.

Dr. Shope has served the infectious diseases community, graduate students, academic colleagues, and the nation with humility and distinction for his entire career. The naming of the BSL-4 laboratory as the Robert E. Shope Laboratory will recognize Dr. Shope's outstanding contributions to infectious diseases research at the University.

These namings are consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.2 and institutional guidelines on the naming of facilities, which allow naming for a current employee in unusual circumstances.

- 9. U. T. Health Science Center - Houston: Recreation Center Reconstruction - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost and appropriate funds and authorize expenditure**

## RECOMMENDATION

The Chancellor concurs in the recommendation of the Acting Executive Vice Chancellor for Health Affairs, the Interim Vice Chancellor for Business Affairs, and President

Willerson that the U. T. Board of Regents amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget for the U. T. Health Science Center - Houston Recreation Center Reconstruction.

**CIP Approval and Amendments:** May 2001

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** August 2004

<b>Total Project Cost:</b>	<u>Source*</u>	<u>Current</u>	<u>Proposed</u>
	Insurance Proceeds	\$3,000,000	\$3,341,000
	Aux. Ent. Bal.		<u>\$1,259,000</u>
			\$4,600,000

- Recommendations:**
- a. increase the total project cost from \$3,000,000 to \$4,600,000; and
  - b. appropriate funds and authorize expenditure of \$1,259,000 from Auxiliary Enterprise Balances and \$341,000 from Insurance Proceeds.

**Previous Board Actions:** In May 2001, the project was authorized for inclusion in the CIP; authorized for institutional management; and funds were appropriated.

**Project Description:** The design development plans were approved in August 2001. The additional funding of \$341,000 from Insurance Proceeds and \$1,259,000 from Auxiliary Enterprise Balances is required to fund reconstruction not covered by insurance, including structural upgrades from wood frame to structural steel, slab demolition, site work, and ongoing temporary facilities.

\* Funding Source = Aux. Ent. Bal. (Auxiliary Enterprise Balances)

**10. U. T. System: Consideration of architecturally significant projects**

RECOMMENDATION

It is recommended that the Committee review the following projects scheduled for architectural selection for possible designation as architecturally significant according to the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 3, Subsection 3.3:

- **U. T. Arlington – Student Apartments**  
Project Cost: \$14,357,000  
Anticipated Delivery Method: Design/Build

- **U. T. Austin – Nueces Garage**  
 Project Cost: \$20,500,000  
 Anticipated Delivery Method: Design/Build
- **U. T. Austin – Biomedical Engineering Building**  
 Project Cost: \$25,000,000  
 Anticipated Delivery Method: Design/Build
- **U. T. Dallas – Center for BrainHealth**  
 Project Cost: \$5,000,000  
 Anticipated Delivery Method: Competitive Sealed Proposals  
 (see Item 11 on Page 43)
- **U. T. Dallas – Natural Science and Engineering Research Building**  
 Project Cost: \$85,000,000  
 Anticipated Delivery Method: Construction Manager at Risk  
 (see Item 12 on Page 43)
- **U. T. El Paso – Parking Garage ID#, P-4**  
 Project Cost: \$25,000,000  
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. Permian Basin – Student Housing Phase III**  
 Project Cost: \$6,000,000  
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. San Antonio – Campus Parking Garage, Phase I**  
 Project Cost: \$11,250,000  
 Anticipated Delivery Method: Competitive Sealed Proposals
- **U. T. San Antonio – Campus Parking Garage, Phase III**  
 Project Cost: \$9,450,000  
 Anticipated Delivery Method: Competitive Sealed Proposals  
 (see Item 4 on Page 64)
- **U. T. San Antonio – East Campus Building, Phase I**  
 Project Cost: \$75,000,000  
 Anticipated Delivery Method: Competitive Sealed Proposals  
 (see Item 14 on Page 46)
- **U. T. San Antonio – East Campus Thermal Energy Plant**  
 Project Cost: \$5,000,000  
 Anticipated Delivery Method: Competitive Sealed Proposals  
 (see Item 15 on Page 47)

- **U. T. Health Science Center – San Antonio – Medical Integrated Plaza**  
(feasibility and planning only)  
Project Cost: \$300,000  
Anticipated Delivery Method: N/A  
(see Item 3 on Page 55)
- **U. T. M. D. Anderson Cancer Center – Bastrop Facility Strategic Plan**  
Project Cost: \$9,000,000  
Anticipated Delivery Method: Competitive Sealed Proposals

11. **U. T. System: Historically Underutilized Businesses (HUB) Report and Update on Bonding and Technical Assistance program**

Mr. Sanders will speak to the quarterly report on Historically Underutilized Businesses (HUB) for building construction for the U. T. System and will give an update on the Bonding and Technical Assistance program as set forth below.

REPORT

The total expenditures for Building Construction and Other Facilities by the Office of Facilities Planning and Construction through the fourth quarter of Fiscal Year 2003 was approximately \$532,524,000. Of that amount, 16.28% was paid to Certified Historically Underutilized Businesses, 0.84% was paid to Graduated Historically Underutilized Businesses, and Noncertified Historically Underutilized Businesses received 6.49%, for a total of 23.61% or approximately \$125,730,000.

By comparison in Fiscal Year 2002, 10.10% was paid to Certified Historically Underutilized Businesses, 1.23% was paid to Graduated Historically Underutilized Businesses, and Noncertified Historically Underutilized Businesses received 11.40%, for a total of 22.73% or approximately \$76,777,000. This information will be included in the U. T. System Administration HUB Report to the State.

The mission of the Bonding and Technical Assistance program (BTA) is to assist minority- and women-owned businesses to build business capacity and to successfully compete for work on the U. T. M. D.

Anderson Cancer Center Ambulatory Clinical Building, as well as other U. T. System projects. These services to assist minority- and women-owned businesses include the following:

- General Business Management – Business plans, implementation and action planning, organizational structuring, market analysis, market plan development, sales analysis, and operations assessments;
- Financial Administration – Financial accounting, cost accounting, loan packaging, financial planning, job costing, work in progress reporting, payroll administration, and tax reporting;
- Technical Assistance – Identifying bid opportunities, understanding blueprints and contractor specifications, estimating, bid preparation, scheduling, safety, and project management; and
- Bonding and Insurance – Bond application preparation or review, market individual contractors to sureties, and monitor contractor performance.

The BTA expansion was initiated February 18, 2003, by negotiating a contract extension with Grijalva & Allen, PC consultants to include two additional projects of U. T. M. D. Anderson Cancer Center Cancer Prevention Building and the U. T. Health Science Center - Houston Institute of Molecular Medicine. These projects were added to the scope of work with Grijalva & Allen who committed to provide additional services on a third project at no additional cost to the campus.



**TABLE OF CONTENTS  
FOR  
STUDENT, FACULTY, AND STAFF CAMPUS LIFE  
COMMITTEE**

**Committee Meeting:** 11/12/2003  
MCM Elegante Hotel

*Judith L. Craven, M.D., Chairman*  
*Rita C. Clements*  
*Robert A. Estrada*  
*Woody L. Hunt*

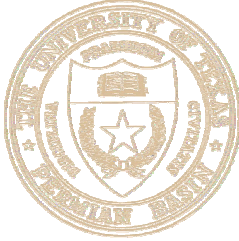
	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>1:00 p.m.</i> <i>Chairman</i> <i>Craven</i>		
1. <b>U. T. Permian Basin: Overview of Campus Life at U. T. Permian Basin</b>	<i>1:05 p.m.</i> <b>Report</b> <i>Dr. Watts</i>	Not on Agenda	<b>75</b>
2. <b>U. T. System: Social Security Numbers Task Force Update - Report on new Business Procedures Memorandum</b>	<i>1:25 p.m.</i> <b>Report</b> <i>Ms. Mayne</i>	Not on Agenda	<b>76</b>
3. <b>U. T. System: Report on the status of the Management and Leadership Development Program</b>	<i>1:35 p.m.</i> <b>Report</b> <i>Mr. Dan</i> <i>Stewart</i>	Not on Agenda	<b>77</b>
<b>Adjourn</b>			

1. **U. T. Permian Basin: Overview of Campus Life at U. T. Permian Basin**

REPORT

Dr. David Watts, President, will provide an overview of campus life at U. T. Permian Basin. A PowerPoint presentation is attached on Pages 75.1 - 75.10.

Dr. Watts' report is the first in a series of campus life presentations that will be made at the Faculty, Staff and Student Campus Life Committee meetings.



Student, Faculty, and Staff Campus Life  
Committee Presentation  
November 12, 2003



## *Campus Life*

Vision: To transform UTPB

- Mission
- Size and Scope
- Students
- Research



## *Enrollment*

### Enrollment Increases

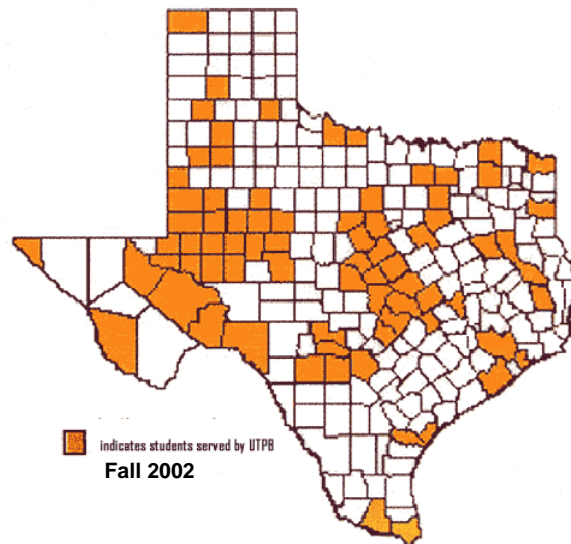
	<u>HC</u>	<u>SCH</u>
Fall 00	2.2%	3.4%
Fall 01	6.0%	5.3%
Fall 02	10.9%	12.8%
Fall 03	12.4%	16.0%



### Fall 2003 Preliminary Enrollment

<u>Headcount</u>	<u>3,072</u>	<u>Semester Credit Hours</u>	<u>31,379</u>
Undergraduate	2,351	Undergraduate	27,391
Graduate	721	Graduate	3,988

## *Students from West Texas & Beyond*





## *Goals*

- Growth in Academic Programs
- Growth in Student Services
- Growth in Student Enrollment

## *Growth* *In Academic Programs*

### ★ **Three New Degree Programs in 2003**

Bachelor of Fine Arts

B.S. in Information Systems

Bachelor of Social Work

### ★ **Four New Degrees Awaiting THECB Approval**

### ★ **Four Degrees in Development**

## *Growth* ***In Academic Programs***

- **Seeking National Specialized Accreditation**
  - Business, Art, Education
- **Expanded Off-campus Degree and Course Offerings**
  - Midland, Big Spring, Snyder, San Angelo
- **Expanded Online Programs**
- **Partnerships**
  - Howard College, Midland College, Odessa College
  - Universidad Autónoma de Chihuahua



## *Growth* ***In Student Services***

### **Hispanic Serving Institution Grant: OBRAS**

- Career planning and placement
- Student mentor program
- Technology infrastructure upgrade
- Exit Test Coordinator
- Instructional Development Coordinator
- Enrollment management tracking system

*Growth*

## *In Student Services*

Fall 2003 Housing  
Total 225 beds

6 Falcons Nest units  
96 beds



40 trailer units  
129 beds



*Growth*

## *In Student Services*

- Housing Fall 2004, additional 198 beds;  
Total 423
- Resident Hall Association
- Housing Recreation Area



*Growth*

*In Student Enrollment*

**Student Demographics** **Fall 2002**

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White	63.1%
Hispanic	31.4%
African American	3.4%
Asian American	1.0%
International	0.6%
Native American	0.5%

*Faculty Campus Life*

- 158 Faculty Members, 103 Full-time
- 85% with Terminal Degrees
- 42% Women, 9.5% Minority
- Faculty/Student Ratio: 18 to 1

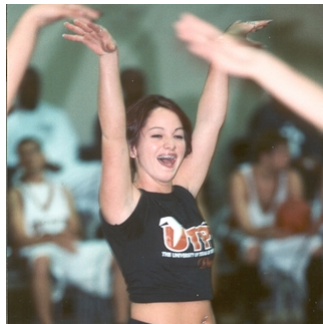


## *Faculty Campus Life*

- Average Non-lab Class Size is 31
- Growing Research Productivity
- Faculty Salaries: 6.5% Below National Means for Comparable Institutions



## *Student Campus Life*



- Student Activities
  - Cheerleaders, Mariachi Band, Pep Band, Dance Team and Mascot
- Program Board
- Intercollegiate Athletics
  - Softball, Soccer, Volleyball, Basketball, Swimming and Baseball
- Intramural Sports
- Student Union

## *Student Campus Life*

### Retention, Retention, Retention

- Freshman Seminar 1001
- Student Mentors
- Supplemental Instruction
- PASS Center
- Writing and Math Centers
- Tutoring
- Sorority Interest Group



## *Student Clubs on Campus*

- Art Assn.
- Baseball Club
- Bilingual Education Students Org
- Black Student Organization.
- Catholic Student Assn.
- Chemistry Club
- Chi Psi (Psych)
- College Bowl
- Computer Science
- Lion's Club
- LULAC
- Mesa Journal Student Newspaper
- Orientation (hOLA)
- Pre-Law Society
- Psychology Club
- Sandstorm Student Arts Magazine
- Sci Fi Club
- Sociology Club
- Criminology Club
- Drama Club
- Falcon Billiard Club
- Falcon Fellowship
- Falcon Knight Chess Club
- Falcon Knights Judo Club
- Geology Club
- Greek Student Org.
- Jewish Student Organization
- Sorority Interest Group
- Spanish Club
- Spirit Squad/Pep Band
- Student Housing Association
- Students in Free Enterprise (SIFE)
- Student Senate
- Wellness Club
- Political Science
- Student Program Board
- Wrestling Club

## *Campus Governance*

- Administrative Council
- Faculty Senate
- Staff Advisory Council
- Student Senate



## *Growth*

### *Produces New Challenges*



- Classroom and Lab Space –  
Eighth highest space utilization Fall 2002



- Parking Expansion
- Faculty & Staff Salaries



## *Transformation of Campus Life*

Growing --

Programs

Services

Enrollment



“Feels like a real university”

2. **U. T. System: Social Security Numbers Task Force Update - Report on new Business Procedures Memorandum**

REPORT

Florence Mayne, Assistant Vice Chancellor for Administration and System Administration Compliance Officer, will provide a final report on the strategies and recommendations of the U. T. System-wide Social Security Numbers Task Force. A draft of a proposed Business Procedures Memorandum regarding Protecting the Confidentiality of Social Security Numbers is attached on Pages 76.1 - 76.2.

**Final Report on the Work of the System-wide Social Security Number Task Force  
and  
Summary of Proposed Business Procedures Memorandum  
October 2003**

The System-wide Social Security Number Task Force was established in March 2003. Its charge was to study and recommend a strategy with respect to a coordinated approach throughout The University of Texas System for the collection, maintenance, and dissemination of social security numbers. The task force was guided by the following four desired outcomes:

1. Increased awareness of the confidential nature of the social security number;
2. Reduced reliance on the social security number for identification purposes;
3. A consistent approach toward social security numbers throughout the System;
4. Increased confidence by all constituents that U. T. institutions handle social security numbers in a confidential manner.

The task force concluded that the development of a Business Procedures Memorandum would best achieve these desired outcomes. A Business Procedures Memorandum was drafted and has undergone review by the task force, the institutional presidents, and the Chancellor.

The Business Procedures Memorandum contains the following policy statement:

It is the policy of The University of Texas System to protect the confidential nature of social security numbers without creating unjustified obstacles to the conduct of the business of The University of Texas System and the provision of services to its many constituencies.

The procedures to implement the policy are stated in the Business Procedures Memorandum. Due to the financial burdens and the potentially disruptive nature of reprogramming and immediate conversions of business and information systems, some of the procedures have delayed compliance dates. Institutions are to implement the procedures in a steady and purposeful manner so that they are fully implemented no later than the specified compliance dates. Each institution is to file with the Chancellor an annual report that sets forth the institution's plan for and the status of implementation of the delayed compliance items, including progress to date and anticipated completion dates.

The procedures are organized around six key privacy principles and are briefly summarized below:

- **Reduce the Use and Collection of Social Security Numbers:** The use of the social security number as an individual's primary identification number will be discontinued. In place of the social security number, each institution shall assign a unique identifier to each individual at the individual's first point of contact with the institution.
- **Inform Individuals When the Institution Collects Social Security Numbers:** As required by Federal law, institutions will give notice to individuals each time a social security number is requested.

- **Reduce the Public Display of Social Security Numbers:** Grades may not be publicly posted or displayed in a manner that reveals an individual's social security number or unique identifier. The social security number may not be displayed on documents that can be widely seen by the general public (such as time cards, rosters, and bulletin board postings), unless required by law. Restrictions apply to the sending of the social security number through the mail or via email.
- **Control Access to Social Security Numbers:** Access to records containing social security numbers will be restricted to those who need the numbers for the performance of job duties.
- **Protect Social Security Numbers with Security Safeguards:** Administrative, physical, and technical safeguards are required to protect social security numbers from unauthorized disclosure.
- **Establish Accountability for Protecting the Confidentiality of Social Security Numbers:** Training of employees on the confidentiality of social security numbers and reporting of inappropriate disclosure of social security numbers are required.

3. **U. T. System: Report on the status of the Management and Leadership Development Program**

REPORT

Mr. Dan Stewart, Executive Director of Benefits Administration, will provide an update on the U. T. System Administration Management and Leadership Development Program (MLDP). His presentation will include:

- a. evaluation/assessment of Class One of the MLDP;
- b. comparison of curriculum/projects/participants in Class One and Class Two;
- c. Class Three eligibility criteria; and
- d. the future of the Management and Leadership Development Program.