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MEETING OF THE BOARD

August 13-14, 2008
Austin, Texas

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1. **U. T. System Board of Regents: Presentation by Texas Higher Education Coordinating Board representatives on formula funding recommendations for the 2010-2011 biennium**

REPORT

Representatives of the Texas Higher Education Coordinating Board have been invited to make a presentation on formula funding recommendations for the 2010-2011 biennium. An overview of the Coordinating Board recommendations are attached on Pages 2 - 5.

Texas Higher Education Coordinating Board

OVERVIEW

Formula Funding Recommendations for the 2010-2011 Biennium - General Academic Institutions and Health Related Institutions

Approved April 24, 2008

The Coordinating Board's formula funding recommendations for the 2010-2011 biennium recognize the need to shift from a focus on meeting the student participation goals of the state's higher education plan, Closing the Gaps by 2015, to more effectively meeting the state's student success goals. Texas higher education and the leadership of the state deserve recognition for significant gains in student enrollments over the past eight years since Closing the Gaps was first adopted – and those gains must continue. However, if the goals of Closing the Gaps are to be fully realized, much more emphasis must be placed on the success of those students and the effective use of state, institutional, and student resources in retaining and graduating students.

To this end, three critical changes in formula funding are recommended:

- Base funding on outcomes rather than on inputs. Currently, funding is based on attempted semester credit hours (inputs). This recommendation bases funding on completed semester credit hours (outcomes).
- Provide funding at levels that not only allow institutions to continue meeting participation goals, but enable them to put the infrastructure, policies, and programs in place necessary to retain students more effectively and improve student performance.
- Provide institutional performance funding to recognize achievement in meeting student success goals, such as increasing the number of degrees awarded.

Highlights of the specific funding recommendations for the General Academic Institutions and Health Related Institutions are outlined below.

General Academic Institutions

- Base Funding - Increase base funding by $267 million and phase-in funding (25 percent first year, 50 percent second year, 75 percent third year, and 100 percent fourth year) on completed semester credit hours vs. attempted semester credit hours.
    - o The proposed change to fund on completed semester credit hours is only recommended if a minimum of $200 million is added to the current base instruction and operations funding. The purpose of the change is to encourage better outcomes from our universities, however without a sufficient base of funds to make needed changes and improvements those outcomes will not be realized. The Board does not propose making this change in allocations if universities will be harmed financially.
    - o Since 2000 the amount of formula appropriations per weighted semester credit hour has dropped from $66 to $59 in constant dollars.

Texas Higher Education Coordinating Board

- Provide $178 million for performance funding.
  - o Awards would be based on the number of degrees awarded at all levels and is meant to work in conjunction with proposed incentive funding.
- Provide $243 million increase in infrastructure funding.
  - o Based on actual expenditures of general revenue and designated tuition during the prior fiscal year on educational and general square feet.
  - o Utilities costs account for approximately 57.4 percent ($139 million) of the infrastructure funding.
- Reduction of approximately $1.5 million for the small institutions supplement.
  - o Phase out the small institution supplement between 4,000 to 6,000 students using a three year average – Currently the small institutions supplement ends when the institution reached 5,000 headcount. The proposal is to reduce the supplement gradually based on a three year average enrollment to allow the institutions to adapt to the loss of the supplemental funds.

Health-Related Institutions

- The health-related institutions recommendations are all based on increasing to one half the difference between the 2008-09 biennium and the 2000-01 biennium, which the institutions felt was an adequate phase in level.
- Increase base funding by $22.3 million
- Increase research enhancement by $17.7 million
- Increase infrastructure (utilities, maintenance, and operations) by $50.2 million
- $0.3 million in multi-site adjustment for the new site that met the standards adopted in the past biennium.
- Increase mission specific formula by $5.6 million.
  - o These are funds for MD Anderson and UT Health Science Center Tyler
- Increase funding for graduate medical education by $16.5 million.

All Institutions

- Increase the Nursing Shortage Reduction Program by $10.3 million.
  - o The Nursing Shortage Reduction Program is available to all institutions, including independent institutions, and is based on increases in nursing graduates.

For more information:

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External Relations
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www.thecb.state.tx.us

University Instruction and Operations For FY2010-11 Biennium
I&O Formula Request - - Board's Recommendation
Phase-In Completed SCH Percentages by Fiscal Year Are: FY2010-25%, FY2011-50%, FY2012-75%, FY2013-100%

	Actual I&O Plus Teaching Supplement	Coordinating Board Recommendation			Minimum Funding Recommendation			Coordinating Board Recommended
	FY2008-09 Biennium TOTAL	FY2010-11 Biennium I&O Total	Increase Dollars	Increase Percent	FY2010-11 Biennium TOTAL*	Increase Dollars	Increase Percent	Performance Funding Total
UT at Arlington	$169,484,042	$184,954,204	$15,470,162	9.1%	179,857,982	10,373,940	6.1%	$9,858,342
UT at Austin	440,927,300	486,336,473	45,409,173	10.3%	472,935,974	32,008,674	7.3%	24,164,668
UT at Dallas	121,689,300	133,969,037	12,279,737	10.1%	130,277,661	8,588,361	7.1%	6,396,747
UT at El Paso	111,364,270	120,829,475	9,465,205	8.5%	117,500,148	6,135,878	5.5%	4,974,427
UT - Pan American	95,964,234	102,912,103	6,947,869	7.2%	100,076,465	4,112,231	4.3%	4,795,867
UT at Brownsville	20,433,714	22,046,965	1,613,251	7.9%	21,439,478	1,005,764	4.9%	1,639,055
UT of the Permian Basin	17,949,438	19,455,501	1,506,063	8.4%	18,919,422	969,984	5.4%	1,063,969
UT at San Antonio	152,933,440	166,011,953	13,078,513	8.6%	161,437,663	8,504,223	5.6%	7,545,071
UT at Tyler	34,920,108	37,242,311	2,322,203	6.7%	36,216,143	1,296,035	3.7%	1,879,187
TAMU Includes Col. Vet. Med.	429,064,714	477,297,913	48,233,199	11.2%	464,146,468	35,081,754	8.2%	19,251,813
TAMU Galveston	14,286,506	15,926,437	1,639,931	11.5%	15,487,606	1,201,100	8.4%	461,792
Prairie View A&M Univ	53,089,976	57,615,799	4,525,823	8.5%	56,028,251	2,938,275	5.5%	2,768,291
Tarleton State Univ	54,993,538	59,801,082	4,807,544	8.7%	58,153,327	3,159,789	5.7%	3,361,848
TAMU Commerce	57,505,484	62,495,335	4,989,851	8.7%	60,773,342	3,267,858	5.7%	3,834,723
TAMU Corpus Christi	53,034,316	56,879,151	3,844,835	7.2%	55,311,904	2,277,588	4.3%	2,842,178
TAMU Kingsville	45,855,946	49,921,798	4,065,852	8.9%	48,546,262	2,690,316	5.9%	2,500,451
Texas A&M International Univ	26,116,938	28,139,465	2,022,527	7.7%	27,364,110	1,247,172	4.8%	1,564,552
TAMU Texarkana	8,860,176	9,554,013	693,837	7.8%	9,290,769	430,593	4.9%	903,881
West Texas A&M Univ	42,892,150	46,476,759	3,584,609	8.4%	45,196,138	2,303,988	5.4%	2,486,290
U of Houston	242,728,292	261,691,431	18,963,139	7.8%	254,480,791	11,752,499	4.8%	12,383,423
U of Houston - Clear Lake	50,367,840	54,550,045	4,182,205	8.3%	53,046,982	2,679,142	5.3%	3,871,051
U of Houston - Downtown	47,845,688	51,742,734	3,897,046	8.1%	50,317,017	2,471,329	5.2%	3,222,695
U of Houston - Victoria	15,639,202	16,694,004	1,054,802	6.7%	16,234,017	594,815	3.8%	1,136,625
Midwestern State Univ	32,688,858	34,806,646	2,117,788	6.5%	33,847,580	1,158,722	3.5%	2,033,118
Univ of North Texas	203,967,312	221,587,922	17,620,610	8.6%	215,482,301	11,514,989	5.6%	11,130,426
Stephen F. Austin State Univ	67,851,648	72,856,357	5,004,709	7.4%	70,848,872	2,997,224	4.4%	4,064,388
Texas Southern Univ	65,314,500	70,381,982	5,067,482	7.8%	68,442,668	3,128,168	4.8%	1,834,855
Texas Tech Univ	214,528,680	234,747,342	20,218,662	9.4%	228,279,118	13,750,438	6.4%	10,547,952
Texas Woman's Univ	87,019,128	93,123,270	6,104,142	7.0%	90,557,363	3,538,235	4.1%	4,170,292
Angelo State Univ	33,423,622	35,817,588	2,393,966	7.2%	34,830,680	1,407,058	4.2%	1,925,982
Lamar Univ	57,626,796	61,767,922	4,141,126	7.2%	60,065,973	2,439,177	4.2%	3,026,895
Sam Houston State Univ	91,019,126	99,582,895	8,563,769	9.4%	96,839,004	5,819,878	6.4%	5,374,647
Texas State Univ - San Marcos	154,318,154	167,486,702	13,168,548	8.5%	162,871,786	8,553,632	5.5%	9,990,107
Sul Ross State Univ	10,557,232	11,311,318	754,086	7.1%	10,999,638	442,406	4.2%	560,308
Sul Ross - RGC	4,972,326	5,276,479	304,153	6.1%	5,131,091	158,765	3.2%	434,085
TOTAL*	$3,331,233,994	$3,631,290,411	$300,056,417	9.0%	3,531,233,994	200,000,000	6.0%	$178,000,000

*Actual FY2008-09 does not include formula hold harmless appropriations for the institutions listed below.

UT at Arlington	$12,474,202
UT at Tyler	264,524
Prairie View A&M Univ	3,089,868
TAMU Texarkana	88,020
Midwestern State Univ	785,600
Texas Southern Univ	3,162,844
Texas Woman's Univ	10,538,126
Angelo State Univ	741,712
Lamar Univ	554,432
Sul Ross State Univ	1,566,251
TOTAL	$33,265,579

Coordinating Board Infrastructure Formula Recommendations for FY2010-11 with Actual Appropriations for FY2008-09

	Infrastructure + Small Inst. Supplement	Coordinating Board Recommendation		
	FY2008-09 Biennium TOTAL	FY2010-11 Biennium Infrastructure Total	Increase Dollars	Increase Percent
UT at Arlington	$24,740,410	$33,877,869	$9,137,459	36.9%
UT at Austin	116,109,100	159,321,429	43,212,329	37.2%
UT at Dallas	17,666,836	24,190,170	6,523,334	36.9%
UT at El Paso	22,141,680	30,364,532	8,222,852	37.1%
UT - Pan American	15,958,790	21,844,670	5,885,880	36.9%
UT at Brownsville	7,033,934	8,196,194	1,162,260	16.5%
UT of the Permian Basin	4,794,028	6,011,245	1,217,217	25.4%
UT at San Antonio	26,907,792	36,869,041	9,961,249	37.0%
UT at Tyler	5,695,820	7,843,483	2,147,663	37.7%
TAMU FY0809 Includes Col. Vet. Med.	67,475,378	92,502,710	25,027,332	37.1%
TAMU Galveston	7,132,916	9,072,791	1,939,875	27.2%
Prairie View A&M University	10,489,940	14,378,839	3,888,899	37.1%
Tarleton State University	8,862,014	12,130,081	3,268,067	36.9%
TAMU Commerce	8,009,486	10,980,469	2,970,983	37.1%
TAMU Corpus Christi	10,213,286	14,013,051	3,799,765	37.2%
TAMU Kingsville	8,634,490	11,850,542	3,216,052	37.2%
Texas A&M International University	6,832,116	8,226,681	1,394,565	20.4%
TAMU Texarkana	2,663,514	3,089,214	425,700	16.0%
West Texas A&M University	7,858,192	10,773,723	2,915,531	37.1%
U of Houston	48,445,568	66,477,787	18,032,219	37.2%
U of Houston - Clear Lake	7,185,612	9,875,982	2,690,370	37.4%
U of Houston - Downtown	10,257,240	14,095,934	3,838,694	37.4%
U of Houston - Victoria	3,986,884	4,919,890	933,006	23.4%
Midwestern State University	5,985,322	8,208,046	2,222,724	37.1%
University of North Texas	37,505,168	51,505,834	14,000,666	37.3%
Stephen F. Austin State University	13,320,790	18,277,665	4,956,875	37.2%
Texas Southern University	14,538,704	19,940,102	5,401,398	37.2%
Texas Tech University	38,568,780	52,842,077	14,273,297	37.0%
Texas Woman's University	11,758,708	16,120,588	4,361,880	37.1%
Angelo State University	6,930,172	9,505,483	2,575,311	37.2%
Lamar University	11,813,706	16,229,491	4,415,785	37.4%
Sam Houston State University	16,615,022	22,790,177	6,175,155	37.2%
Texas State University - San Marcos	27,859,770	38,227,082	10,367,312	37.2%
Sul Ross State University	5,021,160	6,322,992	1,301,832	25.9%
Sul Ross - RGC	1,500,000	1,500,000	0	0.0%
University Total	$640,512,328	$872,375,864	$231,863,536	36.2%
Total - TSTC & Lamar	25,945,017	33,309,616	7,364,599	28.4%
Total - TAMU Agencies.	42,970,127	52,848,087	9,877,960	23.0%
Totals	$725,628,254	$968,469,771	$242,841,517	33.5%

2. **U. T. System Board of Regents: Presentation by Cooper, Robertson & Partners, L. L. P., regarding the status of work on the master planning project for the Brackenridge Tract**

REPORT

Mr. Paul Milana, Partner-in-Charge, and Dr. David McGregor, Project Director, will lead a presentation by the master planning team assembled by Cooper, Robertson & Partners, L. L. P., to update the Board on work to date on the master planning project for the Brackenridge Tract.

BACKGROUND INFORMATION

On March 26, 2008, the U. T. System Board of Regents selected Cooper, Robertson & Partners, L. L. P. (Cooper Robertson) as the firm to develop a minimum of two conceptual master plans for the development of the Brackenridge Tract. With that selection, the Board implemented one of the recommendations of the Brackenridge Tract Task Force Report. The Task Force Report, issued in October 2007, recommended that a master planner be engaged to prepare a comprehensive analysis of the Brackenridge Tract resulting in conceptual master planning documents that identify the possibilities and constraints of the tract and that serve as a guide for the near-term and long-term uses of the tract.

In seeking a master planner, the Board had three specific objectives:

1. To meet its fiduciary and legal obligations under the terms of the gift deed from Colonel Brackenridge. The Board's obligation is to use the tract in the best interests and for the maximum benefit of U. T. Austin. The Task Force observed on Page 26 of its report that "the pressing financial needs of [U. T. Austin] . . ., the increases in population and changes in land use in the City, and the tremendous increase in the value of the land compel a new vision for the tract that will provide greater financial benefits to [U. T. Austin] in support of its educational mission."

2. To achieve redevelopment of the tract in a manner that will not require the Board of Regents to sell portions of the tract, absent a compelling reason to do so. On Page 27 of its report, the Task Force stated that, "[b]ecause [U. T. Austin] is perpetual in nature and thus all future needs for the use of its lands cannot be determined, any future discussion of the use of the remaining lands within the Brackenridge Tract should begin with the presumption that the land should not be sold without a compelling reason."

3. To provide opportunities through the master planning process for members of the U. T. Austin community, members of the Austin community, neighborhood, civic and governmental leaders, other stakeholders, and the general public to give input with respect to development options and strategies for the tract.

A contract with the master planning firm was entered into on April 21, 2008. The scope of work required under the contract is extensive and stipulates that the conceptual master plans for development of the Brackenridge Tract must be integrated planning documents that consider building sites, streets, parking and land uses; utility infrastructure and capacity; transportation within the tract and between the tract, the surrounding neighborhood, and arterials; recreational and open space, community services, and landscaping; way-finding/graphics; design guidelines, including building heights; compatibility with surrounding neighborhoods; sustainability and stewardship of resources; environmental and endangered species issues; and other relevant components. The focus of the conceptual plans is to be the strategic use of the Brackenridge Tract to support the educational mission of the University.

Specific tasks within the scope of work include, among others:

- Site analyses that result in a report of the most pressing issues and constraints that may affect redevelopment;

- Collaborative planning with U. T. Austin with respect to the existing uses of the graduate student housing on approximately 74 acres and the Brackenridge Field Laboratory on approximately 82 acres;

- Regulatory analyses that examine land use, planning, development, environmental laws, and other laws and regulations that may affect how the tract can be developed, including an analysis of the current Brackenridge Development Agreement between the Board of Regents and the City of Austin, which the Task Force recommended be allowed to terminate in 2019 when its initial term expires;

- Financial and market analyses to include an analysis of future development options for the Brackenridge Tract that will maximize income from the redevelopment of the Brackenridge Tract, using sound planning principles, to support the educational mission of U. T. Austin while contributing positively to the community;

- Opportunities for members of the U. T. Austin community, members of the Austin community, neighborhood, civic and governmental leaders, other interested groups and individuals, and the general public to give input with respect to development options and strategies for the tract;

- The development of a minimum of two conceptual plans for redevelopment of the Brackenridge Tract that comprehensively address the issues described above; and

- The development of an evaluation process that enables the Board of Regents to formally assess the strengths and weaknesses of the conceptual plans and a schedule of the steps required to implement the selected concept master plan(s).

The master planner has divided the work into two phases: analyses and conceptual plans. Cooper Robertson has estimated that the first phase, analyses, will take approximately six months to complete. Due to the extensive scope of work and the varied expertise necessary to complete the scope of work, Cooper Robertson has subcontracted with the following firms:

TBG Partners - Landscape architects and environmental consultant
Prime Strategies, Inc. - Traffic and transportation analyst
CAS Consulting & Surveyors, Inc. - Infrastructure and traffic engineers
Economics Research Associates - Financial and market analyst
HS&A - Cost estimator and academic programming
Du Bois, Bryant & Campbell, L. L. P. - Zoning and public policy specialist
Concept Development and Planning, L. L. C. - Stakeholder input and communications consultant

To date, Cooper Robertson and its team have been engaged in numerous interviews and discussions with interested parties and groups. Surveyors, traffic planners, and other subcontractors of Cooper Robertson have been gathering data about the tract and the surrounding neighborhood. The master planning team held a public listening session on June 25, 2008, at the headquarters of the Lower Colorado River Authority (LCRA) on the tract. Approximately 170 individuals attended the session and approximately 40 individuals spoke at the session. Prior to that session, approximately 3,400 flyers announcing the meeting were placed on the doors of neighboring areas and an electronic survey open to all was conducted.

Future public meetings are planned, including an informational session on the evening of August 12, 2008 (also at the LCRA headquarters), and a weeklong workshop scheduled for November 3 through 7 at the LCRA's Colorado Room (the site of the old Lakeview Lodge).

A map depicting the current uses of the tract appears on the following page.

BRACKENRIDGE TRACT

Total Remaining Acreage: Approximately 345 Acres

6/25/2008

3. U. T. System: Chancellor's quarterly update on innovations in education

REPORT

Chancellor ad interim Shine will report on innovations in education within The University of Texas System.

4. U. T. System Board of Regents: Presentation on the U. T. System-wide Endowment Compliance Program

REPORT

Dr. Randa Safady, Vice Chancellor for External Relations, will present a report on the endowment compliance program.

Supplemental materials: PowerPoint presentation on Pages 1 - 18 of Volume 2.

5. U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 50101, Sections 2 through 8, regarding student conduct and discipline

RECOMMENDATION

Dr. Kenneth I. Shine, in roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 50101, Sections 2 through 8, regarding student conduct and discipline be amended as set forth in congressional style on Pages 12 - 18.

BACKGROUND INFORMATION

The Offices of General Counsel and Academic Affairs have been meeting with the institutional Vice Presidents for Student Affairs and their judicial officers on matters of student conduct and discipline. The proposed amendments, which are summarized below, will allow for a more understandable administration of student discipline while still retaining the basic and important tenets of due process.

- Allows for e-mail communication with students through their e-mail address on record with the U. T. System institution for the purpose of summoning the student for a meeting with the dean.

- Gives the Dean of Students some flexibility in scheduling conferences and/or hearings relative to mandated timelines.

- Allows the Dean of Students in cases of interim disciplinary action to withhold the issuance of transcripts, grades, diplomas or degrees, pending a full hearing on the facts of the case.

- When a student does not dispute the facts of a case and agrees to the administratively imposed sanctions, the administrative disposition is final.

- Deletes a redundant reference to the recommended penalty for illegal use, possession, and/or sale of drugs.

- Shortens the maximum time for submitting an appeal to be considered by 14 days by requiring the necessary documentation for the reasons for the appeal at the same time a written notice of appeal is submitted to the President and adds five days for the non-appealing party to submit a response.

- Specifies that disciplinary records are to be maintained by the Office of the Dean of Students.

- Clarifies the definitions of weekday and day.

- Makes other minor/technical changes.

a. Amend Series 50101, Section 2 as follows:

Sec. 2.3 Drugs. Any student who is found responsible for the illegal use, possession and/or sale of a drug or narcotic on the campus of an institution is subject to discipline. If a student is found responsible for the illegal use, possession, and/or sale of a drug or narcotic on campus, the sanction assessed shall be suspension from the institution for a specified period of time and/or suspension of rights and privileges.

b. Amend Series 50101, Section 4 as follows:

Sec. 4 Disciplinary Process. Disciplinary charges will be investigated by the Dean or the Dean's designee. Any student may be summoned by written request of the Dean for a meeting for purposes of the investigation and/or to discuss the allegations. The written request shall specify a place for the meeting and a time at least three weekdays after the date of the written request if the request is sent regular mail, or at least two weekdays after the date of the request if the request is sent by e-mail or hand delivered. The written request may be mailed to the address appearing in the records of the registrar, e-mailed to the student at the e-mail address on record with the U.T. institution, or may be hand delivered to the student. If a student fails to appear without good cause, as determined by the Dean, the Dean may bar or cancel the student's enrollment or otherwise alter the status of the student until the student complies with the summons, or the Dean may proceed to implement the disciplinary procedures provided for in Section 5 of this Rule. The refusal of a student to accept delivery of the notice, the failure to maintain a current address with the registrar, or failure to read mail or e-mail shall not be good cause for the failure to respond to a summons.

4.1 Interim Disciplinary Action. Pending a hearing or other disposition of the allegations against a student, the Dean may take such immediate interim disciplinary action as is appropriate to the circumstances when such action is in the best interest of the institution. This includes ~~includ~~ but is not limited to a suspension and bar from the campus when it reasonably appears to the Dean from the circumstances that the continuing presence of the student poses a potential danger to persons or property or a potential threat for disrupting any activity authorized by the institution. .

4.2 Timeliness of Hearing. When interim disciplinary action has been taken by the Dean under Section 4.1 immediately above, a hearing of the charges against the student will be held under the procedures specified in Section 5 immediately below. A hearing following interim disciplinary action will generally be held within 10 days after the interim disciplinary action was taken; however, at the discretion of the Dean of Students the 10-day period may be extended for a period not to exceed an additional 10 days.

4.3 Withholding Transcripts, Grades, Degrees. Notwithstanding the above, the Dean may withhold the issuance of an official transcript, grade, diploma, certificate, or degree to a student alleged to have violated a rule or regulation of The University of Texas System or its institutions that would reasonably allow the imposition of such penalty. The Dean may take such action pending a hearing, resolution by administrative disposition, and/or exhaustion of appellate rights if the Dean has provided the student an opportunity to provide a preliminary response to the allegations and in the opinion of the Dean, the best interests of The University of Texas System or the institution would be served by this action.

4.4 Administrative Disposition .

(a) In any case where the accused student elects not to dispute the facts upon which the charges are based and agrees to the sanctions the Dean assesses, the student may execute a written waiver of the hearing procedures specified in Section 5 immediately below. This administrative disposition shall be final and there shall be no subsequent proceedings regarding the charges.

(b) In any case where the accused student elects not to dispute the facts upon which the charges are based, but does not agree with the sanctions assessed by the Dean, the student may execute a written waiver of the hearing procedures specified in Section 5 immediately below yet retain the right to appeal the decision of the Dean only on the issue of penalty. The appeal regarding the penalty will be to the president of an institution.

c. Amend Series 50101, Section 5 as follows:

Sec. 5 Hearing Process. In those cases in which the accused student disputes the facts upon which the charges are based, such charges shall be heard and determined by a fair and impartial Hearing Officer.

5.1 Notice of Hearing. Except in those cases where immediate interim disciplinary action has been taken, the accused student shall be given at least 10 days written notice of the date, time, and place for such hearing and the name of the Hearing Officer. The notice shall include a statement of the charge(s) and a summary statement of the evidence supporting such charge(s). The notice shall be delivered in person to the student or mailed to the student at the address appearing in the registrar's records. A notice sent by mail will be considered to have been received on the third day after the date of mailing, excluding any intervening Sunday. The date for a hearing may be postponed by the Hearing Officer for good cause or by agreement of the student and Dean.

5.2 Impartiality of the Hearing Officer. The accused student may challenge the impartiality of the Hearing Officer. The challenge must be in writing, state the reasons for the challenge, and be submitted to the Hearing Officer through the Office of the Dean at least three days prior to the hearing. The Hearing Officer shall be the sole judge of whether he or she can serve with fairness and objectivity. In the event the Hearing Officer disqualifies himself or herself, a substitute will be chosen in accordance with procedures of the institution.

5.3 Burden of Proof. Upon a hearing of the charges, the Dean or other institutional representative has the burden of going forward with the evidence and has the burden of proving the charges by the greater weight of the credible evidence.

5.4 Duties of Hearing Officer. The Hearing Officer is responsible for conducting the hearing in an orderly manner and controlling the conduct of the witnesses and participants in the hearing. The Hearing Officer shall rule on all procedural matters and on objections regarding exhibits and testimony of witnesses, may question witnesses, and is entitled to have the advice and assistance of legal counsel from the Office of General Counsel of the System. The Hearing Officer shall render and send to the Dean and the accused student a written decision that contains findings of fact and a conclusion as to whether the accused student is responsible for the violations as charged. Upon a finding of responsibility the Hearing Officer shall assess a penalty or penalties specified in Section 6 immediately below. When an accused student is found responsible for the illegal use, possession, or sale of a drug or narcotic on campus, the assessment of a minimum penalty provided in Section 2.3 immediately above is required.

5.5 Minimal Rights. The hearing shall be conducted in accordance with procedures adopted by the institution that assure the institutional representative and the accused student the following minimal rights:

(a) Each party shall provide the other party a list of witnesses, a brief summary of the testimony to be given by each, and a copy of documents to be introduced at the hearing at least five days prior to the hearing.

(b) Each party shall have the right to appear, present testimony of witnesses and documentary evidence, cross-examine witnesses, and be assisted by an advisor of choice. The advisor may be an attorney. If the accused student's advisor is an attorney, the Dean's advisor may be an attorney from the Office of General Counsel of the System. An advisor may confer with and advise the Dean or accused student, but shall not be permitted to question witnesses, introduce evidence, make objections, or present argument to the Hearing Officer.

(c) The Dean may recommend a penalty to be assessed by the Hearing Officer. The recommendation may be based upon past practice of the institution for violations of a similar nature, the past disciplinary record of the student, or other factors deemed relevant by the Dean. The accused student shall be entitled to respond to the recommendation of the Dean.

(d) The hearing will be recorded. If either party desires to appeal the decision of the Hearing Officer, the official record will consist of the recording of the hearing, the documents received in evidence, and the decision of the Hearing Officer. At the request of the president of an institution the recording of the hearing will be transcribed and both parties will be furnished a copy of the transcript.

d. Amend Series 50101, Section 7 as follows:

Sec. 7 Appeal. A student may appeal a disciplinary sanction assessed by the Dean in accordance with Section 4.4(b) immediately above. Either the Dean or the student may appeal the decision of the Hearing Officer. An appeal shall be in accordance with the following procedures:

7.1 Appeal Procedures. The appealing party must submit a written appeal stating the specific reasons for the appeal and any argument to the president of the institution with a copy to the other party. The appeal must be stamped as received by the President's Office no later than 14 days after the appealing party has been notified of the sanction assessed by the Dean or the decision of the Hearing Officer. If the notice of penalty assessed by the Dean or the decision of the Hearing Officer is sent by mail, the date the notice or decision is mailed initiates the 14-day period for the appeal. The non-appealing party may submit a response to the appeal, which must be received by the President's Office no later than 5 days after receipt of the appeal, with a copy to the other party. An appeal of the sanction assessed by the Dean in accordance with Section 4.4(b) immediately above will be reviewed solely on the basis of the written argument of the student and the Dean. The appeal of the decision of the Hearing Officer will be reviewed solely on the basis of the record from the hearing. The Dean will submit the record from the hearing to the president as soon as it is available to the Dean. At the discretion of the president, both parties may present oral argument in an appeal from the decision of the Hearing Officer.

7.2 President's Authority. The president may approve, reject, or modify the decision in question or may require that the original hearing be reopened for the presentation of additional evidence and reconsideration of the decision. It is provided, however, that upon a finding of responsibility in a case involving the illegal use, possession, and/or sale of a drug or narcotic on campus, the sanction may not be reduced below the sanction as prescribed by Section 2.3 immediately above.

7.3 Communication of Decision. The action of the president shall be communicated in writing to the student and the Dean within 30 days after the appeal and related documents have been received. The decision of the president is the final appellate review.

e. Amend Series 50101, Section 8 as follows:

Sec. 8 Disciplinary Record. Each institution shall maintain a permanent written disciplinary record for every student assessed a sanction of suspension, expulsion, denial or revocation of degree, and/or withdrawal of diploma. A record of scholastic dishonesty shall be maintained for at least five years unless the record is permanent in conjunction with the above stated penalties. A disciplinary record shall reflect the nature of the charge, the disposition of the charge, the penalty assessed, and any other pertinent information. This disciplinary record shall be maintained by the Office of the Dean of Students. It shall be treated as confidential, and shall not be accessible to or used by anyone other than the Dean or university officials with legitimate educational interests, except upon written authorization of the student or in accordance with applicable State or federal laws or court order or subpoena.

3. Definitions

. . .

Hearing Officer – An individual or individuals selected in accordance with procedures adopted by the institution pursuant to the recommendation of the Chief Student Affairs Officer to hear disciplinary charges, make findings of fact, and, upon a finding of guilt, impose an appropriate sanction(s).

. . .

Campus –Consists of all real property, buildings, or facilities owned or controlled by the institution.

Weekday – Monday through Friday, excluding any day that is an official holiday of the institution <u>or when regularly scheduled classes are suspended due to emergent situations</u>.

Day –A calendar day except for days on which the University is officially closed <u>or when regularly scheduled classes are suspended due to emergent situations</u>.

6. U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 30201 regarding Leave Policies to add new section on Servicemember Family Leave

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Vice Chancellor for Administration and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 30201, regarding Leave Policies, be amended to add a new Section 12 regarding Servicemember Family Leave as set forth below. Remaining sections of Rule 30201 would be renumbered.

Sec. 12 Servicemember Family Leave. As specified by the Family and Medical Leave Act of 1993 (29 *United States Code* § 2601) and accompanying regulations governing the Act and as set forth in approved institutional and System policies, any eligible employee who is the spouse, son, daughter, parent, or next of kin of a covered servicemember who is recovering from a serious illness or injury sustained in the line of duty while on active duty may request and receive a leave of absence without pay for up to 26 workweeks during a single 12-month period to care for the servicemember. Eligibility criteria are defined in the Act. An eligible employee is entitled to a combined total of 26 workweeks of leave under Sections 11 and 12 of this Rule during the single 12-month period described in this Section. This does not limit the leave available under Section 11 for any other 12-month period. Further, after the 26 weeks of leave expire, an employee may be eligible for a leave of absence without pay pursuant to Section 3 of this Rule.

BACKGROUND INFORMATION

The National Defense Authorization Act, which was recently signed into law, expands the Family and Medical Leave Act (FMLA) by creating two new leave entitlements for employees whose family members are called to active duty. The first new entitlement allows employees to take up to 12 weeks of FMLA leave if the employee suffers a "qualifying exigency" because his or her spouse, child, or parent is on active duty or has been notified of an impending call to active duty in support of an operation against opposing military forces, a declared war, or a declared national emergency. Because this new entitlement is listed in the statute as another reason for which an employee is entitled to take FMLA leave (i.e., along with the birth of a child, a serious health condition), this new entitlement does not necessitate a change to Rule 30201. This new entitlement becomes effective when the Department of Labor issues regulations defining "qualifying exigency."

The second new entitlement, which became effective on January 28, 2008, allows employees to take up to 26 weeks of FMLA leave during a single 12-month period to care for a spouse, child, parent, or next of kin who suffers a serious injury or illness while on active duty. An employee is entitled to a combined total of 26 weeks of FMLA leave during a single 12-month period, but this does not limit the availability of FMLA leave for any other 12-month period. The proposed amendment conforms the Rule to current statutory authority by adding a section describing this new entitlement.

7. U. T. System Board of Regents: Approval of amendments to The University of Texas Investment Management Company (UTIMCO) Code of Ethics

RECOMMENDATION

The Chancellor ad interim, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the revised UTIMCO Code of Ethics in the form provided on Pages 22 - 44.

BACKGROUND INFORMATION

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the UTIMCO Code of Ethics (Code) and any changes thereto. The draft changes are based on the joint efforts of the UTIMCO staff, Vinson & Elkins (UTIMCO outside counsel), and U. T. System staff. U. T. System General Counsel finds that the changes are consistent with *Texas Education Code* Section 66.08. A general discussion of the proposed amendments was held at the May 15, 2008, meeting of the Board of Regents. These amendments to the Code of Ethics were approved at the July 23, 2008 meeting of the UTIMCO Board.

The most significant changes to the Code include deletion of provisions prohibiting a UTIMCO Board member (Director) the ability to invest, and consequently, UTIMCO's inability to invest in private investments held by one or the other. Under the proposed amended Code, Directors and UTIMCO would be permitted to hold private investments in the same business entity provided that the Director's private investment does not constitute a pecuniary interest as defined by Section 3.01(b) of the Code.

Following is a summary of recommended changes:

Section 1.11(c) - (e) - Add additional requirements for UTIMCO Employees and Directors related to copying, removal, and return of confidential information to UTIMCO.

Section 1.13(c) - Broaden language regarding activities that include entertainment or recreation to include "other sponsored events."

Section 2.09(b) - Delete explicit language regarding responsibility of UTIMCO Office Manager to provide address of the UTIMCO Audit and Ethics Committee Chairman.

Section 3.03 - 3.04 - Change language to permit a Director to invest in private investments also held by UTIMCO provided the Director's investment does not constitute a pecuniary interest as defined by Section 3.01(b) of the Code.

Section 3.06 - Delete references to Director regarding divestment of private investments owned prior to the date on which the Director assumed a position on the UTIMCO Board to make this section consistent with the changes to Section 3.03 - 3.04.

Section 3.08 - Change the procedure for Employee and Employee Entity preclearance of personal securities transactions.

Section 3.09 - Delete references to consultant because no Director has the discretion to select a consultant and the general prohibitions and restrictions on business transactions between a Director/Director entity and UTIMCO contained in other provisions of the Code adequately address and prevent such conflicts of interest.

Section 3.12(c) - Add provision prohibiting former Directors and Employees from disclosing confidential information without UTIMCO's written consent, except as permitted or required by law.

Section 4.02(b) - Add language to clarify that UTIMCO Chairman of the Board must approve any postponement of a deadline to file the CEO's financial disclosure statement.

Section 4.04 - Change language to clarify Director's and Employee's responsibilities with respect to certification of pecuniary interests and ownership of private investments in a business entity in which UTIMCO seeks to invest.

Miscellaneous editorial changes are also being proposed.

UTIMCO DRAFT 07/16/08

THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

CODE OF ETHICS

Approved by the Board of Regents ~~July 13, 2006~~August 14, 2008

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY
CODE OF ETHICS

Subchapter A. GENERAL PROVISIONS

Sec. 1.01. General Principles. (a) The Board of Regents of The University of Texas System has ultimate fiduciary responsibility for causing the funds within its investment authority to be managed in accordance with applicable law.

(b) The standard mandated by Article VII, Section 11b, of the Texas Constitution concerning the permanent university fund, the standard mandated by the Board of Regents concerning all of the funds within its investment authority under the Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (UTIMCO), and the standard mandated by the Board of Regents' Investment Policy Statements require those funds to be invested in such investments that "prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of the assets of the fund rather than a single investment."

(c) Pursuant to the Investment Management Services Agreement, the Board of Regents has appointed UTIMCO as its investment manager with respect to those funds for which the Board of Regents has investment responsibility. In the agreement, UTIMCO has acknowledged that it acts as a fiduciary of the Board of Regents in the discharge of its investment management responsibilities and is obligated to manage the investments of the funds pursuant to policies of the Board of Regents that incorporate and adhere to the prudent investor standard. Accordingly, both the Board of Regents and UTIMCO have fiduciary interests in assuring that the ~~directors~~Directors and ~~employees~~Employees of UTIMCO possess the requisite knowledge, skill, and experience to manage the funds in accordance with the prudent investor standard described in Subsection (b) of this section and other applicable law.

(d) This Code of Ethics (Code) sets forth the basic principles and guidelines for ~~directors~~Directors and ~~employees~~Employees of UTIMCO, in addition to and in accordance with the requirements of Section 66.08 of the *Texas Education Code*, the Texas Non-Profit Corporation Act, and other applicable laws.

(e) This Code of Ethics anticipates that many of UTIMCO's ~~directors~~Directors and ~~employees~~Employees will be active investors, either individually or on behalf of others, in the same asset categories as the funds managed by UTIMCO on behalf of the Board of Regents. Without seeking to disqualify those ~~directors~~Directors and ~~employees~~Employees from service to UTIMCO except to the extent necessary or appropriate to avoid conflicts of interest or otherwise conform to applicable law, this ~~code~~Code holds all ~~directors~~Directors and ~~employees~~Employees to high standards of conduct consistent with their special relationship of trust, confidence, and responsibility to UTIMCO. This ~~code~~Code also recognizes UTIMCO's unique role as the dedicated investment manager of the Board of Regents in investing the funds in furtherance of the education mission of the Board of Regents, the institutions of The University of Texas System, and other beneficiaries of the funds.

(f) In addition to strict compliance with legal requirements, all ~~directors~~Directors and ~~employees~~Employees are expected to be guided by the basic principles of loyalty, prudence, honesty and fairness in conducting UTIMCO's affairs.

Sec. 1.02. Definitions. In this Code:

(1) "Audit and ~~ethics~~Ethics ~~committee~~Committee" means the standing ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee established by UTIMCO bylaws.

(2) "Board" means the Board of Directors of UTIMCO.

(3) "Board of Regents" means the Board of Regents of The University of Texas System.

(4) "CEO" means the Chief Executive Officer of UTIMCO.

(5~~4~~) "Chief ~~compliance~~Compliance ~~officer~~Officer" means the person designated from time to time as the ~~chairman~~chair of the ~~employee~~Employee ~~ethics~~Ethics and ~~compliance~~Compliance ~~committee~~Committee.

(6~~5~~) "Director" means a member of the Board of Directors of UTIMCO.

(7~~6~~) "Director entity" means an investment fund or other entity controlled by a UTIMCO ~~director~~Director.

(8~~7~~) "Employee" means a person working for UTIMCO in an employer-employee relationship.

(9~~8~~) "Employee entity" means an investment fund or other entity controlled by a UTIMCO ~~employee~~Employee.

(10~~9~~) “General ~~counsel~~Counsel” means the lawyer or firm of lawyers designated from time to time as the external ~~general~~General ~~counsel~~Counsel of UTIMCO.

(11~~10~~) “Key ~~employee~~Employee” means an ~~employee~~Employee who has been designated by the ~~board~~Board as one who exercises significant decision-making authority by virtue of the position the ~~employee~~Employee holds with UTIMCO.

(12~~11~~) “Personal securities transactions” means:

(A) transactions for a ~~director's~~Director's or ~~employee's~~Employee's own account, including an individual retirement account; or

(B) transactions for an account, other than an account over which the ~~director~~Director or ~~employee~~Employee has no direct or indirect influence or control, in which the ~~director~~Director or ~~employee~~Employee, or the ~~director's~~Director's or ~~employee's~~Employee's spouse, minor child, or other dependent ~~relative~~Relative:

(i) is an income or principal beneficiary or other equity owner of the account; or

(ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.

~~(12) “President” means the chief executive officer of UTIMCO.~~

(13) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.

(14) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.

(15) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.

(16) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in

accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:

(i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;

(ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;

(iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and

(iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

(17) "UTIMCO" means The University of Texas Investment Management Company.

(18) "UTIMCO entity" means an investment fund or other entity controlled by UTIMCO.

Sec. 1.03. Definition of "Control." (a) For purposes of this ~~code~~Code, UTIMCO or a ~~director~~Director or ~~employee~~Employee is presumed to control an investment fund or other entity if UTIMCO's or the ~~director's~~Director's or ~~employee's~~Employee's management role with or investment in the fund or entity enables UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, to direct the operating or financial decisions of the fund or entity. However, the presumption of control by a ~~director~~Director or ~~employee~~Employee shall be rebutted if the ~~general~~General ~~counsel~~Counsel advises the ~~board~~Board that, based upon a review and confirmation of relevant facts provided by the respective ~~director~~Director or ~~employee~~Employee, it is the opinion of the ~~general~~General ~~counsel~~Counsel that the ~~director~~Director or ~~employee~~Employee does not have ultimate control of the operating or financial decisions of a particular fund or entity.

(b) Without limiting the provisions of Subsection (a), UTIMCO or a ~~director~~Director or ~~employee~~Employee is not presumed to control an investment fund or other entity if UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, does not have a management role, if the terms of the investment do not give UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, the legal right to direct the operating or financial decisions of the fund or entity, and if UTIMCO or the ~~director~~Director or ~~employee~~Employee, as appropriate, does not attempt to direct the operating or financial decisions.

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO ~~directors~~Directors and ~~employees~~Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

(b) UTIMCO ~~directors~~Directors and ~~employees~~Employees may not base any UTIMCO business decisions on family or personal relationships.

Sec. 1.05. Compliance with Law. Directors and ~~employees~~Employees shall comply with all applicable laws, and should be specifically knowledgeable of Section 66.08, *Education Code* (Investment Management), Section 39.02, *Penal Code* (Abuse of Official Capacity), and Section 39.06, *Penal Code* (Misuse of Official Information).

Sec. 1.06. Compliance with Professional Standards. Directors and ~~employees~~Employees who are members of professional organizations, such as the CFA Institute, shall comply with any standards of conduct adopted by the organizations of which they are members.

Sec. 1.07. Accounting and Operating Controls. Directors and ~~employees~~Employees shall observe the accounting and operating controls established by law and UTIMCO policies, including restrictions and prohibitions on the use of UTIMCO property for personal or other purposes not related to UTIMCO business.

Sec. 1.08. General Standards of Conduct for Directors and Employees. (a) It is the policy of UTIMCO that a ~~director~~Director or ~~employee~~Employee should not:

(1) accept or solicit any gift, favor, or service that might reasonably tend to influence the ~~director~~Director or ~~employee~~Employee in the discharge of his or her duties for UTIMCO or that the ~~director~~Director or ~~employee~~Employee knows or should know is being offered with the intent to influence the ~~director's~~Director's or ~~employee's~~Employee's conduct on behalf of UTIMCO;

(2) accept other employment or engage in a business or professional activity that the ~~director~~Director or ~~employee~~Employee might reasonably expect would require or induce the ~~director~~Director or ~~employee~~Employee to disclose

confidential information acquired by reason of his or her position with UTIMCO;

(3) accept other employment or compensation that could reasonably be expected to impair the ~~director's~~Director's or ~~employee's~~Employee's independence of judgment in the performance of his or her duties for UTIMCO;

(4) make personal investments that could reasonably be expected to create a substantial conflict between the ~~director's~~Director's or ~~employee's~~Employee's private interest and the interests of UTIMCO; or

(5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the ~~director's~~Director's or ~~employee's~~Employee's authority or performed the ~~director's~~Director's or ~~employee's~~Employee's duties at UTIMCO in favor of another.

Sec. 1.09. Honesty and Loyalty. (a) Directors and ~~employees~~Employees shall be honest in the exercise of their duties and may not take actions that will discredit UTIMCO.

(b) Directors and ~~employees~~Employees should be loyal to the interests of UTIMCO to the extent that ~~the~~ their loyalty is not in conflict with other duties that legally have priority.

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.
(a) Directors and ~~employees~~Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

(b) This section does not prohibit the use of UTIMCO as a reference or prohibit communicating to others the fact that a relationship with UTIMCO exists as long as no misrepresentation is involved.

Sec. 1.11. Confidential Information. (a) Directors and ~~employees~~Employees may not disclose confidential information unless duly authorized personnel determine that the disclosure is either permitted or required by law.

(b) Directors and ~~employees~~Employees shall use confidential information for UTIMCO purposes and not for their own personal gain or for the gain of third parties.

(c) Directors and Employees may not copy confidential information, for any reason, except as required to fulfill their duties for UTIMCO.

(d) Employees may not remove confidential information from the premises of UTIMCO, except as required to fulfill their duties for UTIMCO and then only for so long as required to fulfill their duties.

(e) Employees must return to UTIMCO all confidential information in their possession immediately upon request or immediately upon the termination of Employee's employment with UTIMCO, whichever comes first.

Sec. 1.12. Nepotism. (a) UTIMCO may not employ a person who is a ~~relative~~Relative of a ~~director~~Director. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days before the date of the related ~~director's~~Director's appointment.

(b) UTIMCO may not employ a person who is a ~~relative~~Relative of a ~~key~~Key ~~employee~~Employee, of a consultant, or of any owner, director, or officer of a consultant. This subsection does not prohibit the continued employment of a person who has been working for UTIMCO for at least 30 consecutive days:

(1) before the date of the selection of the ~~key~~Key ~~employee~~Employee or consultant; or

(2) before becoming a ~~relative~~Relative.

(c) An ~~employee~~Employee may not exercise discretionary authority to hire, evaluate, or promote a ~~relative~~Relative.

(d) An ~~employee~~Employee may not directly or indirectly supervise a ~~relative~~Relative. In this subsection, "supervise" means to oversee with the powers of direction and decision-making the implementation of one's own or another's intentions, and normally involves assigning duties, overseeing and evaluating work, and approving leave.

(e) This section does not prohibit the employment of a ~~relative~~Relative of an ~~employee~~Employee for a short-term special project as a non-exempt ~~employee~~Employee if the ~~employee~~Employee seeking to employ a ~~relative~~Relative discloses the relationship in advance to the ~~chief~~ Chief ~~compliance~~Compliance ~~officer~~Officer and obtains prior approval from that officer for the employment.

Sec. 1.13. Gifts and Entertainment. (a) A ~~director~~Director or ~~employee~~Employee may not accept a gift that the ~~director~~Director or ~~employee~~Employee knows or should know is being offered or given because of the ~~director's~~Director's or ~~employee's~~Employee's position with

UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the ~~director~~Director or ~~employee~~Employee as well as to gifts to third parties.

(b) The prohibitions in this ~~code~~Code do not apply to the following gifts if acceptance does not violate a law:

(1) gifts given on special occasions between ~~employees~~Employees and/or ~~directors~~Directors;

(2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a ~~director~~Director or ~~employee~~Employee and that are accepted by the ~~director~~Director or ~~employee~~Employee on behalf of UTIMCO for use in performing his or her job duties;

(3) gifts from the ~~relatives~~Relatives of a ~~director~~Director or ~~employee~~Employee that are based solely on a personal relationship between the ~~director~~Director or ~~employee~~Employee and his or her ~~relative~~Relative;

(4) business meals and receptions when the donor or a representative of the donor is present;

(5) ground transportation in connection with business meetings, meals, or receptions;

(6) fees for seminars or conferences that relate to the ~~director's~~Director's or ~~employee's~~Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and

(7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

(c) Attendance of ~~directors~~Directors or ~~employees~~Employees at seminars, ~~or~~ conferences or other sponsored events that involve entertainment or recreation and that are ~~sponsored~~hosted in person and paid for by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities who interests may be affected by UTIMCO may in some cases be in the best interest of UTIMCO. An ~~employee~~Employee must obtain specific written approval to attend such events from the ~~president~~CEO or ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer. Approval may be withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

(d) A ~~director~~Director or ~~employee~~Employee may not accept a gift if the source of the gift is not identified or if the ~~director~~Director or ~~employee~~Employee knows or has reason to know that a prohibited gift is being offered through an intermediary.

(e) A ~~director~~Director or ~~employee~~Employee who receives a prohibited gift should return the gift to its source or, if that is not possible or feasible, donate the gift to charity.

Sec. 1.14. Communications with General Counsel. When the ~~general~~ General ~~counsel~~Counsel of UTIMCO is a firm of lawyers, one principal within that firm must be identified to receive all written and oral communications made pursuant to this ~~code~~Code.

Sec. 1.15. Key Employees. The ~~board~~Board shall designate by position with UTIMCO those ~~employees~~Employees who exercise significant decision-making authority. These ~~employees~~Employees are "~~key~~Key ~~employees~~Employees" for purposes of this ~~code~~Code.

Subchapter B. CONFLICTS OF INTEREST

Sec. 2.01. Definition of Conflict of Interest. (a) A conflict of interest exists for a ~~director~~Director or ~~employee~~Employee when the ~~director~~Director or ~~employee~~Employee has a personal or private commercial or business relationship that could reasonably be expected to diminish the ~~director's~~Director's or ~~employee's~~Employee's independence of judgment in the performance of the ~~director's~~Director's or ~~employee's~~Employee's responsibilities to UTIMCO.

(b) For example, a person's independence of judgment is diminished when the person is in a position to take action or not take action with respect to UTIMCO or its business and the act or failure to act is or reasonably appears to be influenced by considerations of personal gain or benefit rather than motivated by the interests of UTIMCO.

Sec. 2.02. Exceptions for Minimal Stock Ownership. It is not a conflict of interest solely because a ~~director~~ Director or ~~employee~~ Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the ~~director's~~ Director's or ~~employee's~~Employee's interest in the stock is not more than five percent of any class and if the ~~director~~ Director or ~~employee~~ Employee is not a director or officer of the company.

Sec. 2.03. Duty to Avoid Conflicts of Interest. (a) Directors and ~~employees~~Employees should avoid personal, employment, or business relationships that create conflicts of interest.

(b) A ~~director~~Director or ~~employee~~Employee may not take action personally or on behalf of UTIMCO that will result in a reasonably foreseeable conflict of interest. If a ~~director~~Director or ~~employee~~Employee believes that an action is in the best interest of UTIMCO but could foreseeably result in a conflict of interest, the ~~director~~Director must disclose that fact to the General Counsel or the ~~employee~~Employee must disclose that fact to the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer before taking the action.

Sec. 2.04. Duty to Disclose and Cure Conflicts. A ~~director~~Director or ~~employee~~Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this ~~code~~Code.

Sec. 2.05. Curing Conflicts of Interest. (a) A ~~director~~Director or ~~employee~~Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

(b) A ~~director~~Director or ~~employee~~Employee may cure a conflict by prudently withdrawing from action on a particular matter in which a conflict exists if:

(1) the ~~director~~Director or ~~employee~~Employee may be and is effectively separated from influencing the action taken;

(2) the action may properly be taken by others;

(3) the nature of the conflict is not such that the ~~director~~Director or ~~employee~~Employee must regularly and consistently withdraw from decisions that are normally the ~~director's~~Director's or ~~employee's~~Employee's responsibility with respect to UTIMCO; and

(4) the conflict is not a prohibited transaction resulting from a ~~director~~Director or ~~employee~~Employee having a pecuniary interest in a business entity as described in Section 3.01 of this ~~code~~Code.

(c) A ~~director~~Director or ~~employee~~Employee who cannot or does not wish to eliminate or cure a conflict of interest shall terminate his or her relationship with UTIMCO as quickly as responsibly and legally possible.

Sec. 2.06. Disclosing and Refraining from Participation. (a) A ~~director~~Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

(b) An ~~employee~~Employee must disclose any conflicts of interest and refrain from giving advice or making decisions about matters affected by the conflict unless the Board, after consultation with the ~~general~~General ~~counsel~~Counsel, expressly waives the conflict.

Sec. 2.07. Waivers of Conflicts of Interest. (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.06(b) of this ~~code~~Code.

(b) To assist it in deciding whether to grant waivers, the Board may develop criteria for determining the kinds of relationships that do not constitute material conflicts.

(c) Any waiver of a conflict of interest, including the reasons supporting the waiver, must be included in the minutes of the meeting.

(d) The ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer shall maintain records of all waivers granted, including the reasons supporting the waivers.

Sec. 2.08. Procedures for Director's Disclosure of Conflict of Interest. A ~~director~~Director must disclose conflicts of interest in writing to the ~~general~~General ~~counsel~~Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

Sec. 2.09. Procedures for Employee's Disclosure of Conflict of Interest. (a) An ~~employee~~Employee must promptly disclose conflicts of interest in writing to the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this ~~code~~Code. The ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer shall report to the ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer will be ineffective, the person shall disclose the conflict to the ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee by filing a written disclosure with the ~~chairman~~chair of the ~~committee~~Committee.~~ The UTIMCO office manager shall provide the address of the chairman of the committee.~~

(c) A copy of the disclosure provided to either the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer or the ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee shall be provided to the ~~employee's~~Employee's supervisor unless the person with the conflict of interest believes that the disclosure would be detrimental to the resolution of the conflict.

Sec. 2.10. Referrals. Referral of information from a ~~director~~Director related to investment opportunities outside of a posted open meeting of the ~~board~~Board must be made using the procedures provided by the Regents' *Rules and Regulations*, ~~Series~~ Rule 70201, Section 12.

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

Sec. 3.01. Prohibitions Related to UTIMCO. (a) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

(1) a ~~director~~Director or ~~employee~~Employee acting in other than an official capacity on behalf of UTIMCO;

(2) a ~~director~~Director entity, ~~employee~~Employee entity, or other business entity, including an investment fund, in which a ~~director~~Director or ~~employee~~Employee has a pecuniary interest;

(3) a former ~~director~~Director or ~~employee~~Employee, an investment fund or other entity controlled by a former ~~director~~Director or ~~employee~~Employee, or a business entity in which a former ~~director~~Director or ~~employee~~Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a ~~director~~Director or ~~employee~~Employee; or

(4) an investment fund or account managed by a ~~director~~Director, ~~director~~Director entity, ~~employee~~Employee, or ~~employee~~Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) For purposes of this ~~code~~Code, a person has a "pecuniary interest" in a business entity if the person:

(1) owns five percent or more of the voting stock or shares of the business entity; or

(2) owns five percent or more of the fair market value of the business entity; or

(3) received more than five percent of the person's gross income for the preceding calendar year from the business entity.~~; or~~

~~(4) has a private investment in a business entity, including an investment fund, controlled by the person.~~

Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies. UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a ~~director~~Director or ~~employee~~Employee has a pecuniary interest.

Sec. 3.03. UTIMCO Investments in Private Investments of Certain Business Entities. UTIMCO or a UTIMCO entity may not:

(1) invest in the private investments of a business entity if a ~~director~~Director or ~~director~~Director entity then owns a pecuniary interest ~~private investment~~ in the same business entity as defined by Section 3.01(b) of this Code; or ~~unless:~~

~~(A) the director or director entity acquired the private investment before the date on which the director assumed a position with UTIMCO;~~

~~(B) the director's private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01(b) of this code; and~~

~~(C) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially;~~

(2) invest in the private investments of a business entity if an Employee~~employee~~ or Employee~~employee~~ entity then owns a private investment in the same business entity; or

(3) ~~except as provided above,~~ co-invest with a ~~director~~Director~~,~~ or ~~director~~Director entity, ~~employee, or employee entity~~ in

the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or~~.~~

(4) co-invest with an Employee or Employee entity in the private investments of the same business entity.

Sec. 3.04. Director Investments in Private Investments of Certain Business Entities. (a) A ~~director~~Director or a ~~director~~Director entity may not:

(1) invest in the private investments of a business entity if UTIMCO or~~,~~ a UTIMCO entity, ~~an employee, or an employee entity~~ then owns a private investment in the same business entity if after the investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; ~~-~~or

(2) co-invest with UTIMCO~~,~~ or a UTIMCO entity~~, an employee, or an employee entity~~ in the private investments of the same business entity if after the co-investment, the Director's or Director entity's private investment constitutes a pecuniary interest in the business entity as defined by Section 3.01(b) of this Code; or

(3) co-invest with an Employee or an Employee entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to a ~~director's~~Director's spouse, minor children, or other dependent ~~relatives~~Relatives.

Sec. 3.05. Employee Investments in Private Investments of Certain Business Entities. (a) An ~~employee~~Employee or ~~employee~~Employee entity may not:

(1) invest in the private investments of a business entity if UTIMCO, a UTIMCO entity, a ~~director~~Director, or a ~~director~~ Director entity then owns a private investment in the same business entity; or

(2) co-invest with UTIMCO, a UTIMCO entity, a ~~director~~Director, or a ~~director~~ Director entity in the private investments of the same business entity.

(b) The prohibitions provided by this section apply to an ~~employee's~~Employee's spouse, minor children, or other dependent ~~relatives~~Relatives.

Sec. 3.06. Divestment Not Required For Certain Private Investments. ~~A~~An ~~director, director entity, employee~~Employee~~,~~ or ~~employee~~Employee entity that owns a private investment in a business entity on the date on which the ~~director or employee~~Employee assumes a position with UTIMCO is not required by Section ~~3.04 or~~ 3.05 of this ~~code~~Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01(b) of this ~~code~~Code. Any transactions concerning the private investment that might occur after that date are subject to this ~~code~~Code.

Sec. 3.07. Director Personal Securities Transactions. (a) A ~~director~~Director or ~~director~~Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the ~~director~~Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

(b) The prohibition provided by this section applies to a ~~director's~~Director's spouse, minor child, or other dependent ~~relative~~Relative.

Sec. 3.08. Employee Personal Securities Transactions. (a) Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.

(b) An Employee or Employee entity may engage in a personal securities transaction without obtaining preclearance for the transaction from the Chief Compliance Officer with respect to a security that is not a security of an issuer that is held by UTIMCO and included on the UTIMCO maintained list of securities holdings. The UTIMCO list of securities holdings will be posted on the UTIMCO intranet and updated as securities holdings change. An employee may rely on the posted list when engaging in personal securities transactions.

~~(~~c~~a~~) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the ~~An employee~~Employee or ~~employee~~Employee entity ~~may not engage in a personal securities transaction without~~must ~~obtaining~~obtain preclearance for ~~each~~ the transaction from the ~~chief~~ Chief ~~compliance~~ Compliance ~~officer~~Officer. Preclearance is effective for one trading day only.

(d~~b~~) The ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer shall verify that no buy/sell order has been placed by a UTIMCO internal manager ~~for securities of the same class~~ with respect to the security of an issuer held by and included on the UTIMCO maintained list of securities holdings that is the subject of the Employee's personal securities transaction. If such a buy/sell order has been placed, an ~~employee~~Employee or ~~employee~~Employee entity may not conduct ~~a~~ the personal securities transaction for those securities until at least one trading day after the buy/sell order has been completed or canceled.

(e~~c~~) The ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer shall document preclearances in a personal securities transaction log for each ~~employee~~Employee, which will provide a record of all requests and approvals or denials of preclearances.

(f~~d~~) An ~~employee~~Employee who engages in a personal securities transaction must ~~also~~ provide transactional disclosure for each transaction by completing a transactional disclosure form and filing it with the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer not later than the tenth calendar day after the trade date. The form must contain the:

(1) name and amount of the security involved;

(2) date and nature of the transaction;

(3) price at which the transaction was effected; and

(4) name of the broker through whom the transaction was effected.

(g~~e~~) The preclearance and transactional disclosure requirements apply only to equity or equity-related transactions, including stocks, convertibles, preferreds, options on securities, warrants, and rights, etc., for domestic and foreign securities, whether publicly traded or privately placed. The preclearance and transactional disclosure requirements do not apply to bonds other than convertible bonds, mutual funds, co-mingled trust funds, exchange traded funds, financial futures, and options on futures.

(h~~f~~) This section applies to an ~~employee's~~Employee's spouse, minor child, or other dependent ~~relative~~Relative.

Sec 3.09. Interest in Brokerage Firm ~~or Consultant.~~ (a) A ~~director~~Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An ~~employee~~Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the ~~employee~~Employee for UTIMCO business if the ~~employee~~Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

~~(c) A director or employee may not have stock or other ownership or profit sharing interest in a consultant selected by the director or employee for UTIMCO business if the director or employee has the discretion to select consultants.~~

(~~d~~c) The restrictions provided by this section apply to:

(1) stock held for ~~a~~an ~~director's or employee's~~Employee's own account;

(2) stock or other ownership or profit sharing interests held by ~~a~~an ~~director's or employee's~~Employee's spouse; or

(3) stock held for an account, other than an account over which the ~~director or employee~~Employee has no direct or indirect influence or control, in which the ~~director or employee~~Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent ~~relative~~Relative.

(~~e~~d) The restrictions provided by this section do not prohibit the ownership of stock in a company that may own stock in a brokerage firm ~~or consultant~~ if the brokerage firm ~~or consultant~~ is not the dominant or primary business of the parent company.

Sec. 3.10. Employee's Outside Employment or Business Activity. (a) An ~~employee~~Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

(b) A ~~key~~ Key ~~employee~~Employee must obtain advance written approval from the ~~president~~CEO for any outside employment or business, including service as director, officer, or investment consultant or manager for another person or entity. The ~~president~~CEO must obtain advance approval from the Board for any outside employment.

(c) An ~~employee~~Employee, with the prior approval of the Board, may serve as a director of a company in which UTIMCO has directly invested its assets. The Board's approval must be conditioned on the extension of UTIMCO's Directors and Officers Insurance Policy coverage to the ~~employee's~~Employee's service as director of the investee company. All compensation paid to an ~~employee~~Employee for service as director of an investee company shall be endorsed to UTIMCO and applied against UTIMCO's fees.

Sec. 3.11. Further Restrictions on Directors and Employees. A ~~director~~Director or ~~employee~~Employee may not:

(1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;

(2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a ~~relative~~Relative;

(3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;

(4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or

(5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

Sec. 3.12. Former Directors and Employees. (a) A former ~~director~~Director or ~~employee~~Employee may not make any communication to or appearance before a current ~~director~~Director or ~~employee~~Employee before the second anniversary, in the case of a former ~~director~~Director, or the first anniversary, in the case of a former ~~employee~~Employee, of the date the former ~~director~~Director or ~~employee~~Employee ceased to be a ~~director~~Director or ~~employee~~Employee if the communication is made:

(1) with the intent to influence; and

(2) on behalf of any person in connection with any matter on which the former ~~director~~Director or ~~employee~~Employee seeks action by UTIMCO.

(b) A ~~director~~Director or ~~employee~~Employee who knowingly communicates with a former ~~director~~Director or ~~employee~~Employee in violation of this prohibition is subject to disciplinary action, including removal from serving as a ~~director~~Director.

(c) A former Director or Employee may not disclose confidential information without UTIMCO's written consent or except as permitted or required by law.

Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE, AND ENFORCEMENT

Sec. 4.01. Employee Ethics and Compliance Committee. (a) The ~~president~~CEO shall appoint an ~~employee~~Employee ~~ethics~~Ethics and ~~compliance~~Compliance ~~committee~~Committee composed of UTIMCO personnel.

(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the ~~chairman~~chair of the ~~employee~~Employee ~~ethics~~Ethics and ~~compliance~~Compliance ~~committee~~Committee~~ is the chief compliance officer~~.

(c) The ~~employee~~Employee ~~ethics~~Ethics and ~~compliance~~Compliance ~~committee~~Committee shall:

(1) provide ethics training for UTIMCO personnel; and

(2) issue opinions on the proper interpretation of this ~~c~~Code.

(d) An ~~employee~~Employee may file a written request with the ~~employee~~Employee ~~ethics~~Ethics and ~~compliance~~Compliance ~~committee~~Committee for an opinion on the proper interpretation of this ~~code~~Code, and may rely on that opinion with respect to compliance with this ~~code~~Code.

Sec. 4.02. Financial Disclosure Statements. (a) Directors and ~~employees~~Employees shall file financial disclosure statements with the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer.

(b) Directors and ~~employees~~Employees shall file the financial disclosure statement not later than the 30th day after the date of appointment or employment, and not later than April 30 of each year thereafter. The ~~president~~CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the ~~chairman~~chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

(c) UTIMCO must maintain a financial disclosure statement for at least five years after the date it is filed.

(d) Directors who are required to file disclosure statements with the Texas Ethics Commission shall file those statements in the form prescribed by law.

Sec. 4.03. Ethics Compliance Statements. (a) Directors and ~~employees~~Employees, including acting or interim ~~employees~~Employees, must file ethics compliance statements with the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer.

(b) Directors and ~~employees~~Employees shall sign, date, and file the ethics compliance statements not later than the 60th day after the date of appointment or employment. Thereafter, any person who is a ~~director~~Director or ~~employee~~Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year.

(c) In the ethics compliance statement, the ~~director~~Director or ~~employee~~Employee must acknowledge that he or she has received and read this ~~code~~Code, that he or she will comply with its provisions, and that it is his or her duty to report any act by other ~~directors~~Directors or ~~employees~~Employees when he or she has knowledge of a violation of this ~~code~~Code. An ~~employee~~Employee must also acknowledge that adherence to this ~~code~~Code is a condition of employment. The statement must also disclose any conflicts of interest or violations of the ~~code~~Code of which the ~~director~~Director or ~~employee~~Employee is aware.

(d) Key ~~employees~~Employees must acknowledge their ~~key~~ Key ~~employee~~Employee status in the ethics compliance statement.

(e) The ethics compliance statement must include a reminder that a ~~director~~Director or ~~employee~~Employee is required to update a statement if a change in circumstances occurs that would require reporting under this ~~code~~Code.

(f) An ~~employee's~~Employee's signed statement shall be maintained in the ~~employee's~~Employee's personnel file. The ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer shall maintain the ~~directors'~~Directors' signed statements.

Sec. 4.04. Certification of No Pecuniary Interest. (a) Before the Board ~~considers~~ enters into an agreement or transaction with a business entity, including an investment fund ~~or an investment in a business entity~~, each ~~director~~Director and ~~key~~ Key ~~employee~~Employee shall certify that he or she does not have a pecuniary interest, as defined by Section 3.01(b) of this ~~code~~Code, in the business entity.

(b) Before the Board invests in the private investments of a business entity, (i) each Director shall certify that neither the Director nor any Director entity has a pecuniary interest, as defined by Section 3.01(b) of this Code, in the same business entity; and (ii) each Key Employee shall certify that neither the Key Employee nor any Key Employee entity owns a private investment in the same business entity.

Sec. 4.05. Disciplinary Action Disclosure Statements. (a) Directors and ~~key~~ Key ~~employees~~Employees shall file disciplinary action disclosure statements that disclose any proceedings, actions, or hearings by any professional organization or other entity involving the ~~director~~Director or ~~key~~ Key ~~employee~~Employee.

(b) Directors and ~~key~~ Key ~~employees~~Employees must file the disciplinary action disclosure statement with the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer not later than April 30 of the first year of designation as a ~~director~~Director or ~~key~~ Key ~~employee~~Employee.

(c) A ~~director~~Director or ~~key~~ Key ~~employee~~Employee must promptly update a statement if any action occurs that would cause a ~~director's~~Director's or ~~employee's~~Employee's answers to change.

Sec. 4.06. Custodian of Records. For open records purposes, the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer is the custodian of the disclosure statements required by this ~~code~~Code.

Sec. 4.07. Enforcement. (a) The ~~president~~CEO is responsible for implementing this ~~code~~Code with respect to ~~employees~~Employees. The Board shall enforce this ~~code~~Code with respect to ~~employees~~Employees through the ~~president~~CEO.

(b) An ~~employee~~Employee who violates this ~~code~~Code may be subject to the full range of disciplinary options under UTIMCO personnel policies and practices, including termination.

(c) The Board shall enforce this ~~code~~Code with respect to individual ~~directors~~Directors through resolutions of reprimand, censure, or other appropriate parliamentary measures, including requests for resignation.

Sec. 4.08. Duty to Report. (a) A ~~director~~Director who has knowledge of a violation of this ~~code~~Code shall report the violation to the ~~general~~General ~~counsel~~Counsel.

(b) An ~~employee~~Employee who has knowledge of a violation of this ~~code~~Code shall report the violation to the ~~chief~~Chief ~~compliance~~Compliance ~~officer~~Officer or to a member of the ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee.

(c) Retaliatory action may not be taken against a person who makes a good faith report of a violation involving another person.

Sec. 4.09. Notice to Audit and Ethics Committee. (a) The ~~president~~CEO shall notify the ~~audit~~Audit and ~~ethics~~Ethics ~~committee~~Committee in writing not later than February 15 of each year concerning:

(1) any approval given for outside employment by ~~key~~Key ~~employees~~Employees, including the nature of the employment; and

(2) any disciplinary action disclosed by ~~directors~~Directors or ~~key~~Key ~~employees~~Employees.

8. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for the fiscal year ending August 31, 2009, and Permanent University Fund Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 2009

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, with the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the presidents of the U. T. System institutions, recommends that the nonpersonnel aspects of the U. T. System Operating Budgets for the fiscal year ending August 31, 2009, including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans, be approved.

It is further recommended that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. System Board of Regents through the Docket.

Associate Vice Chancellor, Controller and Chief Budget Officer, Mr. Randy Wallace, will make a presentation on the recommended Fiscal Year 2009 Operating Budget including the Library, Equipment, Repair and Rehabilitation (LERR) Budget.

It is requested that Permanent University Fund (PUF) Bond Proceeds in the amount of $50,000,000 be appropriated to the institutions to fund LERR Projects for Fiscal Year 2009. Of the $50,000,000, it is requested that $30,000,000 be appropriated directly to U. T. System institutions. This would authorize the purchase of approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases or repair and rehabilitation projects are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor and, where required, the U. T. System Board of Regents. Transfers by U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with procedures for construction projects established by the U. T. System Board of Regents. Subject to completion of a project planning form, repair and rehabilitation projects are automatically added to the Capital Improvement Plan (CIP) provided that total project cost and funding sources have not changed from the original LERR request.

It is also requested that $20,000,000 of PUF Bond Proceeds be appropriated to provide additional funding to build and enhance research infrastructure to attract and retain the best qualified faculty known as the Science and Technology Acquisition and

Retention (STARs) Program. Through a competitive proposal process determined by U. T. System Administration, funds will be distributed for the purchase of recruiting top researchers.

It is further recommended that LERR appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2009 are to be available for future U. T. System-wide reallocation unless specific authorization to continue obligating the funds is given by the appropriate Executive Vice Chancellor upon recommendation of the president of the institution. Such specific authorization will extend the obligation of funds for no more than 12 additional months from the time the extension is granted.

Supplemental Materials:

- **Operating Budget Power Point Presentation on Pages 19 - 36 of Volume 2.**
- **Available University Fund Forecast on Page 37 of Volume 2.**

BACKGROUND INFORMATION

A supplemental volume of the budget materials titled "Operating Budget Summaries and Reserve Allocations for Library, Equipment, Repair and Rehabilitation" is enclosed in the front pocket of the Regents' Agenda Book and will be available at the meeting upon request.

See the Executive Session item related to the personnel aspects of the U. T. System Operating Budgets (Item 1b on Table of Contents Page i for Meeting of the Board).

The appropriation of PUF Bond Proceeds will be presented in the Fiscal Year 2009 LERR Budget. The allocation of these LERR funds to the U. T. System institutions was developed from prioritized lists of projects submitted by the institutions and reviewed by U. T. System Administration staff.

As required by the Available University Fund (AUF) Spending Policy, a forecast of revenues and expenses of the AUF for seven years, including the above allocation has been prepared and is provided. The additional appropriation of PUF Bond Proceeds for this allocation is within the policy as shown in the forecast.

9. **U. T. System: Allocation of $25.3 million of Permanent University Fund Bond Proceeds for Fire and Life Safety projects for the following institutions:**

- **The University of Texas at Arlington**
- **The University of Texas at Austin**
- **The University of Texas Medical Branch at Galveston**
- **The University of Texas Health Science Center at San Antonio**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Academic Affairs, and the Executive Vice Chancellor for Business Affairs recommend that the U. T. System Board of Regents approve the allocation of $25,300,000 of Permanent University Fund (PUF) Bond Proceeds for fire and life safety capital projects at The University of Texas at Arlington, The University of Texas at Austin, The University of Texas Medical Branch at Galveston, and The University of Texas Health Science Center at San Antonio.

The recommended PUF allocation for the fire and life safety projects is $4,100,000 for U. T. Arlington, $14,300,000 for U. T. Austin, $1,800,000 for U. T. Medical Branch - Galveston, and $5,100,000 for U. T. Health Science Center - San Antonio as set out below:

Project Cost Breakdown in $ millions by Fiscal Year				
	PUF	PUF	PUF	
CAMPUS	FY09	FY10	FY11	TOTAL
UT ARLINGTON	1.4	1.4	1.3	4.1
UT AUSTIN	4.8	4.8	4.7	14.3
UT MB GALVESTON	0.6	0.6	0.6	1.8
UTHSC SAN ANTONIO	1.7	1.7	1.7	5.1
TOTALS	8.5	8.5	8.3	25.3

BACKGROUND INFORMATION

The total project cost of the fire and life safety projects at the four institutions is currently estimated at approximately $51,900,000 as reflected on Table 1 on Page 49. The balance of the project funding will be matched over the next five years and will be brought back to the Board for approval of the total project cost for each project including identified funding sources and approval of amendments to the FY 2008-2013 Capital Improvement Program (CIP).

A forecast of revenues and expenses of the Available University Fund (AUF) for seven years, including the above allocation, has been prepared and is reflected on Page 37 of Volume 2. The appropriation of $25,300,000 of PUF Bond Proceeds is incorporated into the forecast.

As of May 31, 2008, the U. T. System's Constitutional debt capacity for the PUF was $320 million. The debt capacity is calculated as 20% of the cost value of the PUF endowment less PUF debt outstanding and authorized but unissued.

Table 1
Project Cost Breakdown by Campus in $ millions:

Campus	High [1] Priority	Med/Low[2] Priority	Total	PUF FY09	PUF FY10	PUF FY11	Campus + LERR Funds	3 YR PUF + Campus + LERR		LERR History Per Yr	50% LERR Per Yr	50% LERR 3 Yrs
UT ARLINGTON	8.2	0.1	8.3	1.4	1.4	1.3	4.1	8.2		2.4	1.2	3.6
UT AUSTIN	28.5	10.4	38.9	4.8	4.8	4.7	14.2	28.5		3.8	1.9	5.7
UT BROWNSVILLE	0.0	0.0	0.0				0.0	0.0		0.0	0.0	0.0
UT DALLAS	2.2	0.1	2.3				2.2	2.2		2.2	1.1	3.3
UT EL PASO	0.6	0.7	1.3				0.6	0.6		3.3	1.7	5.0
UT PAN AMERICAN	0.0	0.0	0.0				0.0	0.0		0.0	0.0	0.0
UT PERMIAN BASIN	0.0	0.1	0.1				0.0	0.0		0.9	0.5	1.4
UT SAN ANTONIO	0.3	7.6	7.9				0.3	0.3		2.4	1.2	3.6
UT TYLER	0.0	0.0	0.0				0.0	0.0		0.8	0.4	1.2
TOTAL ACADEMIC	**39.8**	**19.0**	**58.8**	**6.2**	**6.2**	**6.0**	**21.4**	**39.8**		**15.8**	**7.9**	**23.7**
UT SOUTHWESTERN MC	0.9	4.8	5.7				0.9	0.9		2.3	1.2	3.5
UT MB GALVESTON	4.9	3.2	8.1	0.6	0.6	0.6	3.1	4.9		2.0	1.0	3.0
UT HSC HOUSTON	2.6	0.2	2.8				2.6	2.6		1.9	1.0	2.9
UT HSC SAN ANTONIO	10.3	6.9	17.2	1.7	1.7	1.7	5.2	10.3		2.2	1.1	3.3
UT M.D. ANDERSON CC	0.0	0.0	0.0				0.0	0.0		1.9	1.0	2.9
UT HSC TYLER	0.0	0.0	0.0				0.0	0.0		2.1	1.1	3.2
TOTAL HEALTH	**18.7**	**15.1**	**33.8**	**2.3**	**2.3**	**2.3**	**11.8**	**18.7**		**12.4**	**6.2**	**18.6**
SYSTEM ADMINISTRATION												
TOTAL SYSTEM	**58.5**	**34.1**	**92.6**	**8.5**	**8.5**	**8.3**	**33.2**	**58.5**		**28.2**[3]	**14.1**	**42.3**

[1] High Priority – residential, medical, high rise, large assembly and laboratory buildings
[2] Medium and Low Priority – academic, support business and industrial support buildings
[3] Excludes $25.4 million for System Administration LERR funded projects

10. U. T. System: Approval to purchase software licenses and hardware for deployment of an Enterprise Compliance and Configuration Management System and hardware for deployment of a U. T. Network Intrusion Detection System

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that $4,360,000 of Available University Funds (AUF) be approved to purchase software licenses and hardware for deployment of an Enterprise Compliance and Configuration Management System and hardware for deployment of a U. T. Network Intrusion Detection System as follows:

a. Enterprise Compliance and Configuration Management System, in the amount of $4,000,000 to include purchase of configuration software licenses that will be used on servers and workstations at U. T. System institutions to ensure these devices are configured in a manner that is secure and complies with established standards, and

b. U. T. Network Intrusion Detection System (IDS), in the amount of $360,000 for purchase of intrusion detection appliances to be deployed on the U. T. System network to detect attacks against University information systems.

BACKGROUND INFORMATION

Enterprise Compliance and Configuration Management System:
In June 2007, following months of study, 12 of the U. T. System Chief Information Security Officers ranked configuration management software as being the technology having the most potential for bolstering information security across the U. T. System. At that time, the Chancellor approved moving forward with a Request for Proposal (RFP) process to identify a product for a later funding request. A working group comprised of security and other information technology staff from the health and academic institutions and U. T. System Administration moved forward with the RFP process and is nearing conclusion of the selection process. The funds requested for approval will be used to purchase the most competitive product for deployment across the U. T. System.

U. T. Network Intrusion Detection System:
The U. T. System network connects all U. T. System institutions to each other and to the Internet. This past year, a pilot study was conducted to determine if intrusion detection devices placed strategically along the U. T. System network could identify attacks being launched against U. T. System institutions and could automatically alert appropriate institutional personnel.

For the pilot study, the IDS system was deployed across one-third of the U. T. System network. It proved to be highly effective in identifying attacks. Over a period of several months, more than 1,400 automated alerts were sent to inform institutional personnel about compromised computers. U. T. System institutions taking part in the pilot study report that the service adds value to their existing defenses as part of a holistic strategy to identify attacks and reduce risk of exposure of confidential information.

The funds requested for approval will allow this system to be installed across the U. T. System network.

11. U. T. System: Report and discussion related to Tier One Universities

REPORT

Executive Vice Chancellor Prior will introduce a presentation and discussion of Tier One Universities, including a PowerPoint prepared by President Daniel.

Supplemental Materials: Dr. Daniel's PowerPoint presentation on Pages 38 – 51 of Volume 2.

12. U. T. System Board of Regents: Update on progress of the Chancellor search

REPORT

Chairman Caven will provide a brief update on the progress of the Chancellor search.

13. U. T. System Board of Regents: Presentation of certificates of appreciation

Chairman Caven will present certificates of appreciation to C. Kern Wildenthal, M.D., Ph.D., President, U. T. Southwestern Medical Center - Dallas, and to James T. Willerson, M.D., President, U. T. Health Science Center - Houston, for their distinguished service and outstanding contributions.

Dr. Wildenthal, who has served as President of U. T. Southwestern Medical Center - Dallas for the past 22 years, will resign from the presidency on September 1, 2008. Dr. Willerson has served as President of U. T. Health Science Center - Houston for the past seven years and will resign from the presidency on July 31, 2008.

Dr. Wildenthal's certificate will be presented during the Board meeting on August 14; Dr. Willerson is unable to attend the August 14 portion of the meeting, and his certificate will be presented on August 13.

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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT
REVIEW COMMITTEE

Paul Foster, Chairman
Janiece Longoria
Colleen McHugh
Robert B. Rowling

Committee Meeting: 8/13/2008
Austin, Texas

1. U. T. System Board of Regents: Approval of the Audit, Compliance, and Management Review Committee Charter and the Responsibilities Checklist

RECOMMENDATION

On a periodic basis, the Audit, Compliance, and Management Review Committee reviews its Charter and the Responsibilities Checklist to ensure that any changes in regulatory requirements, authoritative guidance, and evolving oversight practices are reflected. Mr. Charles Chaffin, Chief Audit Executive and System-wide Compliance Officer, recommends the proposed Charter and the Responsibilities Checklist for the Audit, Compliance, and Management Review Committee be reviewed by the Committee and approved, with minor suggested changes, as set forth on Pages 53 - 57.

BACKGROUND INFORMATION

On November 12, 2003, the Committee approved the Action Plan to Implement the "Spirit" of Sarbanes-Oxley Act of 2002. Included in the Action Plan was the establishment of a Committee Charter and the Responsibilities Checklist. The Committee Charter specifies that the Committee's responsibilities in carrying out its oversight role will be delineated in the Responsibilities Checklist. The Charter, including the Responsibilities Checklist, was originally approved by the U. T. System Board of Regents on November 13, 2003, and the Responsibilities Checklist was amended on November 5, 2004. Minor editorial changes were made to both the Charter and Responsibilities Checklist on February 8, 2006. The Charter and Responsibilities Checklist were reviewed and approved with no changes on August 22, 2007.

Charter
for the
Audit, Compliance, and Management Review Committee
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 institutions; 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 four Board members, appointed by the Chairman of the Board, 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.

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.

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

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~~ periodically 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.

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 institution from hiring a public accounting firm to perform work at the institutional 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.

11. The Committee shall review with executive management, the Chief Audit Executive, 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, 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, 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 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 institutional Chief Financial Officer certify the annual financial statements for their respective 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 at least annually

    a. review with executive management and the Chief Audit Executive the 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;

    b. engage executive management and the external audit firm in the discussion of off-balance sheet transactions/arrangements that have, or are reasonably likely to have, a current or future effect on the System's or any of the institution's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that is material to users of the financial statements. The discussion should include the extent of the off-balance sheet transactions/arrangements and whether GAAP or other regulations results in the financial statements reflecting the economics of such transactions/arrangements.

18. On an annual basis, the Committee shall review, recommend, and approve the annual audit plan, including the allocation of audit hours.

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

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~~periodically.

2. U. T. System: Report on the System-wide internal audit activity

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the external quality assurance review of the U. T. System Audit Office and the upcoming presidential expense audits.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The third quarter activity report on the Status of Outstanding Significant Findings/ Recommendations is set forth on Pages 59 - 60. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the System-wide audit program and the annual internal audit plan status as of May 31, 2008, follows on Page 61.

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

Supplemental Materials: System Audit Office External Quality Assurance Review Compliance Letter and Report on Pages 52 – 59 of Volume 2.

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	2nd Quarter 2008		3rd Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General Information Technology Controls – Planning and Organization		1		1	8/31/2008	Satisfactory
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	7/15/2008	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		3	8/31/2008	Satisfactory
2008-01	UTARL	Systems Security Audit		2		2	8/31/2008	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2008	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	8/31/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	6/30/2009	Satisfactory
2007-01	UTD	Annual Financial Report Audit		1		1	12/31/2008	Satisfactory
2007-02	UTEP	Campus-wide Information Technology Applications		5		3	11/30/2008	Satisfactory
2007-11	UTEP	Decentralized Server Security		8		8	10/31/2008	Satisfactory
2008-05	UTEP	University Residence Life-Miner Village				1	8/31/2008	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers		2		2	11/30/2008	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	7/31/2008	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	2/1/2009	Satisfactory
2006-05	UTSMC - Dallas	Accounts Payable		1		1	8/31/2008	Satisfactory
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	6/30/2008	Satisfactory
2008-04	UTMB - Galveston	PeopleSoft Application				2	10/31/2008	Satisfactory
2008-05	UTMB - Galveston	Information Systems Change Management Process				2	12/1/2008	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Security of Credit Card Data		1		1	10/1/2008	Satisfactory
2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		1	9/1/2008	Satisfactory
2008-03	UTHSC - Houston	Windows Servers Vulnerabilities				2	12/1/2008	Satisfactory
2008-05	UTHSC - Houston	Change in Management: Harris County Psychiatric Center				2	8/31/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	9/30/2008	Satisfactory
2007-08	UTHSC - San Antonio	Central Computing Facility		2		1	8/31/2008	Satisfactory
2007-09	UTHSC - San Antonio	Research Compliance Program		1		1	10/31/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		2		1	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		5	8/31/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		2		1	11/30/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	11/30/2008	Satisfactory
2008-05	UTMDACC - Houston	Lab Safety				1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research				1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Advance Beneficiary Notice Implementation Review				1	5/31/2009	Satisfactory
2005-04	UTHSC - Tyler	*Texas Administrative Code* 202 Compliance Audit		1		1	8/31/2009	Satisfactory
2005-12	UTSYS ADM	System-wide Financial Audit		1		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	5/31/2009	Satisfactory
2008-04	UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Review				1	9/1/2008	Satisfactory
		Totals		**53**		**61**		

Information Received from Internal Audit Directors and Chief Business Officers
Consolidated by: System Audit Office
July 2008

THE UNIVERSITY OF TEXAS SYSTEM
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	2nd Quarter 2008 Ranking	2nd Quarter 2008 # of Significant Findings	3rd Quarter 2008 Ranking	3rd Quarter 2008 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
STATE AUDITOR'S OFFICE AUDITS								
2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		1		1	8/31/2008	Satisfactory
2008-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for FY Ended August 31, 2007				3	8/31/2008	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory
		Totals		**2**		**5**		

Color Legend:

Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.

Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.

Significant finding for which substantial progress towards implementation was made during the quarter.

Significant finding was appropriately implemented during the quarter and will no longer be tracked.

Note: ***Implemented*** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
Satisfactory - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
Unsatisfactory - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 3/2008 THROUGH 5/2008	
Institution	**Audit**
UTARL	Texas Workforce Development Grants Audit
UTAUS	*Texas Administrative Code* , Chapter 202
UTAUS	National Automated Clearing House Association (NACHA)
UTAUS	Human Resource Services -- Campus-wide Hiring Practices
UTAUS	Environmental Health and Safety
UTB	2008 Limited Scope Audit of Endowment Management Administration and Fee Analysis Proposal
UTB	Fiscal Year 2008 State Auditor's Office Review of UT Brownsville's Fiscal Year 2007 Financial Statements
UTB	2008 Follow-Up Audit of Student Health Service
UTD	Engineering and Science Research Enhancement Initiative (Project Emmitt)
UTD	UTS165: Protecting the Confidentiality of Research Data
UTD	Change in Management Audit: Multicultural Center
UTD	Callier Center Medical Billing System
UTEP	Procurement Card
UTSA	Student Health Services Center Audit
UTSA	Endowment Administration and Management Fee Audit
UTTY	Course Availability and Scheduling
UTSMC - Dallas	Cash Receipts Operations - Hospitals & Clinics
UTSMC - Dallas	University Hospital Radiology
UTSMC - Dallas	Organ Transplant Program
UTSMC - Dallas	Willed Body
UTMB - Galveston	UTS155 – Medical Service Research Development Plan/Dental Service Research Development Plan/Physicians Referral Service/Allied Health Research Development Plan Business Operations
UTMB - Galveston	Office of University Advancement Change in Management
UTMB - Galveston	PeopleSoft Applications
UTMB - Galveston	Information Systems Change Management Process
UTMB - Galveston	Cancer Casebook Process Review
UTMB - Galveston	Construction Change Order Process
UTHSC - Houston	Printing Services Inventory Controls
UTHSC - Houston	Follow-up on Open Recommendations
UTHSC - Houston	Fraud Risk Assessment
UTHSC - Houston	Harris County Jail Contract
UTHSC - San Antonio	Procurement Card Program
UTHSC - San Antonio	Patient Scheduling and Registration
UTHSC - San Antonio	Institutional Follow-Up - Fiscal Year 2008 2nd Quarter
UTMDACC - Houston	Mainframe Operating System Security
UTMDACC - Houston	Revenue Assurance
UTMDACC - Houston	Endowment Management and Administrative Fees
UTSYS ADM	UT Southwestern Special Project
UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Program Review
UTSYS ADM	Office of Employee Benefits Departmental
UTSYS ADM	Endowment Fee
UTSYS ADM	UTIMCO Asset Allocation
UTSYS ADM	Bauer House Operations
UTSYS ADM	Office of Controller Departmental
UTSYS ADM	XTO Audit Report

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 3/2008 THROUGH 5/2008	
Institution	**Audit**
UTAUS	State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2007
UTSA	State Auditor's Office - Statewide Single Audit A-133

Information Received from Internal Audit Directors Consolidated by: System Audit Office
July 2008

3. U. T. System: Report on the System-wide annual audit plan process

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the process for developing the Fiscal Year 2009 U. T. System-wide Annual Audit Plan (Audit Plan), which is a blueprint of the internal audit activities that will be performed by the internal audit function throughout U. T. System. A timeline chart is set forth on Page 63.

Individual annual audit plans are prepared at U. T. System Administration and each institution in July and August with input and guidance from the U. T. System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and Internal Audit Committee. Development of the annual audit plans is based on risk assessments performed at each institution to ensure areas/activities specific to each institution with the greatest risk are identified to be audited. The Chief Audit Executive provides direction to the internal audit directors prior to the preparation of the annual audit plans and provides formal feedback through "audit hearings" with each institution. After the review process, each institutional Audit Committee formally approves its institution's annual audit plan in August.

Upon recommendation by the Audit, Compliance, and Management Review Committee, the U. T. System Board of Regents will be asked to approve the proposed Audit Plan at a special called meeting in October 2008. Implementation of the Audit Plan will be coordinated with the institutional auditors.

The University of Texas System
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Annual Audit Plan Approval Process

Board of Regents (November)

↑

Audit, Compliance, and Management Review Committee (October)

↑

Institution Internal Audit Committees (August)
(includes Chief Administrator)

↑

System Administration - Audit Plan Hearings (August)
Institution Internal Audit Directors meet with the:
Chief Audit Executive (and/or delegate), Institutional Liaison, and
a representative from Health Affairs or Academic Affairs

↑

System Administration and Internal Audit Directors coordinate the
preparation of their risk-based audit plans (June & July)

4. U. T. System: Report on the plan for the Fiscal Year 2008 U. T. System Consolidated Annual Financial Report audit

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will present the internal audit approach and plan for conducting the Fiscal Year 2008 U. T. System Consolidated Annual Financial Report audit including methodology, staffing, and timelines.

Supplemental Materials: PowerPoint presentation on Pages 60 – 62 of Volume 2.

BACKGROUND INFORMATION

In November 2003, the U. T. System Board of Regents approved an initiative to implement the "spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A contract with Deloitte & Touche, LLP, was negotiated to provide an audit of the U. T. System Consolidated Financial Statements for the fiscal year ending August 31, 2005. The contract commenced on August 30, 2004, and terminated on April 1, 2006. On March 28, 2006, the Board authorized a renewal of the contract for the fiscal year ending August 31, 2006. The contract commenced on April 1, 2006, and terminated on April 1, 2007. On April 16, 2007, the Board of Regents voted not to renew the contract for the fiscal year ending August 31, 2007, but expressed confidence in the financial audit work that could be performed by the institutional and U. T. System Administration auditors. As a result of that decision, the U. T. System Audit Office put together a plan to oversee and coordinate the internal audit of the Fiscal Year 2007 U. T. System Consolidated Financial Statements and will conduct this process again for the audit of the Fiscal Year 2008 U. T. System Consolidated Financial Statements.

5. U. T. System: Report on the System-wide compliance program

REPORT

Mr. Charles Chaffin, System-wide Compliance Officer, will present an overview of the U. T. System-wide compliance program.

Mr. Chaffin will also brief the Audit, Compliance, and Management Review Committee on the third quarter report of the System-wide compliance program. Institutional activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity reports were sent on July 25, 2008.

Supplemental Materials: Third quarter report of the System-wide Compliance Program on Pages 63 – 66 of Volume 2.

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 8/14/2008

Board Meeting: 8/14/2008
Austin, Texas

Robert B. Rowling, Chairman
John W. Barnhill, Jr.
Paul Foster
Janiece Longoria

	Committee Meeting	Board Meeting	Page
7. **U. T. System Board of Regents: Approval of the Annual Budget, including the capital expenditures budget, and Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)**	*8:59 a.m.* **Action** *Mr. Zimmerman*	**Action**	**150**
8. **U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 80303, regarding Use of the Available University Fund**	*9:09 a.m.* **Action** *Dr. Kelley*	**Action**	**155**
9. **U. T. System Board of Regents: Adoption of Twentieth Supplemental Resolution authorizing Revenue Financing System Bonds; authorization to complete all related transactions; and resolution regarding parity debt**	*9:12 a.m.* **Action** *Mr. Aldridge*	**Action**	**159**
10. **U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, and authorization to complete all related transactions**	*9:15 a.m.* **Action** *Mr. Aldridge*	**Action**	**162**
11. **U. T. System Board of Regents: Adoption of Amended and Restated First Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Commercial Paper Note Program; repeal of the Fifth Supplemental Resolution; authorization for officers of U. T. System to complete all transactions related thereto; and resolution regarding parity debt**	*9:17 a.m.* **Action** *Mr. Aldridge*	**Action**	**163**
12. **U. T. System Board of Regents: Adoption of a Resolution authorizing the Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B; and authorization to complete all related transactions**	*9:19 a.m.* **Action** *Mr. Aldridge*	**Action**	**165**
13. **U. T. System: Approval of aggregate amount of $122,756,000 of equipment financing for Fiscal Year 2009 and resolution regarding parity debt**	*9:21 a.m.* **Action** *Mr. Aldridge*	**Action**	**166**
14. **U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt**	*9:23 a.m.* **Action** *Mr. Aldridge*	**Action**	**169**
15. **U. T. System: Report on the negotiation of a contract to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund Lands**	*9:25 a.m.* **Report** *Dr. Kelley*	Not on Agenda	**191**
Adjourn	*9:30 a.m.*		

1. **<u>U. T. System: Discussion and appropriate action related to approval of *Docket No. 135*</u>**

<u>RECOMMENDATION</u>

It is recommended that *Docket No. 135* be approved.

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

Supplemental Materials: Green pages following the Docket tab at the back of Volume 2.

2. **<u>U. T. System Board of Regents: Approval of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) recommendations for amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, and the Liquidity Policy</u>**

<u>RECOMMENDATION</u>

The Chancellor ad interim and the Executive Vice Chancellor for Business Affairs concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve proposed amendments to the following Investment Policy Statements and the Liquidity Policy, including asset allocation, as set forth on the referenced pages.

a. Permanent University Fund (PUF) Exhibit A (See Pages 69 – 72)

b. General Endowment Fund (GEF) Exhibit A (See Pages 73 – 76)

c. Permanent Health Fund (PHF) Exhibit B (See Pages 77 – 80)

d. Long Term Fund (LTF) Exhibit B (See Pages 81 – 84)

e. Intermediate Term Fund (ITF) (See Page 85)

f. Liquidity Policy (See Pages 86 – 89)

BACKGROUND INFORMATION

The Master Investment Management Services Agreement (IMSA) requires that UTIMCO review the current Investment Polices for each Fund at least annually. The review includes distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges for each eligible Asset Class and Investment Type, expected returns for each Asset Class, Investment Type, and Fund, designated performance benchmarks for each Asset Class and/or Investment Type, and such other matters as the U. T. System Board or its staff designees may request.

The UTIMCO Board approved the amendments on July 23, 2008. Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, reported on UTIMCO's strategy, which included a discussion on the proposed changes to the Investment Policy Statements, at the U. T. System Board of Regents' July 24, 2008 joint meeting with the UTIMCO Board.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF and ITF have been amended to reflect "mid-course corrections" to the implementation plan proposed for Fiscal Year Ending (FYE) 2009 and FYE 2010, as well as to recommend targets and ranges through FYE 2011.

In addition, the Exhibits reflect UTIMCO's recommendations related to revisions to benchmarks as summarized below:

- Clarify that the Real Estate benchmark, the National Association of Real Estate Investment Trusts (NAREIT) Equity Index, means the FTSE European Public Real Estate Association (EPRA)/NAREIT Global Index. It was the original intent that the NAREIT Equity Index be a global index and UTIMCO staff has consistently used the FTSE EPRA/NAREIT as the index or benchmark since the March 1, 2008, effective date of the Investment Policy Statements.

- Change the Natural Resources index from the Dow Jones-AIG Commodity Index Total Return to a combination index of 50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index.

- Change the benchmark of the Private Investments Real Estate Asset Class to the National Council of Real Estate Investment Fiduciaries (NACRIEF) Custom Index instead of the Venture Economics Custom Index.

The Expected Annual Return, Expected Target Annual Return, and the one-year downside deviation have been adjusted to reflect the revised Asset Class and Investment Type targets for FYE 2009 and FYE 2010. The Expected Annual Return, Expected Target Annual Return, and the one-year downside deviation has been added for FYE 2011.

The Short Term Fund (STF) Investment Policy Statement and the Separately Invested Funds (SIF) Investment Policy Statement have been reviewed by UTIMCO staff and there are no recommended changes. These investment policies were amended by the U. T. Board on November 10, 2005 and July 13, 2006, respectively.

Proposed amendments to the Liquidity Policy are as follows:

- The Liquidity Policy Profile for the Endowment Funds has been changed to incorporate new liquidity limits and trigger zones for FYE 2009 and 2010. Additionally, FYE 2011 has been added.

- The Liquidity Policy Profile for the ITF has been updated to add FYE 2011.

- "Unfunded Commitments" maximum permitted amounts have been changed for FYE 2008, 2009, and 2010, and the maximum permitted amount for FYE 2011 has been added.

EXHIBIT A - PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1~~JULY 24~~, 2008

POLICY PORTFOLIO	FYE 2009 Min	FYE 2009 Target	FYE 2009 Max	FYE 2010 Min	FYE 2010 Target	FYE 2010 Max	FYE 2011 Min	FYE 2011 Target	FYE 2011 Max
Asset Classes									
Investment Grade Fixed Income	5.0%	7.5~~8.5~~%	15.0%	5.0~~2.5~~%	7.5%	15.0%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	10.0~~1.5~~%	13.5~~6.5~~%	17.5~~14.0~~%	10.0~~2.5~~%	14.5~~7.5~~%	20.0~~15.0~~%	10.0%	14.5%	20.0%
Real Estate	5.0%	7.5~~8.0~~%	15.0~~11.0~~%	5.0%	8.0~~10.0~~%	15.0%	5.0%	8.5%	15.0%
Natural Resources	5.0%	8.5~~9.5~~%	15.0~~13.0~~%	5.0%	9.5~~10.0~~%	15.0%	5.0%	10.0%	15.0%
Developed Country Equity	40.0~~42.5~~%	46.5~~50.0~~%	52.5~~57.5~~%	37.5%	43.0~~45.0~~%	50.0~~52.5~~%	37.5%	41.0%	47.5%
Emerging Markets Equity	12.5%	16.5~~17.5~~%	22.5%	12.5~~15.0~~%	17.5~~20.0~~%	22.5~~25.0~~%	12.5%	18.5%	22.5%
Investment Types									
More Correlated & Constrained Investments	37.5~~45.0~~%	44.5~~51.5~~%	50.0~~60.0~~%	35.0~~42.5~~%	41.5~~49.5~~%	47.5~~57.5~~%	35.0%	41.0%	47.5%
Less Correlated & Constrained Investments	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	18.0~~10.0~~%	22.5~~15.5~~%	28.0~~20.0~~%	21.0~~12.5~~%	25.5~~17.5~~%	31.0~~22.5~~%	21.0%	26.0%	33.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009	FYE 2010	FYE 2011
Lehman Brothers Global Aggregate Index	5.5~~6.5~~%	5.5~~4.5~~%	5.5%
Lehman Brothers Global High-Yield Index	1.0~~1.5~~%	1.0~~2.0~~%	2.0%
FTSE EPRA/NAREIT Global~~Equity~~ Index	5.5~~6.5~~%	5.0~~7.0~~%	4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index	5.5~~6.0~~%	4.5~~6.0~~%	4.0%
MSCI World Index with net dividends	17.0~~18.0~~%	15.5~~16.0~~%	14.5%
MSCI Emerging Markets with net dividends	10.0~~13.0~~%	10.0~~14.0~~%	10.5%
MSCI Investable Hedge Fund Index	33.0%	33.0%	33.0%
Venture Economics Custom Index	20.5~~15.5~~%	22.5~~17.5~~%	22.0%
NACRIEF Custom Index	2.0%	3.0%	4.0%

POLICY/TARGET RETURN/RISKS	FYE 2009	FYE 2010	FYE 2011
Expected Annual Return (Benchmarks)	8.78~~8.62~~%	8.86~~8.75~~%	8.85%
Expected Target Annual Return (Active)	9.72~~9.65~~%	9.90~~9.81~~%	9.87%
One Year Downside Deviation	8.72~~8.70~~%	8.71~~8.90~~%	8.67%
Risk Bounds			
Lower: 1 Year Downside Deviation	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%

Due to space limitations and the addition of column *FYE 2011*, the columns entitled *March 1, 2008* and *FYE 2008*, as approved by the Board of Regents on July 24, 2008, have been removed in their entirety.

EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~6.5~~5.5%)	2.0%	0.0%	~~8.5~~7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~1.5~~1.0%)	~~2.5~~6.0%	~~2.5~~6.5%	~~6.5~~13.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~6.5~~5.5%)	~~0.5~~0.0%	NACRIEF Custom Index ~~1.0~~(2.0%)	~~8.0~~7.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~5.5%)	1.5%	~~2.0~~1.5%	~~9.5~~8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~18.0~~17.0%)	~~23.5~~18.5%	~~8.5~~11.0%	~~50.0~~46.5%
	Emerging Markets	MSCI EM Index with Net Dividends (~~13.0~~10.0%)	~~3.0~~5.0%	1.5%	~~17.5~~16.5%
Total		~~51.5~~44.5%	33.0%	~~15.5~~22.5%	100.0%

Yellow	MSCI Investable Hedge Fund Index
Blue	Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~4.5~~5.5%)	~~3.0~~2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~2.0~~1.0%)	~~3.0~~6.0%	~~2.5~~7.5%	~~7.5~~14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~7.0~~5.0%)	~~1.0~~0.0%	NACRIEF Custom Index ~~2.0~~(3.0%)	~~10.0~~8.0%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~4.5%)	~~2.0~~2.5%	~~2.0~~2.5%	~~10.0~~9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~16.0~~15.5%)	~~21.0~~17.5%	~~8.0~~10.0%	~~45.0~~43.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~14.0~~10.0%)	~~3.0~~5.0%	~~3.0~~2.5%	~~20.0~~17.5%
Total		~~49.5~~41.5%	33.0%	~~17.5~~25.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

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EXHIBIT A
(continued)
PERMANENT UNIVERSITY FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A – GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1~~JULY 24~~, 2008

POLICY PORTFOLIO	FYE 2009 Min	FYE 2009 Target	FYE 2009 Max	FYE 2010 Min	FYE 2010 Target	FYE 2010 Max	FYE 2011 Min	FYE 2011 Target	FYE 2011 Max
Asset Classes									
Investment Grade Fixed Income	5.0%	7.5~~8.5~~%	15.0%	5.0~~2.5~~%	7.5%	15.0%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	10.0~~1.5~~%	13.5~~6.5~~%	17.5~~14.0~~%	10.0~~2.5~~%	14.5~~7.5~~%	20.0~~15.0~~%	10.0%	14.5%	20.0%
Real Estate	5.0%	7.5~~8.0~~%	15.0~~11.0~~%	5.0%	8.0~~10.0~~%	15.0%	5.0%	8.5%	15.0%
Natural Resources	5.0%	8.5~~9.5~~%	15.0~~13.0~~%	5.0%	9.5~~10.0~~%	15.0%	5.0%	10.0%	15.0%
Developed Country Equity	40.0~~42.5~~%	46.5~~50.0~~%	52.5~~57.5~~%	37.5%	43.0~~45.0~~%	50.0~~52.5~~%	37.5%	41.0%	47.5%
Emerging Markets Equity	12.5%	16.5~~17.5~~%	22.5%	12.5~~15.0~~%	17.5~~20.0~~%	22.5~~25.0~~%	12.5%	18.5%	22.5%
Investment Types									
More Correlated & Constrained Investments	37.5~~45.0~~%	44.5~~51.5~~%	50.0~~60.0~~%	35.0~~42.5~~%	41.5~~49.5~~%	47.5~~57.5~~%	35.0%	41.0%	47.5%
Less Correlated & Constrained Investments	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	18.0~~10.0~~%	22.5~~15.5~~%	28.0~~20.0~~%	21.0~~12.5~~%	25.5~~17.5~~%	31.0~~22.5~~%	21.0%	26.0%	33.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009	FYE 2010	FYE 2011
Lehman Brothers Global Aggregate Index	5.5~~6.5~~%	5.5~~4.5~~%	5.5%
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Venture Economics Custom Index	20.5~~15.5~~%	22.5~~17.5~~%	22.0%
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POLICY/TARGET RETURN/RISKS	FYE 2009	FYE 2010	FYE 2011
Expected Annual Return (Benchmarks)	8.78~~8.62~~%	8.86~~8.75~~%	8.85%
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Risk Bounds			
Lower: 1 Year Downside Deviation	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%

Due to space limitations and the addition of column *FYE 2011*, the columns entitled *March 1, 2008* and *FYE 2008*, as approved by the Board of Regents on July 24, 2008, have been removed in their entirety.

EXHIBIT A
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	**Lehman Brothers Global Agg** (~~6.5~~5.5%)	2.0%	0.0%	~~8.5~~7.5%
	Credit-Related	**Lehman Brothers Global High-Yield** (~~1.5~~1.0%)	~~2.5~~6.0%	~~2.5~~6.5%	~~6.5~~13.5%
Real Assets	Real Estate	**FTSE EPRA/NAREIT ~~Equity~~ Global Index** (~~6.5~~5.5%)	~~0.5~~0.0%	**NACRIEF Custom Index** ~~1.0~~(2.0%)	~~8.0~~7.5%
	Natural Resources	**50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index** (~~6.0~~5.5%)	1.5%	~~2.0~~1.5%	~~9.5~~8.5%
Equity	Developed Country	**MSCI World Index with Net Dividends** (~~18.0~~17.0%)	~~23.5~~18.5%	~~8.5~~11.0%	~~50.0~~46.5%
	Emerging Markets	**MSCI EM Index with Net Dividends** (~~13.0~~10.0%)	~~3.0~~5.0%	1.5%	~~17.5~~16.5%
Total		~~51.5~~44.5%	33.0%	~~15.5~~22.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~4.5~~5.5%)	~~3.0~~2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~2.0~~1.0%)	~~3.0~~6.0%	~~2.5~~7.5%	~~7.5~~14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~7.0~~5.0%)	~~1.0~~0.0%	NACRIEF Custom Index ~~2.0~~(3.0%)	~~10.0~~8.0%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~4.5%)	~~2.0~~2.5%	~~2.0~~2.5%	~~10.0~~9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~16.0~~15.5%)	~~21.0~~17.5%	~~8.0~~10.0%	~~45.0~~43.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~14.0~~10.0%)	~~3.0~~5.0%	~~3.0~~2.5%	~~20.0~~17.5%
Total		~~49.5~~41.5%	33.0%	~~17.5~~25.5%	100.0%

MSCI Investable Hedge Fund Index
Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

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EXHIBIT A
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1~~JULY 24~~, 2008

POLICY PORTFOLIO	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes									
Investment Grade Fixed Income	5.0%	7.5~~8.5~~%	15.0%	5.0~~2.5~~%	7.5%	15.0%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	10.0~~1.5~~%	13.5~~6.5~~%	17.5~~14.0~~%	10.0~~2.5~~%	14.5~~7.5~~%	20.0~~15.0~~%	10.0%	14.5%	20.0%
Real Estate	5.0%	7.5~~8.0~~%	15.0~~11.0~~%	5.0%	8.0~~10.0~~%	15.0%	5.0%	8.5%	15.0%
Natural Resources	5.0%	8.5~~9.5~~%	15.0~~13.0~~%	5.0%	9.5~~10.0~~%	15.0%	5.0%	10.0%	15.0%
Developed Country Equity	40.0~~42.5~~%	46.5~~50.0~~%	52.5~~57.5~~%	37.5%	43.0~~45.0~~%	50.0~~52.5~~%	37.5%	41.0%	47.5%
Emerging Markets Equity	12.5%	16.5~~17.5~~%	22.5%	12.5~~15.0~~%	17.5~~20.0~~%	22.5~~25.0~~%	12.5%	18.5%	22.5%
Investment Types									
More Correlated & Constrained Investments	37.5~~45.0~~%	44.5~~51.5~~%	50.0~~60.0~~%	35.0~~42.5~~%	41.5~~49.5~~%	47.5~~57.5~~%	35.0%	41.0%	47.5%
Less Correlated & Constrained Investments	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	18.0~~10.0~~%	22.5~~15.5~~%	28.0~~20.0~~%	21.0~~12.5~~%	25.5~~17.5~~%	31.0~~22.5~~%	21.0%	26.0%	33.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

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POLICY BENCHMARK (reset monthly)	FYE 2009	FYE 2010	FYE 2011
Lehman Brothers Global Aggregate Index	5.5~~6.5~~%	5.5~~4.5~~%	5.5%
Lehman Brothers Global High-Yield Index	1.0~~1.5~~%	1.0~~2.0~~%	2.0%
FTSE EPRA/NAREIT Global~~Equity~~ Index	5.5~~6.5~~%	5.0~~7.0~~%	4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index	5.5~~6.0~~%	4.5~~6.0~~%	4.0%
MSCI World Index with net dividends	17.0~~18.0~~%	15.5~~16.0~~%	14.5%
MSCI Emerging Markets with net dividends	10.0~~13.0~~%	10.0~~14.0~~%	10.5%
MSCI Investable Hedge Fund Index	33.0%	33.0%	33.0%
Venture Economics Custom Index	20.5~~15.5~~%	22.5~~17.5~~%	22.0%
NACRIEF Custom Index	2.0%	3.0%	4.0%

POLICY/TARGET RETURN/RISKS	FYE 2009	FYE 2010	FYE 2011
Expected Annual Return (Benchmarks)	8.79~~8.62~~%	8.86~~8.75~~%	8.85%
Expected Target Annual Return (Active)	9.72~~9.65~~%	9.90~~9.81~~%	9.87%
One Year Downside Deviation	8.72~~8.70~~%	8.71~~8.90~~%	8.67%
Risk Bounds			
Lower: 1 Year Downside Deviation	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%

Due to space limitations and the addition of column *FYE 2011*, the columns entitled *March 1, 2008* and *FYE 2008*, as approved by the Board of Regents on July 24, 2008, have been removed in their entirety.

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~6.5~~5.5%)	2.0%	0.0%	~~8.5~~7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~1.5~~1.0%)	~~2.5~~6.0%	~~2.5~~6.5%	~~6.5~~13.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~6.5~~5.5%)	~~0.5~~0.0%	NACRIEF Custom Index ~~1.0~~(2.0%)	~~8.0~~7.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~5.5%)	1.5%	~~2.0~~1.5%	~~9.5~~8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~18.0~~17.0%)	~~23.5~~18.5%	~~8.5~~11.0%	~~50.0~~46.5%
	Emerging Markets	MSCI EM Index with Net Dividends (~~13.0~~10.0%)	~~3.0~~5.0%	1.5%	~~17.5~~16.5%
Total		~~51.5~~44.5%	33.0%	~~15.5~~22.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~4.5~~5.5%)	~~3.0~~2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~2.0~~1.0%)	~~3.0~~6.0%	~~2.5~~7.5%	~~7.5~~14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~7.0~~5.0%)	~~1.0~~0.0%	NACRIEF Custom Index ~~2.0~~(3.0%)	~~10.0~~8.0%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~4.5%)	~~2.0~~2.5%	~~2.0~~2.5%	~~10.0~~9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~16.0~~15.5%)	~~21.0~~17.5%	~~8.0~~10.0%	~~45.0~~43.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~14.0~~10.0%)	~~3.0~~5.0%	~~3.0~~2.5%	~~20.0~~17.5%
Total		~~49.5~~41.5%	33.0%	~~17.5~~25.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

Long Term Fund Investment Policy Statement (continued)

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1~~JULY 24~~, 2008

POLICY PORTFOLIO	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes									
Investment Grade Fixed Income	5.0%	7.5~~8.5~~%	15.0%	5.0~~2.5~~%	7.5%	15.0%	5.0%	7.5%	15.0%
Credit-Related Fixed Income	10.0~~1.5~~%	13.5~~6.5~~%	17.5~~14.0~~%	10.0~~2.5~~%	14.5~~7.5~~%	20.0~~15.0~~%	10.0%	14.5%	20.0%
Real Estate	5.0%	7.5~~8.0~~%	15.0~~11.0~~%	5.0%	8.0~~10.0~~%	15.0%	5.0%	8.5%	15.0%
Natural Resources	5.0%	8.5~~9.5~~%	15.0~~13.0~~%	5.0%	9.5~~10.0~~%	15.0%	5.0%	10.0%	15.0%
Developed Country Equity	40.0~~42.5~~%	46.5~~50.0~~%	52.5~~57.5~~%	37.5%	43.0~~45.0~~%	50.0~~52.5~~%	37.5%	41.0%	47.5%
Emerging Markets Equity	12.5%	16.5~~17.5~~%	22.5%	12.5~~15.0~~%	17.5~~20.0~~%	22.5~~25.0~~%	12.5%	18.5%	22.5%
Investment Types									
More Correlated & Constrained Investments	37.5~~45.0~~%	44.5~~51.5~~%	50.0~~60.0~~%	35.0~~42.5~~%	41.5~~49.5~~%	47.5~~57.5~~%	35.0%	41.0%	47.5%
Less Correlated & Constrained Investments	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%	27.5%	33.0%	37.5%
Private Investments	18.0~~10.0~~%	22.5~~15.5~~%	28.0~~20.0~~%	21.0~~12.5~~%	25.5~~17.5~~%	31.0~~22.5~~%	21.0%	26.0%	33.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009	FYE 2010	FYE 2011
Lehman Brothers Global Aggregate Index	5.5~~6.5~~%	5.5~~4.5~~%	5.5%
Lehman Brothers Global High-Yield Index	1.0~~1.5~~%	1.0~~2.0~~%	2.0%
FTSE EPRA/NAREIT Global~~Equity~~ Index	5.5~~6.5~~%	5.0~~7.0~~%	4.5%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index	5.5~~6.0~~%	4.5~~6.0~~%	4.0%
MSCI World Index with net dividends	17.0~~18.0~~%	15.5~~16.0~~%	14.5%
MSCI Emerging Markets with net dividends	10.0~~13.0~~%	10.0~~14.0~~%	10.5%
MSCI Investable Hedge Fund Index	33.0%	33.0%	33.0%
Venture Economics Custom Index	20.5~~15.5~~%	22.5~~17.5~~%	22.0%
NACRIEF Custom Index	2.0%	3.0%	4.0%

POLICY/TARGET RETURN/RISKS	FYE 2009	FYE 2010	FYE 2011
Expected Annual Return (Benchmarks)	8.78~~8.62~~%	8.86~~8.75~~%	8.85%
Expected Target Annual Return (Active)	9.72~~9.65~~%	9.90~~9.81~~%	9.87%
One Year Downside Deviation	8.72~~8.70~~%	8.71~~8.90~~%	8.67%
Risk Bounds			
Lower: 1 Year Downside Deviation	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%

Due to space limitations and the addition of column *FYE 2011*, the columns entitled *March 1, 2008* and *FYE 2008*, as approved by the Board of Regents on July 24, 2008, have been removed in their entirety.

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2009

FYE 2009		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~6.5~~5.5%)	2.0%	0.0%	~~8.5~~7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~1.5~~1.0%)	~~2.5~~6.0%	~~2.5~~6.5%	~~6.5~~13.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~6.5~~5.5%)	~~0.5~~0.0%	NACRIEF Custom Index ~~1.0~~(2.0%)	~~8.0~~7.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~5.5%)	1.5%	~~2.0~~1.5%	~~9.5~~8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~18.0~~17.0%)	~~23.5~~18.5%	~~8.5~~11.0%	~~50.0~~46.5%
	Emerging Markets	MSCI EM Index with Net Dividends (~~13.0~~10.0%)	~~3.0~~5.0%	1.5%	~~17.5~~16.5%
Total		~~51.5~~44.5%	33.0%	~~15.5~~22.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom~~er~~ Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~MARCH~~ SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2010

FYE 2010		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (~~4.5~~5.5%)	~~3.0~~2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (~~2.0~~1.0%)	~~3.0~~6.0%	~~2.5~~7.5%	~~7.5~~14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT ~~Equity~~ Global Index (~~7.0~~5.0%)	~~1.0~~0.0%	NACRIEF Custom Index ~~2.0~~(3.0%)	~~10.0~~8.0%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (~~6.0~~4.5%)	~~2.0~~2.5%	~~2.0~~2.5%	~~10.0~~9.5%
Equity	Developed Country	MSCI World Index with Net Dividends (~~16.0~~15.5%)	~~21.0~~17.5%	~~8.0~~10.0%	~~45.0~~43.0%
	Emerging Markets	MSCI EM Index with Net Dividends (~~14.0~~10.0%)	~~3.0~~5.0%	~~3.0~~2.5%	~~20.0~~17.5%
Total		~~49.5~~41.5%	33.0%	~~17.5~~25.5%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom~~er~~ Index

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Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Lehman Brothers Global Agg (5.5%)	2.0%	0.0%	7.5%
	Credit-Related	Lehman Brothers Global High-Yield (2.0%)	6.0%	6.5%	14.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Global Index (4.5%)	0.0%	NACRIEF Custom Index (4.0%)	8.5%
	Natural Resources	50% DJ-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index (4.0%)	3.0%	3.0%	10.0%
Equity	Developed Country	MSCI World Index with Net Dividends (14.5%)	17.0%	9.5%	41.0%
	Emerging Markets	MSCI EM Index with Net Dividends (10.5%)	5.0%	3.0%	18.5%
Total		41.0%	33.0%	26.0%	100.0%

(yellow)	MSCI Investable Hedge Fund Index
(blue)	Venture Economics Custom Index

Investment Policy/Benchmarks are indicated in Black/Bold
Reportable Targets are indicated in Gray

EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER~~MARCH~~ 1, 2008

POLICY PORTFOLIO	FYE 2009			FYE 2010			FYE 2011		
	Min	Target	Max	Min	Target	Max	Min	Target	Max
Asset Classes									
Investment Grade Fixed Income	20.0%	37.0~~38.0~~%	55.0%	20.0%	37.0~~38.0~~%	55.0%	20.0%	37.0%	55.0%
Credit-Related Fixed Income	0.0%	5.5~~3.0~~%	5.0%	0.0%	5.5~~3.0~~%	5.0%	0.0%	5.5%	7.5%
Real Estate	5.0%	10.0~~11.0~~%	15.0%	5.0%	10.0~~11.0~~%	15.0%	5.0%	10.0%	15.0%
Natural Resources	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%	0.0%	7.0%	10.0%
Developed Country Equity	20.0%	30.5~~31.0~~%	45.0%	20.0%	30.5~~31.0~~%	40.0%	20.0%	30.5%	40.0%
Emerging Markets Equity	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%	0.0%	10.0%	15.0%
Investment Types									
More Correlated & Constrained	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%	70.0%	75.0%	80.0%
Less Correlated & Constrained	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%	20.0%	25.0%	30.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 105% of the Asset Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2009	FYE 2010	FYE 2011
Lehman Brothers Global Aggregate Index	33.0%	33.0%	33.0%
Lehman Brothers Global High-Yield Index	2.0%	2.0%	2.0%
FTSE EPRA/NAREIT Global~~Equity~~ Index	10.0%	10.0%	10.0%
50% Dow Jones-AIG Commodity Index Total Return and 50% MSCI World Natural Resources Index	5.0%	5.0%	5.0%
MSCI World Index with net dividends	20.0%	20.0%	20.0%
MSCI Emerging Markets with net dividends	5.0%	5.0%	5.0%
MSCI Investable Hedge Fund Index	25.0%	25.0%	25.0%

POLICY/TARGET RETURN/RISKS	FYE 2009	FYE 2010	FYE 2011
Expected Annual Return (Benchmarks)	7.16%	7.16%	7.16%
Expected Target Annual Return (Active)	7.83%	7.83%	7.83%
One Year Downside Deviation	6.38%	6.38%	6.38%
Risk Bounds			
Lower: 1 Year Downside Deviation	85%	85%	85%
Upper: 1 Year Downside Deviation	115%	115%	115%

Due to space limitations and the addition of column *FYE 2011*, the columns entitled *March 1, 2008* and *FYE 2008*, as approved by the Board of Regents on July 24, 2008, have been removed in their entirety.

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~December 6, 2007~~August 14, 2008
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~November 10, 2005~~December 6, 2007

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, "liquidity" is defined as a measure of the ability of an investment position to be converted into a Cash position. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

"Liquidity risk" is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions. Modern finance theory asserts that liquidity risk is a systematic risk factor that is incorporated into asset prices such that future longer-term returns will be higher for assets with higher liquidity risk, although that may not be the case in the short term.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate,
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

Capital market theory does not provide a precise technique to measure liquidity risk. For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of one day to less than 90 days ~~three months~~ in an orderly market at a discount of 10% or less.

- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of 90 days or more ~~than three months~~ or in a shorter period of time by accepting a discount of more than 10%.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the table below:

	~~Dec 07~~	~~FY 08~~	~~FY 09~~	~~FY 10~~
~~Liquidity above trigger zone:~~	~~45%~~	~~42.5%~~	~~40%~~	~~37.5%~~
~~Liquidity within trigger zone:~~	~~40%-45%~~	~~37.5%-42.5%~~	~~35%-40%~~	~~32.5%-37.5%~~
~~Liquidity below trigger zone:~~	~~<40%~~	~~<37.5%~~	~~<35%~~	~~<32.5%~~

	FY 08	**FY 09**	**FY 10**	**FY 11**
Liquidity above trigger zone:	42.5%	35.0%	30%	28.0%
Liquidity within trigger zone:	37.5%-45%	30.0%-35.0%	25.0%-30%	23.0%-28.0%
Liquidity below trigger zone:	<37.5%	<30.0%	<25%	<23.0%

Investments that maintain liquidity below the trigger zone do not require any action by the UTIMCO Board or the Risk Committee. Liquidity within the trigger zone requires special action by the UTIMCO Board or the Risk Committee. For example, the allowable range for **illiquid** investments in FY 08 is up to 62.5% of the total portfolio. However, any **illiquid** investments made in the 57.5% to 62.5% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

	~~Dec 07~~	~~FY 08~~	~~FY 09~~	~~FY 10~~
~~Liquidity above trigger zone:~~	~~65%~~	~~65%~~	~~65%~~	~~65%~~
~~Liquidity within trigger zone:~~	~~55%-65%~~	~~55%-65%~~	~~55%-65%~~	~~55%-65%~~
~~Liquidity below trigger zone:~~	~~<55%~~	~~<55%~~	~~<55%~~	~~<55%~~

	FY 08	FY 09	FY 10	FY 11
Liquidity above trigger zone:	65%	65%	65%	65%
Liquidity within trigger zone:	55%-65%	55%-65%	55%-65%	55%-65%
Liquidity below trigger zone:	<55%	<55%	<55%	<55%

The allowable range for **illiquid** investments is 0% to 45% of the total portfolio for the ITF. However, any **illiquid** investments made in the 35% to 45% trigger zone require prior approval by the Risk Committee or the UTIMCO Board. Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	~~Nov 07~~	~~FY 08~~	~~FY 09~~	~~FY 10~~
~~Unfunded Commitment as a percent of total invested assets:~~	~~17.5%~~	~~22.5%~~	~~27.5%~~	~~32.5%~~

	FY 08	FY 09	FY 10	FY 11
Unfunded Commitment as a percent of total invested assets:	25.0%	27.5%	32.5%	32.5%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and "soft" and "hard" gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

Pages 90 – 94 intentionally left blank.

3. <u>U. T. System: Key Financial Indicators Report and Monthly Financial Report</u>

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 96 – 103 that follow, and the June Monthly Financial Report. The reports represent the consolidated and individual operating results of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the System-wide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2004 through May 2008. Ratios requiring balance sheet data are provided for Fiscal Year 2003 through Fiscal Year 2007.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of June 2008.

Supplemental Materials: June Monthly Financial Report on Pages 67 – 91 of Volume 2.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

3RD QUARTER FY 2008

KEY

Actual 2003 through 2007 amounts
(SOURCE: Annual Financial Reports Fiscal Years 2003, 2004, 2005, 2006 and 2007)

2008 Budget amounts
(SOURCE: Operating Budget Summary 2008)

Projected 2008 amounts
(trend based on the average change of the previous four years of data)

Monthly Financial Report Year to Date amounts for February 2007 and February 2008

Annual State Net Revenue Collections for 2003, 2004, 2005, 2006 and 2007
(SOURCE: Texas Revenue History by Source 1978-2006 and Texas Net Revenue by Source - Fiscal 2007, State Comptroller's Office)

Year to Date State Net Revenue Collections for February 2007 and February 2008
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections for 2008
(SOURCE: Biennial Revenue Estimate, 2008 - 2009, State Comptroller's Office)

2003, 2004, 2005, 2006 and 2007 Annual Average of FTEs, 2nd Quarter 2008 FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year-to-Date margin for March 2008
(SOURCE: Monthly Financial Report for March 2008)

Projected 2008
(SOURCE: Monthly Financial Report Year- End Projections collected March 2008)

Year-to-Date margin for March 2007
(SOURCE: Monthly Financial Report for March 2008)

Target Normalized Rates

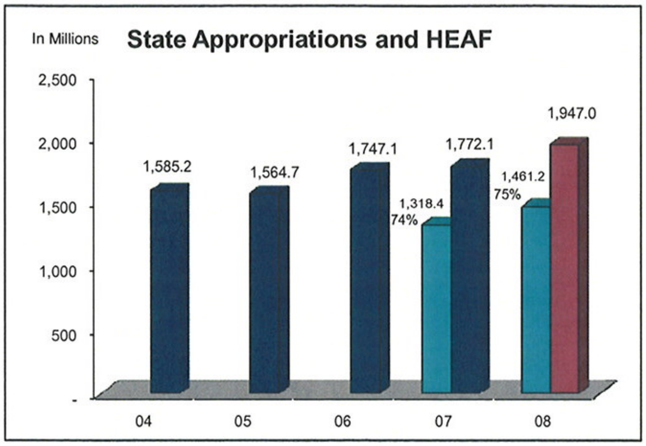
Aaa/Aa1 Median
(SOURCE: Moody's)

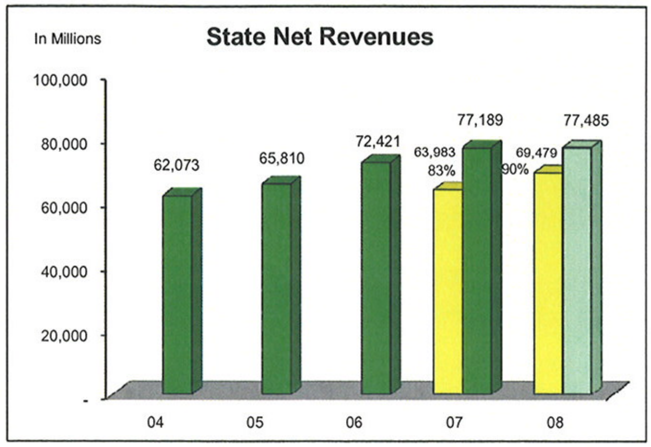
A2 Median
(SOURCE: Moody's)

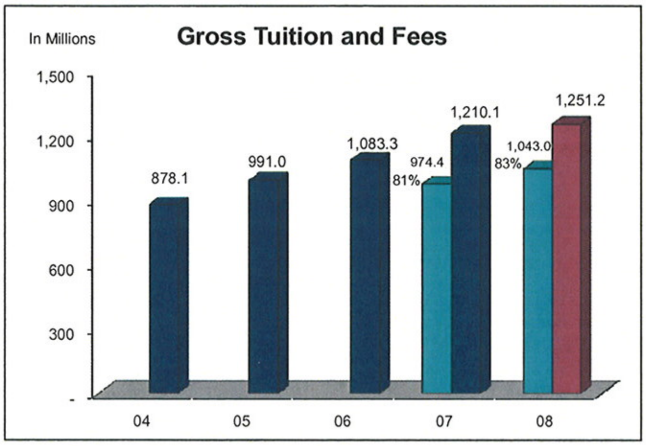
Good Facilities Condition Index (Below 5%)

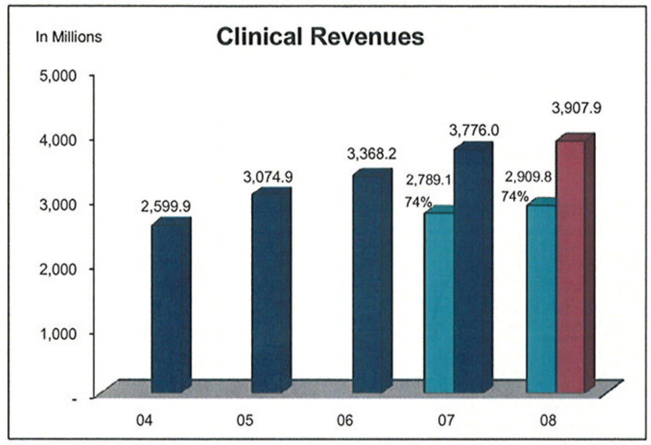
Fair Facilities Condition Index (5% - 10%)

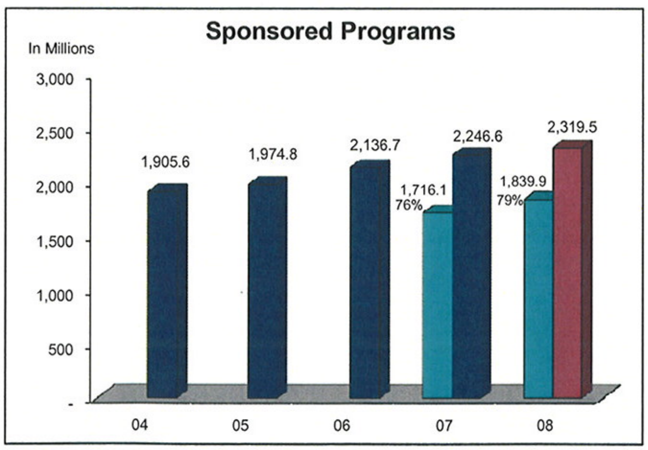
KEY INDICATORS OF REVENUES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM MAY MONTHLY FINANCIAL REPORT

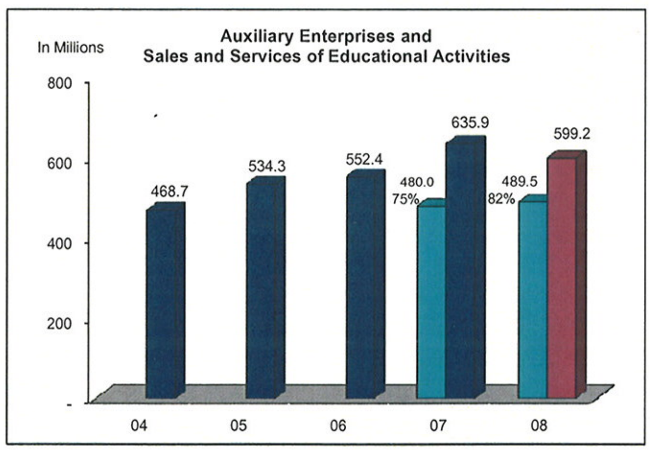


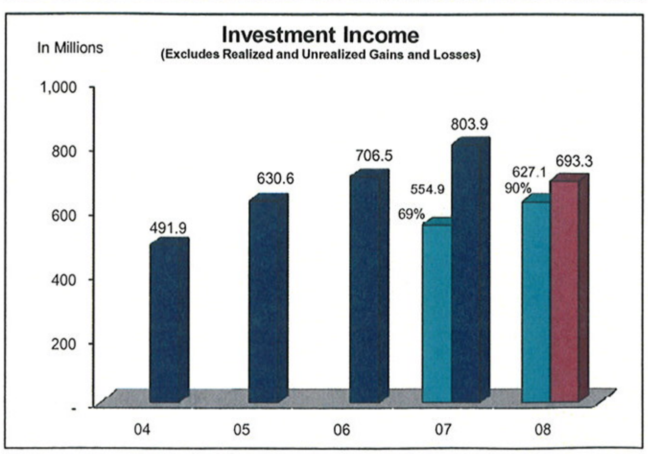


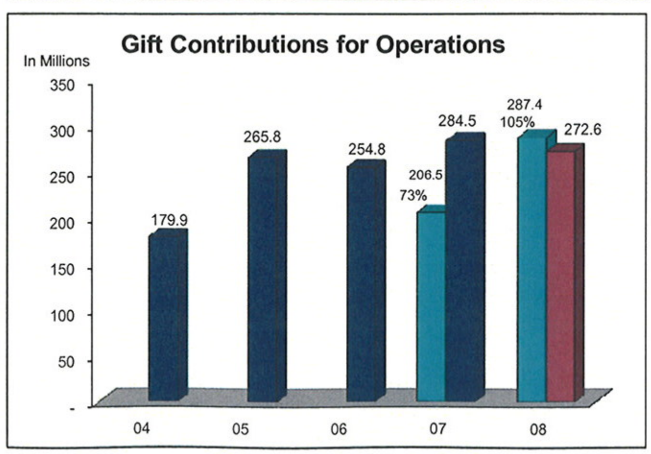




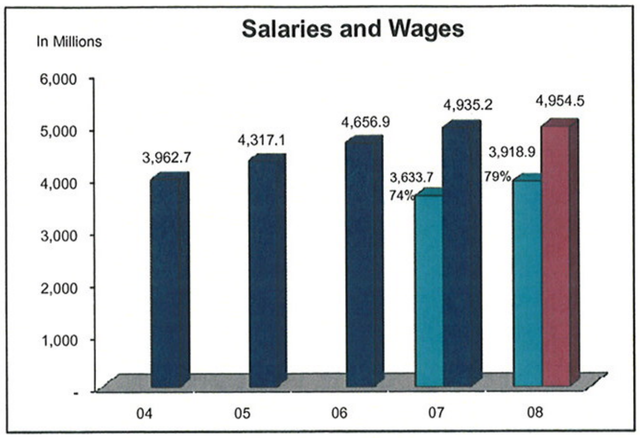


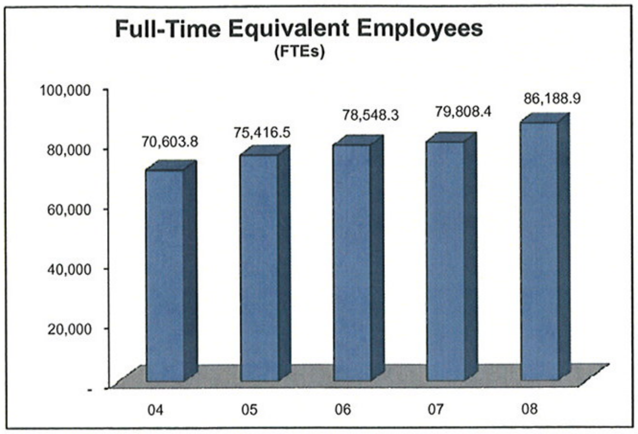


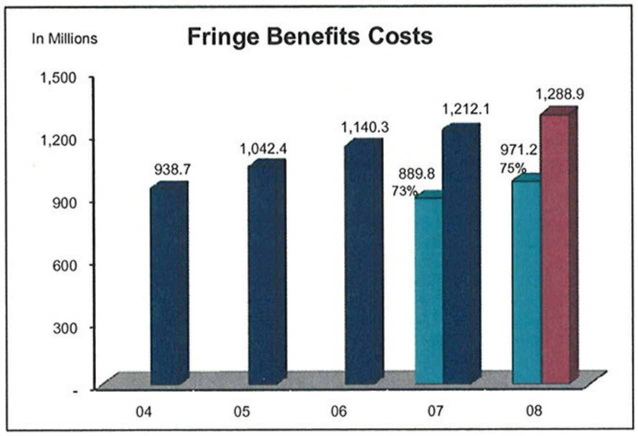


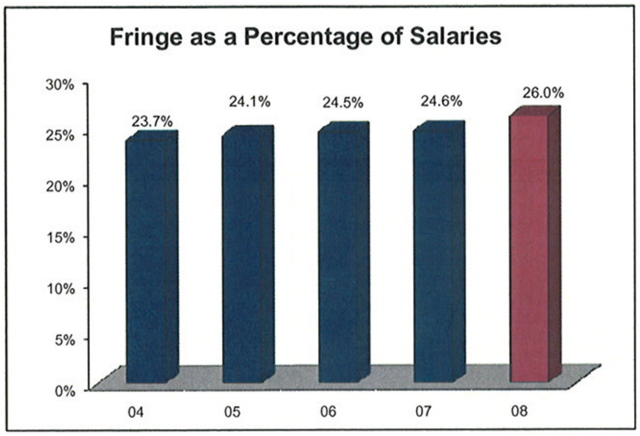


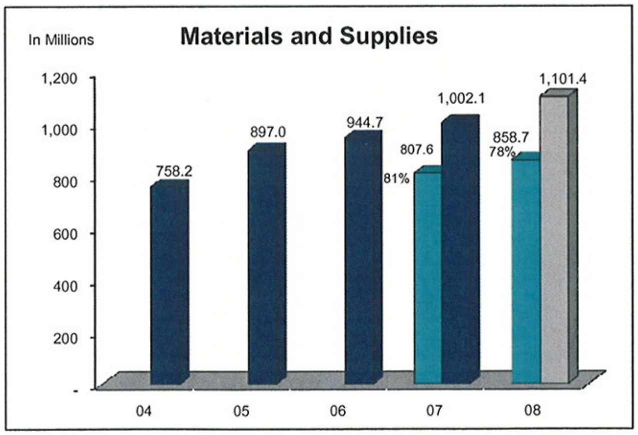
KEY INDICATORS OF EXPENSES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM MAY MONTHLY FINANCIAL REPORT

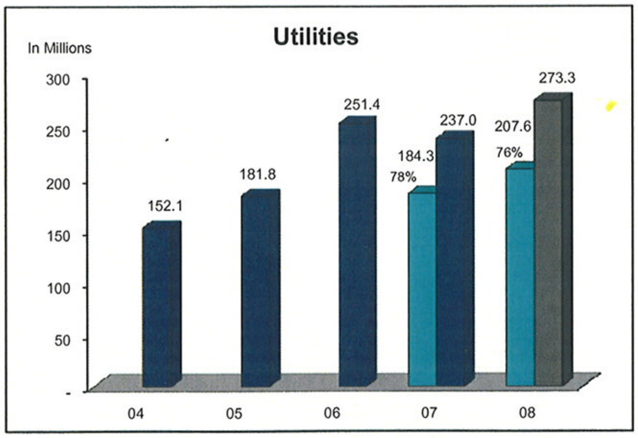


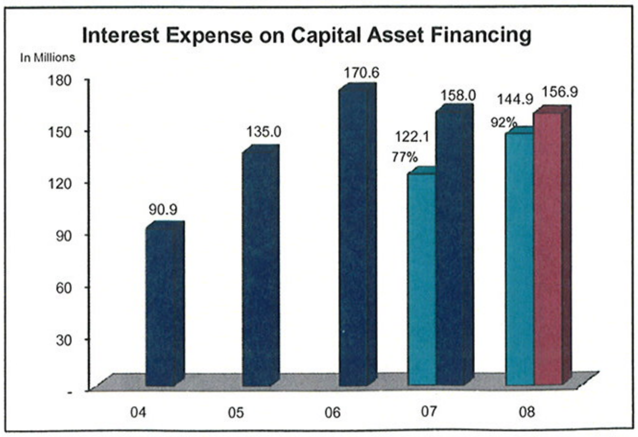


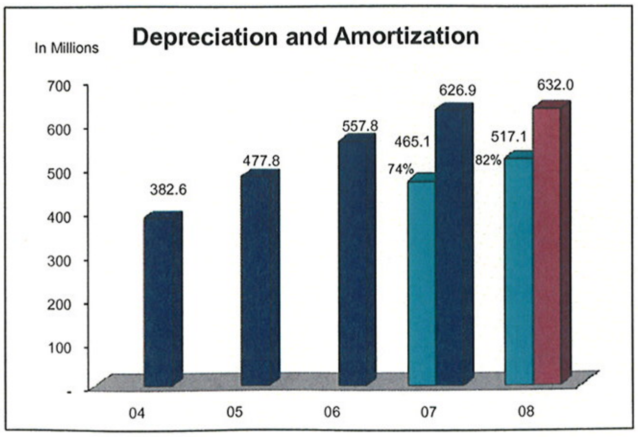




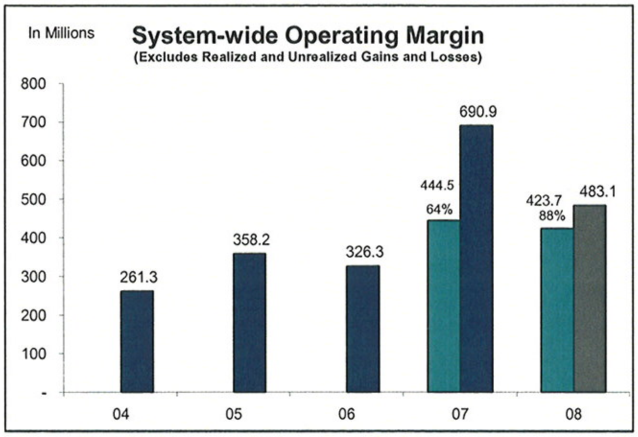


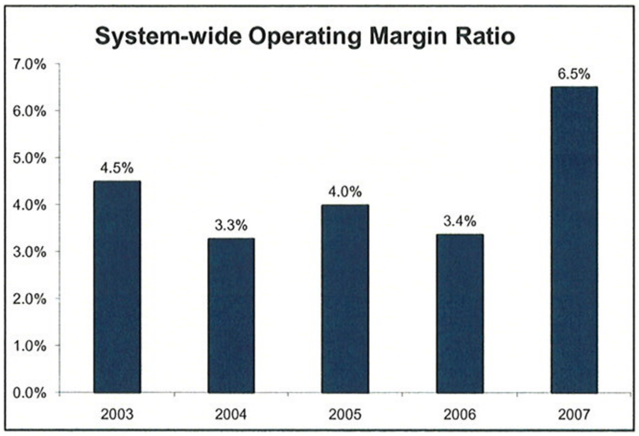


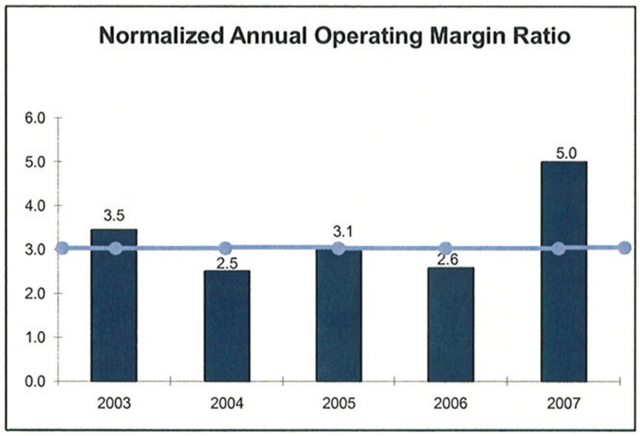


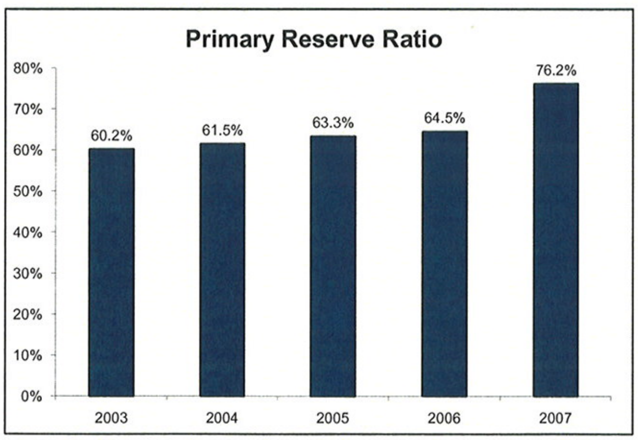


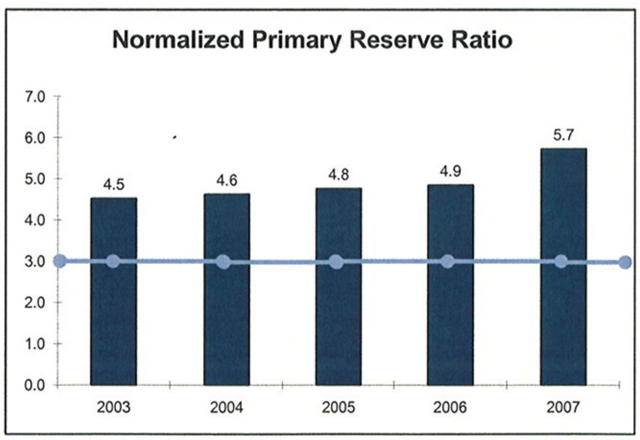
KEY INDICATORS OF RESERVES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM MAY MONTHLY FINANCIAL REPORT

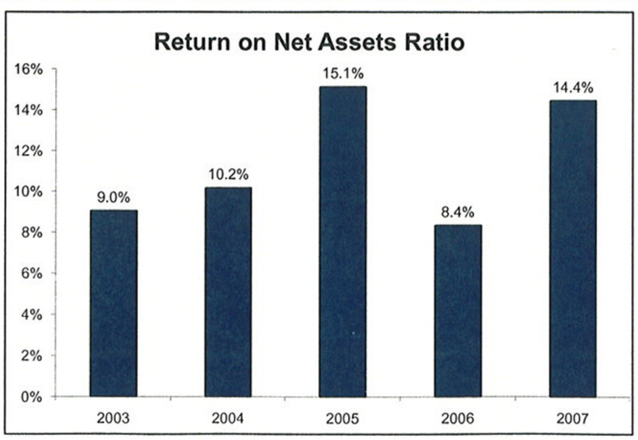


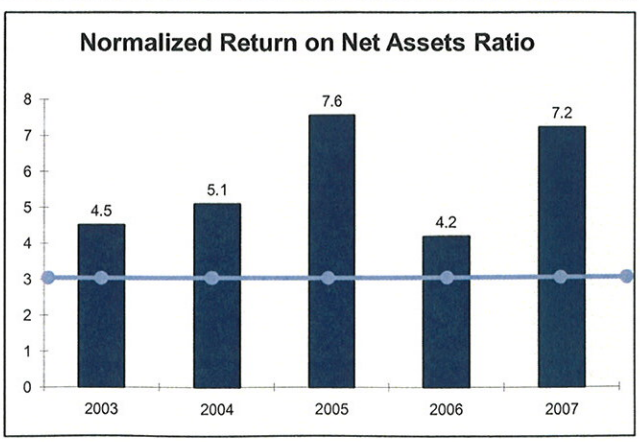




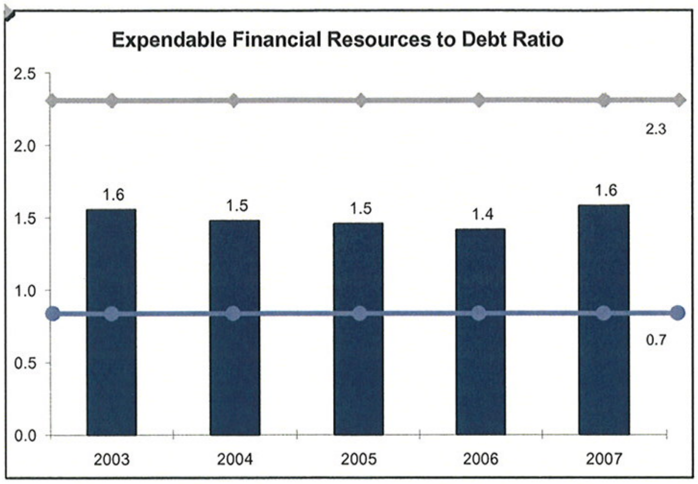


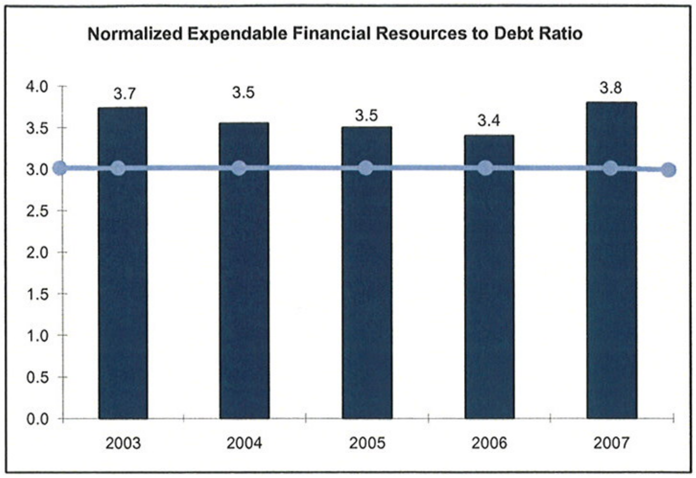


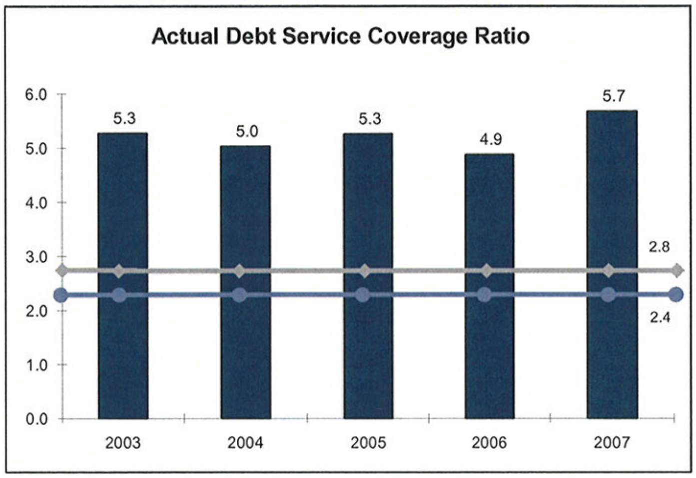


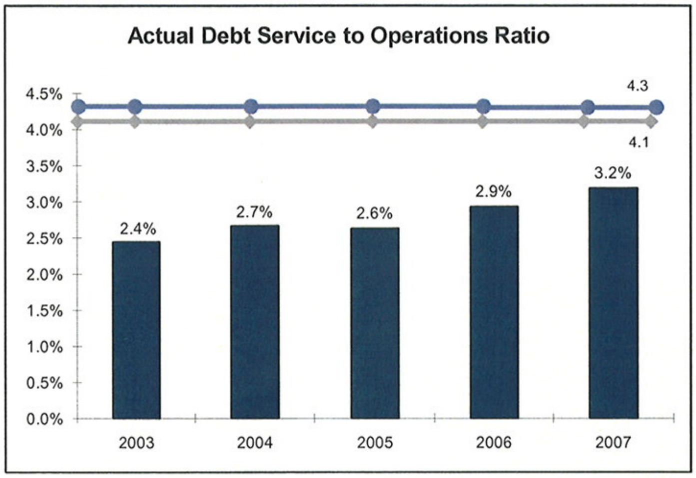


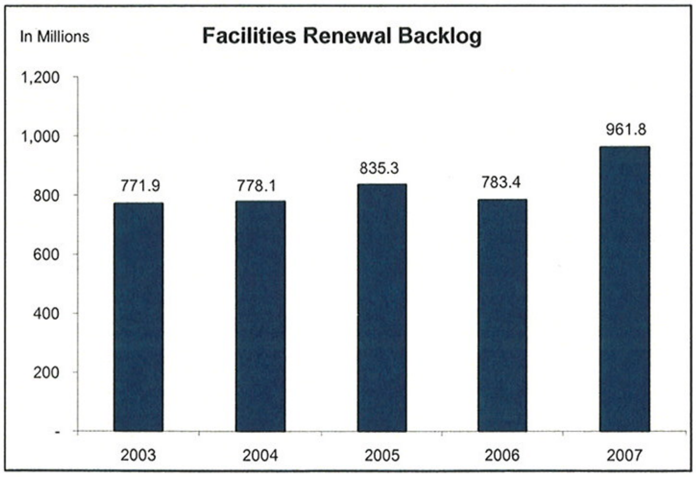
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2003 THROUGH 2007

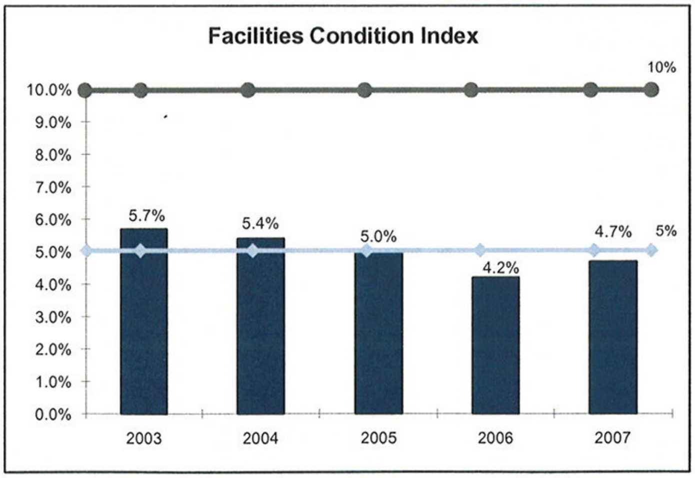




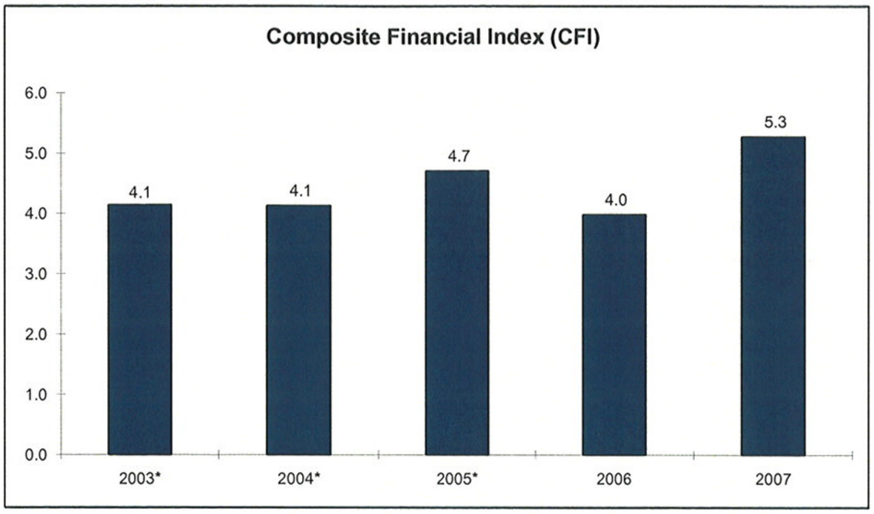






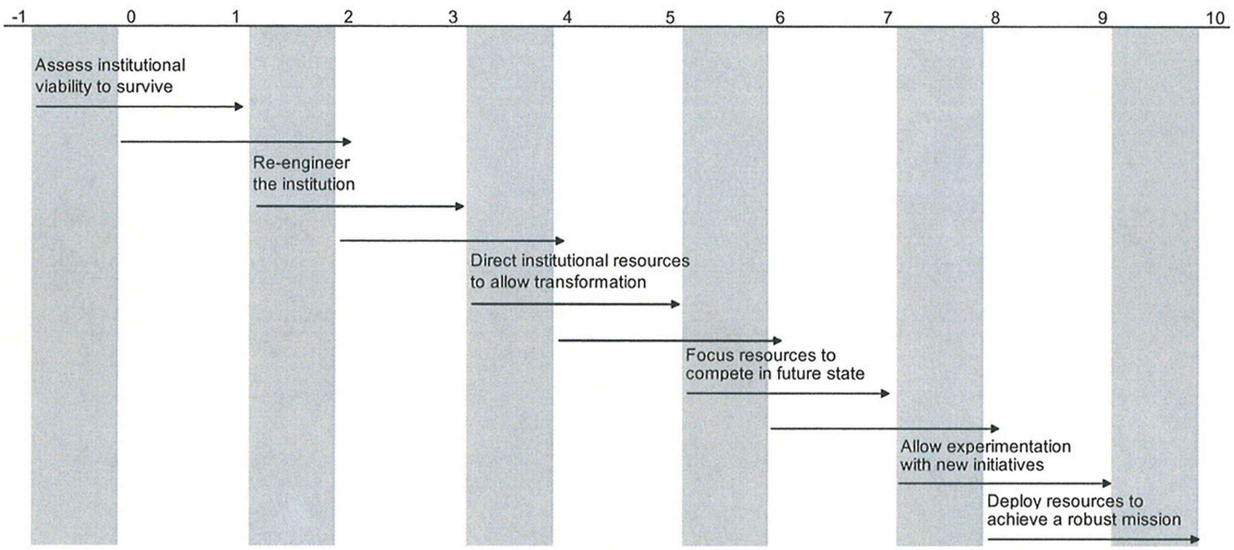


KEY INDICATORS OF FINANCIAL HEALTH
2003 THROUGH 2007

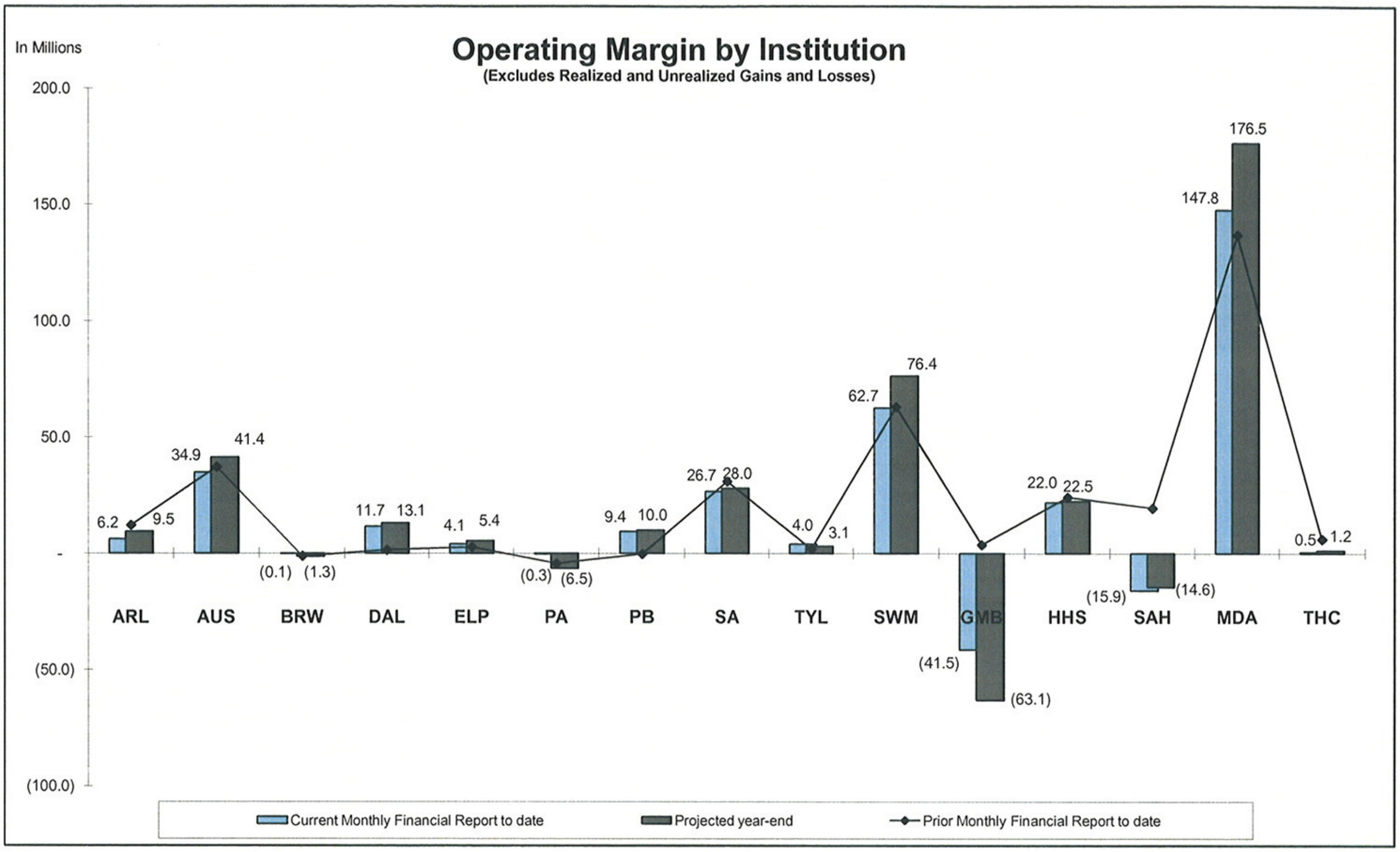


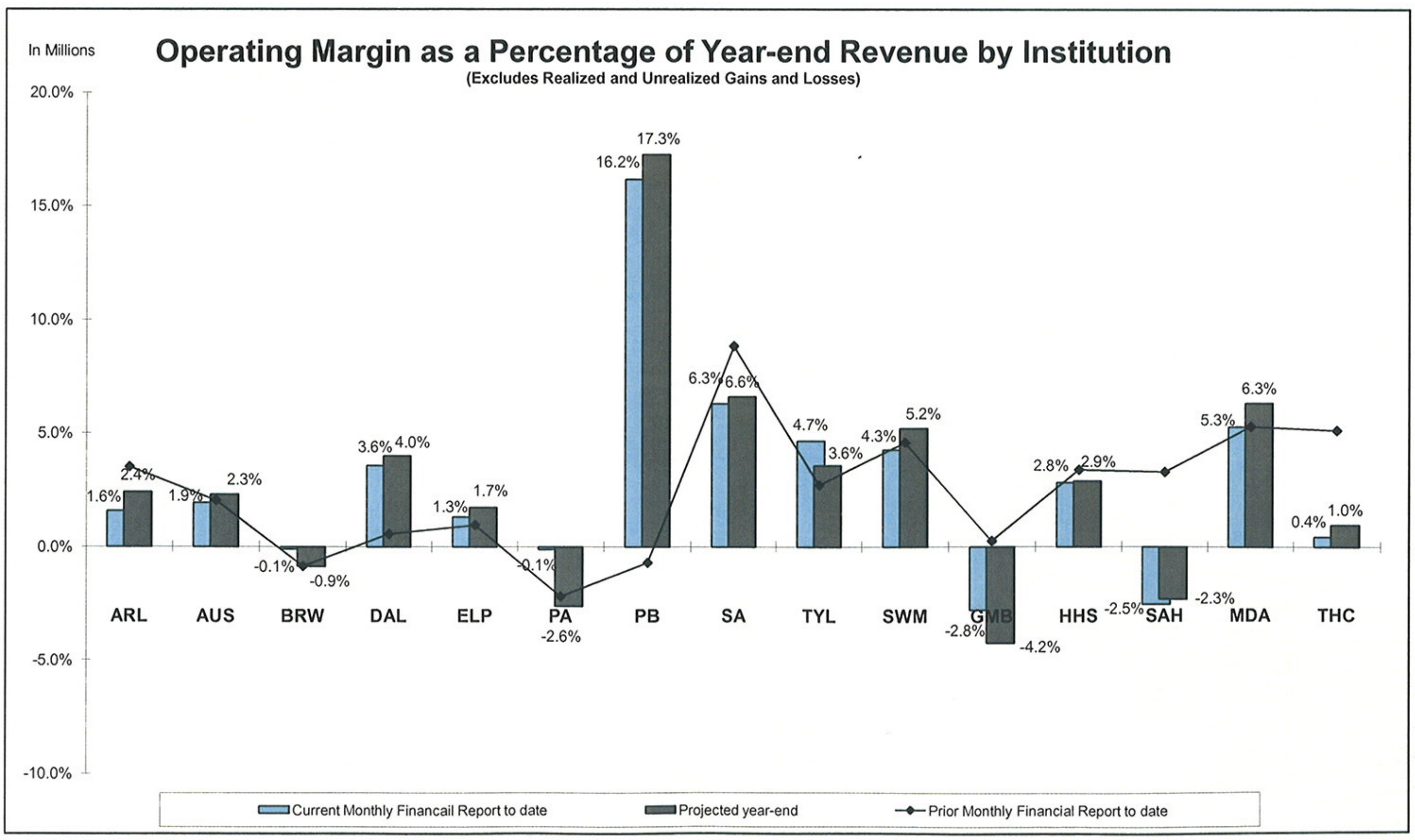
*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

Scale for Charting CFI Performance



KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2007 AND 2008 FROM JUNE MONTHLY FINANCIAL REPORT
PROJECTED 2008 YEAR-END MARGIN





4. U. T. System: Approval to exceed the full-time equivalent limitation on employees paid from appropriated funds

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the presidents of the affected U. T. System institutions that the U. T. System Board of Regents approve allowing those institutions, as set forth in the table on Page 105, to exceed the number of full-time equivalent (FTE) employees paid from appropriated funds for Fiscal Year 2009 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.10 of the General Appropriations Act, it is recommended that the U. T. System Board of Regents submit a request to the Governor's Office and the Legislative Budget Board to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

Supplemental Materials: Detailed justification information on Pages 92 – 95 of Volume 2.

BACKGROUND INFORMATION

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. To exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

U. T. Austin, U. T. Dallas, U. T. Pan American, U. T. Health Science Center – Houston, U. T. Health Science Center – San Antonio, and U. T. Health Science Center – Tyler will be under the FTE cap and are not requesting to exceed the FTE limitation.

The University of Texas System
Request to Exceed Full-time Equivalent Limitation on Employees Paid From Appropriated Funds
For Period September 1, 2008 through August 31, 2009

Request to Exceed Cap - by Function

	Faculty	Staff	Total
Instruction	677.28	301.00	978.28
Academic Support	-	7.23	7.23
Research	89.89	235.12	325.01
Public Service	1.53	11.13	12.66
Hospitals and Clinics	91.40	1,423.00	1,514.40
Institutional Support	-	246.92	246.92
Student Services	-	43.59	43.59
Operations and Maintenance of Plant	-	520.52	520.52
Scholarships and Fellowships	-	0.93	0.93
Total	860.10	2,789.44	3,649.54

Request to Exceed Cap - by Institution

		Request to Exceed Cap			
	FY 2009 Cap	Faculty	Staff	Total	
U. T. Arlington	2,247.90	3.00	7.00	10.00	
U. T. Austin	6,619.10	-	-	-	*
U. T. Brownsville	554.00	117.89	126.93	244.82	
U. T. Dallas	1,322.60	-	-	-	*
U. T. El Paso	1,797.90	15.00	-	15.00	
U. T. Pan American	1,896.10	-	-	-	*
U. T. Permian Basin	306.40	2.43	-	2.43	
U. T. San Antonio	2,041.00	121.00	138.00	259.00	
U. T. Tyler	481.80	23.80	17.00	40.80	
Total Academic Institutions	17,266.80	283.12	288.93	572.05	
U. T. Southwestern Medical Center	1,240.10	458.58	492.61	951.19	
U. T. Medical Branch - Galveston	5,534.70	56.00	276.70	332.70	
U. T. Health Science Center - Houston	1,869.60	-	-	-	*
U. T. Health Science Center - San Antonio	2,516.70	-	-	-	*
U. T. M. D. Anderson Cancer Center	11,947.20	62.40	1,721.20	1,783.60	
U. T. Health Science Center - Tyler	740.70	-	-	-	*
Total Health Institutions	23,849.00	576.98	2,490.51	3,067.49	
U. T. System Administration	249.00	-	10.00	10.00	
U. T. System Total	41,364.80	860.10	2,789.44	3,649.54	

* U. T. Austin, U. T. Dallas, U. T. Pan American, U. T. Health Science Center - Houston,
U. T. Health Science Center - San Antonio, and U. T. Health Science Center - Tyler will not exceed their cap.

5. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2009

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor for Administration that the U. T. System Board of Regents approve the Optional Retirement Program (ORP) employer contribution rates for Fiscal Year 2009 as follows:

a. 8.5% for all institutions and U. T. System Administration with respect to employees who participated in the ORP prior to September 1, 1995; and

b. for all other employees, an employer contribution rate as recommended by each institution and set forth on Page 109.

Further approval is requested to delegate to the Chancellor authority to approve the ORP employer contribution rates for future years in accordance with rules issued by the Texas Higher Education Coordinating Board.

BACKGROUND INFORMATION

ORP is a retirement program where eligibility is strictly determined by the job performed and not based on years of service or salary level. To be eligible to participate in ORP, an employee must: (1) initially be appointed on a full-time basis for four and one-half months or more; and (2) be appointed to a position otherwise eligible to participate in ORP. Employees who are eligible to participate in a retirement program who are not eligible to participate in ORP must participate in the Teacher Retirement System of Texas. Positions that are generally ORP-eligible are:

1) Faculty members whose duties include teaching and/or research as a principal activity
2) Faculty administrators responsible for teaching and research faculty
3) Professional librarians
4) Chief and senior administrative officials
5) Specialized professional positions (such as physicians, engineers, and attorneys)
6) Athletic coaches and directors
7) Counselors treated in the same manner as faculty

Prior to September 1, 1995, the ORP employer contribution rate was 8.5% for all ORP participants. An enactment by the 74th Texas Legislature reduced ORP employer contributions to participants from 8.5% to 6.0%, effective September 1, 1995. However, U. T. System was permitted to "grandfather" those employees participating in the ORP during the 1994-95 biennium. This resulted in a two-tiered ORP employer contribution rate for U. T. System employees: those who participated in ORP during the 1994-95 biennium continued to receive 8.5%, while those who did not participate during the 1994-95 biennium received 6.0%.

The 78th Texas Legislature enacted *Texas Government Code* Section 830.2015, which expanded the definition of a grandfathered employee from one who had participated during the 1994-95 biennium to one who had participated in ORP prior to September 1, 1995. The legislation also granted permissive authority for institutions of higher education to set the ORP employer contribution rate for grandfathered and nongrandfathered participants at any percentage level between the amount appropriated by the State and 8.5%. In the General Appropriations Act, the 80th Legislature increased the appropriated rate from 6.0% to 6.58% for the 2008-09 biennium. It is not required that the rate be the same for grandfathered employees nor that the rate be the same for all U. T. System institutions.

Given the diversity of the U. T. System institutions and the differential budget impact for each institution, each institutional president was asked to propose its ORP employer contribution rates for grandfathered and nongrandfathered participants as noted in the chart on Page 109. It should be noted that all institutions are making progress toward 8.5% for nongrandfathered employees.

a. For Fiscal Year 2009, with respect to grandfathered employees hired prior to September 1, 1995, all U. T. System institutions elected to continue the current 8.5% employer contribution rate.

b. For nongrandfathered participants hired after September 1, 1995, nine institutions (U. T. Arlington, U. T. Austin, U. T. Brownsville, U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. Southwestern Medical Center – Dallas, U. T. Health Science Center – Houston, and U. T. Health Science Center – San Antonio) have proposed to increase the ORP employer contribution rate from the rate established by the Board for Fiscal Year 2008.

c. Six institutions (U. T. Permian Basin, U. T. San Antonio, U. T. Tyler, U. T. Medical Branch – Galveston, U. T. M. D. Anderson Cancer Center, and U. T. Health Science Center – Tyler) and U. T. System Administration will continue the contribution rate of 8.5% as approved by the Board for Fiscal Year 2008.

The governing board of an institution of higher education has the authority to set the ORP employer contribution rates in accordance with rules issued by the Coordinating Board. Under those rules, the governing board is to determine the employer contribution rates once per year, to be effective for the entire year. All institutions plan to implement the employer contribution rates effective September 1, 2008, with the exception of U. T. Austin. Because of the number of employees this will impact and the required analysis of each individual's tax deferrals to ensure compliance with the *Internal Revenue Code*, U. T. Austin proposes implementation of the new employer contribution rate change beginning with paychecks issued on or after January 1, 2009.

Approval of this agenda item will authorize all U. T. System institutions with the exception of U. T. Austin to implement the ORP employer contribution rates on September 1, 2008, and authorize U. T. Austin to implement beginning with paychecks issued on or after January 1, 2009. Due to the large number of participants at U. T. Austin who may be subject to contribution limits, it is easier to calculate ORP contributions based on a tax year rather than a fiscal year.

The University of Texas System
FY 2009 Optional Retirement Program Contribution Rates

Grandfathered Employees	2008 Approved Rate	2009 Proposed Rate	2009 Participants	2009 Total Cost	Cost Above 6.58%
U. T. Arlington	8.50%	8.50%	550	3,465,612	785,143
U. T. Austin*	8.50%	8.50%	1,309	15,212,429	3,436,219
U. T. Brownsville	8.50%	8.50%	129	852,557	192,578
U. T. Dallas	8.50%	8.50%	185	1,836,200	414,985
U. T. El Paso	8.50%	8.50%	244	1,652,609	373,295
U. T. Pan American	8.50%	8.50%	166	1,107,149	250,085
U. T. Permian Basin	8.50%	8.50%	27	164,670	37,196
U. T. San Antonio	8.50%	8.50%	315	2,868,733	647,996
U. T. Tyler	8.50%	8.50%	57	361,167	81,581
U. T. Southwestern Medical Center - Dallas	8.50%	8.50%	483	7,590,305	1,714,516
U. T. Medical Branch - Galveston	8.50%	8.50%	607	8,189,698	1,849,908
U. T. Health Science Center - Houston	8.50%	8.50%	456	5,879,904	1,328,164
U. T. Health Science Center - San Antonio	8.50%	8.50%	448	5,108,176	1,153,847
U. T. M. D. Anderson Cancer Center	8.50%	8.50%	403	8,069,125	1,822,673
U. T. Health Science Center - Tyler	8.50%	8.50%	39	382,913	86,493
U. T. System Administration	8.50%	8.50%	33	370,875	83,769
TOTAL			5,451	$ 63,112,122	$ 14,258,448

Nongrandfathered Employees	2008 Approved Rate	2009 Proposed Rate	2009 Participants	2009 Total Cost	Cost Above 6.58%
U. T. Arlington	7.00%	7.50%	317	1,808,390	221,829
U. T. Austin*	7.50%	8.00%	1,445	12,547,770	2,227,230
U. T. Brownsville	6.58%	8.50%	179	943,246	213,063
U. T. Dallas	7.50%	8.00%	307	2,972,145	527,500
U. T. El Paso	6.58%	7.50%	415	2,032,970	249,377
U. T. Pan American	7.50%	8.00%	326	1,653,673	293,527
U. T. Permian Basin	8.50%	8.50%	74	417,852	94,385
U. T. San Antonio	8.50%	8.50%	487	3,555,317	803,082
U. T. Tyler	8.50%	8.50%	177	1,042,213	235,418
U. T. Southwestern Medical Center - Dallas	7.50%	8.00%	1,427	13,307,502	2,362,082
U. T. Medical Branch - Galveston	8.50%	8.50%	1,329	10,810,084	2,441,807
U. T. Health Science Center - Houston	6.58%	7.50%	741	7,493,968	919,260
U. T. Health Science Center - San Antonio	6.58%	7.50%	687	4,911,464	602,473
U. T. M. D. Anderson Cancer Center	8.50%	8.50%	1,119	17,625,579	3,981,307
U. T. Health Science Center - Tyler	8.50%	8.50%	39	1,081,725	244,342
U. T. System Administration	8.50%	8.50%	38	476,724	107,684
TOTAL			9,107	$ 82,680,622	$ 15,524,366

*U. T. Austin will implement on or after 1/1/2009.

6. U. T. System Board of Regents: Approval of a new University of Texas Investment Management Company (UTIMCO) Compensation Program

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents (U. T. Board) approve a new UTIMCO Compensation Program (Plan) effective July 1, 2008, as set forth in congressional style on Pages 112 – 149. The Plan was approved by the UTIMCO Board of Directors (UTIMCO Board) on July 23, 2008, and supersedes the UTIMCO Compensation Program that was approved by the Board on November 9, 2007 (Prior Plan). The Plan is to be effective for the full Plan Year beginning July 1, 2008.

BACKGROUND INFORMATION

The Prior Plan consists of two elements: base salary and an annual incentive plan. Except as noted in the discussion below, the proposed Plan maintains the structure of the Prior Plan with minor editorial changes but is intended to supersede the Prior Plan. The UTIMCO Board engaged Mercer as its compensation consultant to review the design of the Plan and provide advice and counsel to the UTIMCO Board and the UTIMCO Compensation Committee.

Entity Performance

Entity performance is the performance of the Total Endowments Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%). UTIMCO is recommending that the performance of the Total Endowment Assets (combination of the Permanent University Fund and the General Endowment Fund) be measured solely on the Total Endowment Assets relative performance to its benchmark (Total Endowment Assets' Policy Portfolio Return) and eliminate the requirement that it also be measured against the Peer Group. Currently, the Total Endowment Assets is measured against a weight of 75% of its benchmark and a weight of 25% of its Peer Group. This change has been incorporated into Section 5.8 on Page 123 and in Table 2 in Appendix D.

Other

- Provisions have been incorporated setting forth the responsibilities of the UTIMCO Audit and Ethics Committee and UTIMCO Chief Executive Officer relative to the joint recommendations that must be made to the UTIMCO Compensation Committee regarding the General Counsel and Chief Compliance Officer's base salary, performance goals and achievement of performance goals, performance incentives, and designation of the position of General Counsel and Chief Compliance Officer as a Participant in the Plan. These changes have been incorporated in Section 4.2 on Page 116, Section 5.4 on Pages 118 – 120, Section 5.5 on Pages 120 – 121, and Section 5.8(c) on Pages 126 – 127.

- Individual Performance Goals have been renamed as Qualitative Performance Goals to allow for consideration of criteria in addition to individual performance in evaluating the level of achievement of a Participant's performance for a Performance Period. Consideration of UTIMCO's performance relative to its Peer Group has been added as one of the criteria on which qualitative performance goals may be based. This change has been incorporated in Section 5.4(b) on Page 119 and Section 5.8(c) on Pages 126 – 127.

- Section 5.3(b) has been changed to clarify that when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the UTIMCO Board, an employee in an Eligible Position may be designated as a Participant in the Plan during the last six months of a Performance Period.

- Section 5.8(b)(2) related to private investments incorporates two benchmarks: (1) the Venture Economics benchmark for private investments other than Real Estate; and (2) a National Council of Real Estate Investment Fiduciaries (NACRIEF) Custom Index for private investments in Real Estate. The NACRIEF Custom Index benchmark was approved by the UTIMCO Board on July 23, 2008, and is now being submitted for approval by the U. T. Board.

- The definition of Peer Group in Section 8.17 has been changed based on the collective recommendations of Cambridge Associates and Mercer to include all endowment funds with more than 10 full-time employee positions, with allocations to alternative assets in excess of 40%, and with assets greater than $2.5 billion, all to be determined as of the last day of each of the three immediately preceding Performance Periods as set forth in Appendix B on Page 142; provided, however, that the Total Endowment Assets are excluded from the Peer Group. The Peer Group in Appendix B will be updated when the information is available.

- The sample methodology in Appendix A on Page 137 has been updated to reflect the new threshold, target, and maximum performance standards.

- Table 1 in Appendix C on Page 146 has been updated based on Mercer's recommendations regarding weightings and incentive award opportunities.

- Table 2 in Appendix D on Page 149 has been updated to incorporate the new Asset Classes and Investment Types methodology and benchmarks set forth in the Investment Policies adopted by the UTIMCO Board effective March 1, 2008. Table 2 has also been updated to include new threshold, target, and maximum performance standards and to add a specific asset class benchmark for Internal Investment Grade Fixed Income. The new benchmarks and performance standards incorporated in Table 2 were approved by the UTIMCO Board on July 23, 2008, and are now being submitted for approval by the U. T. Board.

UTIMCO
COMPENSATION PROGRAM

~~Restated:~~ Effective July 1, ~~2007~~2008

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1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

The UTIMCO Compensation Program ("Compensation Program" or "Plan") consists of two elements**:** base salary and an annual incentive plan (the "Performance Incentive Plan"):

Base Salary + Performance Incentive = Total Compensation

The base salary portion of the Compensation Program sets forth a structure and guidelines for establishing and adjusting the salaries of key investment and operations staff employees. The Performance Incentive Plan portion of the Compensation Program sets forth the criteria for calculating and receiving annual incentive awards for key investment and operations staff who are eligible Participants in the Performance Incentive Plan. Provisions of the Compensation Program relating solely to the base salary portion of the Compensation Program are described in Section 4. Provisions of the Compensation Program relating solely to the Performance Incentive Plan portion of the Compensation Program are described in Section 5. Sections 1, 2, 3, 6, 7, and 8 of the Compensation Program relate to both the base salary portion and the Performance Incentive Plan portion except where otherwise specified in any such Section.

Effective Date: ~~The original Compensation Program was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004, and again on July 1, 2006, except that (i) provisions of the Performance Incentive Plan relating to the further deferral of Nonvested Deferred Awards after they become vested are eliminated effective September 1, 2004, and (ii) provisions of the Performance Incentive Plan that are deleted, added, or modified to conform to, or exempt the plan from, section 409A of the Internal Revenue Code (Sections 5.6(a), 5.7(b)(4), 5.10(c), and 8.5) are effective January 1, 2005.~~ Except as provided in Section 7.9, ~~This~~ this document, with an "Effective Date" of July 1, 2008, supersedes ~~amends and restates~~ the UTIMCO Compensation Program that was effective July 1, 2007~~with an "Effective Date" of July 1, 2007~~.

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

- To attract and retain key investment and operations staff of outstanding competence and ability.
- To encourage key investment staff to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.
- To motivate key investment staff to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.

- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY

UTIMCO aspires to attract and retain high caliber employees from nationally recognized peer institutions and the investment management community in general. UTIMCO strives to provide a total compensation program that is competitive nationally, with the elements of compensation evaluated relative to comparably sized university endowments, foundations, in-house managed pension funds, and for-profit investment management firms with a similar investment philosophy (e.g., externally managed funds).

UTIMCO's total Compensation Program is positioned against the competitive market as follows:

- Base salaries are targeted at the market median (e.g., 50th percentile).
- Target total compensation (salary plus target Incentive Award Opportunity) is positioned at the market median.
- Maximum total compensation (salary plus maximum Incentive Award Opportunity) is targeted at the market 75th percentile if performance is outstanding. (For this purpose, 0 is the lowest point and 100 is the highest.)

Although base salaries, as well as target and maximum total compensation, have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills, and performance as well as UTIMCO's investment performance as described in this document. Except as provided in Sections 5.8 and 5.9 for purposes of determining the length of historical performance, base salaries and Incentive Award Opportunities (as well as the actual Performance Incentive Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

(a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility~~. In most cases, the salary range will be from 20% below the midpoint to 20% above the midpoint.~~

(b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. *Salary Adjustments*

(a) The base salary of the CEO is determined by the Board. The base salary of the Chief Compliance Officer ("CCO") will be determined by the Compensation Committee based on the joint recommendation of the Audit and Ethics Committee and the CEO~~,~~ and the base salaries of the other key investment and operations employees are determined by the Compensation Committee**.** Base salaries will be set within the salary range for each employment position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills, and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position~~ (e.g., recent promotion)~~.

(b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Compensation Committee or, in the case of the CEO, at the discretion of the Board. Base salary adjustments, if any, will be determined based on each individual employee's experience, education, knowledge, skills, and performance; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE INCENTIVE PLAN

5.1. *Purpose of the Performance Incentive Plan*

The purpose of the Performance Incentive Plan is to provide annual Performance Incentive Awards to eligible Participants based on specific objective criteria relative to UTIMCO's and each Participant's performance. The primary objectives of the Performance Incentive Plan are outlined in Section 2.

5.2. *Performance Period*

(a) For purposes of the Performance Incentive Plan, the "Performance Period" begins on July 1 of each year and ends the following June 30.

(b) Except as otherwise provided under Sections 5.8 and 5.9, performance for each year in the historical performance period will be measured between July

1 and the following June 30 of the applicable year for gauging achievement of the Entity and ~~Asset Class~~Asset Class/Investment Type Performance Goals.

5.3. Eligibility and Participation

(a) Each employee of UTIMCO will be a "Participant" in the Performance Incentive Plan for a Performance Period if (and only if) he or she is both (i) employed by UTIMCO in an employment position that is designated as an "Eligible Position" for that Performance Period and (ii) selected by the Board as eligible to participate in the Performance Incentive Plan for that Performance Period. "Eligible Positions" for a Performance Period include senior management, investment staff, and other key positions as designated by the CEO and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period, and each Eligible Position must be confirmed or re-confirmed by the Board as being an "Eligible Position" for the applicable Performance Period. Similarly, an employee who is eligible to participate in the Performance Incentive Plan in one Performance Period is not automatically eligible to participate in any subsequent Performance Period (notwithstanding that such employee may be employed in an Eligible Position in that subsequent Performance Period), and each employee must be designated or re-designated by the Board as being eligible to participate in the Performance Incentive Plan for the applicable Performance Period. The Board will confirm the Eligible Positions and designate the eligible employees who will become Participants for a Performance Period within the first 90 days of the Performance Period or, if later, as soon as administratively feasible after the start of the Performance Period. The Board in its discretion may also designate the employment position of a newly hired or promoted employee as an "Eligible Position" and may designate such newly hired or promoted employee as eligible to participate in the Performance Incentive Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion**.** A list of Eligible Positions for each Performance Period is set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Eligible Positions for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

(b) An employee in an Eligible Position who has been selected by the Board to participate in the Performance Incentive Plan will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the date he or she is selected by the Board to participate in the Performance Incentive Plan; provided, however, that the Board in its discretion may designate any earlier or later date (but not earlier than such employee's date of hire and not later than such employee's date of termination of employment) upon which such employee will become a Participant, and such employee will instead become a Participant on such earlier or later date. ~~The preceding notwithstanding, except when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period, and, if an employee is selected by the Board to participate in the Performance Incentive Plan or becomes employed in an Eligible Position during the last six months of any Performance Period, participation of such employee in the Performance Incentive Plan will be delayed until the first day of the next Performance Period (assuming such employee is employed by UTIMCO in an Eligible Position on such date).~~ The preceding notwithstanding, except as provided below, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period; provided however, that the Board may select an employee to participate in the Performance Incentive Plan during the last six months of the Performance Period when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board in which event participation of the employee in the Performance Incentive Plan will begin on the participation date selected by the Board for the employee but not earlier than the employee's date of hire (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

(c) An employee will cease to be a Participant in the Performance Incentive Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of termination of such employee's employment with UTIMCO for any reason (including voluntary and involuntary termination, death, and disability); (iii) the date of termination of the Performance Incentive Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position (or fails to designate the employee's employment position as an Eligible Position with respect to a Performance Period); or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.

(d) Except as provided in Sections 5.10(b) and (c), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Incentive Awards under the Performance Incentive Plan for that Performance Period.

5.4. Performance Goals

(a) Within the first 60 days of each Performance Period, except as provided below, the CEO will recommend goals ("Performance Goals") for each

Participant (other than the Performance Goals for the CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted later during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance Period. The CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). If the position of the CCO is determined to be an Eligible Position and the employee in the Eligible Position has been designated by the Compensation Committee as a Participant in the Performance Incentive Plan for the Performance Period, the Performance Goals of the employee holding the position of CCO will be determined jointly by the Audit and Ethics Committee and the CEO. References to the CCO hereafter assume that the position of CCO has been determined to be an Eligible Position and the employee holding the position of CCO has been determined to be a Participant in the Performance Incentive Plan for the Performance Period. If the position of CCO has not been determined to be an Eligible Position for the Performance Period the provisions hereafter specific to the CCO have no force and effect.

(b) There are three categories of Performance Goals:

(1) Entity Performance (measured as described in Section 5.8(a))

(2) ~~Asset Class~~Asset Class/Investment Type Performance (measured as described in Section 5.8(b))

(3) ~~Individual~~ Qualitative Performance (measured as described in Section 5.8(c))

Except for the CEO and CCO, ~~Individual~~ Qualitative Performance Goals will be defined jointly by each Participant and his or her supervisor, subject to approval by the CEO and subject to final approval by the Compensation Committee. Qualitative Performance Goals for the CCO will be defined jointly by the Audit and Ethics Committee and the CEO. ~~Individual~~ Qualitative Performance Goals may be established in one or more of the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources
- UTIMCO investment performance relative to the Peer Group

(c) The CEO's Performance Goals will be determined and approved by the Board.

(d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. The Audit and Ethics Committee and the CEO will jointly recommend to the Compensation Committee the weightings of the Performance Goals for the CCO. For each Performance Period, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for a Performance Goal for an Eligible Position, the Compensation Committee, may adjust the weightings (up or down) for any Participant for a Performance Period ~~where~~ when it considers the ~~assigned~~ identified weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in the respective Eligible Position, ~~or~~ his or her prior work experience, or other factors as deemed appropriate by the Compensation Committee; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. The weightings for the Performance Goals for each Performance Period are subject to approval by the Board.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

(a) At the beginning of each Performance Period, each Eligible Position is assigned an "Incentive Award Opportunity" for each Performance Goal for the Participants in that Eligible Position. The Audit and Ethics Committee and CEO will jointly recommend the Incentive Award Opportunity for the CCO to the Compensation Committee. Each Incentive Award Opportunity is determined by the Compensation Committee (and subject to approval by the Board) and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.

(b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

(c) Actual "Performance Incentive Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.

(d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals. The Compensation Committee will seek, and may rely on, the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class/Investment Type Performance. The CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Audit and Ethics Committee and the CEO will jointly determine the CCO's level of achievement relative to the CCO's Performance Goals. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

(e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance, Asset Class/Investment Type Performance, and ~~Individual~~ Qualitative Performance Goals and each Participant's Incentive Award Opportunity. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.

(f) Within 150 days following the end of a Performance Period, the Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Incentive Awards.

(g) Following the approval of a Performance Incentive Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Incentive Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Approved Performance Incentive Awards will be paid as follows:

(a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the Performance ~~p~~Period ends, and

(b) Thirty percent of the Performance Incentive Award will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section.

5.7. Nonvested Deferred Awards

(a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant who is not employed by UTIMCO on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account but will instead be forfeited. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b)**.**

(b) Assuming and contingent upon continued employment with UTIMCO, except as provided in Section 5.10(c), a Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:

(1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one third of the

amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid on a date selected in the discretion of UTIMCO after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

(1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 85%) and the Intermediate Term Fund (weighted at 15%).

(2) The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark).~~ (weighted at 75%) and to the Peer Group (weighted at 25%). The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets. The Board's investment advisor will calculate a percentile rank for the performance of the Total Endowment Assets relative to the Peer Group, with the 100th percentile representing the highest rank, the 50th percentile representing the median, and the 0th percentile representing the lowest rank.~~

(3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the ITF Policy Portfolio Return (ITF benchmark). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1,

2006, are reflected in ~~Table 4~~Table 2 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, ~~2007~~2008, will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the ITF.

(4) Except as provided in Section 5.9, performance of the Total Endowment Assets (based on the TEA benchmark~~ and Peer Group performance~~) and the Intermediate Fund (based on the ITF benchmark) will be measured based on a three-year rolling historical performance of each such fund.

(b) Asset Class/Investment Type Performance

(1) Asset Class/Investment Type Performance is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as ~~US public equity~~developed country, private ~~capital~~investments, etc.) based on the standards set forth in this Section 5.8(b). Except as provided in paragraph (2) below and Section 5.9, Asset Class/Investment Type Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class and investment type will vary depending on the ability to outperform the respective benchmark. ~~Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through December 31, 2005. Table 4 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning January 1, 2006, through June 30, 2006.~~ The benchmarks for each asset class and investment type, as well as threshold, target, and maximum performance standards for the Performance Period beginning July 1, 2006, is set forth on Appendix D. The benchmarks for each asset class and investment type as well as threshold, target, and maximum performance standards for Performance Periods beginning after June 30, ~~2006~~2009, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.

~~TABLE 2 (7/1/04 through 8/31/05)~~

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards Threshold	Target	Maximum
Entity: Peer goup	Peer group (Endowments w/ >$ 1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000	20.0%	+0 bps	+31 bps	+62 bps
International Equity	MSCI All Country World Index, Ex US	17.0%	+0 bps	+52.5 bps	+105 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10.0%	+0 bps	+12.5 bps	+25 bps
Private Capital	Roll up of Private Equity & Venture Capital	15.0%			
Private Equity	Venture Economics Private Equity Database	--	+0 bps	+100 bps	+200 bps
Venture Capital	Venture Economics Venture Capital Database	--	+0 bps	+112.5 bps	+225 bps
Absolute Return Hedge Funds	91-Day T-Bill	15.0%	+300 bps	+350 bps	+400 bps
Equity Hedge Funds	91-Day T-Bill	10.0%	+400 bps	+465 bps	+530 bps
Inflation Hedge	Roll up of Commodities, TIPS & REITS	13.0%			
Commodities	Goldman Sachs Commodity Index	3.0%	-100 bps	-15 bps	+0 bps
TIPS	Lehman Brothers US TIPS Index	5.0%	+0 bps	+2.5 bps	+5 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5.0%	+0 bps	+37.5 bps	+75 bps
Cash	91-Day T-Bill	0.0%	+0 bps	+0 bps	+0 bps
~~Short Intermediate Term Fund~~	~~SITF Policy Statement~~	~~--~~	~~+0 bps~~	~~+5 bps~~	~~+10 bps~~

~~TABLE 3 (9/1/05 through 12/31/05)~~

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards Threshold	Target	Maximum
Entity: Peer Group	Peer group (Endowments w/>$1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000 Index	20%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

~~TABLE 4 (1/1/06 through 6/30/06)~~

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards Threshold	Target	Maximum
Entity: Peer Group	Peer group (Endowments w/>$1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000 Index	20%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

(2) Performance for ~~the~~ private ~~capital~~ investments~~asset class (Private Equity and Venture Capital)~~ is calculated differently from other asset classes and investment types due to its longer investment horizon and illiquidity of assets. Except for private investments in Real Estate, p~~P~~erformance of ~~the~~ private ~~capital asset class~~investments is determined based on the performance of partnership commitments made ~~by the current private capital team~~ since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks. Performance of private investments in Real Estate will be determined based on the performance of partnership commitments made relative to a NACRIEF Custom Index benchmark.

(c) ~~Individual~~ Qualitative Performance

(1) The level of a Participant's ~~Individual~~ Qualitative Performance will be measured by the CEO (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold, target, or maximum) of the Participant's ~~Individual~~ Qualitative Performance Goals for the Performance Period.

(2) For purposes of determining the level of attainment of each Participant's ~~Individual~~ Qualitative Performance Goals for the Performance Period, the Participant will have attained below threshold level if he or she fails to successfully complete at least 50% of his or her ~~Individual~~ Qualitative Performance Goals for that Performance Period, threshold level if he or she successfully

completes 50% of his or her ~~Individual~~ Qualitative Performance Goals for that Performance Period, target level if he or she successfully completes 75% of his or her ~~Individual~~ Qualitative Performance Goals for that Performance Period, and maximum level if he or she successfully completes 100% of his or her ~~Individual~~ Qualitative Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).

(3) In determining the percentage of successful completion of a Participant's ~~Individual~~ Qualitative Performance Goals, the CEO, and in the case of the CCO, the Audit and Ethics Committee (in ~~his or her~~the initial determination) and the Compensation Committee (in its review of the attained levels for approval) need not make such determination based solely on the number of ~~Individual~~ Qualitative Performance Goals successfully completed but may take into account the varying degrees of importance of the ~~Individual~~ Qualitative Performance Goals, changes in the Participant's employment duties occurring after the ~~Individual~~ Qualitative Performance Goals are determined for the Performance Period, and any other facts and circumstances determined by the CEO, and in the case of the CCO, the Audit and Ethics Committee, or Compensation Committee (as applicable) to be appropriate for consideration in evaluation of the level of achievement of the Participant's ~~Individual~~ Qualitative Performance Goals for the Performance Period.

5.9. *Modifications of Measurement Period for Measuring Entity and Asset Class/Investment Type Performance Goals*

(a) Although generally Entity Performance and most Asset Class/Investment Type Performance are measured based on three-year rolling historical performance, newly hired Participants will be phased into the Performance Incentive Plan so that Entity Performance and Asset Class/Investment Type Performance are measured over a period of time consistent with each Participant's tenure at UTIMCO. This provision ensures that a Participant is measured and rewarded over a period of time consistent with the period during which he or she influenced the performance of the entity or a particular asset class and investment type. In the Performance Period in which a Participant begins participation in the Performance Incentive Plan, the Entity Performance and Asset Class/Investment Type Performance components of the Incentive Award Opportunity will be based on one full year of historical performance (i.e., the performance for the Performance Period during which the Participant commenced Performance Incentive Plan participation). During a Participant's second year of Performance Incentive Plan participation, the Entity Performance and Asset Class/Investment Type Performance components of the Incentive Award Opportunity will be based on two full years of historical performance. In the third year of a Participant's Performance Incentive Plan participation and beyond, the

Entity and Asset Class/Investment Type Performance components of the Incentive Award Opportunity will be based on the three full years of rolling historical performance.~~ This provision will apply to Participants who are UTIMCO employees hired after July 1, 2001.~~

(b) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF ~~will have~~had one year of historical performance that will be measured for purposes of determining Entity and Asset Class/Investment Type Performance; as of June 30, 2008, the ITF ~~will have~~had two consecutive years of historical performance that will be measured for purposes of determining Entity and Asset Class/Investment Type Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive years of historical performance will be utilized for purposes of measuring the ITF prong of Entity and Asset Class Performance.

(c) For purposes of measuring Entity and ~~Asset Class~~Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized for any specific ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type) until that ~~asset class~~asset class and investment type (or subset of that ~~asset class~~asset class and investment type) has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years (full and partial) of historical performance of that ~~asset class~~asset class and investment type (or subset of that ~~asset class~~asset class and investment type) while part of the Performance Incentive Plan will be used as the measurement period.

(d) For purposes of measuring Entity and ~~Asset Class~~Asset Class/Investment Type Performance of an ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type) that is removed from the Performance Incentive Plan prior to completion of the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type), but instead the actual number of full months that the removed ~~asset class~~asset class and investment type was part of the Performance Incentive Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.

(e) For purposes of measuring ~~Asset Class~~Asset Class/Investment Type Performance for a particular Participant of an ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type) that is removed from or added to the Participant's responsibility during the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed or added ~~asset class~~asset class and investment type (or subset of an ~~asset class~~asset class and investment type), but instead the actual number of full months that the removed or added ~~asset class~~asset class and investment type was part of the Participant's responsibility during the then in-progress three-year historical performance cycle will be used as the measurement period for evaluating the ~~Asset Class~~Asset Class/Investment Type Performance with respect to such Participant.

5.10. Termination Provisions

(a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will only continue to vest in Nonvested Deferred Awards while he or she is employed with UTIMCO and will forfeit any Nonvested Deferred Awards at termination of employment with UTIMCO.

(b) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which termination occurs, in lieu of any other Performance Incentive Award under the Performance Incentive Plan, will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.

(d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

Except as otherwise specifically provided in this Compensation Program with respect to powers, duties, and obligations of the Compensation Committee, the Compensation Program will be administered by the Board.

6.2. Powers of Board

The Board has all powers specifically vested herein and all powers necessary or advisable to administer the Compensation Program as it determines in its discretion, including, without limitation, the authority to:

(1) Establish the conditions for the determination and payment of compensation by establishing the provisions of the Performance Incentive Plan.

(2) Select the employees who are eligible to be Participants in the Performance Incentive Plan**.**

(3) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Compensation Program as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Incentive Awards, are final and binding on all Participants.

(b) Notwithstanding any provision of the Compensation Program to the contrary and subject to the requirement that the approval of Performance Incentive Awards that will result in an increase of 5% or more in the total Performance Incentive Awards calculated using the methodology set out on Appendix A must have the prior approval of the U.T. System Board of Regents, the Board has the discretion and authority to make changes in the terms of the Compensation Program in determining a Participant's eligibility for, or amount of, a Performance Incentive Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of the Board, provided, however, that any such change will not deprive or eliminate an award of a Participant after it has become vested and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. Duration, Amendment, and Termination

The Board has the right in its discretion to amend the Compensation Program or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof. However, if the Performance Incentive Plan is suspended or terminated during a Performance Period, Participants will receive a prorated Performance Incentive Award based on performance achieved and base salary earned through the Performance Measurement Date immediately preceding such suspension or termination. The Compensation Program will be in effect until suspension or termination by the Board; provided, however, that if the Board so determines at the time of any suspension or termination of the Performance Incentive Plan, Nonvested Deferred Awards credited to Participants' Nonvested Deferred Award Account(s) as of the effective date of such suspension or termination will continue to be administered under the terms of the Performance

Incentive Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. Recordkeeping and Reporting

(a) All records for the Compensation Program will be maintained by the Managing Director of Accounting, Finance, and Administration at UTIMCO. Relative performance data and calculations will be reviewed by UTIMCO's external auditor before Performance Incentive Awards are finalized and approved by the Board.

(b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. Continued Employment

Nothing in the adoption of the Compensation Program or the awarding of Performance Incentive Awards will confer on any employee the right to continued employment with UTIMCO or affect in any way the right of UTIMCO to terminate his or her employment at any time.

7.5. Non-transferability of Awards

Except for the rights of the estate or designated beneficiaries of Participants to receive payments, as set forth herein, Performance Incentive Awards under the Performance Incentive Plan, including both the Paid Performance Incentive Award portion and the Nonvested Deferred Award portion, are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind. The preceding notwithstanding, the Compensation Program will pay any portion of a Performance Incentive Award that is or becomes vested in accordance with an order that meets the requirements of a "qualified domestic relations order" as set forth in Section 414(p) of the *Internal Revenue Code* and Section 206(d) of ERISA.

7.6. Unfunded Liability

(a) Neither the establishment of the Compensation Program, the award of any Performance Incentive Awards, nor the creation of Nonvested Deferred Awards Accounts will be deemed to create a trust. The Compensation Program will constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Compensation Program. Any amounts set aside by UTIMCO to assist it in the payment of Performance Incentive Awards or other benefits under the Compensation Program, including without limitation, amounts set aside to pay for Nonvested Deferred Awards, will be the assets of UTIMCO, and no Participant will have any security or other interest in any assets of UTIMCO or the U.T. System Board of Regents by reason of the Compensation Program.

(b) Nothing contained in the Compensation Program will be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the Compensation Program.

7.7. Compliance with State and Federal Law

No portion of the Compensation Program will be effective at any time when such portion violates an applicable state or federal law, regulation, or governmental order or directive.

7.8. Federal, State, and Local Tax and Other Deductions

All Performance Incentive Awards under the Compensation Program will be subject to any deductions (1) for tax and withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such Performance Incentive Award is deferred and not payable at such time) and (2) for any and all amounts owed by the Participant to UTIMCO at the time of payment of the Performance Incentive Award. UTIMCO will not be obligated to advise an employee of the existence of the tax or the amount that UTIMCO will be required to withhold.

7.9. Prior Plan

(a) Except as provided in the following paragraphs of this Section 7.9, this ~~restatement of the~~ Compensation Program ~~amends and~~ supersedes any prior version of the Compensation Program ("Prior Plan").

(b) All nonvested deferred awards under a Prior Plan will retain the vesting schedule in effect under the Prior Plan at the time such awards were allocated to the respective Participant's account. In all other respects, as of the Effective Date, those nonvested deferred amounts will (1) be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a), and (2) be subject to the terms and conditions for Nonvested Deferred Awards under the Performance Incentive Plan as set forth in this restated document.

8. DEFINITION OF TERMS

8.1. ~~**Asset Class**~~**Asset Class/Investment Type** **Performance** is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as ~~US public equity~~developed country, private ~~capital~~investments, etc.) based on the standards set forth in Section 5.8(b).

8.2. **Board** is the UTIMCO Board of Directors.

8.3. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.

8.4. **Compensation Program** is defined in Section 1.

8.5. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

8.6. **Effective Date** is defined in Section 1.

8.7. **Eligible Position** is defined in Section 5.3(a).

8.8. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).

8.9. **Incentive Award Opportunity** is defined in Section 5.5(a).

8.10. **Intermediate Term Fund or ITF** is The University of Texas System ("U.T. System") Intermediate Term Fund established by the U.T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U.T. System institutions and U.T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

8.11. **Intermediate Term Fund Policy Portfolio Return** is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each ~~asset class~~asset class and investment type multiplied by the benchmark return for the ~~asset class~~asset class and investment type) for the various asset classes and investment types in the Intermediate Term Fund policy portfolio for the Performance Period.

8.12. **Net Returns** is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for managing the Total Endowment Assets. The net investment return will be calculated as follows:

$$\frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{Permanent University Fund Net Investment Return}$$

Plus

$$\frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{General Endowment Fund Net Investment Return}$$

8.13. Nonvested Deferred Award is defined in Section 5.6(b).

8.14. Nonvested Deferred Award Account is defined in Section 5.7(a).

8.15. Paid Performance Incentive Award is defined in Section 5.6(a).

8.16. Participant is defined in Section 5.3(a).

8.17. Peer Group is a peer group of endowment funds maintained by the Board's external investment advisor that is comprised of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than $~~1~~ 2.5 billion, all to be determined as of ~~on~~ the last day of each of the three immediately preceding Performance Periods ~~and~~ as set forth on Appendix B; provided, however, that ~~Harvard University's endowment fund, Yale University's endowment fund, and~~ the Total Endowment Assets are excluded from the Peer Group. The Peer Group will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly.

8.18. Performance Goals are defined in Section 5.4.

8.19. Performance Incentive Award is the component of a Participant's total compensation that is based on specific performance goals and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

8.20. Performance Incentive Plan is as defined in Section 1 and described more fully in Section 5.

8.21. Performance Measurement Date is the close of the last business day of the month.

8.22. Performance Period is defined in Section 5.2.

8.23. Prior Plan is defined in Section 7.9.

8.24. Salary Structure is described in Section 4.1.

8.25. Total Endowment Assets or TEA means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

8.26. Total Endowment Assets Policy Portfolio Return is the benchmark return for the Total Endowment Assets policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each ~~asset class~~asset class and investment type multiplied by the benchmark return for the ~~asset class~~asset class and investment type) for the various asset classes and investment types in the Total Endowment Assets policy portfolio for the Performance Period.

Appendix A

Performance Incentive Award Methodology
(for Performance Periods beginning on or after July 1, ~~2007~~2008)

I. Determine "Incentive Award Opportunities" for Each Participant[1]

Step 1. Identify the weights to be allocated to each of the three Performance Goals for each Participant's Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the three Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the CEO that the weight allocated to the Entity Performance Goal is ~~70~~60%, the weight allocated to the ~~Asset Class~~Asset Class/Investment Type Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is ~~30~~40%.

Step 2. Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the CEO are ~~18~~50% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, ~~90~~100% of his or her base salary for achievement of Target level performance of all three Performance Goals, and ~~180~~200% of his or her base salary for achievement of Maximum level performance of all three Performance Goals.

Step 3**.** Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the "Incentive Award Opportunities") for each Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the CEO has a base salary of $~~495,000~~575,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the CEO will be eligible for a total award of $~~89,100~~287,500 (~~18~~50% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $~~445,500~~575,000 (~~90~~100% of his or her base

[1] These Incentive Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Goals at varying levels and are calculated at the beginning of each Performance Period or, if later, the date such Participant commences participation in the Performance Incentive Plan**.**

salary) if he or she achieves Target level performance of all three Performance Goals, and $~~891,000~~1,150,000 (~~180~~200% of his or her base salary) if he or she achieves Maximum level performance of all three Performance Goals.

Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the ~~Individual~~ Qualitative Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Entity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined)**.** This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of all three Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)). ~~The 85% Entity Performance of the Total Endowment Assets is derived from the weighting of the Peer Group portion at 25% and the TEA benchmark portion (TEA Policy Portfolio Return) at 75%.~~

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be ~~15~~ 12 different Incentive Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of $~~495,000~~575,000, the assumed weights for the Performance Goals set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the ~~15~~ 12 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for CEO
(based on assumed base salary of $~~495,000~~575,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
~~Entity (TEA v. Peer Group)~~	~~14.875% (.25 x.85 x .70)~~	~~$13,253~~	~~$66,268~~	~~$132,536~~
Entity (TEA v. TEA Policy Portfolio Return	~~44.625~~51% (~~.75 x~~ .85 x ~~.70~~.60)	$~~39,761~~146,625	$~~198,804~~293,250	$~~397,609~~586,500
Entity (ITF v. ITF Policy Portfolio Return)	~~10.5~~9.0% (.15 x ~~.70~~.60)	$~~9,356~~25,875	$~~46,778~~51,750	$~~93,555~~103,500
~~Asset Class~~Asset Class/Investment Type	0%	$0	$0	$0
~~Individual~~ Qualitative	~~30~~40%	$~~26,730~~115,000	$~~133,650~~230,000	$~~267,300~~460,000
Total	100%	$~~89,100~~287,500 (~~18~~50% of salary)	$~~445,500~~575,000 (~~90~~100% of salary)	$~~891,000~~1,150,000 (~~180~~200% of salary)

II. Calculate Performance Incentive Award for Each Participant

Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions for the level of achievement of the Entity and ~~Asset Class~~Asset Class/Investment Type Performance Goals are set forth in the table for the applicable Performance Period ~~(i.e., Table 2, Table 3, Table 4, or any later table~~ as set forth on Appendix D~~, as applicable)~~. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the ~~Individual~~ Qualitative Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the ~~Individual~~ Qualitative Performance Goal is determined each Performance Period by the Compensation Committee**.** The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in Section 5.9. Determine the level of achievement of each Participant's ~~Individual~~ Qualitative Performance Goal.

Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as assumed and set forth for the CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7 above). An award for achievement percentiles in between the stated

Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if ~~the 65th percentile of the Peer Group portion of Total Endowment Assets portion~~ +100 bps of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that ~~percentile~~ +100 bps is between the Target (~~60th percentile~~+75bps) and the Maximum (~~75th percentile~~+150bps) levels, so to determine the amount of the award attributable to ~~the 65th percentile~~+100 bps of achievement ~~of the Peer Group portion of the TEA portion~~ of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the CEO, as illustrated in the table in Step #5, the difference is $~~66,268~~293,250 ($~~132,536~~586,500-$~~66,268~~293,250)); (ii) divide ~~5~~ 25 (the ~~percentile~~ bps difference between the Target level of ~~60th percentile~~+75 bps and the attained level of ~~65th percentile~~+100 bps) by ~~15~~ 75 (the ~~percentile~~ bps difference between the Target level and Maximum level) to get the fraction ~~5/15~~ 25/75 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) ($~~66,268~~293,250 x ~~5/15~~25/75 = $~~22,089~~97,750); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal ($~~22,089~~97,750 + $~~66,268~~293,250 = $~~88,357~~391,000).

Step 9. In determining the ~~Asset Class~~Asset Class/Investment Type Performance portion of an award for a Performance Period for each Participant who is responsible for more than one ~~asset class~~asset class and investment type during that Performance Period, first, the Participant's attained level of achievement (i.e., Below Threshold, Threshold, Target, or Maximum) is determined for each ~~asset class~~asset class and investment type for which such Participant is responsible by comparing the actual performance to the appropriate benchmark for the ~~asset class~~asset class and investment type; then, the award is calculated for the determined level of achievement for each such ~~asset class~~asset class and investment type by multiplying the award commensurate with the level of achievement by the weight assigned to the ~~Asset Class~~Asset Class/Investment Type Performance Goal for such Participant; then, the various asset classes and investment types for which the Participant is responsible are assigned a pro rata weight (i.e., the assets in such ~~asset class~~asset class and investment type relative to the total assets under such Participant's responsibility); then, each determined award for a separate ~~asset class~~asset class and investment type is multiplied by the weight for that ~~asset class~~asset class and investment type; and, finally, the weighted awards are totaled to produce the Participant's award attributable to ~~Asset Class~~Asset Class/Investment Type Performance.

Step 10. In determining the award attributable to the Entity Performance Goal ~~(TEA Peer Group at 25% and TEA Policy Portfolio Return at 75%)~~, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% ~~with 14.875% for the TEA Peer Group and 44.625% for the TEA Policy Portfolio Return~~ (and then ~~both~~ multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Entity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of $~~495,000~~575,000, if the CEO achieved the Target level (~~60th percentile~~+75 bps) ~~of the TEA Peer Group portion of the Total Endowment Assets portion of the Entity Performance Goal, achieved the Maximum level (+150 bps)~~ of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+~~65~~ 100 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $~~557,432~~396,750 for his or her level of achievement of the Entity Performance Goal as follows: $~~66,268~~293,250 for Target level of achievement ~~of the TEA Peer Group portion of the TEA portion of the Entity Performance Goal (.25 x .85 x .70 x $445,500); plus $397,609 for Maximum level of achievement~~ of the TEA benchmark portion of the TEA portion of Entity Performance Goal (~~.75 x~~ .85 x ~~.70~~ .60 x $~~891,000~~575,000) plus $~~93,555~~103,500 for Maximum level of achievement of the ITF portion of the Entity Performance Goal (.15 x ~~.70~~.60 x $~~891,000~~1,150,000).

Step 11. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.

Step 12. Subject to any applicable adjustment in Step #13 below, add the awards determined in Steps #8, #9, and #10 above for each Performance Goal (as modified by Step #11) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step 13. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #12) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

(NEEDS TO BE UPDATED)

Appendix B

UTIMCO Peer Group

- Amherst College
- Baylor College of Medicine
- Boston College
- Brown University
- California Institute of Technology
- Case Western Reserve University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Grinnell College
- Indiana University and Foundation
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Ohio State University and Foundation
- Pennsylvania State University
- Pomona College
- Princeton University
- Purdue University
- Rice University
- Smith College
- Southern Methodist University
- Stanford University
- Swarthmore College
- The Rockefeller University
- The Texas A&M University System and Foundations
- UNC at Chapel Hill and Foundations
- University of California
- University of Chicago
- University of Cincinnati
- University of Delaware
- University of Illinois and Foundation
- University of Michigan
- University of Minnesota and Foundation
- University of Nebraska and Foundation
- University of Notre Dame
- University of Pennsylvania
- University of Pittsburgh
- University of Richmond
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- University of Wisconsin Foundation
- Vanderbilt University
- Washington University
- Wellesley College
- Williams College
- Yeshiva University

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale, and Total Endowment Assets) with total assets in excess of $1 billion as of each fiscal year end June 2005, 2006, 2007.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities for each Eligible Position
(for each Performance Period)

~~TABLE 1 (2005/2006 Performance Period)~~

	Weighting			Incentive Award Opportunity (% of Salary)			
Eligible Position	**Entity**	**Asset Class**	**Individual**	**< Threshold**	**Threshold**	**Target**	**Maximum**
		Investment Professionals					
President, CEO & CIO	70%	0%	30%	0%	18%	90%	180%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	13%	65%	130%
Risk Manager	70%	0%	30%	0%	12%	60%	120%
MD, Public Markets Invest.	20%	60%	20%	0%	12%	60%	120%
MD, Inflation Hedging Assets	20%	60%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	30%	50%	20%	0%	12%	60%	120%
Manager of Operating Fund Investments	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Equity Invest.	20%	60%	20%	0%	10%	50%	100%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Analytical Support-Investment	20%	60%	20%	0%	5%	25%	50%
Analytical Support-Risk Management	70%	0%	30%	0%	5%	25%	50%
		Operations/Support Professionals					
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	100%
MD, Information Technology	20%	0%	80%	0%	10%	50%	100%
Manager, Finance & Administration	20%	0%	80%	0%	5%	25%	50%
Manager, Investment Reporting	20%	0%	80%	0%	5%	25%	50%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	5%	25%	50%

~~UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2006)~~

	Weighting			Incentive Award Opportunity (% of Salary)			
Eligible Position	**Entity**	**Asset Class**	**Individual**	**< Threshold**	**Threshold**	**Target**	**Maximum**
		Investment Professionals					
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	70%	0%	30%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Non-Marketable Alt Inv	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Non-Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	70%	0%	30%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	70%	0%	30%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	70%	0%	30%	0%	6%	30%	50%
		Operations/Support Professionals					
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
~~Manager, Client Services~~	~~20%~~	~~0%~~	~~80%~~	~~0%~~	~~8%~~	~~40%~~	~~80%~~

~~UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2007)~~

	Weighting			Incentive Award Opportunity (% of Salary)			
		Asset					
Eligible Position	**Entity**	**Class**	**Individual**	**< Threshold**	**Threshold**	**Target**	**Maximum**
		Investment Professionals					
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	30%	0%	70%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Private Markets	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Natural Resources	20%	0%	80%	0%	8%	40%	80%
Director, Private Markets	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	30%	0%	70%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Private Markets	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	30%	0%	70%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Private Markets	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	30%	0%	70%	0%	6%	30%	50%
		Operations/Support Professionals					
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
General Counsel	0%	0%	100%	0%	8%	40%	80%
Chief Compliance Officer	0%	0%	100%	0%	8%	40%	80%

TABLE 1 (For the Performance Periods beginning after June 30, 2008)

	Weighting			Incentive Award Opportunity (% of Salary)			
Eligible Position	Entity	Asset Class	Individual	< Threshold	Threshold	Target	Maximum
		Investment Professionals					
CEO & Chief Investment Officer	60%	0%	40%	0%	50%	100%	200%
President & Deputy CIO	30%	50%	20%	0%	45%	90%	190%
Managing Director	25%	50%	25%	0%	45%	90%	190%
Senior Director, Investment	20%	40%	40%	0%	25%	50%	100%
Senior Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
Portfolio Manager	20%	40%	40%	0%	25%	50%	100%
Director, Investment	20%	40%	40%	0%	20%	40%	80%
Director, Risk Management	30%	0%	70%	0%	20%	40%	80%
Associate and Senior Associate, Investment	15%	30%	55%	0%	18%	35%	70%
Associate, Risk Management	30%	0%	70%	0%	18%	35%	70%
Analyst and Senior Analyst, Investment	10%	20%	70%	0%	13%	25%	50%
Analyst, Risk Management	30%	0%	70%	0%	13%	25%	50%
		Operations/Support Professionals					
Senior Managing Director	20%	0%	80%	0%	30%	60%	120%
Managing Director	20%	0%	80%	0%	25%	50%	100%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	25%	50%	100%
Manager	20%	0%	80%	0%	20%	40%	80%

Appendix D

Benchmarks for ~~Asset Class~~Asset Class/Investment Type
Threshold, Target, and Maximum Performance Standards
(for Performance Periods beginning on or after July 1, 2006)

Performance Standards for Intermediate Term Fund
(for Performance Periods beginning on or after July 1, 2006)

~~UPDATED TABLE 4~~TABLE 2 (7/1/06 through 6/30/07)

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

UPDATED ~~TABLE 4~~TABLE 2 (7/1/07 through 6/30/08)

Asset Class	Benchmark	Policy Portfolio Weights: Total Endowment Assets (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+100 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Internal Credit	Credit Related Composite Index	0%	0%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

UPDATED TABLE 2 (7/1/08 through 6/30/09)

Asset Class/Investment Type	Benchmark	Policy Portfolio Weights: Total Endowment (% of Portfolio)	Policy Portfolio Weights: ITF (% of Portfolio)	Performance Standards: Threshold	Performance Standards: Target	Performance Standards: Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+100 bps
Investment Grade Fixed Income	Lehman Brothers Global Aggregate Index	7.0%	33.0%	+0 bps	+12.5 bps	+25 bps
Credit-Related Fixed Income	Lehman Brothers Global High-Yield Index	1.2%	2.0%	+0 bps	+25 bps	+50 bps
Real Estate	FTSE EPRA/NAREIT Global Index	5.5%	10.0%	+0 bps	+37.5 bps	+75 bps
Natural Resources	Combination index - 50% Dow Jones-AIG Commodities Index + 50% MSCI World Natural Resources Index	5.3%	5.0%	+0 bps	+37.5 bps	+75 bps
Develop Country Equity	MSCI World Index with net dividends	19.5%	20.0%	+0 bps	+35 bps	+70 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	10.5%	5.0%	+0 bps	+75 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	MSCI Investable Hedge Fund Index	33.0%	25.0%	+0 bps	+125 bps	+250 bps
Private Investments (excludes Real Estate)	Venture Economics Custom Index	17.0%	0%	+0 bps	+100 bps	+200 bps
Private Investments Real Estate	NACREIF Custom Index	1.0%	0%	+0 bps	+37.5 bps	+75 bps
Specific asset class benchmark:						
Internal Investment Grade Fixed Income	US Lehman Aggregate			+0 bps	+12.5 bps	+25 bps

7. **U. T. System Board of Regents: Approval of the Annual Budget, including the capital expenditures budget, and Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the proposed Annual Budget as set forth on Page 151, which includes the capital expenditures budget, and the Annual Fee and Allocation Schedule for the fiscal year ending August 31, 2009, as set forth on Pages 152 – 153.

BACKGROUND INFORMATION

The proposed Annual Budget of $66.8 million for Fiscal Year 2009 was approved by the UTIMCO Board on July 23, 2008. The proposed Budget is an increase of 3.4% over the prior year budget and an 8.8% increase over the Fiscal Year 2008 Forecast.

Of the $66.8 million Fiscal Year 2009 Budget, $16.5 million is for UTIMCO services and $6.0 million is for non-investment manager services such as custodial, legal, audit, and consulting services charged to the Funds. This combined $22.5 million compares to the $21.9 million Fiscal Year 2008 Budget or an increase of $.6 million.

The remainder of the Budget is for investment manager annual and performance fees charged directly to the Funds. The budgeted increase is primarily driven by fund performance assumptions.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling $.2 million is included in the total Annual Budget.

UTIMCO (in thousands)	FY 2008 Budget	FY 2008 Forecast	FY 2009 Budget	Increase/(Decrease) $	%
SUMMARY					
UTIMCO Personnel	**$11,457**	**$10,322**	**$12,489**	**$2,167**	**21%**
UTIMCO Other	**3,912**	**3,680**	**4,055**	**375**	**10%**
Total UTIMCO	**15,369**	**14,002**	**16,544**	**2,542**	**18%**
Other, Non-Investment Manager	**6,511**	**5,920**	**6,042**	**122**	**2%**
Total Non-Investment Manager	**21,880**	**19,922**	**22,586**	**2,664**	**13%**
Investment Manager - Invoiced	**42,715**	**41,455**	**44,203**	**2,748**	**7%**
Total	**$64,595**	**$61,377**	**$66,789**	**$5,412**	**9%**
DETAIL					
UTIMCO Personnel					
Salaries	$6,011	$5,397	$6,956	$1,559	29%
Bonus	3,258	3,343	3,566	223	7%
Benefits	1,177	954	1,293	339	36%
Taxes	418	333	478	145	44%
Hiring	440	124	50	(74)	-60%
Subscriptions, Dues, Education	153	171	146	(25)	-15%
Total	**$11,457**	**$10,322**	**$12,489**	**$2,167**	**21%**
UTIMCO Other					
Travel & Meetings	$463	$567	$859	$292	51%
Online, Data, Contract Services	772	654	743	89	14%
Lease	943	950	983	33	3%
Depreciation	608	537	612	75	14%
Insurance	252	240	236	(4)	-2%
Office Expenses	334	367	363	(4)	-1%
Professional Services	542	365	259	(106)	-29%
Total	**$3,912**	**$3,680**	**$4,055**	**$375**	**10%**
Other, Non-Investment Manager					
Custodian	$1,536	$1,672	$1,725	$53	3%
Measurement & Analytics	1,530	1,366	1,327	(39)	-3%
Consultants	1,325	736	950	214	29%
Investment-related Legal	1,160	1,160	1,115	(45)	-4%
Audit	754	830	776	(54)	-7%
Printing	195	153	139	(14)	-9%
Other	10	3	10	7	233%
Total	**$6,511**	**$5,920**	**$6,042**	**$122**	**2%**
Investment Manager - Invoiced					
Management Fees	$18,989	$22,138	$23,897	$1,759	8%
Performance Fees	23,726	19,317	20,306	989	5%
Total	**$42,715**	**$41,455**	**$44,203**	**$2,748**	**7%**
Capital Expenditures					
Ongoing	$194	$189	$220	$31	16%
Expansion	162	427	0	(427)	-100%
Total	**$356**	**$616**	**$220**	**(396)**	**-64%**

($ in millions)	Actual					Projected	Budget - AUM Flat	Budget - AUM 3%
	FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 09
Average Total Assets Under Management (AuM):	$ 14,034	$ 15,470	$ 17,245	$ 19,372	$ 21,965	$ 24,497	$ 24,497	$ 25,232
Costs excluding Investment Manager Expenses								
UTIMCO Services	$7	$8	$10	$11	$12	$14	$17	$17
Costs to Funds (Other than Investment Manager)	4	4	5	5	6	6	6	6
UTIMCO + Non-Investment Manager Cost to Funds	$11	$12	$15	$16	$18	$20	$23	$23
Costs/AuMs (basis points)								
UTIMCO Services	5	5	6	6	6	6	7	7
Costs to Funds (Other than Investment Manager)	3	3	3	2	2	2	3	3
UTIMCO Services + Costs to Funds	8	8	9	8	8	8	10	10
Investment Manager Fees								
Annual Management Fees								
Netted Against Net Asset Value/Capital Balance	$53	$62	$77	$115	$158	$200	$249	$249
Charged to Funds	9	13	13	18	16	22	24	24
Total Annual Management Fees	$62	$75	$90	$133	$174	$222	$273	$273
Performance Fees								
Netted Against Net Asset Value/Capital Balance	$44	$57	$91	$81	$227	$170	$171	$171
Charged to Funds	3	9	16	30	18	19	20	20
Total Performance Fees	$47	$66	$107	$111	$245	$189	$191	$191
Total Investment Manager Fees	$109	$141	$197	$244	$419	$411	$464	$464
Costs/AuMs (basis points)								
Annual Management Fees	44	48	52	69	79	91	111	108
Performance Fees	33	43	62	57	112	77	78	76
Total Fees	77	91	114	126	191	168	189	184

UTIMCO 7/24/2008

UTIMCO Budget
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2009

($ millions)	The Permanent University Fund (PUF)	The Permanent Health Fund (PHF)	The University of Texas System Long Term Fund (LTF)	General Endowment Fund (GEF)	The University of Texas System Intermediate Term Fund (ITF)	Short Term Fund (STF)	Separately Invested Endowments and Charitable Trust Accounts	Total
Market Value 2/29/08	**$ 11,906**	**$ 1,101**	**$ 5,497**	**$ 6,598**	**$ 3,937**	**$ 1,390**	**$ 192**	**$ 24,023**
UTIMCO Management Fee (includes all operating expenses associated with the general management of the Funds)	**$ 8.1**	**$ 0.9**	**$ 4.6**		**$ 2.9**			**$ 16.5**
Allocation Ratio	**49%**	**6%**	**28%**		**17%**			**100%**
Direct Expenses of the Fund								
External Management Fees	$ 11.6	$ -	$ -	$ 6.6	$ 5.8			$ 24.0
External Management Fees - Performance Based	10.8	-	-	5.9	3.6			20.3
Other Direct Costs	2.8	-	0.2	1.9	1.1			6.0
Total Direct Expenses of the Fund	25.2	-	0.2	14.4	10.5			50.3
TOTAL	**$ 33.3**	**$ 0.9**	**$ 4.8**	**$ 14.4**	**$ 13.4**			**$ 66.8**
Percentage of Market Value (in basis points)								
UTIMCO Services	6.8	8.3	8.4	-	7.3			6.9
Direct Expenses of the Fund	21.1	0.3	0.3	21.8	26.8			20.9
TOTAL	**27.9**	**8.6**	**8.7**	**21.8**	**34.1**			**27.8**

UTIMCO 7/24/2008

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8. **<u>U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 80303, regarding Use of the Available University Fund</u>**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 80303, regarding Use of the Available University Fund (AUF) be amended as set forth on Pages 156 – 158.

BACKGROUND INFORMATION

The proposed amendments to Regents' Rule 80303 are intended to make the Rule consistent with the recent change to the Permanent University Fund (PUF) distribution policy, provisions in the new Capital Expenditure Policy reviewed by the Board at the May 15, 2008, meeting and effective as of July 1, 2008, and current practice in the way that the AUF is managed.

Following is a summary of recommended changes:

Section 1 - Eliminate the requirement to maintain the "highest possible credit ratings" for the PUF.

Section 2.1 - Clarify that the six-year forecast of the AUF is provided to the Finance and Planning Committee of the Board as needed, rather than every quarter.

Section 2.2 - Update the PUF distribution language to conform with current policy.

Section 2.3 - Update the Capital Improvement Program (CIP) language to conform with the Capital Expenditure Policy.

Section 3.1 - Create consistency with Section 2.1.

1. Title

Use of the Available University Fund

2. Rule and Regulation

Sec. 1 Impact of Spending. Any staff recommendation to appropriate funds from the Available University Fund (AUF)~~,~~ or from Permanent University Fund (PUF) Bond Proceeds~~,~~ will be presented in the context of that appropriation's impact on: (a) AUF funding for the support and maintenance of U. T. Austin, (b) bond ratings, and (c) projected AUF balances. These impacts will be considered to provide a consistent and dependable level of funding. ~~and to maintain the highest possible credit ratings .~~

Sec. 2 Required Reports. To determine the appropriate level of spending of the AUF, the following reports will be provided to the Board of Regents:

2.1 A forecast of at least six years of the income and expenditures of the AUF will be presented as needed~~at each meeting of~~ to the Board of Regents' Finance and Planning Committee ~~by the Office of Finance~~. ~~Quarterly,~~ The University of Texas Investment Management Company (UTIMCO) shall provide to the Office of Finance a forecast of the PUF distributions to the AUF that will be the basis of the AUF forecast. Included as part of the AUF forecast will be the projected amount of remaining PUF debt capacity calculated in accordance with this policy.

2.2 In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents in May of each year 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 unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected

Return" is the Expected Annual Return or Benchmark set out in the Permanent University Fund Investment Policy Statement.

2.3 The CIP will be updated quarterly and reviewed with the Board of Regents every year. The updated CIP will include an estimated start date for each project, which ~~that~~ will be based on the criteria set forth in Section 3.2 below, project readiness, projected fund availability, and relative urgency of need for the completed project.

Sec. 3 Individual Projects. The following items will be done when preparing requests of AUF expenditures:

3.1 As a part of each agenda item requesting approval of AUF expenditures or PUF funded projects, a statement indicating compliance with this policy ~~based on the most recent forecast~~ shall be included.

3.2 In preparing recommendations for projects to be approved, the staff will be guided by the following justification criteria:

(a) consistency with institution's mission;

(b) project need;

(c) unique opportunity;

(d) matching funds/leverage;

(e) cost effectiveness;

(f) state of existing facility condition; and

(g) other available funding sources.

3.3 No project will be recommended for approval, if in any of the forecasted years the required appropriations from the AUF or PUF bond proceeds would cause:

(a) the forecasted AUF expenditures for program enrichment at U. T. Austin to fall below 45% of the sum of the projected U. T. System share of the net divisible AUF annual income and interest income on AUF balances [subject to the limits imposed by (b) and (c) below];

(b) debt service coverage to be less than 1.50:1.00; and

(c) the forecasted end of year AUF balance to be less than $30 million.

Sec. 4 System Administration Budget. Operating expenditures of the U. T. System Administration will be carefully controlled to maximize the opportunity to meet the capital needs of the institutions of the U. T. System and the operating budget needs of U. T. Austin. Wherever possible, alternate funding from institutions, State funds, or other sources will be sought. Programs for which alternative funding cannot be obtained will be evaluated for possible reductions or phase-out.

9. <u>U. T. System Board of Regents: Adoption of Twentieth Supplemental Resolution authorizing Revenue Financing System Bonds; authorization to complete all related transactions; and resolution regarding parity debt</u>

<u>RECOMMENDATION</u>

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. adopt the Twentieth Supplemental Resolution to the Master Resolution, containing terms in substantially the form approved by the Board of Regents on November 13, 2003, 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 $800 million for the purpose of refunding 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 (CIP); to current or advance refund certain outstanding Revenue Financing System Bonds to produce present value debt service savings; and to pay the costs of issuance and any original issue discount; and

b. authorize appropriate officers and employees of the U. T. System as set forth in the Twentieth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor ad interim also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that, as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of bonds authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues 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 that the Members on whose behalf such bonds are issued possess the financial capacity to satisfy their direct obligations after taking such bonds into account.

A one-page summary of debt-related Items 9 – 14 on Pages 159 – 169 is set out on Page 161.

Supplemental Materials: PowerPoint presentation related to a full overview of debt-related agenda items on Pages 96 – 105 of Volume 2.

BACKGROUND INFORMATION

On February 14, 1991, the U. T. System Board of Regents adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for institutions of the U. T. System. Since that time, the Board has adopted 19 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.

The Resolution authorizes refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A, refunding certain outstanding RFS Bonds for savings, and new money to fund construction and acquisition costs of projects in the CIP. 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.

Adoption of the Twentieth Supplemental Resolution (Resolution) would authorize the refunding of certain outstanding RFS Bonds provided that an advance refunding exceed 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. 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. The particular bonds to be refunded will be called for redemption on the first practical optional redemption date for each series of refunded bonds occurring after the delivery of the refunding bonds.

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 proposed Twentieth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

> Note: The Twentieth Supplemental Resolution and forms of auction agreement and broker-dealer agreement contain terms that are substantially the same as those contained in the Thirteenth through Nineteenth Supplemental Resolutions and forms of auction agreement and broker-dealer agreement previously approved by the Board on November 13, 2003, for use as standard agreements. These documents have not been included as part of the agenda materials, but are available upon request.

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Debt-Related Agenda Items Proposed for FY 2009

	FY 2008	Proposed FY 2009
RFS Bond Resolution	$950 million- (19th Supplemental)	$800 million- (20th Supplemental)
PUF Bond Resolution	$300 million	$450 million
RFS Commercial Paper Resolution	$800 million RFS Commercial Paper Programs	$1.25 billion RFS Commercial Paper Program
PUF Commercial Paper Resolution	$400 million PUF Flexible Rate Note Program	$500 million PUF Commercial Paper Program
RFS Equipment Financing	$103 million	$123 million
Bond Enhancement Agreement Resolutions	Approved	Proposed

10. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, and authorization to complete all related transactions

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed $450 million to be used to refund certain outstanding Permanent University Fund Bonds, to refund all or a portion of the then outstanding Permanent University Fund Flexible Rate Notes, Series A, to refund Permanent University Fund Commercial Paper Notes, to provide new money to fund construction and acquisition costs and to pay the costs of issuance; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

Adoption of the Resolution would authorize the advance or current refunding of a portion of certain outstanding PUF Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. 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.

As provided in the Resolution, the potential bonds to be refunded include the outstanding PUF Bonds, Series 2002A, Series 2004A&B, Series 2005A&B, and Series 2006A-C.

The Resolution would also authorize the current refunding of all or a portion of the PUF Flexible Rate Notes, Series A. The PUF Flexible Rate Note program is used to provide interim financing for PUF projects approved by the Board. Adoption of the Resolution will permit the interim financing provided through the Notes to be replaced with long-term financing. The Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

Proceeds from the Bonds related to refunding outstanding debt will be used to purchase U.S. government or other eligible securities to be placed in one or more escrow accounts. Proceeds from the escrowed securities will be used to redeem the refunded bonds, the refunded Flexible Rate Notes, and the refunded Commercial Paper Notes.

The proposed resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The proposed resolution has not been included as part of the agenda materials, but is available upon request.

11. U. T. System Board of Regents: Adoption of Amended and Restated First Supplemental Resolution to the Master Resolution establishing the Revenue Financing System Commercial Paper Note Program; repeal of the Fifth Supplemental Resolution; authorization for officers of U. T. System to complete all transactions related thereto; and resolution regarding parity debt

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents:

a. adopt the Amended and Restated First Supplemental Resolution to the Master Resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B, in an aggregate principal amount not to exceed $1.25 billion;

b. repeal the Fifth Supplemental Resolution to the Master Resolution authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Taxable Commercial Paper Notes, Series B; and

c. authorize appropriate officers and employees of the U. T. System as set forth in the Amended and Restated First Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System 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 Notes.

The Chancellor ad interim also concurs with the recommendation of the Executive Vice Chancellor for Business Affairs that as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of Notes authorized by this Resolution, it will have sufficient funds to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that the Members on whose behalf such Notes are issued possess the financial capacity to satisfy their direct obligations after taking such Notes into account.

BACKGROUND INFORMATION

The U. T. System's Revenue Financing System Tax-Exempt Commercial Paper Note Program was established on April 12, 1990. Since that time, the size of the Program has been increased periodically, up to the current authorization of $750 million, to meet the financing needs of the U. T. System. The U. T. System's Revenue Financing System Taxable Commercial Paper Note Program was established on May 13, 2004.

Adoption of this Resolution would combine both the Tax-Exempt and Taxable Commercial Paper Programs under the Amended and Restated First Supplemental Resolution and would repeal the separate Taxable Commercial Paper Program authorization under the Fifth Supplemental Resolution. The increase in program authorization from $750 million tax-exempt authorization and $50 million taxable authorization to $1.25 billion aggregate authorization is needed to facilitate the financing of capital projects reflected in the FY 2008-2013 Capital Improvement Program (CIP). The Tax-Exempt Commercial Paper Program capacity was increased from $350 million to $750 million on August 8, 2002. Since that time, the U. T. System's CIP has more than doubled and the existing program authorization has been reached repeatedly. Increased commercial paper capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing the long-term capital markets, while combining the programs under a single resolution for greater efficiency.

The use of tax-exempt debt for projects is limited by the *Internal Revenue Code* to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt.

Liquidity for the combined programs will continue to be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company (UTIMCO) consistent with the provisions governing liquidity for the Commercial Paper Program.

The proposed Amended and Restated First Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

12. U. T. System Board of Regents: Adoption of a Resolution authorizing the Permanent University Fund Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B; and authorization to complete all related transactions

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

a. adopt a Resolution authorizing the Permanent University Fund (PUF) Commercial Paper Notes, Series A and Taxable Commercial Paper Notes, Series B up to an aggregate principal amount at any one time outstanding not to exceed $500 million; and

b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such notes.

BACKGROUND INFORMATION

The U. T. System's PUF Flexible Rate Notes, Series A program, which provides interim financing for eligible projects, was established in 1985. Since that time, the size of the program has been increased periodically to meet the financing needs of the U. T. System. The existing Flexible Rate Note Program capacity was increased from $250 million to $400 million on November 13, 2002. Since that time, the U. T. System's Capital Improvement Program (CIP) has more than doubled while the size of the PUF interim financing program has not increased.

The increase in program authorization from $400 million to $500 million is needed to facilitate the financing of capital projects reflected in the FY 2008-2013 CIP. Increased PUF interim financing capacity will permit the U. T. System to continue to provide efficient interim financing and additional timing flexibility in accessing the long-term capital markets.

Adoption of this Resolution would replace the existing Flexible Rate Note Program with a Commercial Paper Program virtually identical to the U. T. System's Revenue Financing System Commercial Paper Program, which provides the U. T. System the ability to issue both taxable and tax-exempt commercial paper depending on the project characteristics. Replacing the Flexible Rate Note Program with a Commercial Paper Program will provide greater efficiency and will provide the ability to finance both taxable and tax-exempt projects under a single resolution.

The use of tax-exempt debt for projects is limited by the *Internal Revenue Code* to facilities employed for governmental purposes. Projects with nongovernmental or private use beyond established limits are denied the benefits of tax-exempt debt and must employ taxable debt.

Liquidity for the PUF Commercial Paper Note Program will continue to be provided by the U. T. System through an arrangement with The University of Texas Investment Management Company (UTIMCO) consistent with the provisions governing liquidity for the Flexible Rate Note Program.

The proposed Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

13. U. T. System: Approval of aggregate amount of $122,756,000 of equipment financing for Fiscal Year 2009 and resolution regarding parity debt

RECOMMENDATION

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

a. approve an aggregate amount of $122,756,000 of Revenue Financing System Equipment Financing as allocated to those U. T. System institutions set out on Page 168; and

b. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System;

- the 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. System Board of Regents of tax-exempt parity debt in the aggregate amount of $122,756,000 for the purchase of equipment; and

- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. The current guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

This agenda item requests approval of an aggregate amount of $122,756,000 for equipment financing for Fiscal Year 2009.

The U. T. System Board of Regents approved $102,957,000 of equipment financing in Fiscal Year 2008, of which $52,477,000 has been issued through July 1, 2008.

Further details on the equipment to be financed and debt coverage ratios for individual institutions can be found on Page 168.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING
FY 2009

Institution	$ Amount of Request	Description of Expected Equipment Purchases	DSC*
U. T. Austin	$5,500,000	Classroom equipment, research equipment, information technology equipment, and athletics equipment	5.4x
U. T. Dallas	5,000,000	General purpose equipment and information technology equipment	2.7x
U. T. El Paso	256,000	Facilities maintenance equipment and vehicle purchases	2.3x
U. T. Southwestern Medical Center - Dallas	40,000,000	Information technology equipment, clinical and hospital equipment, and non-clinical equipment	3.6x
U. T. Medical Branch - Galveston	14,000,000	General purpose equipment	2.3x
U. T. Health Science Center - San Antonio	4,000,000	Research equipment, clinical equipment, and infrastructure equipment	4.2x
U. T. M. D. Anderson Cancer Center	50,000,000	Medical equipment, research equipment, and diagnostic equipment	5.2x
U.T. Health Science Center - Tyler	4,000,000	Clinical equipment	6.1x

Total	$122,756,000

* Debt Service Coverage ("DSC") based on actual results for FY07.

U. T. System Office of Finance, June 23, 2008

14. <u>U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt</u>

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents adopt resolutions substantially in the form set out on Pages 170 – 190 (the Resolutions) authorizing appropriate officers of the U. T. System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

BACKGROUND INFORMATION

Regents' *Rules and Regulations*, Rule 70202, concerning the Interest Rate Swap Policy, was approved by the U. T. System Board of Regents on February 13, 2003, and amended on August 23, 2007.

Texas Education Code Section 65.461 provides specific authority to the U. T. System Board of Regents to enter into "bond enhancement agreements," which include interest rate swaps and related agreements in connection with administration of the U. T. System's RFS and PUF debt programs.

On August 23, 2007, the Board approved bond enhancement agreement resolutions for FY 2008. Approval of this item would authorize the execution of bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy for FY 2009. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chairman of the Board of Regents and the Chairman of the Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 14, 2008

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") is the governing body of the 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 or as set forth in Exhibit A hereto; and

WHEREAS, the Master Resolution establishes the Revenue Financing System comprised of the institutions now or hereafter constituting components of the 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, the Board has adopted Supplemental Resolutions to the Master Resolution authorizing the issuance of Parity Debt thereunder as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed or to be executed thereunder; and

WHEREAS, the Board hereby desires to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. DEFINITIONS. In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2009.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code* ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Maximum Term. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same Parity Debt may exceed the principal amount of the related Parity Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

SECTION 3. BOND ENHANCEMENT AGREEMENTS AS PARITY DEBT. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of the Bond Enhancement Agreements authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues 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 that the Members on whose behalf such Bond Enhancement Agreements are entered into possess the financial capacity to satisfy their Direct Obligations after taking such Bond Enhancement Agreements into account.

SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS. In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based on a variable rate of interest and the counterparty would pay an amount based on a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction the Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

SECTION 5. <u>APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS</u>.

(a) <u>General</u>. Except as further limited by subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) <u>Payments under Chapter 1371 Credit Agreements</u>. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 6. <u>BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PARITY DEBT</u>.

(a) <u>Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated Parity Debt</u>. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Parity Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event to (i) delay the effective date of such Bond Enhancement Agreement; or (ii) replace such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt.

(b) <u>Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated Parity Debt as Issued</u>. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated Parity Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement to (i) reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated Parity Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable Parity Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to either (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to Parity Debt anticipated to be issued to refund outstanding Parity Debt.

(d) Required Description of Anticipated Parity Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such Parity Debt in the Board's then current Capital Improvement Program; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with Parity Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with Parity Debt anticipated to be issued to refund any existing Parity Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such new issue of Parity Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is anticipated to result in a present value savings in connection with such refunding of at least 3.0% (determined in the manner set forth in a supplemental resolution approved by the Board authorizing the issuance of additional Parity Debt), and in such event, the Board hereby declares its intention to cause such Parity Debt to be issued.

SECTION 7. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 8. ADDITIONAL AUTHORIZATION.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

(b) Further Actions. 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 fully to carry out the purposes of this Resolution.

EXHIBIT A

DEFINITIONS

As used in this Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" – As defined in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Board" – The Board of Regents of The University of Texas System.

"Bond Enhancement Agreement" – Collectively, each Confirmation and the applicable Master Agreement.

"Chapter 1371" – Chapter 1371 of the *Texas Government Code*, as amended.

"Confirmation" – Each confirmation entered into by an Authorized Representative on behalf of the Board pursuant to this Resolution.

"Executed Master Agreements" – The following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 6, 2005;

(ii) [ISDA Master Agreement with Goldman Sachs Mitsui Marine Derivative Products, L.P., dated as of December 6, 2005;]

(iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of May 2, 2006;

(iv) ISDA Master Agreement with Lehman Brothers Commercial Bank, dated as of December 6, 2005 and Amended and Restated as of April 21, 2006;

(v) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of May 1, 2006;

(vi) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 6, 2005;

(vii) ISDA Master Agreement with UBS AG, dated as of November 1, 2007; and

(viii) ISDA Master Agreement with Royal Bank of Canada, dated as of April 4, 2008.

"ISDA" – The International Swaps and Derivatives Association, Inc.

"LIBOR" – London Interbank Offered Rate.

"Master Agreements" – Collectively, the Executed Master Agreements and any New Master Agreements.

"Master Resolution" – The First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993, and August 14, 1997.

"New Master Agreements" – Any ISDA Master Agreements entered into by an Authorized Representative pursuant to Section 7(a) of this Resolution.

"Section 65.461" – Section 65.461 of the *Texas Education Code*.

"System" – The University of Texas System.

EXHIBIT B

INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM

[On file with the Board]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On File with the Board]

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO PERMANENT UNIVERSITY FUND DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS

August 14, 2008

WHEREAS, the Board of Regents (the “Board”) of The University of Texas System (the “System”) is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas (the “State”); and

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended, the “Permanent University Fund”); and

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State (the “Available University Fund”); and

WHEREAS, Section 18 of Article VII of the Constitution of the State, as may hereafter be amended (the “Constitutional Provision”), authorizes the Board to issue bonds and notes (“PUF Debt”) not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (the “Interest of the System”) to secure the payment of the principal of and interest on PUF Debt, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System Administration and institutions of the System as listed in the Constitutional Provision; and

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the “Residual AUF”) shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning as set forth in Exhibit A hereto; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) to be executed thereunder; and

WHEREAS, the Board hereby desires to severally authorize each Authorized Representative (as defined in the U.T. System’s Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. **<u>DEFINITIONS</u>.** Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given in <u>Exhibit A</u> attached hereto and made a part hereof.

SECTION 2. **<u>AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS</u>**.

(a) <u>Delegation</u>. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the U.T. System Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2009.

(b) <u>Authorizing Law and Treatment as Credit Agreement</u>. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code* ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) <u>Costs; Maximum Term</u>. The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments. In the event an Authorized Representative elects to terminate a Bond Enhancement Agreement, any amounts payable by the Board as a result of such termination shall be payable from the Residual AUF; provided, that if such Bond Enhancement Agreement is designated as a "credit agreement" under Chapter 1371 pursuant to Section 2(b) hereof and such Bond Enhancement Agreement is entered into in connection with PUF Debt anticipated to be issued in the future, any such amounts payable by the Board as a result of such termination may be payable from the Residual AUF or from the proceeds of the PUF Debt to which such Bond Enhancement Agreement relates as a "project cost" under Chapter 1371.

The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same PUF Debt may exceed the principal amount of the related PUF Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 5 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS. In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

SECTION 4. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.

(a) General. Except as provided in subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

SECTION 5. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PUF DEBT.

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated PUF Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such PUF Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event (i) to delay the effective date of such Bond Enhancement Agreement; or (ii) to replace such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated PUF Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated PUF Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement (i) to reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated PUF Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable PUF Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to either (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including but not limited to a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to PUF Debt anticipated to be issued to refund outstanding PUF Debt.

(d) Required Description of Anticipated PUF Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such PUF Debt in the Board's then current Capital Improvement Program; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with PUF Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with PUF Debt anticipated to be issued to refund any existing PUF Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such new issue of PUF Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is anticipated to result in a present value savings in connection with such refunding of at least 3.0% (determined in the manner set forth in the resolution approved by the Board authorizing the issuance of additional PUF Debt), and in such event, the Board hereby declares its intention to cause such PUF Debt to be issued.

SECTION 6. MASTER AGREEMENTS.

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

SECTION 7. ADDITIONAL AUTHORIZATION.

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

(b) Further Actions. 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 fully to carry out the purposes of this Resolution.

EXHIBIT A

DEFINITIONS

As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" shall have the meaning given to such term in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Available University Fund" shall have the meaning given to such term in the recitals to this Resolution.

"Board" shall have the meaning given to such term in the recitals to this Resolution.

"Bond Enhancement Agreement" shall have the meaning given to such term in Section 2(a) hereof.

"Chapter 1371" shall have the meaning given to such term in Section 2(b) hereof.

"Confirmation" shall have the meaning given to such term in Section 2(a) hereof.

"Constitutional Provision" shall have the meaning given to such term in the recitals to this Resolution.

"Executed Master Agreements" shall mean the following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 1, 2007;

(ii) ISDA Master Agreement with Goldman Sachs Capital Markets, L.P., dated as of December 1, 2007;

(iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of December 1, 2007;

(iv) ISDA Master Agreement with Lehman Brothers Special Financing Inc., dated as of December 1, 2007;

(v) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of December 1, 2007;

(vi) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 1, 2007; and

(vii) ISDA Master Agreement with UBS AG, dated as of April 1, 2008.

“Interest of the System” shall have the meaning given to such term in the recitals to this Resolution.

“ISDA” shall mean the International Swaps and Derivatives Association, Inc.

“LIBOR” shall have the meaning given to such term in clause (C) of Section 3 hereof.

“Master Agreements” shall mean, collectively, the Executed Master Agreements and any New Master Agreements.

“New Master Agreements” shall have the meaning given to such term in Section 6(a) hereof.

“Permanent University Fund” shall have the meaning given to such term in the recitals to this Resolution.

“PUF Debt” shall have the meaning given to such term in the recitals to this Resolution.

“Residual AUF” shall have the meaning given to such term in the recitals to this Resolution.

“Section 65.461” shall have the meaning given to such term in Section 2(b) hereof.

“State” shall have the meaning given to such term in the recitals to this Resolution.

“System” shall have the meaning given to such term in the recitals to this Resolution.

EXHIBIT B

**INTEREST RATE SWAP POLICY
OF THE UNIVERSITY OF TEXAS SYSTEM**

[On file with the Board]

EXHIBIT C

EXECUTED MASTER AGREEMENTS

[On file with the Board]

15. U. T. System: Report on the negotiation of a contract to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund Lands

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will report on progress of the negotiations of a contract with one or more counterparties to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund (PUF) Lands, as approved at the July 24, 2008 meeting of the Board.

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FOR
ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 8/13/2008

Board Meeting: 8/14/2008
Austin, Texas

1. **U. T. Arlington: Authorization to accept a gift of 0.5969 of an acre located at 841 West Mitchell Street, Arlington, Texas, and described as Lot 24 A-R, Block 6, College Hills Addition, Arlington, Tarrant County, Texas, from The University of Texas at Arlington Alumni Association, a Texas nonprofit corporation; authorization to lease back the land to the Alumni Association as the site for the alumni center operated by the Alumni Association; and finding of public purpose**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

a. accept a gift of 0.5969 of an acre located at 841 West Mitchell Street, Arlington, Texas, and described as Lot 24 A-R, Block 6, College Hills Addition, Arlington, Tarrant County, Texas, from The University of Texas at Arlington Alumni Association, a Texas nonprofit corporation (the Alumni Association);

b. lease back the land to the Alumni Association as the site for the alumni center operated by the Alumni Association;

c. determine that the lease of the land to the Alumni Association for the stated reason serves a public purpose appropriate to the function of U. T. Arlington, and that the consideration to the U. T. System and U. T. Arlington for the lease of the land is adequate; and

d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

U. T. Arlington proposes to accept a gift of 0.5969 of an acre of land from the Alumni Association and lease back the land to the Alumni Association for the continued operation of its alumni center, which is located on the parcel. The alumni center consists of a single-story office building containing approximately 5,800 square feet, and related site improvements. The center will not be conveyed to U. T. Arlington at the present, but at the lease termination, U. T. Arlington can elect to accept title to the building or to require the Alumni Association to demolish the building. The mission of the Alumni Association is to establish and promote lasting, supportive relationships among students, alumni, U. T. Arlington, and the community.

The tract is located adjacent to the U. T. Arlington campus and therefore is a prudent land acquisition for the campus. There are other parcels of university-owned land bordering the property that are in use as open space, surface parking, and university housing.

U. T. Arlington proposes to lease back the 0.5969 of an acre of gifted land, upon which the Alumni Association building is located, to the Alumni Association for 50 years, with two options to renew for 10 years each, for a nominal rental of $100 per year, in recognition of the gift of land, valued at $117,000, and the Alumni Association's direct support of U. T. Arlington's mission. The ground lease will limit the uses of the property by the Alumni Association to only those uses related to the purposes of its mission and that of U. T. Arlington.

A Memorandum of Understanding dated October 1, 2007, between U. T. Arlington and the Alumni Association provides that U. T. Arlington will pay the costs of utilities, building maintenance, and custodial services through September 30, 2009, in consideration of the contributions of the Alumni Association to the development and maintenance of U. T. Arlington's educational programs, and the subleases of space at a below-market rate to U. T. Arlington's Development Office. After September 30, 2009, the Alumni Association will be responsible for the cost of all facility operating expenses.

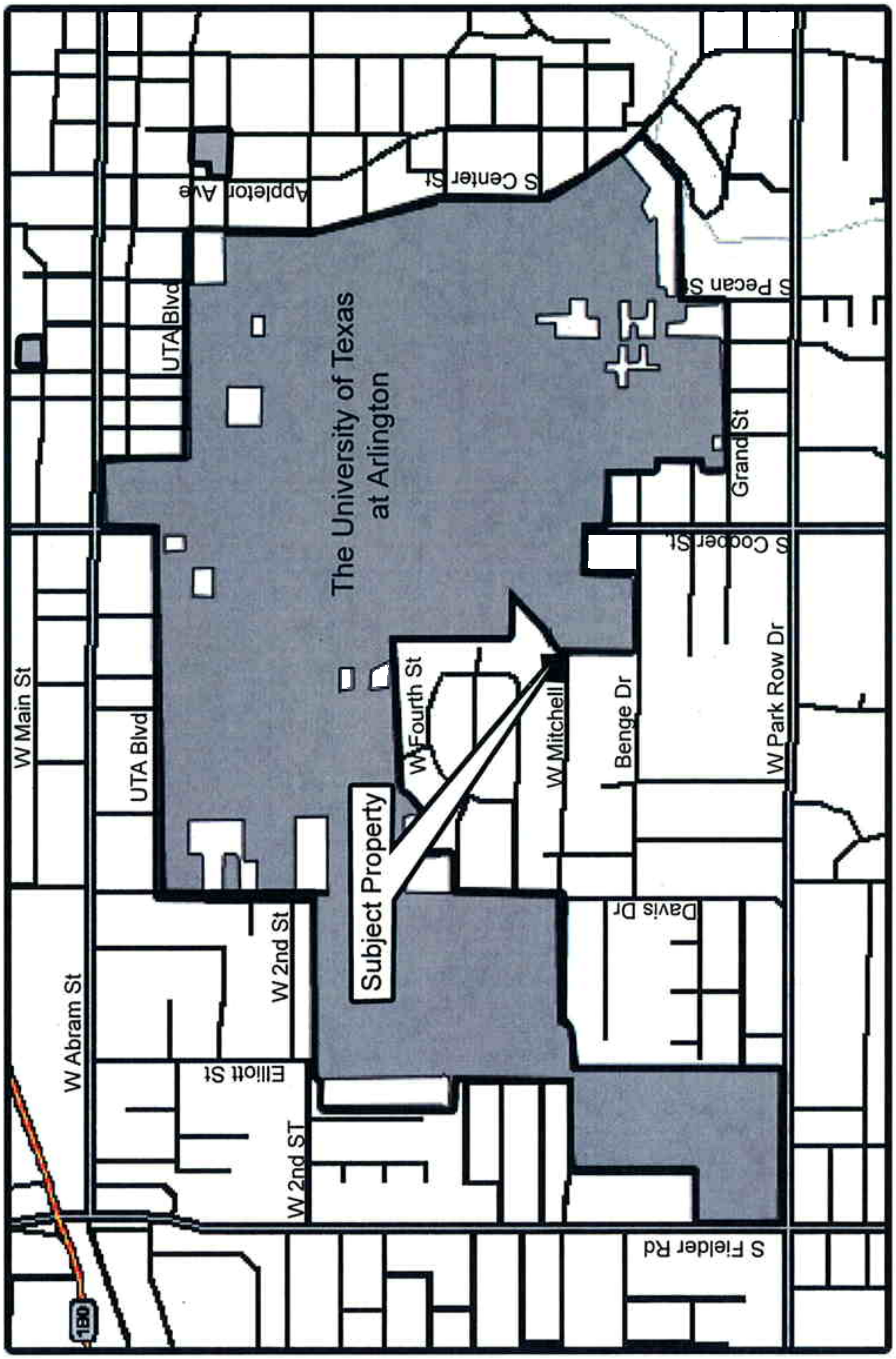
The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981) that, for the use of university property at a below-market rental to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university, (2) adequate consideration must be received by the university, and (3) the university must maintain controls over the user's activities to ensure that the public purpose is achieved.

U. T. Arlington has determined that the lease to the Alumni Association meets the requirements in the following manner: the property will continue to serve as an alumni center, encouraging development efforts benefiting the institution, providing scholarships to students attending U. T. Arlington, and increasing the awareness and good will of the institution's alumni toward the institution. The consideration to U. T. Arlington, in addition to the continued use of the property as an alumni center to benefit U. T. Arlington, is the Alumni Association's gift of land, appraised at $117,000. Finally, the ground lease will contain controls making a change in use an event of default that would permit U. T. Arlington to impose market rent.

The terms and conditions of the ground lease are reflected in the transaction summary on the following page.

Transaction Summary

Institution:	U. T. Arlington
Type of Transaction:	Ground lease
Total Land Area:	Approximately 0.5969 of an acre
Location:	841 West Mitchell Street, Arlington, Tarrant County, Texas; see map on the following page
Tenant:	The University of Texas at Arlington Alumni Association, a Texas nonprofit corporation
Consideration:	$100 per year for the duration of the lease term and the appraised value of the land ($117,000); in an event of default, U. T. Arlington may impose market rent
Appraised Value:	$117,000, land only (James S. Hanes, MAI, Hanes Appraisal Company, April 7, 2008)
Lease Term:	50 years, with two options to renew, each for 10-year terms, provided that the property is then in use as an alumni center
Intended Use:	Headquarters and alumni center of The University of Texas at Arlington Alumni Association, and uses pertaining to the mission of U. T. Arlington


The University of Texas at Arlington
Subject Property
W Main St
W Abram St
UTA Blvd
UTA Blvd
Appleton Ave
S Center St
S Pecan St
Grand St
S Cooper St
W Park Row Dr
Benge Dr
W Mitchell
W Fourth St
W 2nd St
Elliott St
W 2nd ST
Davis Dr
S Fielder Rd
I30

2. U. T. Arlington: Approval of acceptance of gift of outdoor art

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Spaniolo that the U. T. System Board of Regents approve the acceptance of a gift of a Chi Epsilon Monument and its installation on the campus of The University of Texas at Arlington. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 3.1 regarding outdoor works of art.

Supplemental Materials: Photo of outdoor art sculpture on Page 106 of Volume 2.

BACKGROUND INFORMATION

U. T. Arlington has received a gift of an outdoor art sculpture from the national chapter of the Chi Epsilon National Honor Society. Established in 1922, Chi Epsilon is the national honor society for civil engineering. Currently, there are 123 active chapters at major universities throughout the United States, serving a total of 101,861 members. The national headquarters is currently located on the campus of U. T. Arlington. The government of Chi Epsilon is administered through delegations of student members acting through the National Council. Dedicated to the purpose of maintaining and promoting the status of civil engineering as an ideal profession, Chi Epsilon was organized to recognize the characteristics of the individual civil engineer deemed to be fundamental to the successful pursuit of an engineering career, and to aid in the development of those characteristics in the civil engineering student.

The Chi Epsilon chapter at U. T. Arlington was founded in 1969. Since its inception, the chapter has inducted over 600 undergraduate and graduate members. Members are selected to join Chi Epsilon based on four main demonstrated traits: scholarship, character, practicality, and sociability.

The official emblem of Chi Epsilon is a key that represents the full front view of a surveyor's transit. The jewel represents the objective of the transit, the hole is the eye piece, the notches on the sides are leveling screws, and the stem represents the tripod. Many chapters across the country have erected a symbolic monument on their campuses to represent the Chi Epsilon key, and thereby have a visual reminder of the values representing Chi Epsilon. The installation on the campus would also recognize the existence of the national headquarters of Chi Epsilon at U. T. Arlington.

The proposed monument will consist of a 2-foot, 6-inch tall concrete and brick pedestal, and a 3-foot tall bronze Chi Epsilon key. The proposed monument will be similar to, and will be located in the vicinity of, the existing Tau Beta Pi (the National Engineering

Honor Society) monument located on the pedestrian walkway between Nedderman and Woolf Halls. The U. T. Arlington chapter has already produced design drawings for the proposed monument, and has raised funds for its construction.

The proposed monument is in conformation with the U. T. Arlington Campus Master Plan recommendation to place more art and/or sculpture pieces on the campus to create a richer, more traditional campus setting.

The installation cost for the proposed monument is estimated at $2,250. The amount has already been raised through contributions from the U. T. Arlington Facilities Management Office, faculty members, alumni, and other fund-raising activities. Chi Epsilon will be providing the key for the monument, acquired through other gifts and contributions to the organization. The key requires minimal maintenance with no expense for upkeep. The student Chi Epsilon initiates will polish the key each long semester as part of their initiation.

3. U. T. Austin: Approval of acceptance of gift of outdoor art

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Powers that the U. T. System Board of Regents approve acceptance of a gift of an Olmec Head sculpture and its installation on the campus of The University of Texas at Austin. The request is in accordance with Regents' *Rules and Regulations*, Rule 60101, Section 3.1 regarding outdoor works of art.

Supplemental Materials: Photos of outdoor art sculpture on Pages 107 – 108 of Volume 2.

BACKGROUND INFORMATION

The Universidad Veracruzana, located in Xalapa, Veracruz, has offered to give U. T. Austin a gift of a sculpture. The sculpture is a replica of a colossal Olmec head, one of only nine original works still in existence.

The Gulf Coast Olmec culture was a pre-Columbian civilization in Mexico that flourished from 1200-400 B.C.E., in what now are the Mexican states of Veracruz and Tabasco. It was among the very earliest of the great Mesoamerican civilizations and greatly influenced later, better known cultures, such as the Maya and the Aztec. Today, the Olmecs are perhaps most widely recognized for the giant heads thought to portray important Olmec rulers, sculpted from single blocks of basalt.

The proposed gift is a copy of Colossal Head #1, originally found at the archaeological site of San Lorenzo in the State of Veracruz. The sculptor, Mr. Ignacio Pirez Solano, created the work from locally quarried stone. Mr. Solano undertook the project several years ago at the behest of then-Governor of Veracruz Miguel Aleman Velasco, who sought to create greater awareness of Olmec culture beyond the boundaries of his native state. The sculpture, valued at $45,000, weighs 18 tons and measures approximately 10 feet high x 7 feet wide x 5 feet deep. The Olmec Head will require minimal maintenance as it is made of solid stone and is able to withstand all weather conditions. The estimate for shipping from Xalapa to Austin, including customs fees at the border, is approximately $8,000, to be covered from local and indirect cost return funds.

If approved, the donated sculpture will be installed in front of a breezeway between the Nettie Lee Benson Latin American Collection and the Center for American History, directly next to the Sid Richardson Hall parking lots. The space will allow for easy access by the public, including those with physical disabilities. It is also a location that is a natural entry point to the Teresa Lozano Long Institute of Latin American Studies and the Benson Latin American Collection for scholars and other visitors and would serve as a logical signpost to these facilities.

Acceptance of the gift will strengthen the University's longstanding tradition of cultivating ties with counterpart universities in Mexico. The Universidad Veracruzana is one of the most prestigious public universities in Mexico, with a student body of 70,000 enrolled in more than 20 campuses throughout the State of Veracruz.

Installation of this Olmec Head statue on the U. T. Austin campus will provide wider opportunities to learn about and interact with an iconic representation of Mexican culture in a tangible, direct way. Mesoamerican experts at U. T. Austin have expressed great enthusiasm for the project.

4. U. T. System: Discussions on academic leadership matters - importance of teaching and its evaluation

PURPOSE

Executive Vice Chancellor Prior will lead a presidential discussion and engagement with the Regents on topics related to the importance of teaching and its evaluation.

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FOR
HEALTH AFFAIRS COMMITTEE

Committee Meetings: 8/13/2008

Board Meeting: 8/14/2008
Austin, Texas

Colleen McHugh, Chairman
James D. Dannenbaum
James R. Huffines
Robert B. Rowling

1. **<u>U. T. Medical Branch – Galveston: Authorization to sell or exchange Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, to The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation; authorization to acquire in exchange from The Sealy & Smith Foundation or Magnolia Holding Company 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas, for future programmed use for campus expansion; and authorization to ground lease from The Sealy & Smith Foundation or Magnolia Holding Company Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, for use as the site for the proposed replacement Jennie Sealy Hospital</u>**

<u>RECOMMENDATION</u>

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Callender that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Medical Branch – Galveston, to

a. sell or exchange Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, to The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation (individually and together, the Foundation), with the exchange values to be determined by independent appraisals;

b. acquire in exchange from the Foundation 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas, for future programmed use for campus expansion, with the exchange values to be determined by independent appraisals;

c. ground lease from the Foundation Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, for use as the site for the proposed Jennie Sealy Hospital Replacement project; and

d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, to authorize all due diligence expenses, closing costs, and other costs and expenses deemed necessary or advisable, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The series of transactions contemplated by this agenda item are all steps toward the replacement of the Jennie Sealy Hospital in Galveston, Texas. The current hospital building was constructed between 1966 and 1968 by The Sealy & Smith Foundation on land conveyed to the Foundation by the U. T. System Board of Regents pursuant to specific statutory authorization dating from 1957 and now codified in Section 74.002 of the *Texas Education Code*.

The current hospital building has become functionally obsolete and is currently being used by U. T. Medical Branch – Galveston for general office purposes. The institution and the Foundation have been in discussion for more than two years regarding the replacement of the facility with a new hospital facility equipped with current technology.

On May 14, 2008, the U. T. System Board of Regents authorized the conditional acceptance of a gift of $125 million, paid out over a 10-year period, from the Foundation for design, development, and construction of a new Jennie Sealy Hospital in Galveston, Texas. It is anticipated that the institution will contribute approximately an equivalent sum toward the construction, finish-out, and equipping of the new facility. U. T. Medical Branch – Galveston anticipates bringing the construction project to the Board of Regents in the Summer or Fall 2009.

To enable planning and fund raising to proceed, the following related real estate transactions are proposed:

1. Because the footprint of the new hospital will be larger than that occupied by the current hospital building, it is necessary to expand the land available for the hospital site. Therefore, it is proposed that Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, Galveston, Galveston County, Texas, be sold or exchanged to the Foundation to enable the Foundation to complete the land assemblage for the site of the new hospital building.

2. Additionally, it is proposed that the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas, held by the Board of Regents be conveyed to the Foundation. The lots were conveyed to the Foundation pursuant to Section 74.002 of the *Texas Education Code*, which mandated that for the original hospital building, the Board convey the lots to the Foundation but retain a reversionary interest. Because that statute was directed to a specific transaction, which has occurred and been completed, it is not applicable to the planned new hospital and it has been determined that a conveyance of the reversionary interest will result in an overall less complex lease transaction.

3. In exchange for the conveyance of the lots and the reversionary interest to the Foundation, the Foundation will convey to the Board for the benefit of the institution the land and improvements at 109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas. These properties are contiguous with land currently owned by the Board for the institution, and the properties will be used by the institution for future programmed use for campus expansion. Depending on the values determined by independent appraisals with respect to the lots and reversionary interests to be conveyed to the Foundation and the properties to be conveyed to the Board of Regents, the Foundation may make a cash payment to the institution so that equivalent value is exchanged.

4. The Foundation will ground lease to the institution Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas, to serve as the site of the new Jennie Sealy Hospital. The ground lease will be for a nominal rental equal to $1 per year, with an initial 70-year term, followed by a 50-year renewal term at the institution's option, for the same nominal rental rate. The use permitted by the ground lease will be for a hospital and ancillary uses related to a hospital, including inpatient and outpatient surgery, clinical trials, and instruction.

U. T. Medical Branch – Galveston will be responsible for demolishing the existing improvements and constructing the new hospital facility. The terms and conditions of the proposed transactions are specified in the transaction summary on the following page.

Transaction Summary

Conveyance to The Sealy & Smith Foundation or Magnolia Holding Company

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Sale or exchange
Total Area:	Approximately 77,054 square feet
Improvements:	Various storage and warehouse buildings (to be demolished)
Location:	Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, a portion of the abandoned 7th Street right-of-way between Blocks 666 and 667, and the reversionary interest in Lots 11 through 13, Block 667, all in Galveston, Galveston County, Texas (see map on Page 205)
Purchaser:	The Sealy & Smith Foundation, a Texas nonprofit corporation, or its subsidiary, Magnolia Holding Company, a Texas nonprofit corporation
Exchange or Purchase Price:	Fair market value as established by an independent appraisal
Appraised Value:	$1,040,000 for Lots 1 through 4, Block 666, Lots 2 through 7, Block 667, and portion of 7th Street (Integra Realty Resources – Houston, March 26, 2008); Appraisal of reversionary interest is pending and is anticipated to be received on or about July 31, 2008

Conveyance to Board of Regents

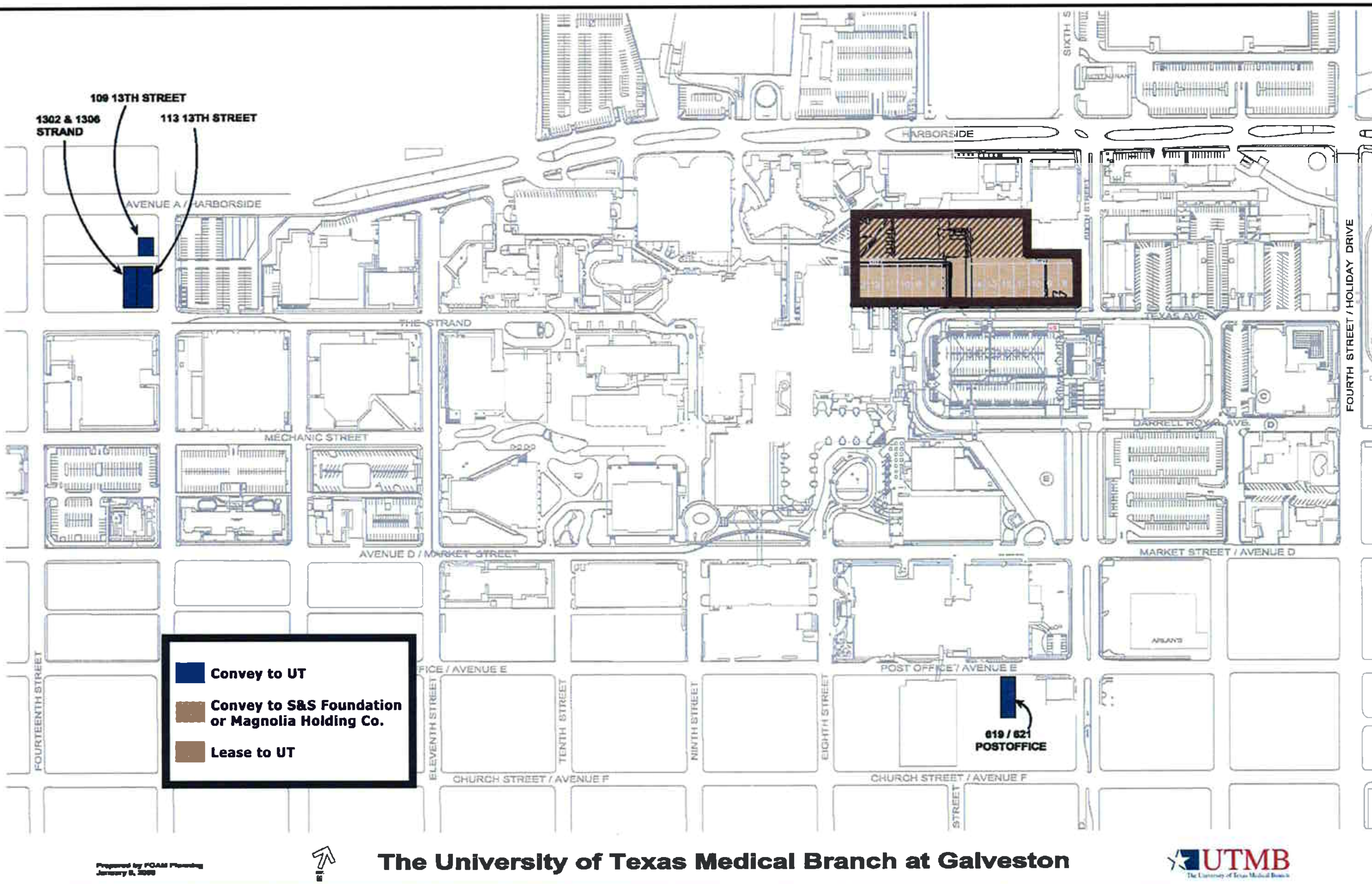
Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Exchange
Total Area:	Pending completion of survey
Improvements:	Triplex and quadplex multifamily housing on the 13th Street parcels; all other parcels are vacant
Location:	109 and 113 13th Street, 1302 and 1306 Strand, and 619 and 621 Post Office, Galveston, Galveston County, Texas (see map on Page 205)

Seller:	The Sealy & Smith Foundation, or its subsidiary, Magnolia Holding Company
Exchange or Purchase Price:	Fair market value as established by an independent appraisal
Appraised Value:	Appraisal by Bay Area Real Property Appraisers & Consultants,, Inc. is pending and is anticipated to be received on or about July 31, 2008

Ground Lease from The Sealy & Smith Foundation or Magnolia Holding Company to the Board of Regents

Institution:	U. T. Medical Branch – Galveston
Type of Transaction:	Ground Lease
Total Area:	Pending completion of survey
Improvements:	The old Jennie Sealy Hospital and the old Shriners Burn Hospital will be demolished by the tenant prior to construction of the new Jennie Sealy Hospital that will consist of approximately 428,000 gross square feet, of which approximately 26% may be shell space for future expansion; The Sealy & Smith Foundation will contribute $125 million to the cost of construction of the new hospital, to be paid at the rate of $12.5 million per year after final approval of the construction project by the Board of Regents and the Texas Higher Education Coordinating Board; in recognition of the Foundation's contribution to the construction cost, the lease will require that the hospital be named the "Jennie Sealy Hospital" and that the naming of the primary building entry and lobby shall require the landlord's consent
Location:	Lots 1 through 4 and 8 through 14, Block 666, Lots 2 through 13, Block 667, a portion of the vacated alley between Blocks 666 and 667, and a portion of the abandoned 6th Street, 7th Street, and Avenue B rights-of-way, Galveston, Galveston County, Texas (see map on Page 205)
Landlord:	The Sealy & Smith Foundation, or its subsidiary, Magnolia Holding Company

Lease Term:	An initial term of 70 years and a renewal term of 50 years at the tenant's option; the tenant has a right of first refusal to purchase the leased premises, should the landlord elect to sell the leased premises during the term of the lease
Rent:	$70.00 total for the initial 70-year lease term; $50.00 total for the 50-year renewal lease term
Operating Expenses:	The tenant is responsible for operating expenses, insurance, and taxes, if any, on the improvements to be constructed; the landlord is responsible for the taxes, if any, on the existing improvements and on the land
Intended Use:	Hospital use and ancillary uses related to hospital use, including inpatient and outpatient surgery, clinical trials, and instruction; the following uses are not permitted under the lease unless they are reasonably necessary for the hospital use or the patient care mission of U. T. Medical Branch – Galveston: general classrooms, general administrative offices, general research labs or research offices, public meeting space or auditoria, or public food service



The University of Texas Medical Branch at Galveston

2. U. T. Health Science Center – San Antonio: Authorization to ground lease approximately 6.944 acres of vacant land located in Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas, to the Department of Veterans Affairs or its assignee, for fair market rental as determined by an independent appraisal, for the construction by the tenant and operation by the Department of Veterans Affairs of a comprehensive ambulatory clinic for the care of veterans and other uses that are mission aligned with U. T. Health Science Center – San Antonio

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Cigarroa that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Health Science Center – San Antonio, to

a. ground lease approximately 6.944 acres of vacant land located in Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas, to the Department of Veterans Affairs or its assignee, for fair market rental as determined by an independent appraisal, for the construction by the tenant and operation by the Department of Veterans Affairs of a comprehensive ambulatory clinic for the care of veterans and other uses that are mission aligned with U. T. Health Science Center – San Antonio; and

b. authorize the Executive Director of Real Estate to execute the lease and all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The Department of Veterans Affairs (VA) and U. T. Health Science Center – San Antonio have been in discussions regarding the possible ground lease of approximately 6.944 acres in Harlingen, Texas, adjacent to the Regional Academic Health Center (RAHC) for the construction by the tenant of a comprehensive ambulatory clinic for the care of veterans. The clinic would provide enhanced patient care for veterans in the Lower Rio Grande Valley and South Texas and would augment opportunities for health professional education, graduate medical education, and clinical research and, thereby, the growth potential for the RAHC.

The proposed lease site is part of a larger parcel consisting of approximately 26.2 acres in two adjacent tracts that were gifted to the Board of Regents by the Valley Baptist Medical Center for the purposes of undergraduate and graduate medical education programs, health research, health education of the public, and other health professional education programs in the Lower Rio Grande Valley. Because of use restrictions in the gift deed, the institution is also seeking the consent of Valley Baptist Medical Center to the proposed ground lease.

The VA currently leases clinical space from U. T. Health Science Center – San Antonio in one of the buildings on the RAHC campus. The proposed new comprehensive ambulatory clinic would be in a separate, free-standing building and is consistent with the VA's August 2007 "Study of South Texas Veterans' Inpatient and Specialty Outpatient Health Care Needs."

The VA proposes to obtain an option to ground lease the 6.944 acres. It would then solicit offers from private developers, with the goal of assigning the ground lease option to the selected developer for the construction by the developer of an outpatient clinic on the land. Under VA procurement rules, U. T. Health Science Center – San Antonio cannot play a role in selecting the developer. The Health Science Center, however, is to have a role in working with the VA and the VA's architectural and engineering firm in developing the scope of work for the solicitation of offers.

The proposed clinic is anticipated to contain approximately 170,000 gross square feet and 120,000 net usable square feet; a parking garage with approximately 600 parking spaces is also anticipated. The VA would lease the completed facilities from the developer for a term not to exceed 20 years, which is the maximum term of a space lease by the VA.

The term of the ground lease will be for an initial period of 20 years, plus the initial design, permitting, and construction period and plus one or more renewal options of 10 years each; the total number of renewal options is still being negotiated. If the VA space lease ends before the expiration of the ground lease, then the Health Science Center and Valley Baptist Medical Center would have the first and second options, respectively, to lease the facilities. If neither U. T. Health Science Center – San Antonio nor Valley Baptist Medical Center elects to lease the facilities, the facilities may be leased by the ground tenant to a third party for a use consistent with the mission of the Health Science Center and subject to the ground landlord's approval. At the expiration or termination of the lease, the improvements will become the property of the ground tract.

Key terms and conditions of the proposed ground lease are stated in the transaction summary on the following page.

Transaction Summary

Institution:	U. T. Health Science Center – San Antonio
Type of Transaction:	Ground lease
Tenant:	Department of Veterans Affairs, or its assignee
Total Area:	Approximately 6.944 acres of vacant land located at Block 179, San Benito Land and Water Company's Subdivision, Harlingen, Cameron County, Texas (see map on the following page)
Improvements:	The tenant will construct an approximately 170,000 gross square feet (120,000 net square feet) multistory building for use as a comprehensive ambulatory clinic for the care of veterans and a parking garage for approximately 600 cars; on expiration or termination of the ground lease, the improvements will become the property of the landlord
Rent:	Fair market rental will be determined by an independent appraisal of the ground lease tract
Appraised Value:	Appraisal by Robinson, Duffy & Barnard, L. L. P. is pending and is anticipated to be completed on or about August 4, 2008
Lease Term:	20 years, plus initial design, permitting, and construction period, and one or more 10-year renewal options (under negotiation)
Uses:	Outpatient medical clinic and other uses that are mission aligned with U. T. Health Science Center – San Antonio
Operating Expenses:	All operating expenses, taxes, and insurance will be the responsibility of the tenant


77 Sunshine Strip
Tennessee Ave.
Ground Lease Tract
SU CLINICA
Ronald McDonald House
REGIONAL ACADEMIC HEALTH CENTER
Treasure Hills Boulevard
Haine Drive

3. U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 0.354 of an acre of land and the improvements located at 7701 Almeda Road, Houston, Harris County, Texas, from Mr. John M. Powell, Jr., for a purchase price not to exceed fair market value as established by independent appraisals, for future use for campus administrative and support functions

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

a. purchase the land and improvements located at 7701 Almeda Road, Houston, Harris County, Texas, from Mr. John M. Powell, Jr., for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

Acquisition of the subject property is part of the land assemblage being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important, but noncritical functions that will allow greater use of core facilities in the heart of the Texas Medical Center for patient treatment and research.

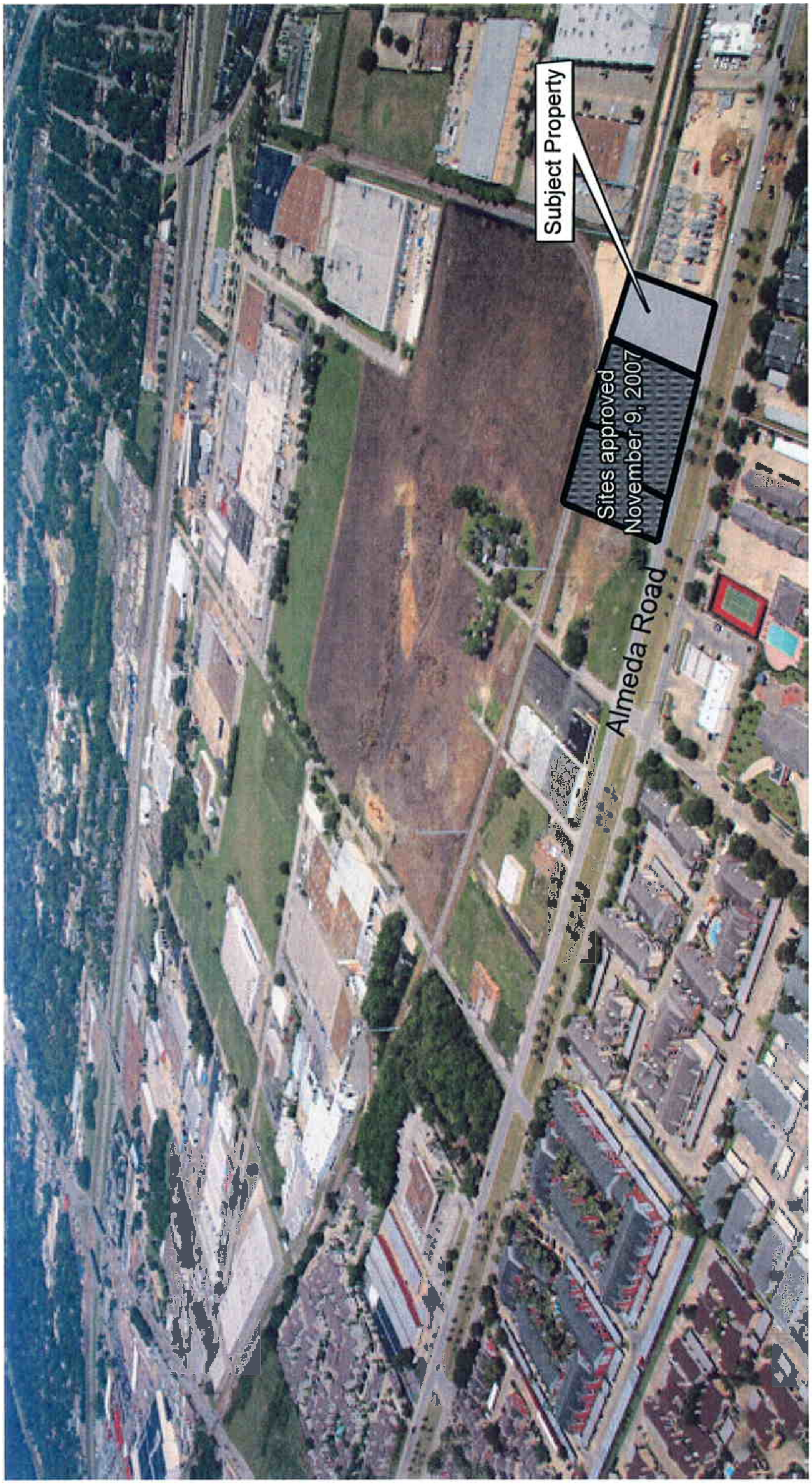
The subject property is presently improved with a house that will be demolished after closing. The site is adjacent to tracts of land approved for U. T. M. D. Anderson Cancer Center's acquisition by the Board on November 9, 2007.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and the south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

The acquisition will be funded with Local Hospital Margins. The terms and conditions of the proposed purchase are specified in the transaction summary below:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 0.354 acre
Improvements:	Single family house (to be demolished after closing)
Location:	7701 Almeda Road, Houston, Harris County, Texas (see map on the following page)
Seller:	Mr. John M. Powell, Jr.
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	$690,000 (Edward B. Schulz & Co., September 16, 2007) $695,000 (Lewis Realty Advisors, June 18, 2008)
Source of Funds:	Local Hospital Margins
Intended Use:	Administrative and support functions


Subject Property
Sites approved
November 9, 2007
Almeda Road

4. U. T. M. D. Anderson Cancer Center: Authorization to ground lease approximately 56,408 square feet of unimproved land located at 7505 Almeda Road, Houston, Harris County, Texas, to the American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation, for the construction and operation by the tenant of a medium-term housing facility for cancer patients; and finding of public purpose

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

a. ground lease approximately 56,408 square feet of unimproved land located at 7505 Almeda Road, Houston, Harris County, Texas, to the American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation (the Cancer Society), for the construction and operation by the tenant of a medium-term housing facility for cancer patients;

b. determine that the lease of the land to the Cancer Society for the stated reason serves a public purpose appropriate to the function of U. T. M. D. Anderson Cancer Center, and that the consideration to the U. T. System and the Cancer Center for the lease of the land is adequate; and

c. authorize the Executive Director of Real Estate to execute the lease and all documents, instruments, or other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The University of Texas M. D. Anderson Cancer Center has noted that many individuals take part in the Cancer Center's diagnostic programs but do not remain for therapeutic programs. The institution has identified, as a primary reason for this difference, the fact that patients from outside of the immediate Houston area have limited affordable options for medium-term housing. The medium-term housing options fall into three categories: apartments, which average about $1,200 per month ($40 per day) for a one-bedroom unit, utilities included, and few of which are available for short-term rental; hotels and motels, which range from $45-$210 per day, with most options at about $85 per day; and specialized housing such as the Cancer Center's Rotary House, which costs about $100 per day, the Ronald McDonald House, offering housing to pediatric patients and their families, and the Hospitality Apartments, which offer up to 60 days of free housing to long-term treatment patients of the Texas Medical Center. Further, only the specialized housing facilities offer psychological and social support services to address the specific needs of patients and their families.

The Cancer Society has a facility program called Hope Lodge that provides free housing to cancer patients. The Hope Lodge facilities include psychological and social support services for patients and their families as well as an on-site library with information on cancer and cancer treatment and other amenities. The aim of this program is to ease the financial and emotional burdens of patients undergoing treatment. Hope Lodge facilities are funded by the Cancer Society's fundraising efforts and are generally developed only on donated land.

To facilitate the construction and development of a Hope Lodge in the Texas Medical Center, U. T. M. D. Anderson Cancer Center proposes to ground lease to the Cancer Society a tract of land, consisting of approximately 56,408 square feet and located at 7505 Almeda Road, Houston, Harris County, Texas. The land is about 1.5 miles from the main campus of U. T. M. D. Anderson Cancer Center and was acquired in June 2007 for $47 per square foot ($2.65 million). The permitted use under the lease will be limited solely to the construction and operation of a Hope Lodge facility. The facility, which will provide free housing, will have the capacity to serve 50 cancer patients.

The lease will be for an initial term of 20 years, plus three 10-year options exercisable at the Cancer Society's option. The ground rental will be a nominal $1.00 per year, in recognition of the mission-related purpose of Hope Lodge.

The ground lease will provide that if the Hope Lodge or a similar facility is not constructed within a given period or permanently ceases operation, or if the leased property is used for any other purpose, the lease will terminate. The lease will require that the Hope Lodge operate specifically as free lodging for cancer patients. Additionally, the lease will require that the Cancer Society provide on-site psychological and social support services for patients and their families.

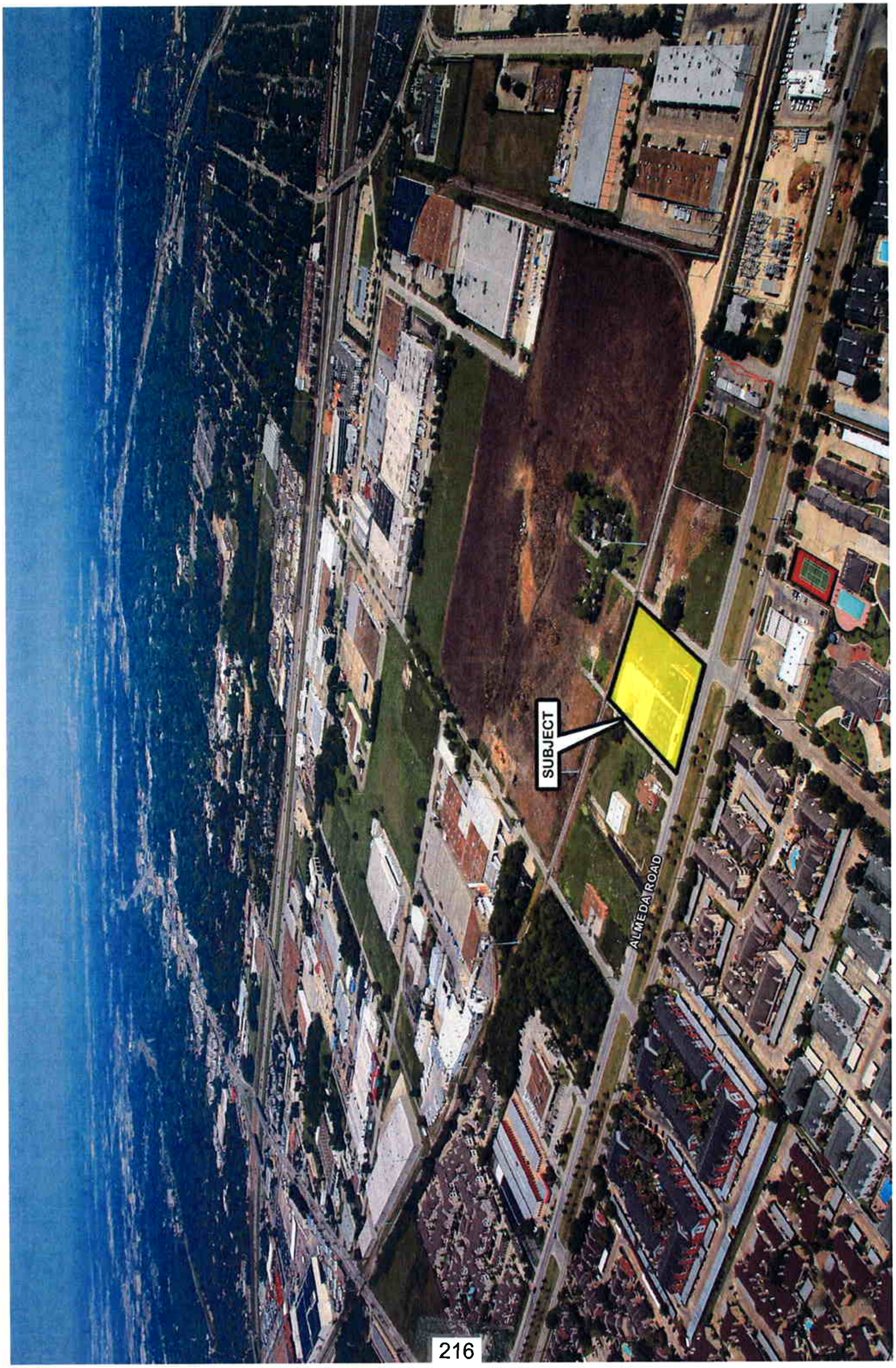
The Attorney General of the State of Texas has advised in Opinion No. MW-373 (1981), that, for the use of university property without cash rental payments to comply with the Texas Constitution, three requirements must be met: (1) the use of the property must serve a public purpose, appropriate to the function of the university; (2) adequate consideration must be received by the university; and (3) the university must maintain controls over the user's activity to ensure that the public purpose is achieved.

The Cancer Center has concluded that a Hope Lodge facility would enable U. T. M. D. Anderson Cancer Center to offer its services to more patients, especially low-to-moderate income patients, and assist the institution in pursuing the fulfillment of its mission "to eliminate cancer in Texas, the nation, and the world through outstanding programs that integrate patient care." The ground lease to the Cancer Society would serve the public purpose of offering free housing to cancer patients undergoing treatment, many of which patients will be treated by U. T. M. D. Anderson Cancer Center, although occupancy will not be restricted to U. T. M. D. Anderson Cancer Center patients. Nevertheless, the institution has concluded that its patients will be well represented in the facility, based on data showing that approximately 80% of those occupying housing at similar facilities in the Texas Medical Center, such as the existing Hospitality Apartments (which do not exclusively serve cancer patients), are patients of the Cancer Center.

A transaction summary and map follow:

<u>Transaction Summary</u>

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Ground lease
Total Area:	56,408 square feet
Location:	7505 Almeda Road, Houston, Harris County, Texas (see map on the following page)
Tenant:	American Cancer Society, High Plains Division, Inc., a Texas nonprofit corporation
Rental Rate:	$1.00 per year
Term:	Twenty years, plus three 10-year options, exercisable at the Cancer Society's option
Permitted Use:	Construction and operation of a Hope Lodge or similar facility offering free housing for cancer patients undergoing treatment in the Texas Medical Center


SUBJECT
ALMEDA ROAD

5. U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2009 and distribute a portion of Plan premium returns

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel, after consultation with the actuary for The University of Texas System Professional Medical Liability Benefit Plan (Plan), that

a. Plan Participant premium rates for faculty and residents for Fiscal Year 2009 for the Plan be reduced by 5% from the rates for Fiscal Year 2008;

b. all other Plan Participant premium rates, including institutional, international, and medical student rates, for Fiscal Year 2009 remain unchanged from the rates for Fiscal Year 2008; and

c. $15.625 million be distributed from Plan returns as follows: $15 million to the participating U. T. System institutions based on a formula combining the loss ratio and premium contributions for each participating institution and $625,000 to supplement ongoing patient safety efforts.

The proposed premium rates for faculty and residents for Fiscal Year 2009 are set forth in Exhibit 1 (Pages 219 – 220). The proposed distribution of $15.625 million to participating institutions is set forth in Exhibit 2 (Page 221).

BACKGROUND INFORMATION

On March 26, 2008, the Board of Regents endorsed a three-year plan recommended by the Plan Administrator to reduce the reserves held in the Plan to base reserve requirements according to generally accepted industry standards. The recommended premium reduction and distribution is in keeping with the three-year plan.

A new distribution methodology is incorporated in the recommended institutional returns. Previous distributions have been based solely on the institution's pro rata share of premiums paid into the Plan in the preceding year. This year a plan is recommended to encourage loss reduction by giving consideration to an institution's loss ratio, or claims history, on an equal basis as the pro rata share paid in premiums by the institution. Both factors are considered from a three-year perspective rather than only a one-year perspective to remove volatility inherent in utilizing loss data. After application of this methodology, an adjustment was made to ensure that institutions with loss ratios more favorable than the U. T. System average receive no less than they would have under the previous methodology.

In addition to the $15 million to be distributed to all participating institutions, $625,000 is recommended to be distributed for System-wide patient safety initiatives. The Board of Regents previously adopted a $3 million three-year System-wide patient safety budget on March 26, 2008. This $625,000 will fund a conference and fellowship program associated with the Clinical Safety and Effectiveness Course.

Exhibit 1

The University of Texas System Professional Medical Liability Benefit Plan

Summary of Recommended Annual Rates* by Risk Class by Institution

Physician Risk Class 1

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$576	$552
UTSWMC	576	552
UTMB	960	888
UTHSCH	924	864
UTHSCSA	696	648
UTHSCT	828	780
UTAustin	696	648
UTA	696	648
UTSA	696	648

Physician Risk Class 2

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$912	$852
UTSWMC	912	852
UTMB	1,488	1,404
UTHSCH	1,452	1,356
UTHSCSA	1,080	1,020
UTHSCT	1,296	1,212
UTAustin	1,080	1,020
UTA	1,080	1,020
UTSA	1,080	1,020

Physician Risk Class 3

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$1,464	$1,368
UTSWMC	1,452	1,356
UTMB	2,388	2,232
UTHSCH	2,316	2,172
UTHSCSA	1,728	1,620
UTHSCT	2,076	1,944
UTAustin	1,728	1,620
UTA	1,728	1,620
UTSA	1,728	1,620

Physician Risk Class 4

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$2,712	$2,544
UTSWMC	2,700	2,532
UTMB	4,440	4,152
UTHSCH	4,308	4,020
UTHSCSA	3,216	3,012
UTHSCT	3,852	3,600
UTAustin	3,216	3,012
UTA	3,216	3,012
UTSA	3,216	3,012

Exhibit 1 (cont'd)

The University of Texas System Professional Medical Liability Benefit Plan

Summary of Recommended Annual Rates by Risk Class by Institution

Physician Risk Class 5

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$3,996	$3,744
UTSWMC	3,984	3,720
UTMB	6,528	6,120
UTHSCH	6,336	5,928
UTHSCSA	4,740	4,452
UTHSCT	5,664	5,304
UTAustin	4,740	4,452
UTA	4,740	4,452
UTSA	4,740	4,452

General Dentist Risk Class A

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$204	$192
UTSWMC	204	192
UTMB	336	312
UTHSCH	324	312
UTHSCSA	240	228
UTHSCT	288	276
UTAustin	240	228
UTA	240	228
UTSA	240	228

Oral Surgery Risk Class B

Institution	Recommended Rates for 9/1/2008 Faculty	Resident
UTMDACC	$912	$852
UTSWMC	912	852
UTMB	1,488	1,404
UTHSCH	1,452	1,356
UTHSCSA	1,080	1,020
UTHSCT	1,296	1,212
UTAustin	1,080	1,020
UTA	1,080	1,020
UTSA	1,080	1,020

*For ease in administration, all premium rates have been rounded.

Exhibit 2

The University of Texas System Professional Medical Liability Benefit Plan

Proposed Distribution of Plan Returns

Institution	2005-2007 Premium Paid	2005-2007 Claims	Loss Ratio	Distribution (50% Loss Ratio/50% Premium)
UTMDACC	$ 7,244,211	$ 1,931,702	27%	$ 2,580,567
UTSWMC	11,855,822	6,278,441	53%	2,969,145
UTMB	16,190,807	7,331,600	45%	4,229,864
UTHSCH	7,678,411	6,334,966	83%	1,534,767
Medical Foundation	5,255,328	4,335,835	83%	1,050,438
UTHSCSA	10,853,688	6,408,560	59%	2,491,397
UTHSCT	685,923	874,028	127%	119,049
UTAustin	108,163	231,618	214%	16,656
UTA	12,711	-	0%	4,529
UTSA	10,069	-	0%	3,588
Subtotal	$59,895,133	$33,726,750	56% (avg.)	$15,000,000
Patient Safety Initiatives				$ 625,000
TOTAL PROPOSED DISTRIBUTION				$15,625,000

Prepared by Office of General Counsel & Office of Risk Accounting
July 7, 2008

6. **<u>U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations*, Rule 40601, Sections 1.12(a), 1.13(a), and 1.15(a) regarding changing the name of the School of Allied Health Sciences to the School of Health Professions at U. T. Southwestern Medical Center – Dallas, U. T. Medical Branch – Galveston, U. T. Health Science Center – San Antonio, and Section 1.16(d) regarding changing the name of the School of Health Sciences to the School of Health Professions at U. T. M. D. Anderson Cancer Center</u>**

<u>RECOMMENDATION</u>

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Vice Chancellor and General Counsel, President Wildenthal, President Callender, President Cigarroa, and President Mendelsohn that the Regents' *Rules and Regulations*, Rule 40601, Sections 1.12(a), 1.13(a), 1.15(a), and 1.16(d) concerning institutions comprising The University of Texas System, be amended as set forth below in congressional style:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

. . .

1.12 The University of Texas Southwestern Medical Center at Dallas (U. T. Southwestern Medical Center – Dallas)

(a) The University of Texas Southwestern ~~Allied Health Sciences~~ School <u>of Health Professions</u> at Dallas (U. T. Southwestern ~~A.H.S.S.~~ <u>School of Health Professions</u> – Dallas)

. . .

1.13 The University of Texas Medical Branch at Galveston (U. T. Medical Branch – Galveston)

(a) The University of Texas <u>Medical Branch at Galveston</u> School of ~~Allied Health Sciences~~ <u>Health Professions</u> ~~at Galveston~~ (U. T. <u>School of Health Professions</u> ~~Allied Health Sciences School~~ – Galveston)

. . .

1.15 The University of Texas Health Science Center at San Antonio (U. T. Health Science Center – San Antonio)

(a) The University of Texas Health Science Center at San Antonio School of ~~Allied Health Sciences at San Antonio~~ Health Professions (U. T. ~~Allied Health Sciences~~ Health Science Center – San Antonio School of Health Professions ~~– San Antonio~~)

. . .

1.16 The University of Texas M. D. Anderson Cancer Center (U. T. M. D. Anderson Cancer Center)

. . .

(d) The University of Texas M. D. Anderson Cancer Center School of Health ~~Sciences~~ Professions (U. T. M. D. Anderson School of Health ~~Sciences~~ Professions)

. . . .

BACKGROUND INFORMATION

The proposed amendment to the Regents' *Rules and Regulations*, Rule 40601, is to change the name of the School of Allied Health to the School of Health Professions at U. T. Southwestern Medical Center – Dallas, U. T. Medical Branch – Galveston, and U. T. Health Science Center – San Antonio, and to change the name of the School of Health Sciences to the School of Health Professions at U. T. M. D. Anderson Cancer Center.

The first schools of allied health sciences evolved from hospital-based training programs and associated vocational and technical training programs, and have transitioned over the years from the concept of technical health occupations to entail academic preparation, external accreditation, national board examinations, and advanced independent practice. The proposed name identifies the advances in healthcare education at these schools and reflects current national trends in the health professions.

7. U. T. System: Report on the health workforce in Texas

REPORT

Dr. Ben G. Raimer, Senior Vice President for Health Policy and Legislative Affairs at U. T. Medical Branch – Galveston and Chair of the Texas Statewide Health Coordinating Council, will report on the status of the health workforce in Texas, including Texas' current and long-range needs for healthcare professionals.

Supplemental Materials: Report on Pages 109 – 114 of Volume 2.

8. U. T. System: Quarterly report on health matters, including initiatives in health science educational experiences, by Executive Vice Chancellor Shine

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System, including initiatives in health science educational experiences. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.

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FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 8/13/2008

James R. Huffines, Chairman
James D. Dannenbaum
Janiece Longoria
Printice L. Gary

Board Meeting: 8/14/2008
Austin, Texas

	Committee Meeting	Board Meeting	Page
<u>Modifications to the Capital Improvement Program</u>			
12. **U. T. Austin: Art Building and Museum Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; revise the funding source; appropriation of funds; and resolution regarding parity debt (Final Board approval)**	*4:50 p.m.* **Action** *Mr. O'Donnell*	**Action**	**248**
13. **U. T. Austin: Utility Infrastructure Project - Phase II - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*4:54 p.m.* **Action** *Mr. O'Donnell*	**Action**	**250**
14. **U. T. Pan American: Old Computer Center Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost and appropriation and authorization of expenditure of additional funds (Final Board approval)**	*4:57 p.m.* **Action** *Mr. O'Donnell*	**Action**	**251**
Adjourn	*5:00 p.m.*		

1. **U. T. System: Report on Approval Classifications; final approval for Repair and Rehabilitation projects Items 2 through 5; use of Gift Funding on Capital Improvement Program projects; and impact of oil on commodity prices increasing construction costs**

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on the following four items:

a. Approval classifications

Construction projects are categorized as:

- additions to the Capital Improvement Program (CIP);
- design development approvals; or
- modifications to the CIP.

b. Final Approval by the U. T. System Board of Regents for repair and rehabilitation Agenda Items 2 through 5 on Pages 226 - 229

Repair and rehabilitation projects are authorized for inclusion in the CIP by the U. T. System Board of Regents and funding is appropriated. These projects do not return to the Board for design development approval and authorization of expenditure of funding because the (a) Chancellor has approval authority for the Office of Facilities Planning and Construction (OFPC) managed projects, and (b) the institution President has approval authority for institutionally managed projects.

c. Use of Gift funding for CIP projects

The Capital Expenditure Policy states that projects with Gift funding that has not been received in hand or firmly committed, as evidenced by a signed Gift instrument at the time of final Board of Regents' approval, will require that Revenue Financing System debt or another acceptable source of funding be denoted in lieu of the uncollected and uncommitted Gifts. If Revenue Financing System debt is used in place of Gift funding, there must be capacity for the proposed Revenue Financing System debt.

d. The impact of oil on commodity prices is increasing construction costs

The effects of higher commodity pricing in metals, especially steel, and the ancillary effects from higher oil prices are beginning to impact even isolated markets at U. T. Permian Basin and U. T. El Paso. OFPC will continue to work closely with all clients through the next several years on estimates until material prices readjust to both the cost of energy and the higher worldwide demand for construction materials.

2. U. T. Austin: Peter T. Flawn Academic Center Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; and appropriation of funds (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Peter T. Flawn Academic Center Renovation project at The University of Texas at Austin as follows:

Project No.:	102-406	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	April 2012	
Total Project Cost:	Source	Proposed
	Interest on Local Funds	$20,000,000

a. approve a total project cost of $20,000,000 with funding from Interest on Local Funds; and

b. appropriate funding.

BACKGROUND INFORMATION

Project Description

The project will improve the critical building systems and upgrade the life safety components as required to comply with current codes to provide a complete renovation/reconstruction of the third and fourth floors of the Peter T. Flawn Academic Center at U. T. Austin. The renovation work includes upgrades to the fire alarm system components, telecommunications and data systems, and repair/replacement of the mechanical, electrical, and plumbing systems to comply with the latest campus design standards, accessibility standards, and environmental regulations. The project will also upgrade and extend the existing fire sprinkler system to serve the entire building.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be approved by the Chancellor at a later date.

3. U. T. Austin: Law School Renovations - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Law School Renovations project at The University of Texas at Austin as follows:

Project No.:	102-408	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2009	
Total Project Cost:	Source	Proposed
	Designated Funds	$6,500,000

a. approve a total project cost of $6,500,000 with funding from designated funds;

b. appropriate funds; and

c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The project will convert 12,500 gross square feet of current law library reference space into approximately 15 additional faculty offices, conference rooms, and administrative assistant space.

The School of Law is in immediate need of additional faculty office space, as it plans to hire as many as 15 new tenured/tenure-track faculty during the next five years, and there currently is not adequate office space for new hires. Appropriate faculty offices and associated administrative space are needed to attract new faculty and to keep current faculty. The School of Law has not added faculty offices since Jesse H. Jones Hall was built in 1980; however, Law School faculty and staff members have increased substantially. The second floor library space is separate from the rest of the library, is no longer used intensively, and is immediately below the third floor faculty offices. The library space contains books with information that is now primarily accessed online, and few students use it for a study place. The law library has two full floors in addition to this space for stacks and study which are adequate for the library's current needs.

This proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Austin Facility Management personnel who have the experience and capability to manage all aspects of the work.

4. U. T. Austin: Lee and Joe Jamail Texas Swimming Center Renovation/Renewal - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Lee and Joe Jamail Texas Swimming Center Renovation/Renewal project at The University of Texas at Austin as follows:

Project No.:	102-409	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	September 2009 for Phase I	
Total Project Cost:	Source	Proposed
	Interest on Local Funds	$ 7,500,000
	Auxiliary Enterprise Balances	$ 7,500,000
		$15,000,000

a. approve a total project cost of $15,000,000 with funding of $7,500,000 from Interest on Local Funds and $7,500,000 from Auxiliary Enterprise Balances;

b. appropriate funds; and

c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The project will be a phased renovation to be completed over a five-year period. The first phase of the project will renovate the following major systems: pool mechanical system; building heating, ventilation, and air conditioning (HVAC) system; pool basin and deck; and architectural and structural building systems. The pool mechanical renovation includes replacing existing pool mechanical systems. The building HVAC system renovation includes a complete redesign of existing building mechanical systems to minimize corrosion and replace all existing obsolete, deteriorating HVAC building and electrical distribution systems. The pool basin and deck renovation includes replacing original tile and waterproofing, bulkhead guide rails, and embedded support systems. Architectural and structural building system renovations include the preparation and painting of the roof structural steel, replacing the ceiling grid system, installing an ADA ramp and elevator, and installing perimeter deck drains.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Austin Facility Management personnel who have the experience and capability to manage all aspects of the work.

5. U. T. Health Science Center - San Antonio: Renovate Multipurpose Classrooms in Library - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Renovate Multipurpose Classrooms in Library project at The University of Texas Health Science Center at San Antonio as follows:

Project No.:	402-411
Institutionally Managed:	Yes ☒ No ☐

Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2009	
Total Project Cost:	Source	Proposed
	Permanent University Fund Bond Proceeds	$2,500,000
	Unexpended Plant Funds	$2,800,000
		$5,300,000

a. approve a total project cost of $5,300,000 with funding of $2,500,000 from Permanent University Fund (PUF) Bond Proceeds and $2,800,000 from Unexpended Plant Funds;

b. appropriate funding; and

c. authorize U. T. Health Science Center - San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The project will provide 10 additional classrooms in the Dolph Briscoe, Jr. Library and link them with other classroom space in the Lecture Hall. The renovation includes the relocation of the Multidiscipline Teaching Laboratories from the current location within the School of Medicine to the library. A casual sitting space for students will be included to encourage interactions between students and to establish a 24/7 learning environment for the students.

The $2,500,000 from PUF was allocated in August 2007 to the School of Medicine Transformation Initiative.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Health Science Center - San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

6. **U. T. Austin: Darrell K Royal - Texas Memorial Stadium Maintenance and Renovation Project - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; approval of the transfer of Gifts; reduction of total project cost for the Darrell K Royal - Texas Memorial Stadium Expansion project; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Darrell K Royal - Texas Memorial Stadium Maintenance and Renovation project at The University of Texas at Austin as follows:

Project No.:	102-370		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	August 2009		
Total Project Cost: DKR-TMS Maintenance and Renovation (Project No. 102-370)	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$21,000,000	$21,000,000
	Gifts	$ 4,000,000	$ 8,000,000
		$25,000,000	$29,000,000
Total Project Cost: DKR-TMS Stadium Expansion (Project No. 102-081)	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$129,560,000	$129,560,000
	Gifts	$ 35,471,000	$ 31,471,000
	Unexpended Plant Funds	$ 11,506,000	$ 11,506,000
		$176,537,000	$172,537,000
Investment Metrics:	• Add 4,000 new seats in South Grandstand by 2009 • Increase revenue from seats and licensing by $2M annually by 2009 • Increase assignable square feet by 48,000 by 2009		

a. amend the FY 2008-2013 Capital Improvement Program to increase the total project cost from $25,000,000 to $29,000,000;

b. approve the transfer of funding of $4,000,000 from Gifts from the Darrell K Royal - Texas Memorial Stadium Expansion project;

c. reduce the total project cost for the Darrell K Royal - Texas Memorial Stadium Expansion project from $176,537,000 to $172,537,000;

d. approve design development plans;

e. appropriate funds and authorize expenditure of funds;

f. approve the evaluation of alternative energy economic feasibility; and

g. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $21,000,000.

BACKGROUND INFORMATION

Debt Service

The $21,000,000 in Revenue Financing System debt will be repaid from auxiliary revenues. Annual debt service on the $21,000,000 Revenue Finance System debt is expected to be $1,500,000. The institution's debt service coverage is expected to average 1.3 times over FY 2009-2014.

Previous Board Action

On February 7, 2008, the project was included in the CIP with a preliminary project cost of $25,000,000 with funding of $21,000,000 from Revenue Financing System Bond Proceeds and $4,000,000 from Gifts.

Project Description

The project involves a collection of projects at L. Theo Bellmont Hall, the south end zone, modifications to W. A. "Tex" Moncrief, Jr. - V. F. "Doc" Neuhaus Athletic Center (Center), and the East Grandstand. The increase in total project cost is necessary to add the Football Academic Center, Hall of Fame Museum, and training offices to the

Center. Gift funds of $4,000,000 initially raised for the Darrell K Royal - Texas Memorial Stadium Expansion project will be transferred to this project, thus reducing the total project cost of the Expansion project from $176,537,000 to $172,537,000.

The plans include interior renovations for offices in L. Theo Bellmont Hall; replacement of temporary bleachers in the south end zone with 4,000 seats; addition of a screen device on the back of the scoreboard at the south end zone; replacement of the existing tent structure with a new tent; addition of the Football Academic Center and Hall of Fame Museum; enclosure of the existing covered walk with heating, ventilation, and air conditioning (HVAC) systems at the Center; replacement and additions of exterior gates, driveways, parking, and paving improvements at the east plaza at the entrance to the Center; improved security and site access around Gate 32; addition of a new exterior egress stair at the southwest corner of the Center; replacement of HVAC systems at the east grandstand suites; addition of training offices at the field level of the Center; and waterproofing replacement and concrete repair work at the east grandstands.

<u>Basis of Design</u>

The planned building life expectancy includes the following elements:

- Enclosure: Not applicable
- Building Systems: 25-30 years
- Interior Construction: 10-15 years

This project is primarily renovation of existing space.

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 or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy 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.

7. <u>U. T. El Paso: College of Health Sciences/School of Nursing - Request for approval of design development; approval to revise the funding sources; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)</u>

<u>RECOMMENDATION</u>

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents approve the recommendations for the College of Health Sciences/School of Nursing project at The University of Texas at El Paso as follows:

Project No.:	201-383		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	February 2011		
Total Project Cost:	Source	Current	Proposed
	Permanent University Fund Bond Proceeds	$50,000,000	$50,000,000
	Gifts	$10,000,000	----
	Revenue Financing System Bond Proceeds	----	$10,000,000
		$60,000,000	$60,000,000

Investment Metrics:

By 2015:

- Increased external research funding in health sciences
- Growth in enrollment in master's degree programs in the health professions
- Growth in enrollment in doctoral programs in the health professions
- Growth in enrollment in the undergraduate Nursing programs
- Growth in the number of degrees awarded annually in health-related disciplines
- Growth in endowment funding in the College of Health Sciences and in the School of Nursing

a. approval of design development plans;

b. revise the funding source of $10,000,000 from Gifts to Revenue Financing System Bond Proceeds;

c. appropriate funds and authorize expenditure of $50,000,000 from Permanent University Fund (PUF) Bond Proceeds and $10,000,000 from Revenue Financing System Bond Proceeds;

d. approve the evaluation of alternative energy economic feasibility; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $10,000,000.

BACKGROUND INFORMATION

Debt Service

The $10,000,000 in Revenue Financing System debt will be repaid from gift and grant funds. Annual debt service on the $10,000,000 Revenue Financing System debt is expected to be $726,000. The institution's debt service coverage is expected to average 2.8 times over FY 2009-2014.

Previous Board Actions

On August 23, 2007, the Board approved the allocation of $50,000,000 from PUF Bond Proceeds and $10,000,000 from Gifts for the project. On November 9, 2007, the project was included in the Capital Improvement Program (CIP) with a total project cost of $60,000,000 with funding of $50,000,000 from PUF and $10,000,000 from Gifts.

Project Description

The project consists of construction of a new building of approximately 137,898 gross square feet to house a new health science complex to replace the existing College of Health Sciences and School of Nursing facilities. This building will be Phase 1 of a two-stage project to address the growing space deficit and improve the quality of teaching, learning, research, and public service for the nearly 2,500 undergraduate and graduate students in the health-related programs. The facility will include classrooms, faculty offices, research laboratories, and a state-of-the-art simulation lab as well as student study areas. Phase II will complete the relocation of all remaining programs to the health sciences complex.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

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 or addition to an existing 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.

8. U. T. El Paso: Physical Sciences/Engineering Core Facility - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; approval to revise the funding sources; approval of design development for the new portion of the project; designation of the building as the Chemistry and Computer Science Building; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents approve the recommendations for the new portion of the Physical Sciences/Engineering Core Facility project at The University of Texas at El Paso as follows:

Project No.: 201-268

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: April 2011

	Source	Current	Proposed
Total Project Cost:	Permanent University Fund Bond Proceeds	$ 8,500,000	$ 8,500,000
	Tuition Revenue Bond Proceeds	$76,500,000	$76,500,000
	Revenue Financing System Bond Proceeds	----	$ 400,000
		$85,000,000	$85,400,000

	Source	Current	Proposed
Total Project Cost for the Repair and Rehabilitation Portion:	Tuition Revenue Bond Proceeds	$21,000,000	$14,800,000
	Revenue Financing System Bond Proceeds		$ 400,000
			$15,200,000

Total Project Cost for the Chemistry and Computer Science Building:	Source	Current	Proposed
	Permanent University Fund Bond Proceeds	$ 8,500,000	$ 8,500,000
	Tuition Revenue Bond Proceeds	$55,500,000	$61,700,000
		$64,000,000	$70,200,000

Investment Metrics:

- Increase Chemistry and Computer Science faculty retention and recruitment efforts by 2012
- Facilitate efforts to enhance the stature of the Chemistry and Computer Science department
- Improve facilities to encourage interdisciplinary interaction and research opportunities among faculty and students
- Increase extramural funding by 2012
- Provide increased space for research laboratories, teaching and learning facilities and faculty offices in the departments of Chemistry and Computer Science

a. amend the FY 2008-2013 Capital Improvement Program (CIP) to increase the total project cost from $85,000,000 to $85,400,000;

b. revise the funding sources from $76,500,000 from Tuition Revenue Bond Proceeds and $8,500,000 from Permanent University Fund (PUF) Bond Proceeds to $76,500,000 from Tuition Revenue Bond Proceeds, $8,500,000 from Permanent University Fund (PUF) Bond Proceeds; and $400,000 from Revenue Financing System Bond Proceeds;

c. approve design development plans for the new portion;

d. approve the designation of the new building portion of the project as the Chemistry and Computer Science Building;

e. appropriate remaining funds and authorize expenditure of funds in the amount of $55,500,000 from Tuition Revenue Bond Proceeds and $8,500,000 from Permanent University Fund (PUF) Bond Proceeds, and $400,000 from Revenue Financing System Bond Proceeds;

f. approve the evaluation of alternative energy economic feasibility; and

g. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $55,900,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized $55,500,000 of Tuition Revenue Bonds for a physical science and engineering core facility. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The $400,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the $400,000 Revenue Financing System debt is expected to be $35,000. The institution's debt service coverage is expected to average 2.8 times over FY 2009-2014.

Previous Board Actions

On August 11, 2006, the project was included in the CIP with a preliminary project cost of $85,000,000 with funding of $76,500,000 from Tuition Revenue Bond Proceeds and $8,500,000 from PUF Bond Proceeds. In September 2006, the Chancellor approved the design development plans for the renovation portion of the project. On November 16, 2006, the Board approved the appropriation of the funding in the amount of $21,000,000 from Tuition Revenue Bonds for the repair and rehabilitation portion of the project. On November 16, 2006, the Board approved reducing the total project cost from $85,000,000 to $83,800,000 with funding of $1,200,000 from PUF allocated to allow for the purchase of a commercial building property located at 3401 North Mesa Street. On February 7, 2008, the Board approved moving the $1,200,000 in PUF funding back into the project for construction since the property purchase transaction was not completed.

Project Description

U. T. El Paso proposes to designate the new building to be constructed as the Chemistry and Computer Science Building to be located at the southeast corner of the Engineering Annex Building. A large forum space will be located within the new building serving as a welcoming space to the Hawthorne Street entry. The forum will provide the interaction among students and faculty that is so important to the concept of the new building. The new facility will be approximately 145,827 gross square feet to include research space, teaching laboratories, support spaces for the laboratories, classrooms, department and faculty offices, and shell space for future expansion.

The increase in total project cost is the unexpended balance of Revenue Financing System Bond Proceed funding previously approved by the U. T. System Board of Regents on November 9, 2007, for the acquisition of the Schuster property. The increase will be used for the asbestos abatement, demolition, and parking lot paving for improvements to the property that will house the child care center.

The funding for the repair and rehabilitation portion of the Physical Sciences/ Engineering Core Facility project will be reduced from $21,000,000 to $14,800,000 and the appropriated balance in the amount of $6,200,000 will be transferred to the new construction for the project. The increase of $400,000 will remain in the repair and rehabilitation portion of the project. The Chemistry and Computer Science Building has a total project cost of $70,200,000.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

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 or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy 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.

9. U. T. Permian Basin: Student Multipurpose Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the

U. T. System Board of Regents approve the recommendations for the Student Multipurpose Center project at The University of Texas of the Permian Basin as follows:

Project No.:	501-340	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	July 2010	
Total Project Cost:	<u>Source</u> Revenue Financing System Bond Proceeds	<u>Current</u> $12,000,000

Investment Metrics:

- The number of meals served to students will increase by 15% during FY 2011
- The number of students utilizing the new fitness area will increase 10% during FY 2011
- Enrollment in classes for FY 2011 will increase by 5% because of the available on-campus child care
- Student retention will increase by approximately 4% with the new Student Multipurpose Center providing more of a traditional campus environment

a. approve design development plans;

b. appropriate funds and authorize expenditure of funds;

c. approve the evaluation of alternative energy economic feasibility; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Permian Basin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $12,000,000.

BACKGROUND INFORMATION

Debt Service

The $12,000,000 in Revenue Financing System debt will be repaid from student fees. Annual debt service on the $12,000,000 Revenue Financing System debt is expected to be $872,000. The project's debt service coverage is expected to average at least 1.3 times over FY 2011-2015. The student fee that is expected to support the Revenue Financing System debt was approved by the U. T. Permian Basin student body on January 24, 2007. The fee was subsequently approved by the 80th Texas Legislature, effective June 15, 2007.

Previous Board Action

On May 10, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of $12,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The building will be approximately 28,698 gross square feet located south of and adjacent to the Mesa Building. The multipurpose facility will offer food service, coffee shop, convenience store, fitness area, child care, student senate and student life offices, game rooms, study areas, and an outdoor shaded pavilion.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

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 or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy 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.

10. U. T. Permian Basin: The Wagner Noël Performing Arts Center - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; approval to revise the funding sources; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Watts that the U. T. System Board of Regents approve the recommendations for The Wagner Noël Performing Arts Center project at The University of Texas of the Permian Basin as follows:

Project No.: 501-262

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: September 2011

Total Project Cost:

Source	Current	Proposed
Permanent University Fund Bond Proceeds	$ 6,500,000	$12,500,000
Gifts	$14,500,000	$16,000,000
Tuition Revenue Bond Proceeds	$45,000,000	$45,000,000
Grants	---	$ 7,500,000
	$66,000,000	$81,000,000

Investment Metrics:

- Visibility of music and fine arts programs within the community and the region will increase by more than 5% from FY 2011 to FY 2012
- Enrollment in the music and fine arts programs will increase by more than 10% with additional classroom and recital hall space from FY 2011 to FY 2012
- Attendance at major performances will increase by 10% after opening year
- Use of the facility/number of performances, recitals, and other functions will increase by 10% from FY 2011 to FY 2012

a. amend the FY 2008-2013 Capital Improvement Program to increase the total project cost from $66,000,000 to $81,000,000;

b. revise the funding sources from $45,000,000 from Tuition Revenue Bond Proceeds, $14,500,000 from Gifts, and $6,500,000 from Permanent University Fund Bond Proceeds to $45,000,000 from Tuition Revenue Bond Proceeds, $16,000,000 from Gifts, $12,500,000 from Permanent University Fund Bond Proceeds, and $7,500,000 from Grants;

c. approve design development plans;

d. appropriate funds and authorize expenditure of funds;

e. approve the evaluation of alternative energy economic feasibility; and

f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Permian Basin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $45,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized $45,000,000 of Tuition Revenue Bonds for an arts, convocation, and classroom center. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On June 20, 2006, the project was included in the Capital Improvement Program (CIP) as the Arts, Convocation, and Classroom Facility at the Center for Energy and Economic Diversification (CEED) with a total project cost of $45,000,000 with funding from Tuition Revenue Bond Proceeds. On August 10, 2006, the Board approved the increase in the total project cost to $51,000,000 with funding of $45,000,000 from Tuition Revenue Bond Proceeds, $3,000,000 from Permanent University Fund (PUF) Bond Proceeds, and $3,000,000 from Gifts. On April 20, 2007, the project was redesignated as The Wagner Noël Performing Arts Center. On August 23, 2007, the Board approved increasing the total project cost to $66,000,000 with funding of

$45,000,000 from TRB, $6,500,000 from PUF, and $14,500,000 from Gifts. On June 20, 2008, the Board approved the additional allocation of up to $6,000,000 from PUF and a $7,500,000 Grant acquired from the Texas Department of Transportation.

The additional $6,000,000 of PUF funding being requested is intended to provide matching funds to assist U. T. Permian Basin in its efforts to raise an additional $4,000,000 of Gifts for an endowment to fund operating expenses for the project. Therefore, the additional PUF funding being requested will be released on a 60/40 pro rata basis as the $4,000,000 of additional Gifts are raised.

Project Description

The project to be located at the CEED consists of 97,700 gross square feet to provide a performing arts center with supporting spaces. The main auditorium seats 1,800 and will also serve as a convocation center for various functions. The center will also feature a separate 200 seat recital hall with retractable seating for multiple use functions. The site will contain parking for approximately 1,000 vehicles.

The oil and gas production industry has significantly impacted the Midland/Odessa construction climate. The price of oil has essentially doubled over the past eight months to an all time high exceeding $130 per barrel. As a result, oil field activity has boomed in the area. Construction labor and project management expertise remains in very short supply in this small, relatively isolated market with oil companies paying significantly more than area construction companies. Unemployment is down below 3%. The net result is that labor rates have risen significantly in the last year in the region indicating wage increases for critical craft labor of between 30%-100% over the affected period.

The geographic isolation of Midland/Odessa makes it difficult to draw on the construction communities of other metropolitan areas. The nearest market, Lubbock, is two hours away and shares some of the same limitations and cost drivers as Midland/Odessa. The nearest large markets (the Dallas/Fort Worth metroplex, Amarillo, El Paso, and San Antonio) are approximately 300 miles away. Contractors working in this area from these markets must factor per diem expenses into their cost of work, as well as hourly wage premiums to attract craft labor away from their "home market" for the duration of the project. Trades currently being imported into the area include concrete formwork, drywall installation, electrical, steel erection, complex heating/ventilation/air conditioning, external/internal finishes and specialty trades.

Regional manpower shortages began to affect local bids in a significant way in 2007. The combined effect of higher oil prices, commodity escalation, and increased construction activity resulted in proposals on local projects that vary significantly from existing pricing models of contractors, consultants, and Office of Facilities Planning and Construction (OFPC). The Wagner Noël Performing Arts Center project will require sophisticated subcontractors from outside the region, attracted by higher hourly salaries and per diem allowances for temporary accommodations. While OFPC believes that the contractor's contingencies are somewhat high, considering the early stage of design, they are an appropriate way to mitigate risk. Should the market prove more competitive during subcontract buy-out, the project will be well positioned to add desired elements back into the project in a cost-effective way and achieve overall savings.

In December 2007, the Construction Manager-at-Risk, Hunt Construction Group, as part of their pre-construction services, provided OFPC with a construction cost estimate at Schematic Design that was 50% over target budget. OFPC has worked with the project stakeholders to refine needs and scope and challenged the project team to develop cost reduction strategies that maintain the programmatic intent of this facility. While some reductions were achieved, labor contingencies continue to drive the early Construction Manager's estimates for this project. Accordingly, the initial CIP conceptual estimate of $66 million will need to be increased approximately 22% to $81,000,000. This represents a not-to-exceed amount for the total project cost of the facility.

Fundraising efforts to date for this project have been successful with approximately $20 million in pledges received. An additional fundraising effort is about to be undertaken to raise $4 to $6 million of additional local funds to accommodate increased construction costs and associated facility operating expenses.

<u>Basis of Design</u>

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The exterior appearance and finish are consistent with similar metropolitan performing arts centers. The mechanical and electrical building systems are designed to ensure an appropriate audience experience. The interior appearance and finish are consistent with metropolitan performance spaces.

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 or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy 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.

11. U. T. Medical Branch - Galveston: Student Housing - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents approve the recommendations for the Student Housing project at The University of Texas Medical Branch at Galveston as follows:

Project No.:	601-360	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	December 2009	
Total Project Cost:	Source	Current
	Revenue Financing System Bond Proceeds	$10,000,000
Investment Metrics:	• Project completed to allow demolition of existing buildings and site availability to construct the University Boulevard Research Building, start 4/2010 • Improve student favorable responses to the UTMB dormitory questions by no less than 25% in the Student Satisfaction Survey that occurs following occupancy of the new Student Housing in 2010	

a. approve design development plans;

b. appropriate funds and authorize expenditure of funds;

c. approve the evaluation of alternative energy economic feasibility; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Medical Branch - Galveston, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $10,000,000.

BACKGROUND INFORMATION

Debt Service

The $10,000,000 in Revenue Financing System debt will be repaid from student housing revenue and other auxiliary income. Annual debt service on the $10,000,000 Revenue Financing System debt is expected to be $726,000. The institution's debt service coverage is expected to average 3.1 times over FY 2009-2014.

Previous Board Action

On August 9, 2001, the project was included in the Capital Improvement Program (CIP) with a total project cost of $10,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The student housing project consists of the construction of approximately 95 single occupancy, one bedroom, studio housing units located on the northwest area of campus convenient to academic resources. The four-story building will include a floor lobby, study lounges, and an administrative suite. The new facility will replace the existing campus housing constructed in the mid-1950s that will be decommissioned and demolished.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-35 years
- Building Systems: 25-35 years
- Interior Construction: 10-15 years

The exterior appearance and finish are consistent with commercial apartment facilities and with the existing Campus Master Plan. The interior appearance and finish are consistent with other U. T. System student housing facilities.

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 or an addition to an existing building.

Therefore, the Project Architect prepared a renewable energy 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.

12. U. T. Austin: Art Building and Museum Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; revise the funding source; appropriation of funds; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Art Building and Museum Renovation project at The University of Texas at Austin as follows:

Project No.:	102-273		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	December 2009		
Total Project Cost:	Source	Current	Proposed
	Gifts	$3,500,000	
	Revenue Financing System Bond Proceeds		$7,000,000

a. amend the FY 2008-2013 Capital Improvement Program (CIP) to increase the total project cost from $3,500,000 to $7,000,000;

b. revise the funding source from $3,500,000 from Gifts to $7,000,000 from Revenue Financing System Bond Proceeds;

c. appropriation of funds; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $7,000,000.

BACKGROUND INFORMATION

Debt Service

The $7,000,000 in Revenue Financing System debt will be repaid from Designated Funds. Annual debt service on the $7,000,000 Revenue Financing System debt is expected to be $509,000. The institution's debt service coverage is expected to average 2.2 times over FY 2009-2014.

Previous Board Action

On June 20, 2006, the project was included in the CIP with a total project cost of $3,500,000 with funding from Gifts.

Project Description

The project includes renovation of existing administrative and gallery spaces in the Art Building and Museum currently occupied by the Jack S. Blanton Museum of Art. The Department of Art and Art History will occupy the renovated space to become studio labs for graduate students in the art program. Space will also be used for administrative offices. The increase to the total project cost is needed to allow for the new main entry on the east side of the existing Art Building and significant renovation to the existing gallery for the display of faculty and student work. Within the renovated area, the project will also address fire and life safety systems.

The Art Building and Museum, located at the corner of San Jacinto Boulevard and 23rd Street, was originally constructed in 1962. Two later additions were constructed on the north side of the original building.

Approval of design development plans and authorization of expenditure of funds will be approved by the Chancellor at a later date.

13. U. T. Austin: Utility Infrastructure Project - Phase II - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Utility Infrastructure Project - Phase II at The University of Texas at Austin as follows:

Project No.:	102-322		
Institutionally Managed:	Yes ☒ No ☐		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	August 2009		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$54,050,000	$57,750,000

a. amend the FY 2008-2013 Capital Improvement Program (CIP) to increase the total project cost from $54,050,000 to $57,750,000;

b. appropriate and authorize expenditure of additional funds of $3,700,000 from Revenue Financing System Bond Proceeds; and

c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- 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 U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $3,700,000.

BACKGROUND INFORMATION

Debt Service

The $3,700,000 in Revenue Financing System debt will be repaid from designated funds. Annual debt service on the $3,700,000 Revenue Financing System debt is expected to be $269,000. The institution's debt service coverage is expected to average 2.2 times over FY 2009-2014.

Previous Board Action

On November 16, 2006, the project was included in the CIP with a total project cost of $49,500,000 and funding was appropriated from Revenue Financing System Bond Proceeds. On October 19, 2007, the Chancellor approved the increase in total project cost from $49,500,000 to $54,050,000 with additional funding of $4,550,000 appropriated from Revenue Financing System Bond Proceeds.

Project Description

The institutionally managed repair and rehabilitation project includes a series of phased projects to replace a gas turbine generator and waste heat boiler, upgrade cooling systems in Chilling Stations 3 and 4, and construct a new thermal energy storage tank (TES) for chilled water. The increased cost is for the expanded scope of the TES project to meet the larger-than-anticipated cooling requirements of the Experimental Science Building as well as the central area of the main campus. The installation of larger pumps and related piping systems as well as a connection to chilled water lines leading to the central campus will be required to meet the utility needs.

14. U. T. Pan American: Old Computer Center Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to increase the total project cost and appropriation and authorization of expenditure of additional funds (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Cárdenas that the U. T. System Board of Regents approve the recommendations for the Old Computer Center Renovation project at The University of Texas - Pan American as follows:

Institutional Managed: Yes ☒ No ☐

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date:	December 2008		
Total Project Cost:	Source	Current	Proposed
	Higher Education Assistance Funds	$2,000,000	$3,000,000

a. amend the FY 2008-2013 Capital Improvement Program (CIP) to increase the total project cost from $2,000,000 to $3,000,000; and

b. appropriate funds and authorize expenditure of additional funds in the amount of $1,000,000 from Higher Education Assistance Funds (HEAF).

BACKGROUND INFORMATION

Previous Board Action

On August 23, 2007, the project was included in the CIP with a total project cost of $2,000,000 with funding from HEAF.

Project Description

The institutionally managed project involves the upgrades for mechanical, electrical, and plumbing components in the building to accommodate technological capacity for the next five years. The increase in total project cost is necessary for the renovation of offices to house the expanding Office of Research and Sponsored Programs.

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FOR
STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE

Committee Meeting: 8/13/2008
Austin, Texas

James D. Dannenbaum, Chairman
John W. Barnhill, Jr.
Printice L. Gary
James R. Huffines
Michael Swindle, Chair, Employee Advisory Council
Mansour El-Kikhia, Chair, Faculty Advisory Council
Aaron Rosas, Vice Chair, Student Advisory Council

U. T. System Board of Regents: Annual Meeting with Officers of the U. T. System Faculty Advisory Council

REPORT

The U. T. System Faculty Advisory Council will meet with the Board to discuss accomplishments of the Council and plans for the future following the agenda below. Attached on Pages 255 – 258 is a chart showing the status of prior recommendations from the Council.

Council members scheduled to attend are:

Chair: Mansour El-Kikhia, Ph.D., Political Science & Geography, U. T. San Antonio

Former Chair: Ted Pate, Ph.D., Integrative Biology and Pharmacy, U. T. Health Science Center - Houston

Governance Committee Co-Chair: Dora Saavedra, Ph.D., Communications, U. T. Pan American

Academic Affairs Committee Co-Chair: Francis (Sandy) Norman, Ph.D., Mathematics, U. T. San Antonio

AGENDA

1. Introductions

2. Chairperson's report and overview

   Supplemental Materials: Dr. El-Kikhia's PowerPoint presentation on Pages 115 - 128 of Volume 2.

3. Standing Committee presentations

   Diversity, Quality and Access: The Promise of the U. T. System

   Supplemental Materials: Dr. Saavedra's PowerPoint presentation on Pages 129 - 136 of Volume 2.

   Impact of SACS Reaffirmation on U. T. System Campuses

   Supplemental Materials: Dr. Norman's PowerPoint presentation on Pages 137 - 143 of Volume 2.

BACKGROUND INFORMATION

The University of Texas System Faculty Advisory Council was established in 1989 to provide a forum for communicating ideas and information between faculty, the Board of Regents, and the Executive Officers of U. T. System. Council guidelines require that recommendations have a multi-institutional focus and that the Council explore individual campus issues with institutional administrators prior to any consideration. The Faculty Advisory Council consists of two faculty representatives from each U. T. System institution and meets quarterly, usually in Austin. The Standing Committees of the Council are: Academic Affairs, Faculty Quality, Governance, and Health Affairs.

Faculty Advisory Council Recommendations
Cumulative List/Update

Subject	Recommendation	System Administration Response
Faculty Travel **November 12, 2002 Board Meeting** Recommendation #1	Encourage institutions to set aside funds for travel related to professional development.	**Status: Faculty concerns on this issue were shared with the presidents.**
Long-term contracts for non-tenure track faculty **February 4, 2004 Board Meeting** Recommendation #1	Develop multiyear contracts for nontenure track faculty	In many cases it makes sense for institutions to develop multiyear contracts for nontenure track faculty, and a number of campuses currently do this. Nothing in the Regents' *Rules and Regulations* forbids this practice. **Status: Acknowledged and shared with presidents**
Tenure for faculty who are temporarily part-time **February 4, 2004 Board Meeting** Recommendation #2	Permit tenured faculty to maintain tenure while temporarily on leave or part-time leave	Nothing in the Regents' *Rules and Regulations* prohibits maintenance of tenure when a faculty member is temporarily on approved leave or part-time leave. **Status: Acknowledged and shared with presidents**
Peer Reviews in annual merit assessments **February 4, 2004 Board Meeting** Recommendation #3	Require peer review for merit assessments	Peer review is critical to any promotion or tenure decision, including post tenure reviews. It is also wise to include peer review whenever possible in merit reviews. **Status: Acknowledged and shared with presidents**
Diversity Accountability Measures **February 4, 2004 Board Meeting** Recommendation #4	Develop an accountability measure that tracks minority and women faculty applicants through all stages of the hiring process. These data should be published as part of the Annual Accountability Report.	The information necessary to track this process is available in various forms on U. T. System campuses but is not reported consistently or systematically to federal agencies, the Texas Higher Education Coordinating Board, or System Administration. Since this initiative would require tracking individuals, there are issues related to privacy, especially if these data are classified by the department, college, or field. **Status: Completed**

Prepared by the Office of Academic Affairs
July 2008

Alternative Dispute Resolutions **Letter to the Chancellor from FAC 11/02/04** Recommendation #1	Use mediation as a method of alternative dispute resolution	The Office of General Counsel explored the use of mediation as a method of alternative dispute resolution on U. T. System campuses. **Status: Completed**
Ombudsman Position **Letter to the Chancellor from FAC 11/02/04** Recommendation #2	Create an ombudsman position at each campus to resolve disputes involving faculty.	The Office of Academic Affairs would support such a position, if requested by the president of an institution. **Status: Acknowledged and shared with presidents**
U. T. TeleCampus **Letter to the Chancellor from FAC 11/02/04** Recommendation #3	Assure that all new hires and new U. T. TeleCampus courses are subject to the same kind and level of faculty review as are traditional hires and courses.	The Office of Academic Affairs concurs with this recommendation for courses that are offered for credit. **Status: acknowledged and shared with presidents**
Designated Tuition for child or spouse of a U. T. System faculty **Letter to the Chancellor from FAC 11/02/04** Recommendation #4	Waive Designated Tuition to attract and retain faculty	The Office of Human Resources has been asked to study the cost of such waivers. The issue of tuition and fees, however, is a matter for each campus to consider, within the constraints of budget. **Status: Needs statutory approval**
Prospective Graduate Student Data base **February 10, 2005 Board Meeting** Recommendation #1	Develop a data base that will allow potential graduate students to register for information from U. T. System schools that offer graduate degrees	The Office of Academic Affairs with the help of the Office of Technology and Information Services (OTIS), developed a data base designed to allow juniors, seniors, and post-baccalaureates the opportunity to request information on graduate programs in the U. T. System. **Status: Completed**

Faculty discussions portal and research data base **February 10, 2005 Board Meeting** Recommendation #2	Encourage collaboration among faculty members at U. T. member institutions by creating a System-wide discussions portal and searchable research data base.	The Office of Academic Affairs, with the assistance of the OTIS, developed a discussions portal for use by all faculty members in the U. T. System. **Status: Completed**
University Governance **Letter to the Chancellor from FAC 05/30/05** Recommendation #1	Changes in U. T. System institutions' Handbook of Operating Procedures that pertain to topics in which Regents' *Rules* provide that the faculty shall have a major role in the governance of their respective institutions should be approved by the faculty of that governing body before implementation.	Regents' *Rules and Regulations*, Rule 20201, Section 4.9, which deals with the establishment of the Handbook of Operating Procedures, would be a place where this change could be articulated. **Status: Completed**
Search Policy for Administrative Positions **Letter to the Chancellor from FAC 05/30/05** Recommendation #2	Each campus should have a written policy for filling academic or health-related, upper level, administrative positions. This policy should be developed jointly by the administration and faculty governance body. This document should identify those administrative positions on the campus that are governed by this search policy, define what constitutes an open search to fill the position, specify the size and composition of each committee, specified house search committee members are nominated and appointed, and provide a set of general procedures for committee operation.	Regents' *Rules and Regulations*, Rule 20102, Section 3 could be amended to affect this change. NOTE: Regents' *Rules and Regulations*, Rule 20102 was amended at Section 3 to require consultation as appropriate and to reference institutional policy. **Status: Completed**
Faculty governance, health related institutions **Letter to the Chancellor from FAC 05/30/05** Recommendation #3	The faculty governance organization and its leadership at each of the health institutions should include appropriate representation from both clinical and basic science/research faculty.	The Office of Health Affairs will work with the Faculty Advisory Council to ensure that each of the U. T. System health-related institutions include the appropriate level of representation from both clinical and basic science/research faculty in faculty governance and leadership. **Status: Completed**

Prepared by the Office of Academic Affairs
July 2008

Faculty Leadership Development **August 10, 2006 Board Meeting** Recommendation #1	Co-sponsor a faculty leadership development program with Academic Affairs	The Office of Academic Affairs will work with the Faculty Advisory Council to develop leaders at the department chair level by providing them with tools to become more efficient and effective academic managers. **Status: Completed**
Textbook Study Group **May 14, 2008 Board Meeting** Recommendation #1	Faculty Advisory Council recognizes the rising costs of textbooks and supports minimizing those costs while maintaining the academic freedom of faculty.	**Status: Underway**
Non-Compete Clauses **May 14, 2008 Board Meeting** Recommendation #2	Non-compete clauses should not be included in U. T. System institution faculty employment contracts.	**Status: To be reviewed**

Prepared by the Office of Academic Affairs
July 2008