

Meeting No. 983

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

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August 11-12, 2004

Houston, Texas

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OF  
THE UNIVERSITY OF TEXAS SYSTEM  
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HOUSTON, TEXAS

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MEETING NO. 983

WEDNESDAY, AUGUST 11, 2004.--The members of the Board of Regents of The University of Texas System convened at 9:35 a.m. on Wednesday, August 11, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following in attendance and absent:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Huffines, presiding	Regent Caven
Vice-Chairman Clements	
Vice-Chairman Hunt	
Vice-Chairman Krier	
Regent Barnhill	
Regent Craven	
Regent Estrada	
Regent Rowling	
Counsel and Secretary Frederick	

Chairman Huffines announced a quorum present and called the meeting to order. He called a moment of silence in memory of Hubbard Scott Caven, III, son of Regent Caven.

Chairman Huffines stated the Audit, Compliance, and Management Review Committee would not meet on August 12.

WELCOME TO REGENT ROBERT B. ROWLING AND RECOGNITION OF OFFICIALS OF THE UNIVERSITY OF TEXAS SYSTEM.--Chairman Huffines welcomed Regent Robert B. Rowling, Dallas, Texas, to his first Board meeting. He also welcomed Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs for The University of Texas System, and Dr. Blandina (Bambi) Cárdenas, President-Elect at The University of Texas - Pan American.

[On July 23, 2004, Governor Rick Perry named Mr. Robert B. Rowling to the Board of Regents of The University of Texas System for a term to expire on February 1, 2005. Mr. Rowling succeeded Mr. Charles Miller, Houston, Texas, who resigned from the Board on July 23, 2004.

Mr. Rowling took the oath of office on August 2, 2004. Mr. Rowling's appointment is subject to confirmation by the Texas Senate when it is in session.]

(See Page 199 regarding a revised list of assignments to the Standing Committees.)

Chairman Huffines thanked Mr. James S. Wilson, Executive Director of Real Estate, for his capable service and contributions to the U. T. System. Mr. Wilson joined the staff at The University of Texas at Austin. Chairman Huffines recognized Mr. Wilson's unparalleled knowledge of U. T. history, stating that Mr. Wilson spent his first three years at U. T. System negotiating the Brackenridge Tract with the City of Austin.

U. T. System: Presentation by Chancellor Yudof regarding executive compensation philosophy

Chancellor Yudof said that at the last Board meeting, the Board asked him to work on an executive compensation philosophy policy. He said his presentation is pertinent to the discussion on salaries forthcoming today (August 11) in Executive Session. He said he and his staff were still reviewing the issues and they planned to move forward with development of a philosophy in the next few months.

Chancellor Yudof said there are various ways to approach compensation for executive officers and national comparisons can be used for determining executive compensation. He noted comparisons might be used as a benchmark, but he also said comparisons are not an algorithm and are very difficult. Chancellor Yudof said another problem with comparisons in determining executive compensation is that job categories are flexible with tremendous differences among individuals who share the same title. Chancellor Yudof also said that comparability can conflict with merit, and that basing increases on comparisons may send a negative message.

He identified the role of markets as significant and that a salary increase of 15-20% is usually the required incentive for a person to move to a new job.

Chancellor Yudof discussed philosophical points and said that by and large percent is not a good way to send messages. If one is not happy with someone's service, one should try to talk to the employee and rectify the situation but also people who are not productive can be encouraged to leave. However, Chancellor Yudof said strict adherence to the law in hiring is needed.

Chancellor Yudof said Vice-Chairman Hunt recommended simplifying the compensation structure, which is useful but is also a risk because not all institutions report fully. Private institutions, for example, do not have the same legal obligations to report as public institutions.

Chancellor Yudof recommended a holistic approach to setting executive compensation, saying evaluating performance is getting better, but translating performance evaluation into salary increases is another issue.

Chairman Huffines thanked the Chancellor for his remarks, and then clarified that the Chancellor was working on presentation of an executive compensation philosophy for the November 2004 Board meeting.

RECESS TO EXECUTIVE SESSION.--At 9:53 a.m., Chairman Huffines announced the Board would recess to convene in Executive Session in the Wiess Conference Room on the 11th Floor of the R. Lee Clark Clinic, pursuant to Texas Government Code Sections 551.071, 551.072, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE.--At 12:45 p.m., the Board reconvened in open session in the Frank E. Anderson Conference Hall.

### EXECUTIVE SESSION OF THE BOARD OF REGENTS

In response to Chairman Huffines's request regarding the wishes of the Board, the following actions were taken:

1. U. T. Pan American: Determination of necessity and authorization to acquire six tracts of mostly undeveloped land consisting of approximately 75 acres located immediately north and west of the campus in Edinburg, Hidalgo County, Texas, by purchase or condemnation, if necessary

Vice-Chairman Krier moved that the Board of Regents determine that it is necessary to acquire, through condemnation proceedings if necessary, six tracts of mostly undeveloped land consisting of approximately 75 acres located immediately north and west of The University of Texas – Pan American campus, at prices not exceeding fair market values as determined by independent appraisals or by determinations of the courts. The property descriptions, all from the Texas-Mexican Railway Survey, City of Edinburg, Hidalgo County, Texas, are as follows:

- a. a 41.83 net acre tract of land out of Lots 9-10, Section 242;
- b. the North 10.0 acres of the West 20.40 acres of Lot 9, Section 242;
- c. a 2.08 acre tract of land legally described as the North 234.3 feet and West 475 feet of Lot 10, Block 242;
- d. a 0.94 acre tract of land legally described as the East 200 feet and West 675 feet and North 234.3 feet of Lot 10, Block 242;

- e. a 1.0 acre tract of land legally described as the Southwest 1 acre of Lot 10, Block 242; and
- f. a tract of land legally described as 19.083 acres out of the South 20.12 acres of Lot 4, Section 273.

Regent Krier also moved that the Board

- a. authorize submission of the acquisition to the Texas Higher Education Coordinating Board for approval, if necessary; and
- b. authorize the Executive Vice Chancellor for Business Affairs or his delegate to execute all documents, instruments, and other agreements, to initiate condemnation actions of the subject properties, if necessary, through The University of Texas System Office of General Counsel and the Office of the Attorney General of the State of Texas, and to take all further actions deemed necessary or advisable in accordance with the parameters outlined in Executive Session.

The motions were seconded by Vice-Chairman Hunt and carried by acclamation.

2. U. T. Dallas: Consideration of personnel matters related to presidential search

No action was taken on personnel matters relating to the Presidential Search at The University of Texas at Dallas.

3. U. T. System: Consideration of personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents, U. T. System officers and employees

No action was taken related to general personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents and officers and employees of The University of Texas System.

Action on the item related to personnel aspects of the Fiscal Year 2005 Operating Budgets was deferred for consideration at the Board meeting on Thursday, August 12, and was approved at that time (See Item 4 on Page 7).

RECESS.--At 12:48 p.m., Chairman Huffines announced that the Board would recess to meetings of the standing committees and would reconvene at 8:00 a.m. in Open Session on Thursday, August 12, 2004.

THURSDAY, AUGUST 12, 2004.--The members of the Board of Regents of The University of Texas System reconvened at 8:03 a.m. on Thursday, August 12, 2004, in the Frank E. Anderson Conference Hall, Rose Zone, 11th Floor, R. Lee Clark Clinic, 1515 Holcombe Boulevard, Houston, Texas, with the following in attendance and absent:

ATTENDANCE.--

<u>Present</u>	<u>Absent</u>
Chairman Huffines, presiding	Regent Caven
Vice-Chairman Clements	
Vice-Chairman Hunt	
Vice-Chairman Krier	
Regent Barnhill	
Regent Craven	
Regent Estrada	
Regent Rowling	
Counsel and Secretary Frederick	

Chairman Huffines announced a quorum present and called the meeting to order.

WELCOME TO REGENT ROWLING, EXECUTIVE VICE CHANCELLOR KELLEY, PRESIDENT-ELECT CÁRDENAS, AND MR. PHILIP FERGUSON, MEMBER OF THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) BOARD OF DIRECTORS.--Chairman Huffines again welcomed Regent Robert B. Rowling, Executive Vice Chancellor Kelley, and President-Elect Cárdenas (See Page 1).

Chairman Huffines introduced Mr. Philip Ferguson, Senior Investment Officer with AIM Capital Management, Houston, Texas, and a member of The University of Texas Investment Management Company (UTIMCO) Board of Directors. Mr. Huffines recognized the significant time that Mr. Ferguson and the other directors devote to the UTIMCO Board.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES.--The Minutes of the regular meetings of the Board of Regents of The University of Texas System held on May 12-13, 2004, and July 16, 2004, in Austin, Texas, were approved as prepared by the Counsel and Secretary to the Board. The official copy of the May Minutes is recorded in the Permanent Minutes, Volume LI, Pages 484 - 593 and the July Minutes are on Pages 599 - 613.

The Board also approved the Minutes of the special meetings of the Board of Regents of the U. T. System held on April 29, 2004, June 2, 2004, and June 21, 2004, in Austin, Texas, as prepared by the Counsel and Secretary to the Board. The official copy of the April 29 Minutes is recorded in the Permanent Minutes, Volume LI, Pages 468 - 483 and the June meetings are on Pages 594 - 598.

## SPECIAL ITEMS AND REPORTS

1. U. T. M. D. Anderson Cancer Center: Presentation on activities of the institution by President Mendelsohn

President Mendelsohn made a PowerPoint presentation regarding an overview of The University of Texas M. D. Anderson Cancer Center, including the buildings in which scientific research is conducted. Dr. Mendelsohn said that *U.S. News and World Report* rated the institution the best cancer hospital in the world. He said one thing that is done best by U. T. M. D. Anderson Cancer Center is to take science, move in inventive ways, and relate to patient care.

Chairman Huffines commended President Mendelsohn for his work and said the Board was pleased to be meeting at U. T. M. D. Anderson Cancer Center. He thanked Dr. Mendelsohn for his hospitality in hosting this meeting.

2. U. T. System: Report on Selected Legislative Issues for the 79th Texas Legislative Session

Following a report and PowerPoint presentation included in the Agenda Book, The Honorable E. Ashley Smith, Vice Chancellor for Governmental Relations, reviewed legislative issues of interest to The University of Texas System, including regulatory issues, that will enhance the performance of the U. T. mission to provide high quality educational opportunities. Vice Chancellor Smith said the issues are organized by themes and the Mission Statement and Accountability Report were used in development of the changes. He said the overarching theme and highest priority issue is formula funding.

Vice-Chairman Krier requested that issues related to the request for full-time equivalent employees and the small classes report discussed in the Finance and Planning Committee be reviewed so that The University of Texas System would have a strong record since these two topics fit neatly into the last legislative theme of improving efficiency of operations and productive use of resources.

Chairman Huffines expressed concern about the trend of decreasing appropriations, requesting that a collective message be sent that the University has a better informed leadership and that higher education is important to Close the Gaps.

3. U. T. System: Accountability Framework Update

Chairman Huffines stated he is pleased to report that The University of Texas is the first institution to submit an accountability report in response to the Governor's Executive Order RP 31 issued on January 22, 2004. The directive stated that boards of regents for public institutions in the state direct each institution and system to work with the Texas Higher Education Coordinating Board to create a comprehensive system of accountability. The directive further called for this system of accountability to be approved by the boards of regents and the Coordinating Board no later than December 17, 2004.

Dr. Geri H. Malandra, Associate Vice Chancellor for Accountability, provided an update on preparation of the second edition of The University of Texas System Accountability report and development of the statewide accountability system for higher education, which will be submitted to the Board prior to the February 2005 meeting.

She said performance measures for the academic and health institutions and the U. T. System as a whole have been refined for inclusion in the U. T. System Board of Regents' Accountability and Performance Report.

4. U. T. System: Approval of the operating budgets for the fiscal year ending August 31, 2005, and approval of Permanent University Fund Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation Projects

Vice-Chairman Hunt moved that The University of Texas System Operating Budgets for the fiscal year ending August 31, 2005, including executive compensation as considered by the Board in Executive Session yesterday (August 11), and Auxiliary Enterprises; Grants and Contracts; Designated Funds; Restricted Current Funds; and Medical and Dental Services, Research and Development Plans, be approved.

He stated that, as discussed during the July 16, 2004 Board meeting, approval of the budget for Fiscal Year 2005 includes Library, Equipment, Repair and Rehabilitation (LERR) funding as follows:

- a. appropriate \$100 million of Permanent University Fund (PUF) Bond Proceeds to fund LERR projects
- b. appropriate funds and authorize expenditure of Available University Fund balances in an amount not to exceed \$60 million for the purpose of defeasing certain PUF Bonds including Series 1996, Series 1997, Series 2002A, Series 2004A and Series 2004B, to either maturity or an optional redemption date, as referenced on Page 30.3 of the August 2004 Agenda Book.



Vice-Chairman Hunt further recommended that LERR appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2005 are to be available for future System-wide reallocation and that the Chancellor be authorized to make editorial corrections therein and that subsequent adjustments be reported to the U. T. Board of Regents through the docket.

Regent Craven seconded the motions, which carried unanimously.

Of the \$100,000,000 of PUF Bond Proceeds, \$40,000,000 will be appropriated directly to U. T. System component institutions. This authorizes 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 are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor and, where required, the U. T. 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. Board of Regents.

The remaining \$60,000,000 of PUF Bond Proceeds will be appropriated to provide an additional one-time funding to build and enhance research infrastructure to attract and retain the best qualified faculty and to enhance the U. T. System Digital Library. Through a competitive proposal process determined by U. T. System Administration, \$26,550,000 will be used at the six medical institutions for recruiting top researchers, \$32,450,000 will be distributed to the seven academic institutions, and \$1,000,000 will be used for the U. T. System Digital Library.

LERR appropriations not expended or obligated by contract or purchase order within six months after the close of Fiscal Year 2005 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the president of the component institution and the appropriate Executive Vice Chancellor.

As discussed at the July 16, 2004 Board of Regents' meeting about the allocation of \$100,000,000 for LERR projects for Fiscal Year 2005, The University of Texas at Dallas will be appropriated \$10,000,000 to equip a Natural Science and Engineering Research Building and Technology Accelerator built in connection with an economic development effort with the State of Texas and Texas Instruments. U. T. Dallas will not participate in the allocation of remaining funds. The allocation of these LERR funds to the

U. T. System component institutions was developed from prioritized lists of projects submitted by the component institutions and reviewed by U. T. System Administration staff.

Discussion followed Vice-Chairman Hunt's question about institutional payments to U. T. System Administration and Regent Rowling's question about zero-based budgeting.

The U. T. System operating budgets are a part of the official copy of the Minutes and are made a part of the record of this meeting.

5. U. T. Board of Regents: Amendment of Bylaws for The University of Texas Investment Management Company (UTIMCO)

Pursuant to Texas Education Code Section 66.08 that requires U. T. Board of Regents' approval of the Bylaws of The University of Texas Investment Management Company (UTIMCO) and any amendments thereto, the Board approved amendments to the UTIMCO Bylaws to be recommended for adoption by the UTIMCO Board of Directors as attached on Pages 11 - 20.

The amendments to the Bylaws are in response to recommendations from the UTIMCO Working Group to the Board on April 29, 2004, in a report entitled "Report of the UTIMCO Working Group to the Board of Regents of the University of Texas System Regarding Certain Investment Management and Oversight Issues". On April 29, 2004, the Board of Regents authorized Chancellor Yudof to recommend to the Board an effective oversight system for the proper management of UTIMCO. The amendments to the Bylaws have been reviewed by U. T. System staff and are consistent with effective oversight. The revisions also include minor corrections and updated language.

A summary of the amendments are as follows:

- Amend Article III, Sections 2 and 3 concerning the Board of Directors to be consistent with the authorizing legislation.
- Delete reference in Article III, Section 5A, UTIMCO Nominating Committee, submitting the name of a nominee to fill a UTIMCO director's vacancy to the U. T. Board of Regents (general language on nominations is added to Article IV, Section 3).
- Amend Article III, Section 7 to reference a joint annual meeting with the U. T. Board of Regents.
- Amend Article III, Section 8 to add a requirement that the UTIMCO President consult with the UTIMCO Chairman and Vice Chairmen on the proposed agenda for regular UTIMCO Board meetings.

- Amend Article IV, Section 1 to require the UTIMCO Board to fully review, discuss, and approve performance compensation.
- Amend Article V, Section 9 to require posting of significant documents, policies, and meeting minutes on the UTIMCO website and to require that all open meetings are recorded.
- Amend Article VIII to require that the UTIMCO Board schedule timely consideration of requests by the U. T. Board of Regents to alter, amend, or repeal Bylaws.

See related revisions to the UTIMCO Investment Management Services Agreement (Item 6 on Page 21) and to the Regents' Rules and Regulations (Item 7 on Page 39).

In response to a recommendation from Vice-Chairman Krier, a new Section 4 was added to Article VI to comply with applicable provisions of the Texas Public Information Act. Additionally, Chairman Huffines clarified that revisions to Article IV, Section 1, will serve to expand oversight of performance compensation at the UTIMCO committee level.

Upon motion of Vice-Chairman Hunt, seconded by Regent Barnhill, this item was passed unanimously.

BYLAWS  
OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

ARTICLE I  
STRUCTURE AND PURPOSES

Section 1.            Structure. The University of Texas Investment Management Company (the “Corporation”) is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the “Act”). The Articles of Incorporation of the Corporation (as amended from time to time, the “Articles of Incorporation”) were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2.            Member. The Corporation shall have no members.

Section 3.            Purposes. The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the “System”), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

- (a) To invest funds under the control and management of the Board of Regents of the System (the “Board of Regents”), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and
- (b) To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4.            Approval by System. Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5.            Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6.            Revolving Door. A former officer or employee of the Corporation may not make any communication to or appearance before a director, officer, or employee of the Corporation before the first anniversary of the date an individual ceased to be an officer or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former officer or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an officer or employee of the Corporation knowingly communicates with a former officer or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such officer or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

## ARTICLE II OFFICES

Section 1.            Principal Place of Business. The principal place of business of the Corporation shall be located at 221 West 6th Street, Suite 1700, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2.            Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

### ARTICLE III BOARD OF DIRECTORS

Section 1.            Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2.            Number. The Board of Directors shall consist of nine (9) Directors consistent with Texas Education Code Section 66.08.

Section 3.            Appointment and Term. Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he or she remains Chancellor of the System. In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors"). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the expiration of such Director's term, or until such Director's successor has been chosen and qualified, or until such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 4.            Removal and Resignation. Any Director may be removed from office at any time, with or without cause, by the Board of Regents. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.            Vacancies. Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the Board of Regents.

Section 6.            Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

Section 7.            Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

A joint annual meeting with the U. T. Board of Regents ("Joint Meeting") shall be held prior to August 1 of each year to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

Section 8.            Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and the Vice Chairmen of the UTIMCO Board, including the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least two (2) weeks prior to each regular UTIMCO Board meeting.

Section 9.            Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10.          Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

Section 11.          Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, the Chairman may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12.            Voting. Directors must vote in person and proxy voting is prohibited.

Section 13.            Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board or the Vice Chairman for Policy shall preside. In the absence of the Chairman of the Board and the Vice Chairmen of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14.            Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by the Director in carrying out duties as a Director.

#### ARTICLE IV COMMITTEES

Section 1.            Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.



Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2.            Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next succeeding meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 3.            Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

## ARTICLE V OFFICERS

Section 1.            Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2.            Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so

removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3.            Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4.            Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5.            Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6.            Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the Rules and Regulations of the Board of Regents and the Investment Management Services Agreement to facilitate UTIMCO's performance of its core investment duties.

Section 7.            Powers and Duties of the President. The President shall be the Chief Executive Officer of the Corporation. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8.            Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of

the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9.                    Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the U. T. Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

## ARTICLE VI MISCELLANEOUS PROVISIONS

Section 1.                    Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2.                    Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3.                    Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4.                    Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

Section 5. Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), Texas Education Code. The Secretary is required to provide public notice of such meetings in accordance with applicable law therewith.

## ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1. Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a "Proceeding"), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys' fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted from an action taken in such person's official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an "Indemnified Person."

Section 2. Advance Payment. An Indemnified Person's right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3.                    Appearance as a Witness. Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person is not a named defendant or respondent in the Proceeding.

Section 4.                    Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5.                    Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII.

Section 6.                    Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VIII AMENDMENTS

Section 1.                    Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

6. U. T. Board of Regents: Approval of the Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO)

The Board approved the Investment Management Services Agreement effective August 12, 2004, as set forth on Pages 23 - 38, which amends and restates the Amended and Restated Investment Management Services Agreement, effective November 16, 2000, as amended by a first amendment effective March 1, 2001, and a second amendment effective August 7, 2003. The revised Agreement will be recommended to The University of Texas Investment Management Company (UTIMCO) Board of Directors for approval.

The amendments add and revise certain sections in the Second Amended and Restated Investment Management Services Agreement to address recommendations from the UTIMCO Working Group to the Board on April 29, 2004, in a report entitled "Report of the UTIMCO Working Group to the Board of Regents of the University of Texas System Regarding Certain Investment Management and Oversight Issues". Former Board Chairman Miller appointed a UTIMCO Working Group as announced on February 3, 2004, to review issues including Board oversight, contractual relationship, and the structure of UTIMCO.

On April 29, 2004, the Board of Regents authorized Chancellor Yudof to recommend to the Board an effective oversight system for the proper management of UTIMCO. Revisions to the Agreement have been reviewed by U. T. System staff and are consistent with effective oversight.

Substantive amendments to the Agreement are as follows:

- Amend Section 2 to require the UTIMCO President to consult on the agenda (consistent with amendment to UTIMCO Bylaws at Article III, Section 7).
- Amend Section 3(a) to require annual UTIMCO review of investment policies by June 1 of each year.
- Amend Section 4 to require UTIMCO to provide training and education to the UTIMCO Board of Directors.
- Amend Section 7 to require UTIMCO budget submission within the time-frame set for U. T. budget submissions and to allow the U. T. Board of Regents greater flexibility to modify a proposed budget item.
- Add a Section 7(e) covering definition of cash reserves and requiring a \$4 million distribution of surplus cash reserves within 90 days of the end of Fiscal Year 2004.

- Add new language to Section 21 (currently covered only in the Regents' Rules) concerning claims by and against the managed funds.
- Add new language on improved communications to Section 22.
- Add new language (currently covered only in the Regents' Rules) concerning authority to purchase, exchange, and sell securities (Section 23) and authority to assign and transfer securities (Section 24).

See related revisions to the UTIMCO Bylaws (Item 5 on Page 9) and to the Regents' Rules and Regulations (Item 7 on Page 39).

Upon motion of Vice-Chairman Hunt, seconded by Regent Barnhill, this item was passed unanimously.

## **INVESTMENT MANAGEMENT SERVICES AGREEMENT**

This Investment Management Services Agreement (this "Agreement") by and between the Board of Regents (the "U. T. Board") of The University of Texas System (the "U. T. System") and The University of Texas Investment Management Company ("UTIMCO"), a Texas nonprofit corporation, is effective August 12, 2004 (the "Effective Date"), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO, effective November 16, 2000.

### **RECITALS**

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional funds of the U. T. System and the funds of various trusts and foundations for which it serves as trustee, all of which funds are under the control and management of the U. T. Board;

WHEREAS, Section 66.08, Texas Education Code, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest funds under the control and management of the U. T. Board, as designated by the U. T. Board;

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq., for the express purpose of investing funds under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas;

WHEREAS, the U. T. Board desires to continue an Agreement with UTIMCO for UTIMCO to invest certain designated funds under the control and management of the U. T. Board;

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated funds under the control and management of the U. T. Board; and

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, Texas Education Code, as amended.

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:



## **AGREEMENT**

### **Section 1. Definitions.**

**Accounts** shall mean those funds for which the U. T. Board has responsibility, namely (a) the Permanent University Fund, excluding PUF Lands, (b) the Permanent Health Fund, (c) the U. T. Board Accounts and (d) the U. T. Board Trust Accounts.

**Available University Fund** or **AUF** shall mean the fund that consists of the 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 PUF Lands, all as provided by Article VII, Section 18 of the Texas Constitution.

**Affiliate** shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.

**Cash Reserves** shall mean cash on hand plus investments less accounts payable.

**Claims** shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.

**Custodian** or **Custodians** shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safekeep physical securities representing investment assets of any Account and to perform the other functions listed in Section 5 hereof.

**General Endowment Fund** or **GEF** shall mean the pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each fund's investment policy statement.

**Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.

**Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Separately Invested

Funds, Short Intermediate Term Fund and the Short Term Fund. Amendments may be presented by UTIMCO to the U. T. Board for review and approval.

**Long Term Fund** or **LTF** shall mean the long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of component institutions of the U. T. System.

**Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys', accountants' and other professionals' fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

**Permanent Health Fund** or **PHF** shall mean collectively the permanent funds for health-related institutions established pursuant to Chapter 63, Texas Education Code, for which the U. T. Board is an administrator.

**Permanent University Fund** or **PUF** shall mean the constitutional fund known by that name and established pursuant to Article VII, Section 11 of the Texas Constitution.

**Permanent University Fund Lands** or **PUF Lands** shall mean approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the Permanent University Fund.

**Separately Invested Funds** or **SIFs** shall mean U. T. System Funds or U. T. Board Trust accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF.

**Short Intermediate Term Fund** or **SITF** shall mean the short intermediate term pooled investment fund previously established by the U. T. Board for the collective investment of funds (other than endowment and other long-term funds, including the Permanent University Fund) of the component institutions of the U. T. System.

**Short Term Fund** or **STF** shall mean the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds.

**U. T. Board Accounts** shall mean the investment assets of the General Endowment Fund and U. T. System Funds.

**U. T. Board Trust Accounts** shall mean the assets of charitable remainder trusts, foundations and other separately invested funds for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries.

**U. T. System Funds** shall mean all funds under the control and management of the U. T. Board, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts.

## **Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.**

The U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Accounts, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Accounts in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as covered by this Agreement and shall manage each Account as a discretionary account.

The U. T. Board, as ultimate fiduciary for the Accounts, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO shall look to the Chancellor to provide primary oversight and management concerning matters other than the core investment duties delegated above, including relations with the media, legal issues (such as public disclosure of information), intergovernmental relations, and policy issues other than those associated with investment allocation and/or return. The Board of UTIMCO and the President of UTIMCO shall be responsible for implementing the investment policy of the U. T. Board and performing those core investment duties delegated above. It shall be the responsibility of the President of UTIMCO to inform the Chancellor of unresolved policy issues not governed by the Investment Policies immediately so that appropriate oversight and management can be provided by the Chancellor. UTIMCO hereby agrees to abide by such oversight and management decisions made by the Chancellor.

The UTIMCO President shall consult with the Chairman and the Vice Chairmen of the UTIMCO Board, including the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least two (2) weeks prior to each regular UTIMCO Board meeting.

## **Section 3. Description of Investment Management Services.**

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Accounts:

- a) **Investment Policies:**  
UTIMCO shall review current investment policies for each Account, including policies concerning Asset Allocation, Liquidity, and Derivatives, at least annually by June 1 of each year. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, asset allocation targets and ranges for each eligible asset class, expected returns for each asset class and fund, and designated performance benchmarks for each asset class. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review prior to being submitted to the U. T. Board for

discussion during an annual Joint Meeting between the U. T. Board and the UTIMCO Board of Directors.

b) **Investment Management:**

UTIMCO shall oversee the investment management process. Such oversight shall include the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each asset class within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each asset class.

c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for the PUF, PHF and U. T. Board accounts. Such responsibilities shall include the calculation and evaluation of performance of asset classes and individual portfolios, against established benchmarks over various periods of time, the periodic review of performance benchmarks, the reporting of investment performance of Separately Invested Assets and U. T. Board Trust Accounts as requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Accounts.

e) **Maintenance of and Access to Books and Records:**

UTIMCO shall maintain the books and records for each Account on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Account.

The books and records of the Accounts and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by an authorized representative of U. T. System. UTIMCO shall provide full audit access to any and all information concerning the operations of UTIMCO, including information necessary to review UTIMCO expenditures for compliance and reasonableness with the approved budget, to auditors representing the U. T. Board or the State Auditor.

f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, the chief executive officer and the chief financial officer of UTIMCO shall provide certifications similar to those

required by Section 302 of the Sarbanes-Oxley Act of 2002, Corporate Responsibility for Financial Reports. UTIMCO will follow the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, as may be amended, including providing the U. T. Board or its designee with quarterly compliance reports.

g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Accounts, the following information shall be disclosed to the public with respect to such private investments (“private investment information”): the name and purpose of each private investment entity; the names of the individual principals managing such private investment; the amount invested by UTIMCO in such private investments; the investment returns for such private investment, including internal rates of return; and remaining value information. UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO has clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the President of UTIMCO shall consult with the U. T. System Vice Chancellor and General Counsel. UTIMCO shall disclose the information unless the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas.

h) **Other Services:**

UTIMCO shall perform other investment management services including but not limited to 1) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time, 2) attending an annual Joint Meeting between the UTIMCO Board of Directors and the U. T. System Board of Regents as referenced in Article III, Section 7 of the UTIMCO Bylaws, 3) rendering services to managers of private equity investments in which UTIMCO has decided to invest, 4) attending meetings of governing bodies of companies in which UTIMCO’s managed Accounts have invested, 5) voting of securities (or proxies with respect thereto) held as investments of the Accounts according to written policies of the U. T. Board; 6) providing U. T. System component institutions with annual endowment reports reflecting, among other things, changes in the investment value of such component's endowment and distributions made to such component to support the activities for which the endowment was established; 7) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing funds to authorized beneficiaries on foundation accounts; 8) effecting distributions directly or through the Custodian to U. T. System component institutions or other named beneficiaries from the Accounts; 9) supporting and maintaining on-line account information system for endowment

accounts; and 10) any other services necessary to provide investment management of the Accounts.

#### **Section 4. Investment Manager as Fiduciary; Training and Education.**

UTIMCO acknowledges that it will be acting as a fiduciary with respect to managing the investments of the Accounts subject to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Accounts as a result of investments made pursuant to the Investment Policies, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The U. T. Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of any action taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

UTIMCO agrees to provide training and education to members of the UTIMCO Board of Directors to assure that all duties required of directors under the Texas Non-Profit Corporation Act and that matters related to legal and fiduciary responsibilities of the Directors, including current regulations for determining reasonable compensation, are outlined and discussed fully.

#### **Section 5. Custody of Assets.**

UTIMCO shall use custodians for safekeeping, settlement of security purchases, sales, collection of income and other duties as more fully described in the existing custody agreement between UTIMCO and the Custodian, which agreement, together with the U. T. Board's rights, duties and obligations thereunder, has been assigned to UTIMCO. In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

#### **Section 6. Use of Unaffiliated Investment Managers.**

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Accounts and to perform other duties.

## **Section 7. Investment Management Fees; Direct Expenses.**

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

a) **Annual Budget and Management Fee:**

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an "Annual Budget") within the time frame specified by the U. T. Board for other annual budget submissions. The Annual Budget shall include all estimated expenses associated with the management of the Accounts. The Annual Budget shall also include an annual UTIMCO management fee (an "Annual UTIMCO Management Fee") which shall include all operating expenses associated with the general management of the Accounts, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder.

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Accounts. Items proposed in the Annual Budget and the allocation formula may be approved, disapproved, or approved with modification by the U. T. Board. Any such Budget item or formula allocation that is disapproved or approved with modification may be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration.

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Account with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO may, with the approval of the U. T. Board, revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

UTIMCO is hereby authorized to pay from each Account direct expenses incurred for portfolio management, custodian, auditing, and other services which are performed by external vendors specifically for each Account.

b) **Directors Fees:**

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Account assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income and reflected in the Budget.

Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.

c) **Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee ("Service Fees") from investment promoters or investee companies in consideration of the UTIMCO staff's private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees ("Capital Fees") accruing or inuring to the capital invested on behalf of the Accounts managed by UTIMCO. Such Capital Fees shall be credited to the Accounts from which such investments are funded.

d) **Miscellaneous Fees:**

UTIMCO management may perform specialized services for accounts that are separately invested for which UTIMCO receives a fee from the account. These fees primarily relate to maintenance of computer programs for the separately invested accounts. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO and reflected in the Budget.

e) **Cash Reserves:**

Surplus Cash Reserves are defined as Cash Reserves on the last day of the fiscal year in excess of  $\frac{1}{4}$  of the upcoming fiscal year's projected operating budget. Within 90 days after the end of Fiscal Year 2004, UTIMCO will distribute \$4 million of the Surplus Cash Reserves back to the Accounts, which generated the surplus in the same proportion that the Accounts contributed to the Cash Reserves. In future fiscal years, the U. T. Board may direct UTIMCO to make additional distributions to the Accounts from Surplus Cash Reserves.

## **Section 8. Brokerage Commissions.**

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 7 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Accounts; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO. All orders for Account transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO, from time to time and in accordance with applicable law, may pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Accounts.



**Section 9. Valuation of Account Assets.**

The valuation of the account shall be determined in accordance with the Investment Policies approved by the U. T. Board for the account.

**Section 10. Representations and Warranties of Parties.**

**U. T. Board.**

- A. The U. T. Board (a) is duly established and validly existing under the laws of the State of Texas and is an agency of the State of Texas, (b) has all power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized by all necessary action and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which the U. T. Board is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by the U. T. Board of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of the U. T. Board.
- E. There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
- F. The U. T. Board has approved:
  - (1) the Articles of Incorporation and Bylaws of UTIMCO;
  - (2) the Investment Policies;
  - (3) the Audit and Ethics committee of UTIMCO; and
  - (4) the Code of Ethics of UTIMCO.
- G. The U. T. Board has been provided with the opportunity to ask questions of, and it has received answers thereto satisfactory to it from, UTIMCO and its representatives regarding this Agreement and has obtained all additional

information requested by it of UTIMCO and its representatives prior to entering into this Agreement.

**UTIMCO.**

- A. UTIMCO (a) is duly organized and validly existing as a Texas nonprofit corporation under the laws of the State of Texas, particularly the Texas Nonprofit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 et seq., (b) has all corporate power and authority and all material government licenses, authorizations, consents and approvals required to carry on its business as now conducted, and (c) has full power and authority to execute, deliver and perform this Agreement.
- B. The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized by all necessary action by UTIMCO and do not contravene, or result in the violation of or constitute a default under, any provision of applicable law or regulation, or any order, rule or regulation of any court, governmental agency or instrumentality or any agreement, resolution or instrument to which UTIMCO is a party or by which it or any of its property is bound.
- C. No authorization, consent, approval, permit, license, or exemption of, or filing or registration with, any court or governmental department, commission, board, bureau, agency or instrumentality that has not been obtained or issued is or will be necessary for the valid execution, delivery or performance by UTIMCO of this Agreement.
- D. This Agreement constitutes a valid and binding agreement of UTIMCO.
- E. There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

**Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements.**

In the performance of this Agreement, UTIMCO's Directors, Officers, and Employees shall abide by the following policies:

- a) UTIMCO Code of Ethics as approved by the U. T. Board
- b) UTIMCO Bylaws as approved by the U. T. Board
- c) All UTIMCO policies
- d) Applicable portions of Regents' Rules and Regulations.

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

**Section 12. UTIMCO's Open Meeting Policy.**

Except as otherwise provided in Section 66.08, Texas Education Code, UTIMCO shall comply with all applicable provisions of the Texas Open Meetings Act, Chapter 551 of the Texas Government Code.

**Section 13. Prohibition Against Service to Other Clients.**

In accordance with Section 66.08, Texas Education Code, UTIMCO shall not engage in any business other than managing the Accounts under this Agreement.

**Section 14. Investment Company Act and State Securities Act.**

The parties to this agreement acknowledge that UTIMCO shall not be required to register as an "investment company" under Title 15 United States Code Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 et seq. (The Securities Act).

**Section 15. Termination.**

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all management fees, compensation, and benefits earned prior to termination.

**Section 16. Amendments.**

No amendment hereto shall be effective unless executed in the same manner as this Agreement.

**Section 17. Notices.**

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered and receipted to the other party, or sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the addressed party. The following are the designated addresses for such notices or communications and may only be changed by communication in the manner required by this paragraph:

To U. T. Board:  
Board of Regents of The University of Texas System  
Attn: Counsel and Secretary  
201 West Seventh Street, Suite 820

Austin, Texas 78701  
Tel. (512) 499-4402  
Fax. (512) 499-4425

To UTIMCO:

The University of Texas Investment Management Company  
Attn: President and CEO  
221 West Sixth St., Suite 1700  
Austin, Texas 78701  
Tel. (512) 225-1600  
Fax. (512) 225-1660

**Section 18. Non-Assignability.**

No Assignment of this Agreement by UTIMCO shall be made without having obtained the prior written consent of the U. T. Board nor is the Agreement assignable by the U. T. Board.

**Section 19. No Waiver of Breach.**

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

**Section 20. Indemnification.**

a) **Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall

assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

f) **Survival; Right to Enforce:**

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and

observance of any obligation, agreement or covenant of the U. T. Board under this Section.

### **Section 21. Claims By and Against Managed Funds.**

UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the PUF or the U. T. Board from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment.

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board or to settle contested claims or litigation that may result in UTIMCO receiving less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate System officials, as set out in the Regents' Rules and Regulations.

### **Section 22. Communications.**

UTIMCO and U. T. System will assure that communications are clear and timely. UTIMCO will provide notice of actions taken in meetings of the UTIMCO Board and committees to members of the U. T. Board through the Office of the Board of Regents. U. T. will provide notice of actions taken by the U. T. Board related to UTIMCO issues to members of the UTIMCO Board of Directors through the President and CEO of UTIMCO.

### **Section 23. Authority to Purchase, Exchange, and Sell Securities.**

UTIMCO may purchase, exchange, and sell, for and on behalf of the Permanent University Fund or the U. T. Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the PUF or the U. T. Board, or in any other form of registration of such securities held for the account of the PUF or the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, external investment managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

### **Section 24. Authority to Assign and Transfer Securities.**

UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the PUF or the U. T. Board, or in any other form of registration of such securities held for the account of the PUF or the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or

foundations managed and controlled by said U. T. Board. In addition, custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the U. T. Board.

**Section 25. Governing Law.**

This Agreement and all matters arising under it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Services Agreement shall be in Travis County, Texas.

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

Date: \_\_\_\_\_

By \_\_\_\_\_  
James R. Huffines  
Chairman

**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

Date: \_\_\_\_\_

By \_\_\_\_\_  
Woody L. Hunt  
Chairman

7. U. T. Board of Regents: Amendment of Regents' Rules and Regulations related to The University of Texas Investment Management Company (UTIMCO) and investment issues

The Board amended the Regents' Rules and Regulations, Part One, Chapter I, Section 7 and Chapter II, Sections 3 and 12, and Part Two, Chapter IX, Section 3 as set forth below:

- a. Part One, Chapter I, Section 7, Subsection 7.3, related to committees and other appointments, was amended to read as follows:

Sec. 7. Committees and Other Appointments

...

7.3 The University of Texas Investment Management Company (UTIMCO)

Pursuant to Texas Education Code Section 66.08, the U. T. Board of Regents shall appoint the nine directors of The University of Texas Investment Management Company (UTIMCO). Periodically, the U. T. Board of Regents will review the performance of the UTIMCO Board of Directors. At least three members of the U. T. Board of Regents and the Chancellor shall be appointed to the UTIMCO Board of Directors by the Chairman of the U. T. Board of Regents, by and with the consent of the U. T. Board of Regents. At least one director will be selected from a list of candidates with substantial background and expertise in investments, as submitted to the U. T. Board of Regents by the Board of Regents of The Texas A&M University System. The selection process for external members of the UTIMCO Board of Directors is as follows:

- 7.31 The Chairman of the U. T. Board of Regents and the Chairman of UTIMCO send a joint letter to leaders in the public and private sector soliciting nominations.
- 7.32 Nominations are to be provided to the Chairman of the U. T. Board of Regents.
- 7.33 The Chairman of the U. T. Board of Regents appoints a selection advisory committee to review nominations.
- 7.34 After review, the selection advisory committee makes recommendations to the Chairman of the U. T. Board of Regents.



- 7.35 At the direction of the Chairman of the U. T. Board of Regents, the Office of the Board of Regents asks individuals to complete a background questionnaire. The Office of the Board of Regents apprises those individuals of the UTIMCO Code of Ethics and disqualifications from service.
- 7.36 Using information from the questionnaires, the Office of the Board of Regents:
  - 7.361 confirms the educational degrees and professional certifications;
  - 7.362 assures that professional licensure and certifications are in good standing;
  - 7.363 reviews business relationships, if any, with members of the Board of Regents or the UTIMCO Board or with U. T. System or UTIMCO; and
  - 7.364 initiates review by the U. T. System Director of Police of the Texas conviction database and contacts local law enforcement.
- 7.37 The Chairman of the U. T. Board of Regents and the Chairman of UTIMCO conduct personal interviews, as needed, to assure that external UTIMCO directors possess varied investment backgrounds and risk management expertise.
- 7.38 The Chairman of the U. T. Board of Regents submits a recommended appointment for approval by the U. T. Board of Regents.

- b. Part One, Chapter II, Section 3, Subsection 3.2 and Section 12, Subsection 12.2, related to the duties and responsibilities of the Chancellor and the Vice Chancellor and General Counsel, respectively, were amended to read as follows:

Sec. 3. Chancellor

...

3.2 Primary Duties and Responsibilities of the Chancellor

The Chancellor, by delegation from the Board, is authorized to exercise the powers and authorities of the Board in the governance of the System. The Chancellor will normally act through the officers of the System regarding the matters delegated to them by these Rules. The Chancellor, however, shall not be

precluded from any direct participation and communication with System Administration officers or staff, institutional officers or staff, faculty members, and groups. The major duties of the Chancellor include:

...

- 3.2(12) Serving on the Board of Directors of The University of Texas Investment Management Company (UTIMCO). Generally overseeing the operations of UTIMCO, with support from System staff and external consultants as appropriate, and coordinating interaction between the System and UTIMCO. Ensuring that UTIMCO implements the core investment functions delegated to it in conformance with the Articles of Incorporation and Bylaws of UTIMCO, these Rules and Regulations, the Investment Management Services Agreement, and the Investment Policy Statements adopted by the Board. Directing UTIMCO in areas other than core investment functions, such as relations with the media, intergovernmental relations, decisions regarding institution of claims and waiver of claims, and public disclosure issues.

## Sec. 12. Vice Chancellor and General Counsel

...

### 12.2 Duties and Responsibilities

The primary responsibilities of the Vice Chancellor and General Counsel include:

...

- 12.2(18) Providing counsel, advice, and legal interpretations to the Board, the Chancellor, and other System officials concerning UTIMCO-related issues.
- 12.2(19) Performing such other duties as may be assigned by the Chancellor.

- c. Part Two, Chapter IX, Section 3, Subsections 3.2 and 3.3 related to the policy for investment and management of the Permanent University Fund (PUF), was amended to read as follows:

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

...

3.2 Reports Regarding Asset Management

3.21 The investment performance of the PUF, as measured by an unaffiliated organization, shall be reported to the Board quarterly.

...

3.3 Authorization to Protect PUF Interests

Subject to the provisions of Subsection 2.5 of this Chapter, UTIMCO is authorized to take any and all steps as may be considered necessary or advisable to protect the interest of the PUF in event of default or any other significant changes occurring with respect to any investment.

....

The amendments to the Regents' Rules and Regulations are in response to direction from the Board on April 29, 2004, following consideration of a report entitled "Report of the UTIMCO Working Group to the Board of Regents of the University of Texas System Regarding Certain Investment Management and Oversight Issues". The amendments have been reviewed by U. T. System staff, including the Vice Chancellor and General Counsel, and are consistent with effective oversight of investment management.

Substantive changes to Part One are as follows:

- Amend Chapter I, Section 7, to provide for periodic review of the performance of UTIMCO directors and specify the selection process for external members of the UTIMCO Board.
- Amend Chapter II, Section 3, to add assistance by U. T. System staff and external consultants to the Chancellor's oversight of UTIMCO operations and to include decisions related to the institution and waiver of claims within the specific areas of policy direction.
- Amend Chapter II, Section 12, to delete overly broad language on the role of the Vice Chancellor and General Counsel concerning legal counsel provided to UTIMCO.

The substantive change to Part Two is as follows:

- Amend Chapter IX, Section 3, to change the PUF investment performance reporting requirement to the Board of Regents from at least annually to quarterly.

See related revisions to the UTIMCO Bylaws (Item 5 on Page 9) and to the UTIMCO Investment Management Services Agreement (Item 6 on Page 21).

Upon motion of Vice-Chairman Hunt, seconded by Regent Barnhill, this item was passed unanimously.

8. U. T. System: Authorization of a Fee for Investment Oversight

Chancellor Yudof reviewed his recommendation for assessment of an investment oversight fee to offset a portion of the costs of The University of Texas System Administration oversight of The University of Texas Investment Management Company (UTIMCO).

The Board authorized UTIMCO to assess an investment oversight fee on behalf of U. T. System Administration up to 0.005% of the net asset value of the Long Term Fund (LTF), the Permanent University Fund (PUF), the Permanent Health Fund (PHF), and the Short and Intermediate Term Fund (SITF), using the same allocation formula approved for assessment of the UTIMCO management fee for the support of enhanced investment oversight efforts.

The authorization to charge an investment oversight fee is consistent with a recommendation from the UTIMCO Working Group to the Board of Regents. On April 29, 2004, the Board authorized Chancellor Yudof to recommend an effective oversight system for the proper management of UTIMCO.

The fee has been reviewed by U. T. System staff and authorizes a portion of the PUF, the LTF, the PHF, and the SITF to be used for enhanced investment oversight activities to ensure institutional compliance with the Investment Management Services Agreement made between the Board of Regents and UTIMCO. An institution may exempt specific endowments from the assessment if the terms of an endowment prohibit the assessment.

For Fiscal Year 2005, the budgeted oversight expenses to be recovered through the investment oversight fee total \$509,500. This includes \$280,500 for the retention of Ennis Knupp + Associates as the Board's investment consultant, \$154,000 for a Director of Investment Oversight who will report to Associate Vice Chancellor for Finance Philip Aldridge (including benefits and overhead costs), and \$75,000 for outside legal counsel for UTIMCO-related matters.

It is anticipated that the first assessment level distribution to U. T. System Administration will be made in September 2004 based on the prior 12-quarter's average of the market value of the Funds on August 31, 2004. Thereafter, it is anticipated that assessment level distributions will be made annually based on the prior 12-quarter's average of the market value of the Funds on August 31 of each fiscal year.

This action is consistent with previous actions of the Board, including those taken in December 1988, August 1995, August 1997, and November 2001, and is authorized by Article VII, Section 18 of the Texas Constitution and Texas Education Code Sections 63.002 and 65.37.

Chancellor Yudof reminded the Board of their fiduciary responsibility with regard to the funds managed by UTIMCO and wants the Board to have a level of comfort in getting recommendations from UTIMCO staff, consultants, and outside directors to ensure careful monitoring of this large enterprise.

Upon motion of Vice-Chairman Hunt, seconded by Regent Barnhill, this item was passed unanimously.

9. U. T. Board of Regents: Approval to Amend the Permanent University Fund, General Endowment Fund, Permanent Health Fund, Long Term Fund, Short Intermediate Term Fund, Separately Invested Accounts, and Short Term Fund Investment Policy Statements

Upon recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board approved amendments to the following Investment Policy Statements as set forth on the referenced pages:

- a. Permanent University Fund (PUF) (See Pages 48 - 61)
- b. General Endowment Fund (GEF) (See Pages 62 - 72)
- c. Permanent Health Fund (PHF) (See Pages 73 - 81)
- d. Long Term Fund (LTF) (See Pages 82 - 89)
- e. Short Intermediate Term Fund (SITF) (See Pages 90 - 99)
- f. Separately Invested Accounts (SIF) (See Pages 100 - 109)
- g. Short Term Fund (STF) (See Pages 110 - 117)

The amendments are in response to a recommendation from the UTIMCO Working Group that recommended University of Texas System staff and its consultants should be involved in UTIMCO issues, including a key role

regarding creation of investment policies. Vinson & Elkins, UTIMCO's attorneys, also reviewed the Investment Policy Statements. Sections of the PUF and GEF Investment Policy Statements and the SITF Investment Policy Statements were previously approved by the UTIMCO Board on May 6, 2004, and were approved, with modifications, by the Finance and Planning Committee on May 12, 2004.

The amendments are summarized below:

- PUF, GEF, PHF, LTF, SITF, SIF, and STF: Clarify that ultimate fiduciary responsibility of the funds rests with the Board of Regents. Texas Education Code Section 66.08, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the funds shall be managed by UTIMCO.
- GEF, PHF, LTF, SITF, SIF, and STF: Clarify that the Board of Regents has elected the PUF prudent investor standard to govern its management of the funds. In addition, the prudent investor standard is described.
- PUF, GEF, PHF, LTF, and SITF: Clarify that UTIMCO shall recommend specific asset allocation targets, ranges, and performance benchmarks. All changes to the policy statements or exhibits to the policy statements, including changes to asset allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.
- PUF and GEF: Clarify that the primary investment objective of the PUF and GEF is to preserve the purchasing power of assets and fund distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund, plus the annual expected expense.
- PUF, GEF, PHF and LTF: Restate the funds' secondary fund objective which should be consistent between the funds. The objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates.
- PUF, GEF, and SITF: Add language that UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable in the event actual portfolio positions in asset categories move outside the ranges.

- PUF and GEF: Remove language related to members of UTIMCO management serving as directors of companies in which UTIMCO has directly invested assets. This language is provided for in the Investment Management Services Agreement and the UTIMCO Code of Ethics.
- PHF and LTF: Establish that Exhibit B (current GEF allocation) to the LTF and PHF Investment Policy Statements is subject to changes by the Board of Regents and upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.
- PHF and LTF: Remove certain specific language in the General section and Cash and Cash Equivalents section and instead refer to the GEF Investment Policy Statement.
- SITF: Move the Asset Allocation Policy section to form the Asset Allocation and Policy section.
- SITF: Changes to the investment objectives were modified and approved by the Finance and Planning Committee at its May 12, 2004 meeting. In addition, a change was made to use the Merrill Lynch 1-3 Year Treasury Index instead of the policy portfolio benchmark. This benchmark change is also reflected in Exhibit A of the SITF Investment Policy Statement.
- STF: Remove naming a specific universe in the investment objectives. The current universe referenced in the policy, The Donoghue's, is no longer available.
- STF: Clarify that all investments are stated at amortized cost, which in most cases approximates the market value of securities. In addition, although the objective of the fund is to maintain a stable \$1 value, the \$1 net asset value is not guaranteed.

In addition, amendments were made to the PUF and GEF Asset Allocation and Policy section of the Investment Policy Statements and Exhibits A and B to correct technical corrections to benchmark categories and definitions. No changes were made to any asset allocation targets previously approved by the Board of Regents or to the expected return or expected risk measures.

Changes to the PUF and GEF Investment Policy Statements segregate two individual asset categories which were grouped under broader asset classes, and provide asset definitions and benchmarks for the revised asset categories. The definitional changes are reflected in Exhibit A of both the PUF and GEF Investment Policy Statements. In addition, a change in the benchmarks for Private Equity and Venture Capital asset categories is reported in Exhibit A.

Additional changes include clarification on the use of the Venture Economics Benchmark for the Private Capital asset category.

Upon motion of Vice-Chairman Hunt, seconded by Vice-Chairman Clements, this item was passed unanimously.



**THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT UNIVERSITY FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of institutions of The University of Texas System (other than The University of Texas - Pan American and The University of Texas at Brownsville) and institutions of The Texas A&M University System (other than Texas A&M University-Corpus Christi, Texas A&M International University, Texas A&M University-Kingsville, West Texas A&M University, Texas A&M University-Commerce, Texas A&M University-Texarkana, and Baylor College of Dentistry).

**PUF Organization**

The PUF was established in the Texas Constitution of 1876 through the appropriation of land grants previously given to The University of Texas at Austin plus one million acres. The land grants to the PUF were completed in 1883 with the contribution of an additional one million acres of land. Today, the PUF contains 2,109,190 acres of land (the "PUF Lands") located in 19 counties primarily in West Texas.

The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains a non-distributable part of PUF corpus, and is invested pursuant to this Policy Statement. Surface income, as a renewable source of income, is distributed to the Available University Fund (the "AUF"), as received. The Constitution also requires that all surface income and investment distributions paid to the AUF be expended for certain authorized purposes.

The expenditure of the AUF is subject to a prescribed order of priority:

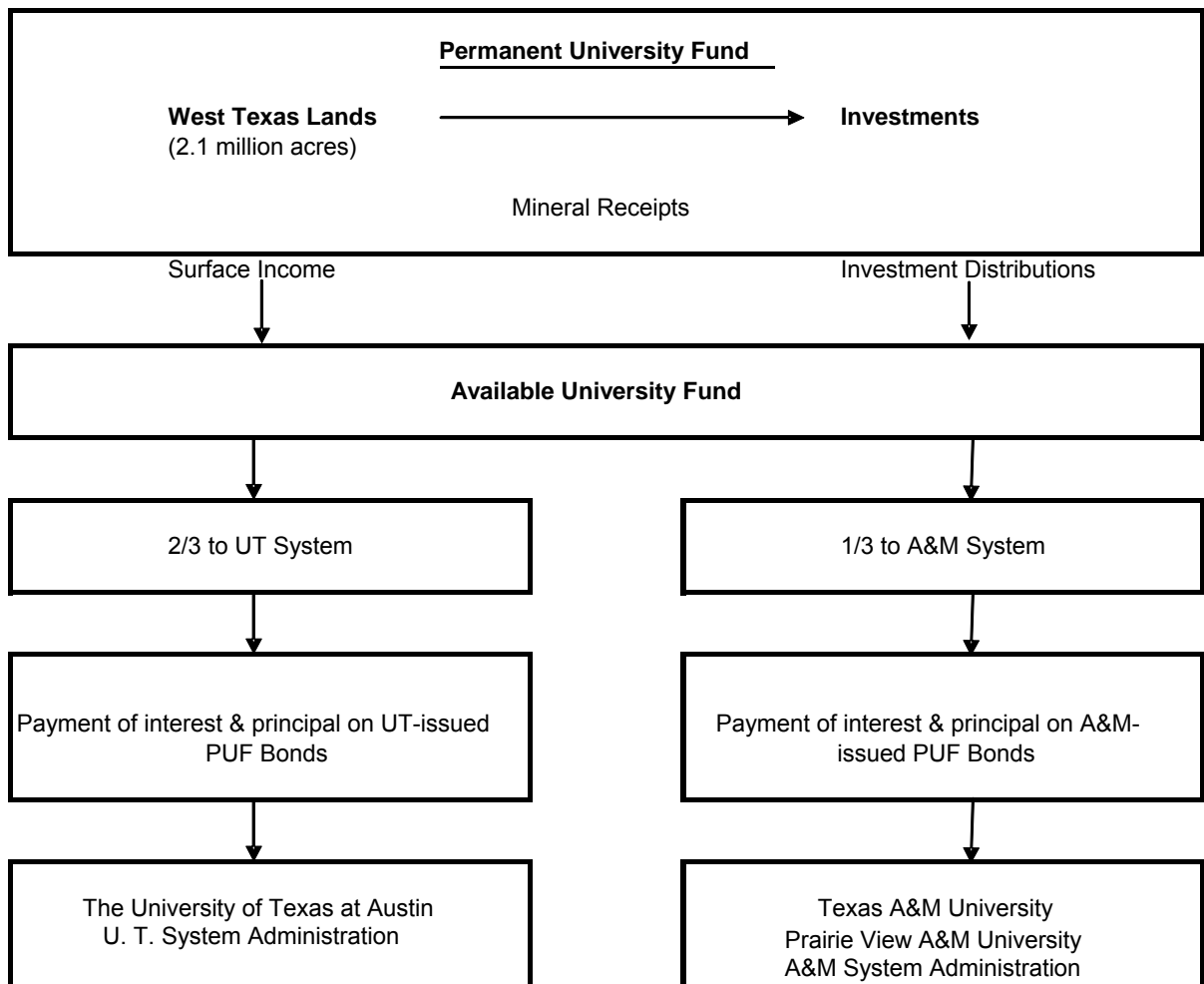
First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, expenditures for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the Board of Regents and the Texas A&M University System Board of Regents (the "TAMUS Board") to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the

preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

Second, expenditures to fund a) excellence programs specifically at U. T. Austin, Texas A&M University and Prairie View A&M University and b) the administration of the university Systems.

The payment of surface income and investment distributions from the PUF to the AUF and the associated expenditures is depicted below in Exhibit 1:

**Exhibit 1**



## **PUF Management**

Article VII, Section 11b of the Texas Constitution assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment.

Ultimate fiduciary responsibility for the PUF rests with the Board of Regents. Section 66.08 of the Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PUF shall be managed by UTIMCO, which shall a) recommend investment policy for the PUF, b) recommend specific asset allocation targets, ranges and performance benchmarks consistent with PUF objectives, and c) monitor PUF performance against PUF objectives. UTIMCO shall invest the PUF's assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges, and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

## **PUF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PUF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

## **PUF Investment Objectives**

The PUF and the General Endowment Fund (the “GEF”) are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund plus the annual expected expense. The current 5.1% target was derived by adding the PUF’s current target distribution rate of 4.75% plus an annual expected expense of .35%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. The PUF’s success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PUF’s asset allocation policy targets.

### **Asset Allocation and Policy**

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook. In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A, UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable.

PUF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. U.S. Equities – U.S. equities represent ownership in U.S. companies that are traded in public markets:

Traditional U.S. Equities – Traditional U.S. equities include common stocks and derivatives based on common stocks, including warrants, rights, options, exchange traded funds, and futures. In addition, derivative applications approved by the UTIMCO Board that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Traditional U.S. equities provide both current income and capital gains.

REITS – REITS are real estate investment trusts and are classified as U.S. equities for purposes of this Policy Statement. REITS own, and in most cases operate, income producing real estate.

- B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established and emerging markets. Derivatives including warrants, rights, options, exchange traded funds, and futures are also included if the underlying assets are Global ex U.S. equities. In addition, derivative applications approved by the UTIMCO Board that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.
- C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Equity Hedge Funds – Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities. These strategies may also include fund of hedge fund investments. Equity hedge fund investments are made through private placement agreements.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage and event driven strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discreet events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements.

- D. Private Capital - Private Capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private Capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

Venture Capital – Venture capital investments consist of investments in companies, both U.S. and non-U.S. that are in the early stages of development. Venture Capital investments are held either through limited partnerships or as direct ownership interests.

Private Equity – Private Equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private Equity investments are held either through limited partnerships or as direct ownership interests. The Private Equity category also includes mezzanine and opportunistic investments.

Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.

- E. Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments or direct investments.
- F. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises and agencies, and domestic and foreign corporations.

Traditional Fixed Income - The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications approved by the UTIMCO Board that serve as a fixed income substitute will be classified as traditional fixed income.

TIPS - TIPS are treasury inflation protected securities which are marketable securities with a return linked to the inflation rate. In constructing diversified TIPS portfolios, securities classified as traditional fixed income can be utilized by outside investment managers.

- G. Cash and Cash Equivalents – Cash and cash equivalents consist of money market funds, deposit of the Texas State Treasury, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.

## **Performance Measurement**

The investment performance of the PUF will be measured by the PUF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the PUF, as indicated in Exhibit A.

## **Investment Guidelines**

The PUF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

### General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of PUF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivative securities to: a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) index or to hedge risks associated with PUF investments; or f) adjust the market exposure of the asset allocation, including long and short strategies and other strategies provided that the PUF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board. The Derivative Investment Policy shall serve the purpose of defining the permitted applications under which derivative securities can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Internal short-term pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- Deposits of the Texas State Treasury.
- The PUF's custodian late deposit interest bearing liquid investment fund.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' acceptances guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the PUF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the PUF's fixed income assets.



- Overnight repurchase agreements may not exceed 25% of the PUF's fixed income assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

### Fixed Income

#### Domestic Fixed Income

Holdings of domestic fixed income securities shall be limited to those securities a) issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, or U.S. Government Agencies, and b) issued by corporations and municipalities. Within this overall limitation:

- Permissible securities for investment include the components of the Lehman Brothers Aggregate Bond Index (LBAGG): investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific subsectors: 1) Government securities: Treasury and Agency; 2) Corporate securities: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; 4) Asset-backed securities; 5) Taxable Municipal securities; and 6) Commercial Mortgage-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible: a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities; b) medium term notes issued by investment grade corporations; c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and d) structured notes issued by LBAGG qualified entities.
- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- or better by Standard & Poor's Corporation, or an equivalent rating by a nationally recognized rating agency at the time of acquisition. This provision does not apply to an investment manager that is authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.
- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer provided that such bonds, at the time of purchase, are rated, not less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch

Investors Service.

Non-U.S. Fixed Income

- Not more than 50% of the PUF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.
- Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.
- Not more than 15% of the PUF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

The PUF shall:

- A. hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market
- B. hold no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.

**PUF Distributions**

The PUF shall balance the needs and interests of present beneficiaries with those of the future. PUF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

The goal is for the PUF's average spending rate over time not to exceed the PUF's average annual investment return after inflation and expenses in order to preserve the purchasing power of PUF distributions and underlying assets.

The Texas Constitution states that “The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions to the available university fund. The amount distributed to the available university fund in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on bonds and notes issued under this section. If the purchasing power of permanent university fund investments for any rolling 10-year period is not preserved, the board may not increase annual distributions to the available university fund until the purchasing power of the permanent university fund investments is restored, except as necessary to pay the principal and interest due and owing on bonds and notes issued under this section. An annual distribution made by the board to the available university fund during any fiscal year may not exceed an amount equal to seven percent of the average net fair market value of permanent university fund investment assets as determined by the board, except as necessary to pay any principal and interest due and owing on bonds issued under this section. The expenses of managing permanent university fund land and investments shall be paid by the permanent university fund.”

Annually, the Board of Regents will approve a distribution amount to the AUF.

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 twelve quarter average of the net asset value of the PUF for the quarter ending February of each year.

Following approval of the distribution amount, distributions from the PUF to the AUF may be quarterly or annually at the discretion of UTIMCO Management.

### **PUF Accounting**

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board of Directors. The PUF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

### **Valuation of Assets**

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PUF net assets. Valuation of PUF assets shall be based on the books and records of the custodian for the valuation date. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

The fair market value of the PUF's net assets shall include all related receivables and payables of the PUF on the valuation. Such valuation shall be final and conclusive.

### **Securities Lending**

The PUF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the PUF shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

### **Investor Responsibility**

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the interest of the U. T. System and the A&M System and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be August 12, 2004, except for Exhibit A which was effective January 1, 2004.

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**EXHIBIT A**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

<b>Asset Category</b>	<b>Percent of Portfolio (%)</b>		<b>Benchmarks</b>
	<b>Policy Targets</b>	<b>Policy Ranges</b>	
<b>US Equities:</b>	<b>25.0</b>	<b>15 to 45</b>	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Traditional US Equities	20.0	15 to 45	Russell 3000 Index
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
<b>Global ex US Equities:</b>			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
<b>Total Equity</b>	<b>42.0</b>	<b>20 to 60</b>	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
<b>Total Hedge Funds</b>	<b>25.0</b>	<b>15 to 25</b>	
Venture Capital	6.0	0 to 10	
Private Equity	9.0	5 to 15	
<b>Total Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics' Periodic IRR Index
<b>Commodities</b>	<b>3.0</b>	<b>0 to 5</b>	GSCI minus 1%
<b>Fixed Income:</b>	<b>15.0</b>	<b>10 to 30</b>	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Tips Index
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US Tips Index
<b>Cash</b>	<b>0.0</b>	<b>0 to 5</b>	90 Day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

**THE UNIVERSITY OF TEXAS SYSTEM  
GENERAL ENDOWMENT FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The General Endowment Fund (the "GEF"), established by the Board of Regents of The University of Texas System (the "Board of Regents") March 1, 2001, is a pooled fund for the collective investment of certain long-term funds under the control and management of the Board of Regents. The GEF provides for greater diversification of investments than would be possible if each account were managed separately.

**GEF Organization**

The GEF functions like a mutual fund in which each eligible fund purchases and redeems GEF units as provided herein. The ownership of GEF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

**GEF Management**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

Ultimate fiduciary responsibility for the GEF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the GEF shall be managed by UTIMCO, which shall

a) recommend investment policy for the GEF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with GEF objectives, and c) monitor GEF performance against GEF objectives. UTIMCO shall invest the GEF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

### **GEF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of GEF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase GEF Units**

No fund shall be eligible to purchase units of the GEF unless it is under the sole control, with full discretion as to investments, of the Board of Regents and/or UTIMCO.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the GEF.

Currently, the Long Term Fund (the "LTF") and the Permanent Health Fund (the "PHF") purchase units in the GEF.

### **GEF Investment Objectives**

The GEF and the PUF are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund (in case of the GEF, the target distribution rate of the LTF and the PHF) plus the annual expected expense. The current 5.1% target was derived by adding the PUF's current target distribution rate of 4.75% plus an annual expected expense of .35%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. The GEF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower



returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect GEF's asset allocation policy targets.

### **Asset Allocation and Policy**

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. Specific asset allocation positions may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook. In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A, UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable.

GEF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. U.S. Equities - U.S. equities represent ownership in U.S. companies that are traded in public markets:

Traditional U.S. Equities – Traditional U.S. equities include common stocks and derivatives based on common stocks, including warrants, rights, options, exchange traded funds, and futures. In addition, derivative applications approved by the UTIMCO Board that serve as a U.S. equity substitute will be classified as traditional U.S. equity. Traditional U.S. equities provide both current income and capital gains.

REITS – REITS are real estate investment trusts and are classified as U.S. equities for purposes of this Policy Statement. REITS own, and in most cases operate, income producing real estate.

- B. Global ex U.S. Equities – Global ex U.S. equities represent ownership in global companies that are traded in public markets. The global ex U.S. markets include established and emerging markets. Derivatives including warrants, rights, options, exchange traded funds, and futures are also included if the underlying assets are Global ex U.S. equities. In addition, derivative applications approved by the UTIMCO Board that serve as a Global ex U.S. equity substitute will be classified as Global ex U.S. equities. Global ex U.S. equities provide both current income and capital gains.

- C. Hedge Funds – Hedge funds are broadly defined to include nontraditional investment strategies whereby the majority of the underlying securities are traded on public exchanges or are otherwise readily marketable.

Equity Hedge Funds – Equity hedge fund investments include U.S. and international long/short equity strategies. These strategies attempt to exploit profits from stock selection skills by taking long and short positions in various equity securities. These strategies may also include fund of hedge fund investments. Equity hedge fund investments are made through private placement agreements.

Absolute Return Hedge Funds – Absolute return hedge fund investments include arbitrage and event driven strategies. Arbitrage strategies attempt to exploit pricing discrepancies between closely related securities, utilizing a variety of different tactics primarily within equity, fixed income and convertible securities markets. Event driven strategies attempt to exploit discreet events such as bankruptcies, mergers, and takeovers. Absolute return hedge funds may include fund of hedge fund investments. Absolute return hedge fund investments are made through private placement agreements.

- D. Private Capital - Private Capital investments include the illiquid debt and equity securities of private or publicly-traded companies. Private Capital investments consist of two sub-asset class categories: Venture Capital and Private Equity.

Venture Capital – Venture Capital investments consist of investments in companies, both U.S. and non-U.S., that are in the early stages of development. Venture capital investments are held either through limited partnerships or as direct ownership interests.

Private Equity – Private Equity investments consist of investments in the equity securities of private businesses, both U.S. and non-U.S., that are considered to be in the post-start-up phase and that are profitable and generating income. Private Equity investments are held either through limited partnerships or as direct ownership interests. The Private Equity category also includes mezzanine and opportunistic investments. Mezzanine investments consist of investments in funds that make subordinated debt or minority equity investments in private companies. Opportunistic investments are limited to illiquid assets and may include distressed debt or secondary private equity partnerships. Mezzanine and opportunistic investments are held through limited partnerships or as direct ownership interests.

- E. Commodities – Commodities include natural resource investments including oil and gas interests and other hard assets. These investments may be held through partnerships, derivative investments, or direct investments.

- F. Fixed Income – Fixed income investments include debt (whether U.S. or foreign) issued by Governments, various government enterprises, and agencies and domestic and foreign corporations.

Traditional Fixed Income - The principal securities include bonds, notes, bills and mortgage and asset-backed securities. In addition, derivative applications approved by the UTIMCO Board that serve as a fixed income substitute will be classified as traditional fixed income.

TIPS - TIPS are treasury inflation protected securities which are marketable securities with a return linked to the inflation rate. In constructing diversified TIPS portfolios, securities classified as traditional fixed income can be utilized by outside investment managers.

- G. Cash and Cash Equivalents – Cash and cash equivalents consist of money market funds, cash in foreign currencies, and other overnight funds that have not been allocated to a specific asset class.

### **Performance Measurement**

The investment performance of the GEF will be measured by the GEF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the GEF, as indicated in Exhibit A.

### **Investment Guidelines**

The GEF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

#### General

- Investment guidelines for index, commingled funds, and limited partnerships managed externally shall be governed by the terms and conditions of the respective investment management contracts or partnership agreements.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of GEF assets in such liquid investment fund.

- No securities may be purchased or held which jeopardize the GEF's tax exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The GEF may utilize derivative securities to: a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) index or to hedge risks associated with GEF investments; or f) adjust the market exposure of the asset allocation, including long and short strategies and other strategies provided that the GEF's use of derivatives complies with the Derivative Investment Policy approved by the UTIMCO Board. The Derivative Investment Policy shall serve the purpose of defining the permitted applications under which derivative securities can be used, which applications are prohibited, and the requirements for the reporting and oversight of their use. Derivative applications implemented in compliance with the Derivative Investment Policy shall be deemed to be specifically authorized by the UTIMCO Board for purposes of this Policy Statement. The objective of the Derivative Investment Policy is to facilitate risk management and provide efficiency in the implementation of the investment strategies using derivatives.

#### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Internal short-term pooled investment funds managed by UTIMCO.
- Unaffiliated liquid investment funds as approved by UTIMCO's chief investment officer.
- The GEF's custodian late deposit interest bearing liquid investment fund.
- Commercial paper rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).

- Negotiable certificates of deposit with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' acceptances guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the GEF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the GEF's fixed income assets.
- Overnight repurchase agreements may not exceed 25% of the GEF's fixed income assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

### Fixed Income

#### Domestic Fixed Income

Holdings of domestic fixed income securities shall be limited to those securities  
a) issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored

Enterprises, or U.S. Government Agencies, and b) issued by corporations and municipalities. Within this overall limitation:

Permissible securities for investment include the components of the Lehman Brothers Aggregate Bond Index (LBAGG): investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific subsectors: 1) Government securities: Treasury and Agency; 2) Corporate securities: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; 4) Asset-backed securities; 5) Taxable Municipal securities; and 6) Commercial Mortgage-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible: a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities; b) medium term notes issued by investment grade corporations; c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and d) structured notes issued by LBAGG qualified entities.

U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- or better, by Standard & Poor's Corporation, or an equivalent rating by a nationally recognized rating agency at the time of acquisition. This provision does not apply to an investment manager that is authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.

Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer provided that such bonds, at the time of purchase, are rated, not less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch Investors Service.

#### Non-U.S. Fixed Income

- Not more than 50% of the GEF's fixed income portfolio may be invested in non-U.S. dollar denominated bonds.
- Non-dollar denominated bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio unless an investment manager has been authorized by the terms of an investment advisory agreement to invest in below investment grade bonds.
- Not more than 15% of the GEF's fixed income portfolio may be invested in emerging market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

## Equities

The GEF shall:

- A. hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market
- B. hold no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.

## **GEF Accounting**

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board of Directors. The GEF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

## **Valuation of Assets**

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

The fair market value of the GEF's net assets shall include all related receivables and payables of the GEF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

## **Purchase of GEF Units**

Purchase of GEF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the GEF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the GEF as of the most recent quarterly valuation date. Each fund whose monies are invested in the GEF shall own an undivided interest in the GEF in the proportion that

the number of units invested therein bears to the total number of all units comprising the GEF.

### **Redemption of GEF Units**

Redemption of GEF units shall be paid in cash as soon as practicable after the quarterly valuation date of the GEF. Withdrawals from the GEF shall be at the market value price per unit determined for the period of the withdrawal.

### **Securities Lending**

The GEF may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the GEF shall be collateralized by cash, letters of credit, or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

### **Investor Responsibility**

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unitholders and shall not invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend this Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be August 12, 2004, except for Exhibit A which was effective January 1, 2004.



**EXHIBIT A**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

<b>Asset Category</b>	<b>Percent of Portfolio (%)</b>		<b>Benchmarks</b>
	<b>Policy Targets</b>	<b>Policy Ranges</b>	
<b>US Equities:</b>	<b>25.0</b>	<b>15 to 45</b>	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Traditional US Equities	20.0	15 to 45	Russell 3000 Index
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
<b>Global ex US Equities:</b>			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
<b>Total Equity</b>	<b>42.0</b>	<b>20 to 60</b>	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
<b>Total Hedge Funds</b>	<b>25.0</b>	<b>15 to 25</b>	
Venture Capital	6.0	0 to 10	
Private Equity	9.0	5 to 15	
<b>Total Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics' Periodic IRR Index
<b>Commodities</b>	<b>3.0</b>	<b>0 to 5</b>	GSCI minus 1%
<b>Fixed Income:</b>	<b>15.0</b>	<b>10 to 30</b>	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Tips Index
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US Tips Index
<b>Cash</b>	<b>0.0</b>	<b>0 to 5</b>	90 Day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

**THE UNIVERSITY OF TEXAS SYSTEM  
PERMANENT HEALTH FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Permanent Health Fund (the “PHF”) is hereby established by the Board of Regents of The University of Texas System (the “Board of Regents”), as a pooled fund for the collective investment of certain permanent funds for health-related institutions of higher education created, effective August 30, 1999, by Chapter 63 of the Texas Education Code. The permanent health funds which have assets in the PHF are:

- A. The Permanent Health Fund for Higher Education (the “PHFHE”), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and
- B. Eight of the thirteen separate Permanent Funds for Health Related Institutions (the “PFHRIs”), the distributions from which are to fund research and other programs at health-related institutions of higher education that benefit public health. The PFHRIs invested in the PHF are:

- U. T. Health Science Center - San Antonio
- U. T. M. D. Anderson Cancer Center
- U. T. Southwestern Medical Center - Dallas
- U. T. Medical Branch - Galveston
- U. T. Health Science Center - Houston
- U. T. Health Center - Tyler
- U. T. El Paso
- Regional Academic Health Center

The PHF provides for greater diversification of investments than would be possible if each account were managed separately.

**PHF Organization**

The PHF functions like a mutual fund in which each eligible fund purchases and redeems PHF units as provided herein.

## **PHF Management**

Chapter 63 of the Texas Education Code designates: a) the Board of Regents as the administrator for the PHFHE and b) the governing board of an institution for which a PFHRI fund is established as the administrator for its own PFHRI, or if the governing board so elects, the Comptroller of Public Accounts (State Comptroller). It permits the State Comptroller, in turn, to contract with the governing board of any institution that is eligible to receive a grant under Chapter 63. Pursuant to the foregoing and an Investment Management Services Agreement between the Board of Regents and the State Comptroller, the Board of Regents is the administrator responsible for managing the PHF. Chapter 63 further states that the Board of Regents may manage and invest the PHF in the same manner as the Board of Regents manages and invests other permanent endowments. It also requires that the administrator invest the funds in a manner that preserves the purchasing power of the funds' assets and distributions. It further requires that the administrator make distributions in a manner consistent with the administrator's policies and procedures for making distributions to the beneficiaries of its own endowments in the case of the PHFHE or the funds themselves in the case of the PFHRI funds.

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

Ultimate fiduciary responsibility for the PHF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the PHF shall be managed by UTIMCO which shall: a) recommend investment policy for the PHF; b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with PHF objectives; and c) monitor PHF performance against PHF objectives. UTIMCO shall invest the PHF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets,

ranges and performance benchmarks, are subject to approval by the Board of Regents.

### **PHF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of PHF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase PHF Units**

No fund shall be eligible to purchase units of the PHF unless it is a permanent health fund established pursuant to Chapter 63 of the Texas Education Code, under the control, with full discretion as to investments, of the Board of Regents and/or UTIMCO.

Any fund whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the PHF.

### **PHF Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.1%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF. The PHF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect PHF's asset allocation policy targets.

### **Asset Allocation and Policy**

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. PHF assets shall be allocated among the following investments:

- A. Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

### **Performance Measurement**

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board. Such measurement will occur at least quarterly.

### **Investment Guidelines**

The PHF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

#### General

- Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.
- No securities may be purchased or held which jeopardize the PHF's tax exempt status.

#### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.

### **PHF Distributions**

The PHF shall balance the needs and interests of present beneficiaries with those of the future. PHF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

- C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

The goal is for the PHF's average spending rate over time not to exceed the PHF's average annual investment return after inflation in order to preserve the purchasing power of PHF distributions and underlying assets.

UTIMCO shall be responsible for calculating the PHF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents, PHF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.
- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%.
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the PHF to the unitholders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

### **PHF Accounting**

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board. The PHF's

financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

### **Valuation of Assets**

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Such valuation of PHF assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the PHF's net assets shall include all related receivables and payables of the PHF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

### **Purchase of PHF Units**

Purchase of PHF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the PHF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the PHF as of the most recent quarterly valuation date.

Each fund whose monies are invested in the PHF shall own an undivided interest in the PHF in the proportion that the number of units invested therein bears to the total number of all units comprising the PHF.

### **Redemption of PHF Units**

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than \$5 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$5 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all PHF unitholders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

**Investor Responsibility**

The UTIMCO Board shall discharge its fiduciary duties with respect to the PHF solely in the interest of PHF unitholders and shall not invest the PHF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

**Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

**Effective Date**

The effective date of this policy shall be August 12, 2004.



EXHIBIT A

**PHF ASSET ALLOCATION**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

	<b>Neutral Allocation</b>	<b>Range</b>	<b>Benchmark Return</b>
GEF Commingled Fund	<b>100.0%</b>	95%-100%	Endowment Policy Portfolio
Cash	<b>0.0%</b>	0%-5%	90 day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

EXHIBIT B

**GEF ASSET ALLOCATION**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
US Equities:	<b>25.0</b>	<b>15 to 45</b>	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Traditional US Equities	20.0	15 to 45	Russell 3000 Index
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Global ex US Equities:			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
<b>Total Equity</b>	<b>42.0</b>	<b>20 to 60</b>	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
<b>Total Hedge Funds</b>	<b>25.0</b>	<b>15 to 25</b>	
Venture Capital	6.0	0 to 10	
Private Equity	9.0	5 to 15	
<b>Total Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics' Periodic IRR Index
<b>Commodities</b>	<b>3.0</b>	<b>0 to 5</b>	GSCI minus 1%
<b>Fixed Income:</b>	<b>15.0</b>	<b>10 to 30</b>	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Tips Index
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US Tips Index
<b>Cash</b>	<b>0.0</b>	<b>0 to 5</b>	90 Day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

**THE UNIVERSITY OF TEXAS SYSTEM  
LONG TERM FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Long Term Fund (the "LTF"), succeeded the Common Trust Fund in February, 1995, and was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of private endowments and other long-term funds supporting various programs of The University of Texas System. The LTF provides for greater diversification of investments than would be possible if each account were managed separately.

**LTF Organization**

The LTF functions like a mutual fund in which each eligible account purchases and redeems LTF units as provided herein. The ownership of LTF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

**LTF Management**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

Ultimate fiduciary responsibility for the LTF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the LTF shall be managed by UTIMCO, which shall a) recommend investment policy for the LTF, b) recommend specific asset allocation targets, ranges, and performance benchmarks consistent with LTF objectives, and c) monitor LTF performance against LTF objectives. UTIMCO shall invest the LTF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

### **LTF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of LTF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase LTF Units**

No account shall be eligible to purchase units of the LTF unless it is under the sole control, with full discretion as to investments, of the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the LTF.

### **LTF Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.1%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments with assets greater than \$1 billion as reported by Cambridge Associates over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect LTF's asset allocation policy targets.

## **Asset Allocation and Policy**

Asset allocation is the primary determinant of the volatility of investment return and, subject to the asset allocation ranges specified in Exhibit A and Exhibit B, is the responsibility of UTIMCO. LTF assets shall be allocated among the following investments.

- A. Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

## **Performance Measurement**

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board. Such measurement will occur at least quarterly.

## **Investment Guidelines**

The LTF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

### General

- Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.
- No securities may be purchased or held which jeopardize the LTF's tax exempt status.

### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Eligible investments within the "Cash and Cash Equivalents" category of the GEF Investment Policy Statement.

## **LTF Distributions**

The LTF shall balance the needs and interests of present beneficiaries with those of the future. LTF spending policy objectives shall be to:

- A. provide a predictable, stable stream of distributions over time;
- B. ensure that the inflation adjusted value of distributions is maintained over the long term; and
- C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

The goal is for the LTF's average spending rate over time not to exceed the LTF's average annual investment return after inflation in order to preserve the purchasing power of LTF distributions and underlying assets.

Generally, pursuant to the Uniform Management of Institutional Funds Act, Chapter 163, Texas Property Code, as amended, ("Act"), the Board of Regents may distribute, for the uses and purposes for which the LTF is established, the net appreciation, realized and unrealized, in the fair market value of the assets of the LTF over the historic dollar value of the fund to the extent prudent under the standard provided by the Act.

UTIMCO shall be responsible for calculating the LTF's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise recommended by UTIMCO and approved by the Board of Regents or prohibited by the Act, LTF distributions shall be based on the following criteria:

The annual unit distribution amount shall be adjusted annually based on the following formula:

- A. Increase the prior year's per unit distribution amount (cents per unit) by the average inflation rate (C.P.I.) for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount may be rounded to the nearest \$.0005 per unit.
- B. If the inflationary increase in Step A results in a distribution rate below 3.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit), the UTIMCO Board may recommend an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 5.5%.
- C. If the distribution rate exceeds 5.5% (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter

average market value price per unit), the UTIMCO Board may recommend a reduction in the per unit distribution amount.

Notwithstanding any of the foregoing provisions, the Board of Regents may approve a per unit distribution amount that, in their judgment, would be more appropriate than the rate calculated by the policy provisions.

Distributions from the LTF to the unitholders shall be made quarterly as soon as practicable on or after the last business day of November, February, May, and August of each fiscal year.

### **LTF Accounting**

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board. The LTF's financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

### **Valuation of Assets**

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Such valuation of LTF assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the LTF's net assets shall include all related receivables and payables of the LTF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

### **Purchase of LTF Units**

Purchase of LTF units may be made on any quarterly purchase date (September 1, December 1, March 1, and June 1 of each fiscal year or the first business day subsequent thereto) upon payment of cash to the LTF or contribution of assets approved by UTIMCO's chief investment officer, at the net asset value per unit of the LTF as of the most recent quarterly valuation date.

Each account whose monies are invested in the LTF shall own an undivided interest in the LTF in the proportion that the number of units invested therein bears to the total number of all units comprising the LTF.

### **Redemption of LTF Units**

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than \$10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the best interests of all LTF unitholders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unitholders shall not be considered redemption of units subject to this provision.

### **Investor Responsibility**

The UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unitholders and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be August 12, 2004.



EXHIBIT A

**LTF ASSET ALLOCATION**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

	<b>Neutral Allocation</b>	<b>Range</b>	<b>Benchmark Return</b>
GEF Commingled Fund	<b>100.0%</b>	95%-100%	Endowment Policy Portfolio
Cash	<b>0.0%</b>	0%-5%	90 day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

The endowment policy portfolio is the sum of the neutrally weighted benchmark returns for the GEF.

EXHIBIT B

**GEF ASSET ALLOCATION**

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES**

Asset Category	Percent of Portfolio (%)		Benchmarks
	Policy Targets	Policy Ranges	
US Equities:	<b>25.0</b>	<b>15 to 45</b>	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Associates Real Estate Securities Index
Traditional US Equities	20.0	15 to 45	Russell 3000 Index
REITS	5.0	0 to 10	Dow Jones Wilshire Real Estate Securities Index
Global ex US Equities:			MSCI All Country World Index ex US
Non-US Developed Equity	10.0	5 to 15	
Emerging Markets Equity	7.0	0 to 10	
<b>Total Equity</b>	<b>42.0</b>	<b>20 to 60</b>	
Equity Hedge Funds	10.0	5 to 15	90 Day T-Bills + 4%
Absolute Return Hedge Funds	15.0	10 to 20	90 Day T-Bills + 3%
<b>Total Hedge Funds</b>	<b>25.0</b>	<b>15 to 25</b>	
Venture Capital	6.0	0 to 10	
Private Equity	9.0	5 to 15	
<b>Total Private Capital</b>	<b>15.0</b>	<b>5 to 15</b>	Venture Economics' Periodic IRR Index
<b>Commodities</b>	<b>3.0</b>	<b>0 to 5</b>	GSCI minus 1%
<b>Fixed Income:</b>	<b>15.0</b>	<b>10 to 30</b>	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Tips Index
Traditional Fixed Income	10.0	10 to 30	Lehman Brothers Aggregate Bond Index
TIPS	5.0	0 to 10	Lehman Brothers US Tips Index
<b>Cash</b>	<b>0.0</b>	<b>0 to 5</b>	90 Day T-Bills

<b>Expected Annual Return (%)</b>	<b>8.36</b>
<b>Downside Deviation (%)</b>	<b>4.22</b>
<b>Standard Deviation (%)</b>	<b>10.30</b>

**THE UNIVERSITY OF TEXAS SYSTEM  
SHORT INTERMEDIATE TERM FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Short Intermediate Term Fund (the "SITF"), was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System component institutions and System Administration with an investment horizon greater than one year.

**SITF Organization**

The SITF functions like a mutual fund in which each eligible account purchases and redeems SITF units as provided herein. The ownership of SITF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

**SITF Management**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the SITF.

Ultimate fiduciary responsibility for the SITF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the SITF shall be managed by UTIMCO, which shall

a) recommend investment policy for the SITF, b) recommend specific asset allocation targets, ranges and performance benchmarks consistent with SITF objectives, and c) monitor SITF performance against SITF objectives. UTIMCO shall invest the SITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibit to this Policy Statement, including changes to asset allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

### **SITF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of SITF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase SITF Units**

No account shall be eligible to purchase units of the SITF unless it is under the sole control, with full discretion as to investments, of the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the SITF.

The funds of a foundation which is structured as a supporting organization described in Section 509(a) of the Internal Revenue Code of 1986 which supports the activities of the U. T. System and its component institutions, may purchase units in the SITF provided that:

- A. the purchase of SITF units by foundation funds is approved by UTIMCO's chief investment officer;
- B. all members of the foundation's governing board are also members of the Board of Regents;
- C. the foundation has the same fiscal year as the SITF;
- D. a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the SITF; and

- E. no officer of such foundation, other than members of the Board of Regents, the Chancellor, UTIMCO's chief investment officer or his or her delegate shall have any control over the management of the SITF other than to request purchase and redemption of SITF units.

### **SITF Investment Objectives**

The primary investment objective shall be to provide both income through investment in high grade fixed income and floating rate obligations and capital appreciation when consistent with income generation and maintenance of adequate SITF liquidity. Within the exposure limits contained herein, investments shall be diversified among authorized asset classes and issuers (excluding the U.S. Government) in order to minimize portfolio risk for a given level of expected return. This objective will be achieved by adding value through active management including duration and yield curve management, sector rotation, security selection, and cost efficient trading.

Achievement of this objective shall be defined by a fund return over a market cycle in excess of the U. T. System Short Term Fund ("STF") and the Merrill Lynch 1-3 Year Treasury Index. The SITF will attempt to achieve a return in excess of the STF primarily through a longer average maturity/duration and through UTIMCO active portfolio management efforts.

It is important to note that the SITF return will be more volatile than the STF fund returns, and under very unusual capital market conditions, the total return of the SITF could be negative over a 12-month period.

### **Asset Allocation and Policy**

Asset allocation is the primary determinant of investment performance and, subject to the asset allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time, within the ranges specified in Exhibit A, based on the economic and investment outlook. In the event that actual portfolio positions in asset categories move outside the ranges indicated in Exhibit A, UTIMCO staff will rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable.

SITF assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

1. Cash and Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.

2. Fixed Income Investments - offer predictable income streams without the remarketing risk often associated with cash and cash equivalents.
3. Floating Rate Securities - offer protection from unanticipated inflationary pressures and rises in interest rates.

### **Performance Measurement**

The investment performance of the SITF will be measured by the SITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the specific performance benchmarks of the SITF. Such measurement will occur at least quarterly.

### **Investment Guidelines**

The SITF must be invested at all times in strict compliance with applicable law. Investment guidelines include the following:

#### General

- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by UTIMCO's chief investment officer prior to investment of SITF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the SITF's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The SITF may utilize derivative securities with the approval of the UTIMCO Board; a) to simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) to facilitate trading; c) to reduce transaction costs; d) to seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) to index or to hedge risks associated with SITF investments; or f) to adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of

SITF assets are required as an initial margin deposit for such contracts; iii) the SITF's investments in warrants shall not exceed more than 5% of the SITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the SITF and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the SITF's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. The net market value of exposure of derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the SITF.

In the event that there are no derivative securities traded on a particular market index, the SITF may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.

- UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the SITF will not be able to meet its obligation to the counterparty by investing the SITF in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.
- The duration of any eligible investment shall not exceed 10 years.

#### Risk Management

- Credit risk shall be controlled by UTIMCO who is responsible for the development and maintenance of credit quality standards for the SITF.

- Interest rate risk shall be controlled by limiting the option-adjusted duration of the portfolio between one-half year and four years unless approved in advance by the UTIMCO Board.
- Not more than 5% of the total value of the securities in the SITF shall be placed with any one issuer (i.e., Commercial Paper, Certificates of Deposit, or Bankers Acceptances) other than the U.S. Treasury, U.S. Agency, or Government Sponsored entities.
- Counterparty exposure in the area of repurchase agreements and reverse repurchase agreements shall be not more than 5% of the total value of the securities in the SITF shall be placed with any one counterparty.

### Eligible Investments

#### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA<sub>M</sub> by Standard & Poor's Corporation.
- Internal short term pooled investment fund managed by UTIMCO.
- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.
- Floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.



- Eligible collateral securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
- The maturity for a repurchase agreement may be from one day to two weeks.
- The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
- All collateral shall be delivered to the SITF custodian bank. Tri-party collateral arrangements are not permitted.
- Reverse repurchase agreements shall be used to fund the liquidity facility for The University of Texas System revenue financing notes.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the SITF's total assets.
- Overnight repurchase agreements may not exceed 25% of the SITF's total assets.

#### Fixed Income

Holdings of eligible fixed income securities shall be limited to the following:

- Securities issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, or U.S. Government Agencies. The latter two categories include U.S. Government Agency Mortgage Backed Securities ("MBS").

Holdings of eligible fixed income derivative securities shall be limited by the following guidelines:

With prior written approval of the UTIMCO Board, the Portfolio Manager may enter into derivatives transactions utilizing exchange traded fixed income futures contracts or options on fixed income futures contracts; provided that such derivatives transactions are designed to control duration or manage risk.

Such derivatives transactions shall be established on a case-by-case basis. These contracts shall include but shall not be limited to Ten-Year Treasury Futures, Eurodollar Futures, or Treasury Bill Futures, provided that the futures exchanges are rated AAA or the equivalent as determined by UTIMCO.

Such derivatives shall be priced daily.

Market risk shall be measured in dollar duration equivalent values or in the case of options in delta or percentage of equivalent futures contracts.

For the purpose of this policy Collateralized Mortgage Obligations (“CMOs”) are considered to be MBS, not derivatives.

### **SITF Distributions**

Distributions of income from the SITF to the unitholders shall be made as soon as practicable on or after the last day of each month.

### **SITF Accounting**

The fiscal year of the SITF shall begin on September 1st and end on August 31st. Market value of the SITF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s chief investment officer and reported to the UTIMCO Board. The SITF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

### **Valuation of Assets**

UTIMCO shall determine the fair market value of all SITF net assets and the net asset value per unit of the SITF no less than once a week and on the last business day of each month. Such valuation of SITF assets shall be based on the bank trust custody agreement in effect at the date of valuation. Valuation of SITF assets shall be based on the books and records of the custodian for the valuation date.

The fair market value of the SITF’s net assets shall include all related receivables and payables of the SITF on the valuation date and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

### **Purchase of SITF Units**

Purchase of SITF units may be made no more often than once a week and on the last business day of each month upon payment of cash to the SITF or contribution of assets approved by UTIMCO’s chief investment officer, at the net asset value per unit of the SITF as of the most recent weekly or end of month valuation date.

Each account whose monies are invested in the SITF shall own an undivided interest in the SITF in the proportion that the number of units invested therein bears to the total number of all units comprising the SITF.

### **Redemption of SITF Units**

Redemption of SITF units shall be paid in cash as soon as practicable after the most recent weekly or end of month valuation date of the SITF.

### **Securities Lending**

The SITF may not participate in a securities lending contract with a bank or nonbank security lending agent.

### **Investor Responsibility**

The UTIMCO Board shall discharge its fiduciary duties with respect to the SITF solely in the interest of SITF unitholders and shall not invest the SITF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be August 12, 2004.

**EXHIBIT A**

**SHORT INTERMEDIATE TERM FUND**

**SPECIFIC ASSET ALLOCATION TARGETS AND RANGES**

	<u>Target</u>	<u>Range</u>
U.S. Treasuries	60%	0%-100%
U.S. Government Agencies	40%	0%-80%
Mortgage Backed Securities	0%	0%-60%
STIF	0%	0%-40%
Corporate Cash Equivalents	0%	0%-40%
Repurchase Agreements	<u>0%</u>	0%-33%
<b>TOTAL ASSETS</b>	<b>100%</b>	

**THE UNIVERSITY OF TEXAS SYSTEM  
SEPARATELY INVESTED ENDOWMENT, TRUST, AND OTHER  
ACCOUNTS INVESTMENT POLICY STATEMENT**

**Purpose**

The Separately Invested Endowment, Trust, and Other Accounts are Accounts established in the name of the Board of Regents of The University of Texas System (the "Board of Regents"), as trustee, and are Accounts which are not solely invested in one of the pooled investment vehicles. These Accounts are not invested in the pooled investment vehicle because: a) they are charitable trusts; b) of investment restrictions incorporated into the trust/endowment document; c) of inability to sell the gifted investment asset; or d) they are assets being migrated upon liquidation into a pooled investment vehicle.

**Investment Management**

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Accounts.

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management to each trust or endowment.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Company ("UTIMCO"), the assets for the Account shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with the Account objectives, and if appropriate c) monitor the Account's performance against Account objectives. UTIMCO shall invest the Account's assets in conformity with this Policy Statement.

Unaffiliated investment managers may be hired by UTIMCO to improve the Account's return and risk characteristics. Such managers shall have complete investment discretion unless restricted by the terms of their management contracts. Managers shall be monitored for performance and adherence to investment disciplines.

### **Account Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and Accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of assets in the Account shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Investment Objectives**

Endowment Accounts - The primary investment objective shall be to invest the Account in assets that comply with the terms of the applicable trust/endowment document, taking into consideration the investment time horizon of the Account.

Trust Accounts - Trust Accounts are defined as either Foundation Accounts or Charitable Trusts ((Charitable Remainder Unitrusts (CRUT), Charitable Remainder Annuity Trusts (CRAT), Pooled Income Funds (PIF), Charitable Trusts (CT), or Charitable Lead Trusts (CLT)). The Board of Regents recognizes that the investment objective of a trust is dependent on the terms and conditions as defined in the trust document of each trust. The conditions that will affect the investment strategy are a) the trust payout provisions; b) the ages of the income beneficiaries; c) the ability to sell the gifted assets that were contributed to the trust; and d) consideration to investment preferences of the income beneficiaries. Taking these conditions into consideration, the fundamental investment objectives of the trust will be to generate a low to moderate growth in trust principal and to provide adequate liquidity in order to meet the payout provisions of the trust.

Operating Accounts - These are separate operating accounts of U. T. System component institutions which invest in an Equity Index Fund and U.S. Debt Index Fund as approved by UTIMCO's chief investment officer. The amount of component operating funds invested in the index funds is governed by the U. T. System Financial Policy.

### **Asset Allocation**

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO.

Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

If appropriate, the Account's assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

- A. Cash and Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.
- B. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of income for the Account. Such bonds should be high quality, with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction. This classification shall include fixed income mutual funds.
- C. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation for the Account. Historically, returns for equities have been higher than for bonds over all extended periods. Therefore, equities represent the best chance of preserving the purchasing power of the Account. This classification shall include equity mutual funds.
- D. Variable Annuities - These are insurance contracts purchased on the life or lives of the income beneficiaries and for which the funds underlying the contract are invested in various mutual funds which offer diversification of the Account's assets. These contracts offer some downside market risk protection in case of the income beneficiary's death in the early years of the contract. These investment assets are only appropriate for the charitable remainder trusts.

### **Asset Allocation Policy**

The asset allocation policy and ranges for each Account herein is dependent on the terms and conditions of the applicable trust/endowment or trust document. With respect to the operating accounts, the U. T. System financial policies shall govern. If possible, the Account's assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Account.

The Board of Regents delegates authority to UTIMCO to establish specific asset allocation targets and ranges for each trust or endowment Account. UTIMCO may establish specific asset allocation targets and ranges for or within the asset classes listed above as well as the specific performance benchmarks for each asset class.

## **Performance Measurement**

The investment performance of the actively managed Accounts, where cost effective, will be calculated and evaluated quarterly.

## **Investment Guidelines**

The Accounts must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

### General

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the Investment Management Contract.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment Account must be reviewed and approved by UTIMCO's chief investment officer prior to investment of Account's assets in such liquid investment Account.
- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The Account may utilize derivative securities with the approval of the UTIMCO Board to a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) index or to hedge risks associated with Account investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that: i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of the Accounts assets are required as an initial margin deposit for such contracts; iii) the Account's investments in warrants shall not exceed more



than 5% of the Account's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the Account and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the Account's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. The net market value of exposure of derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the Account.

In the event that there are no derivative securities traded on a particular market index, the Account may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall attempt to reduce any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.

UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the Account will not be able to meet its obligation to the counterparty by investing the Account in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.

The Account may be invested in foreign currency forward and foreign currency futures contracts in order to maintain the same currency exposure as its respective index or to protect against anticipated adverse changes in exchange rates among foreign currencies and between foreign currencies and the U.S. dollar.

### Risk Management

- Credit risk shall be controlled by UTIMCO who is responsible for the development and maintenance of credit quality standards for the Account.

- Counterparty exposure in the area of repurchase agreements and reverse repurchase agreements – Not more than 5% of the total value of the securities in the Account shall be placed with any one counterparty.
- Diversification of credit risk shall be determined on an account basis.

### Eligible Investments

#### Cash and cash equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA<sub>M</sub> by Standard & Poor's Corporation.
- Approved Tax Exempt unaffiliated liquid investment fund.
- Internal short term pooled investment fund managed by UTIMCO.
- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.
- Floating rate securities, if they are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.

- The maturity for a repurchase agreement may be from one day to two weeks.
- The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
- All collateral shall be delivered to the Account's custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Account's total assets.
- Overnight repurchase agreements may not exceed 10% of the Account's total assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as reverse repurchase agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

#### Fixed income securities

Holdings of eligible fixed income securities shall be limited to those securities a) issued by or fully guaranteed by the U.S. Treasury, U.S. Government-Sponsored Enterprises, or U.S. Government Agencies, and b) issued by corporations and municipalities. Within this overall limitation:

- Permissible securities for investment include the components of the Lehman Brothers Aggregate Bond Index (LBAGG): investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific subindices; 1) Government: Treasury and Agency; 2) Corporate: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; and 4) Asset-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible:
  - a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities;
  - b) medium term notes issued by investment grade corporations;
  - c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and
  - d) structured notes issued by LBAGG qualified entities.
- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or an

equivalent rating by a nationally recognized rating agency at the time of acquisition.

- Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency.
- Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
- Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
- Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's chief investment officer.
- Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's chief investment officer.

### Equities

The Account may purchase equity securities as long as it:

- A. holds no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market.
- B. holds no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by UTIMCO's chief investment officer.

The Account may purchase Equity Mutual Funds and Equity Variables Annuity Contracts as approved by UTIMCO's chief investment officer.

The provisions concerning investment in fixed income and equities securities shall not apply to an endowment in which the agreement prohibits the sale of an equity or fixed income security. Donor preferences shall be considered in determining the disposition of a gifted security.

### **Distributions**

Distributions of income or amounts from the Accounts to the beneficiaries shall be made as soon as practicable, either: a) based on the terms of the applicable trust

instrument; b) following the fiscal quarter end for endowments; or c) on or after the last day of the month for operating Accounts.

### **Accounting**

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's chief investment officer and reported to the UTIMCO Board.

### **Valuation of Assets**

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation.

### **Securities Lending**

The Account may participate in a securities lending contract with a bank or nonbank security lending agent for purposes of realizing additional income. Loans of securities by the Accounts shall be collateralized by cash, letters of credit or securities issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate. The securities lending program will be evaluated from time to time as deemed necessary by the UTIMCO Board. Monthly reports issued by the lending agent shall be reviewed by UTIMCO staff to insure compliance with contract provisions.

### **Investor Responsibility**

As a shareholder, the Account has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the Account. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Account solely in the interest of the beneficiaries and shall not invest the Account so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

**Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

**Effective Date**

The effective date of this policy shall be August 12, 2004.

**THE UNIVERSITY OF TEXAS SYSTEM  
SHORT TERM FUND  
INVESTMENT POLICY STATEMENT**

**Purpose**

The Short Term Fund (the "STF") was established by the Board of Regents of The University of Texas System (the "Board of Regents") as a pooled fund for the collective investment of operating funds and other short and intermediate term funds held by U. T. System component institutions and System Administration with an investment horizon less than one year.

**STF Organization**

The STF functions like a mutual fund in which each eligible account purchases and redeems STF units as provided herein. The ownership of STF assets shall at all times be vested in the Board of Regents. Such assets shall be deemed to be held by the Board of Regents, as a fiduciary, regardless of the name in which the assets may be registered.

**STF Management**

Article VII Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment 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 all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the Texas Education Code, the Board of Regents has elected the PUF prudent investor standard to govern its management of the STF.

Ultimate fiduciary responsibility for the STF rests with the Board of Regents. Section 66.08, Texas Education Code, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents.

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company ("UTIMCO"), the STF shall be managed by UTIMCO, which shall: a) recommend investment policy for the STF, b) determine specific asset allocation targets, ranges

and performance benchmarks consistent with STF objectives, and c) monitor STF performance against STF objectives. UTIMCO shall invest the STF assets in conformity with this Policy Statement.

UTIMCO may select and terminate unaffiliated investment managers subject to the Delegation of Investment Approval Authority approved by the UTIMCO Board. Managers shall be monitored for performance and adherence to investment disciplines.

### **STF Administration**

UTIMCO shall employ an administrative staff to ensure that all transaction and accounting records are complete and prepared on a timely basis. Internal controls shall be emphasized so as to provide for responsible separation of duties and adequacy of an audit trail. Custody of STF assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

### **Funds Eligible to Purchase STF Units**

No account shall be eligible to purchase units of the STF unless it is under the sole control, with full discretion as to investments, by the Board of Regents and/or UTIMCO.

Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the STF.

The funds of a foundation which is structured as a supporting organization described in Section 509(a) of the Internal Revenue Code of 1986, which supports the activities of the U. T. System and its component institutions, may purchase units in the STF provided that:

- A. the purchase of STF units by foundation funds is approved by UTIMCO's chief investment officer;
- B. all members of the foundation's governing board are also members of the Board of Regents;
- C. the foundation has the same fiscal year as the STF;
- D. a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF; and
- E. no officer of such foundation, other than members of the Board of Regents, the Chancellor, UTIMCO's chief investment officer or his or



her delegate shall have any control over the management of the STF other than to request purchase and redemption of STF units.

### **STF Investment Objectives**

The primary investment objective shall be to maximize current income consistent with the absolute preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a net asset value of \$1.00.

Achievement of this objective shall be defined as a fund return in excess of the average gross return of the median manager of an approved universe of institutional only money market funds.

### **Asset Allocation**

Asset allocation is the primary determinant of investment performance and subject to the asset allocation ranges specified herein is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook.

STF assets shall be allocated to the following broad asset class:

Cash and Cash Equivalents - are highly reliable in protecting the purchasing power of current income streams but historically have not provided a reliable return in excess of inflation. Cash equivalents provide good liquidity under both deflation and inflation conditions.

### **Performance Measurement**

The investment performance of the STF will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the performance benchmarks of the STF. Such measurement will occur at least quarterly.

### **Investment Guidelines**

The STF must be invested at all times in strict compliance with applicable law.

Investment guidelines include the following:

#### General

- All investments will be U.S. dollar denominated assets.

- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of STF assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the STF's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The STF may utilize derivative securities with the approval of the UTIMCO Board to: a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) facilitate trading; c) reduce transaction costs; d) seek higher investment returns when a derivative security is priced more attractively than the underlying security; e) to index or to hedge risks associated with STF investments; or f) adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such derivative purchases or sales; ii) no more than 5% of STF assets are required as an initial margin deposit for such contacts; and iii) the STF's investments in warrants shall not exceed more than 5% of the STF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- Such derivative securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.
- UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the STF and the prices of derivative security investments by investing in only those contracts whose behavior is expected to resemble that of the STF's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a derivative security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. Derivative securities purchased or sold over the counter may not represent more than 15% of the net assets of the STF.
- In the event that there are no derivative securities traded on a particular market index, the STF may utilize a composite of other derivative security contracts to simulate the performance of such index. UTIMCO shall

attempt to reduce any tracking error from the low correlation of the selected derivative securities with its index by investing in contracts whose behavior is expected to resemble that of the underlying securities.

- UTIMCO shall minimize the risk that a party will default on its payment obligation under a derivative security agreement by entering into agreements that mark to market no less frequently than monthly and where the counterparty is an investment grade credit. UTIMCO also shall attempt to mitigate the risk that the STF will not be able to meet its obligation to the counterparty by investing the STF in the specific asset for which it is obligated to pay a return or by holding adequate short-term investments.

### Eligible Investments

The weighted average maturity of the portfolio shall not be more than 60 days. Individual securities shall have a remaining maturity not longer than 397 days. The maturity of a portfolio security shall be deemed to be the period remaining (calculated from the trade date or such other date on which the STF's interest in the security is subject to market action) until the date noted on the face of the security as the date on which the principal amount must be paid, or in the case of a security called for redemption, the date on which the redemption payment must be made, except that: a) a variable rate security, the principal amount of which is scheduled on the face of the security to be paid in 397 days or less, shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate; b) a variable rate security that is subject to a demand feature shall be deemed to have a maturity equal to the longer of the period remaining until the next readjustment of the interest rate or the period remaining until the principal amount can be recovered through demand; c) a floating rate security that is subject to a demand feature shall be deemed to have a maturity equal to the period remaining until the principal amount can be recovered through demand; d) a repurchase agreement shall be deemed to have a maturity equal to the period remaining until the date on which the repurchase of the underlying securities is scheduled to occur, or, where no date is specified, but the agreement is subject to a demand, the notice period applicable to a demand for the repurchase of the securities. A demand feature shall mean a put that entitles the holder to receive the principal amount of the underlying security or securities and that may be exercised either at any time on no more than 30 days notice or at specified intervals not exceeding 397 days and upon no more than 30 days notice.

### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA<sub>M</sub> by Standard & Poor's Corporation.

- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Service, Inc.
- Floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase agreements and reverse repurchase agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.
  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.
  - All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.
  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.
  - Overnight repurchase agreements may not exceed 50% of the STF's total assets.

Fixed Income

Holdings of eligible fixed income derivative securities shall be limited by the following guidelines:

- With prior written approval of the UTIMCO Board, the Portfolio Manager may enter into derivatives transactions utilizing exchange traded fixed income futures contracts or options on fixed income futures contracts, provided that such derivatives transactions are designed to control duration or manage risk.
- Such derivatives transactions shall be established on a case-by-case basis. These contracts shall include but shall not be limited to Fed Fund Futures, Eurodollar Futures, or Treasury Bill Futures, provided that the futures exchanges are rated AAA or the equivalent as determined by UTIMCO.
- Such derivatives shall be priced daily.
- Market risk shall be measured in dollar duration equivalent values or, in the case of options, in delta or percentage of equivalent futures contracts.
- For the purpose of this policy Collateralized Mortgage Obligations (“CMOs”) are considered to be Mortgage Backed Securities (“MBS”), not derivatives.

### **STF Distributions**

Distributions of income from the STF to the unitholders shall be made as soon as practicable on or after the last day of each month.

### **STF Accounting**

The fiscal year of the STF shall begin on September 1st and end on August 31st. Market value of the STF shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s chief investment officer and reported to the UTIMCO Board.

### **Valuation of Assets**

All investments are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is not guaranteed or insured by UTIMCO.

The STF’s net assets shall include all related receivables and payables of the STF on the valuation date, and the value of each unit thereof shall be its proportionate part of such net value. Such valuation shall be final and conclusive.

### **Purchase of STF Units**

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's chief investment officer, at \$1.00 per unit of the STF as of the most recent valuation date.

Each account whose monies are invested in the STF shall own an undivided interest in the STF in the proportion that the number of units invested therein bears to the total number of all units comprising the STF.

### **Redemption of STF Units**

Redemption of units may be made on each business day at \$1.00 per unit.

### **Securities Lending**

The STF may not participate in a securities lending contract with a bank or nonbank security lending agent.

### **Investor Responsibility**

The UTIMCO Board shall discharge its fiduciary duties with respect to the STF solely in the interest of STF unitholders and shall not invest the STF so as to achieve temporal benefits for any purpose, including use of its economic power to advance social or political purposes.

### **Amendment of Policy Statement**

The Board of Regents reserves the right to amend the Investment Policy Statement as it deems necessary or advisable.

### **Effective Date**

The effective date of this policy shall be August 12, 2004.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 9:55 a.m., the Board recessed for meetings of the Standing Committees, and Chairman Huffines announced that at the conclusion of each committee meeting the Board would reconvene to approve the report and recommendations of that committee.

The meetings of the Standing Committees were conducted in open session, and the reports and recommendations thereof are set forth below and on the following pages:

\* \* \* \* \*

## REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE.--Chairman Huffines reported that there were no items referred from the Executive Committee to the Board pursuant to Section 7, Subsection 7.1, Subdivision 7.14 of Chapter I of Part One of the Regents' Rules and Regulations.

REPORT OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE.--Chairman Huffines reported that the meeting of the Audit, Compliance, and Management Review Committee was cancelled and would be rescheduled to meet in September 2004.

REPORT AND RECOMMENDATIONS OF THE FINANCE AND PLANNING COMMITTEE (Pages 119 - 138).--Committee Chairman Hunt reported that the Finance and Planning Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Finance and Planning Committee and approved in open session by the U. T. Board of Regents:

1. U. T. System: Approval of Docket No. 118

The Board approved Docket No. 118 in the form distributed by the Counsel and Secretary to the Board. It is attached following Page 202 in the official copy of the Minutes and is made a part of the record of this meeting.

It was expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective component institution involved.

The Docket item involving the appointment of Dr. Scott C. Kelley as Executive Vice Chancellor for Business Affairs was found to be in the best interest of The University of Texas System, as required by Texas Education Code Section 51.948. Additionally, notice of the appointment of Dr. Blandina (Bambi) Cárdenas as President of The University of Texas - Pan American and revision of the terms of Mr. James D. Spaniolo's appointment as President of The University of Texas at Arlington to include a faculty appointment was provided to the Legislative Budget Board.

To avoid any appearance of a possible conflict of interest, Regent Barnhill was recorded as abstaining from vote on Item 1 on Page Docket - 72, related to a contract between The University of Texas at San Antonio and Time Warner Cable, Inc., because of stock holdings.

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

Article IX, Section 6.14 of the General Appropriations Act passed by the 77th Texas Legislature places a limit on the number of full-time equivalent (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.

The Board approved those institutions, as set forth on Page 121, to exceed the number of FTE employees for Fiscal Year 2005 that are authorized in Article III of the General Appropriations Act. The University of Texas System Administration did not exceed the FTE limitation. Further, as required by Article IX, Section 6.14 of the General Appropriations Act, the U. T. Board of Regents will 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.

Counsel and Secretary's Note: On September 1, 2004, the U. T. Board of Regents submitted the required letter and supporting materials to the Governor's Office and the Legislative Budget Board.

**The University of Texas System  
EXPLANATION OF FULL-TIME EQUIVALENT  
LIMITATION INCREASES  
Fiscal Year 2005**

Component	FTE Increase*	Major Reasons for Increase
U. T. Arlington	116.3	To provide faculty and staff needed to achieve goals outlined in the Texas Higher Education Coordinating Board's Closing the Gaps program
U. T. Brownsville	530.5	The FTE cap in the Appropriations Act does not include staff associated with Texas Southmost College. This request is a technical adjustment to the Appropriations Act.
U. T. Dallas	30.0	To provide faculty associated with increasing student enrollment
U. T. El Paso	180.1	To meet demand of enrollment growth
U. T. Pan American	38.2	To meet demand of enrollment growth and the expansion of academic programs
U. T. Permian Basin	22.0	To meet enrollment goals, growth, and ensure quality instruction for students
U. T. San Antonio	178.0	To meet demand of enrollment growth and continue efforts to increase total semester credit hours taught by tenured faculty
U. T. Southwestern Medical Center - Dallas	2,200.0	This represents the employees necessary to operate St. Paul and Zale Lipshy University Hospitals approved for acquisition by the Board of Regents. (See Item 4 on Page <u>165</u> .)
U. T. M. D. Anderson Cancer Center	882.0	To continue to provide the standard of care and services to an increasing number of patients and improve the capacity to deliver cancer care. To provide support for patient care, instruction, and research.

\*Educational and General Funds are the source of funding for these increases. The University of Texas M. D. Anderson Cancer Center and The University of Texas Southwestern Medical Center at Dallas will also use Patient Income as a source of funds.

3. U. T. Board of Regents: Report on Investments for quarter ended May 31, 2004, and Performance Report by Ennis Knupp + Associates

The Report on Investments for The University of Texas System for the quarter ended May 31, 2004, for the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), Short Intermediate Term Fund (SITF), and Separately Invested Assets as prepared by The University of Texas Investment Management Company (UTIMCO) is summarized below.

Pages 124 - 130 contain the Summary Reports on Investments for the three months ended May 31, 2004.

Item I on Pages 124 - 125 reports summary activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the three months was negative 1.39%. The PUF's net investment return for the 12 months ended May 31, 2004, was 20.03%. The PUF's net asset value decreased by \$220.9 million since the beginning of the quarter to \$7,998.0 million. This change in net asset value includes an increase due to contributions from PUF land receipts, a decrease in net investment return, and a decrease for the payment of one-half of the PUF's annual distribution in the amount of \$174,016,788.

Item II on Pages 126 - 128 reports summary activity for the General Endowment Fund (GEF), the Permanent Health Fund (PHF), and the Long Term Fund (LTF). The GEF's net investment return for the three months was negative 1.37%. The GEF's net investment return for the 12 months ended May 31, 2004, was 20.24%. The GEF's net asset value decreased \$75.9 million since the beginning of the quarter to \$4,168.6 million.

Item III on Page 129 reports summary activity for the Short Intermediate Term Fund (SITF). Total net investment return on the SITF was negative .77% for the three months. The SITF's net asset value increased by \$83.0 million since the beginning of the quarter to \$1,189.2 million. This net increase in net asset value includes contributions from the SITF less distributions.

Item IV on Page 130 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, increased by \$201.2 million to \$2,476.2 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$56.0 million versus \$286.7 million at the beginning of the period; equities: \$308.8 million versus \$210.5 million at the beginning of the period; and other investments: \$2.2 million versus \$6.2 million at the beginning of the period.

An [Executive Summary](#) of the Performance Report on investments for the quarter ended May 31, 2004, as prepared by Ennis Knupp + Associates was included in the Agenda Book and is on file in the Office of the Board of Regents.

I. PERMANENT UNIVERSITY FUND (1)

a.) Summary Investment Report at May 31, 2004 (2)

(\$ millions)

	FY02-03	FY03-04			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	6,738.3	7,244.8	7,655.1	8,218.9	7,244.8
PUF Lands Receipts (3)	102.1	27.8	23.7	67.3	118.8
Investment Return	787.6	475.9	634.3	(107.7)	1,002.5
Expenses	(20.2)	(6.4)	(7.2)	(6.5)	(20.1)
Distributions to AUF	(363.0)	(87.0)	(87.0)	(174.0)	(348.0)
Ending Net Assets	<u>7,244.8</u>	<u>7,655.1</u>	<u>8,218.9</u>	<u>7,998.0</u>	<u>7,998.0</u>
AUF Distribution:					
From PUF Investments	338.4	87.0	87.0	174.0	348.0
From Surface Income	8.1	0.8	2.3	1.2	4.3
Total	<u>346.5</u>	<u>87.8</u>	<u>89.3</u>	<u>175.2</u>	<u>352.3</u>
Total Net Investment Return	12.02%	6.60%	8.34%	-1.39%	13.88%

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

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

(3) PUF Land Receipts - As of May 31, 2004: 1,120,340 acres under lease; 516,076 producing acres; 3,123 active leases; and 2,068 producing leases

I. PERMANENT UNIVERSITY FUND (continued)

b.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended May 31, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	2.4%	0.0%	0.25%	0.25%	90 Day T-Bills Average Yield
U.S. Equities	32.9%	25.0%	-1.84%	-1.64%	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Real Estate Securities Index
Global Equities	19.3%	17.0%	-4.93%	-2.20%	Morgan Stanley Capital International - All Country World Free ex U.S
Equity Hedge Funds	8.1%	10.0%	-0.60%	1.26%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	12.3%	15.0%	0.89%	1.01%	90 Day T-Bills Average Yield plus 3%
Commodities	3.3%	3.0%	5.55%	9.41%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	11.1%	15.0%	-1.56%	-2.03%	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
<b>Total Marketable Securities</b>	<b>89.4%</b>	<b>85.0%</b>	<b>-1.85%</b>	<b>-0.62%</b>	
<b>Private Capital</b>	<b>10.6%</b>	<b>15.0%</b>	<b>2.54%</b>	<b>8.30%</b>	Venture Economics' Periodic IRR Index
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-1.39%</b>	<b>0.69%</b>	

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

II. GENERAL ENDOWMENT FUND (1) (2)

a.) Summary Investment Report at May 31, 2004

(\$ millions)

	FY02-03		FY03-04							
	Full Year		1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date				
Beginning Net Assets	3,293.2		3,584.8	3,952.6	4,244.5	3,584.8				
Net Contributions	(79.0)		209.5	135.8	106.9	452.2				
Investment Return	423.5		257.5	327.1	(57.5)	527.1				
Expenses	(5.8)		(2.6)	(2.6)	(2.1)	(7.3)				
Allocations (3)	(47.1)		(96.6)	(168.4)	(123.2)	(388.2)				
Ending Net Assets	3,584.8		3,952.6	4,244.5	4,168.6	4,168.6				
Net Asset Value per Unit	102.539		109.488	118.428	116.778	116.778				
Units and Percentage Ownership										
(End of Period):										
PHF	7,263,383	20.8%	7,174,022	19.9%	7,091,271	19.8%	7,007,471	19.6%	7,007,471	19.6%
LTF	27,696,705	79.2%	28,926,791	80.1%	28,749,330	80.2%	28,688,862	80.4%	28,688,862	80.4%
Total	34,960,088	100.0%	36,100,813	100.0%	35,840,601	100.0%	35,696,333	100.0%	35,696,333	100.0%
Total Net Investment Return	12.81%		6.83%	8.22%	-1.37%	14.02%				

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

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

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

II. GENERAL ENDOWMENT FUND (continued)

b.) Unit Holders' Summary Investment Report at May 31, 2004 (1)

(\$ millions)

	FY02-03	FY03-04			Year-to-Date
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	
<b>PERMANENT HEALTH FUND</b>					
Beginning Net Assets	698.2	745.0	785.6	840.0	745.0
Investment Return	86.0	50.4	64.2	(11.7)	102.9
Expenses	(0.7)	(0.2)	(0.1)	(0.2)	(0.5)
Distributions (Payout)	(38.5)	(9.6)	(9.7)	(9.6)	(28.9)
Ending Net Assets	745.0	785.6	840.0	818.5	818.5
Net Asset Value per Unit (2)	0.908489	0.958104	1.024378	0.998166	0.998166
No. of Units (End of Period)	820,000,000	820,000,000	820,000,000	820,000,000	820,000,000
Distribution Rate per Uni	0.04700	0.01175	0.01175	0.01175	0.035250
Total Net Investment Return	12.67%	6.76%	8.15%	-1.41%	13.82%
<b>LONG TERM FUND</b>					
Beginning Net Assets	2,595.1	2,839.8	3,167.0	3,404.6	2,839.8
Net Contributions	59.6	165.1	17.2	33.8	216.1
Investment Return	332.1	204.4	260.5	(47.8)	417.1
Expenses	(3.1)	(3.3)	(0.9)	(1.0)	(5.2)
Distributions (Payout)	(143.9)	(39.0)	(39.2)	(39.5)	(117.7)
Ending Net Assets	2,839.8	3,167.0	3,404.6	3,350.1	3,350.1
Net Asset Value per Unit (2)	5.114	5.388	5.761	5.613	5.613
No. of Units (End of Period)	555,329,487	587,747,101	591,003,265	596,861,244	596,861,244
Distribution Rate per Uni	0.25800	0.066125	0.066125	0.066125	0.198375
Total Net Investment Return	12.78%	6.76%	8.14%	-1.41%	13.82%

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

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



II. GENERAL ENDOWMENT FUND (continued)

c.) Comparison of Asset Allocation Versus Endowment Neutral Policy Portfolio and Net Investment Return for the three months ended May 31, 2004

	Asset Allocation	Endowment Neutral Policy Portfolio	Actual Net Investment Return	Endowment Neutral Policy Portfolio Return (1)	Benchmark
Cash and Cash Equivalents	2.5%	0.0%	0.25%	0.25%	90 Day T-Bills Average Yield
U.S. Equities	31.6%	25.0%	-1.95%	-1.64%	Combination benchmark: 80% Russell 3000 Index plus 20% Wilshire Real Estate Securities Index
Global Equities	19.7%	17.0%	-4.99%	-2.20%	Morgan Stanley Capital International - All Country World Free ex U.S
Equity Hedge Funds	8.3%	10.0%	-0.53%	1.26%	90 Day T-Bills Average Yield plus 4%
Absolute Return Hedge Funds	12.8%	15.0%	0.91%	1.01%	90 Day T-Bills Average Yield plus 3%
Commodities	3.4%	3.0%	5.65%	9.41%	Goldman Sachs Commodity Index minus 100 basis points
Fixed Income	11.4%	15.0%	-1.43%	-2.03%	Combination benchmark: 66.7% Lehman Brothers Aggregate Bond Index plus 33.3% Lehman Brothers US Index Treasury Inflation Protected Securities
<b>Total Marketable Securities</b>	<b>89.7%</b>	<b>85.0%</b>	<b>-1.87%</b>	<b>-0.62%</b>	
<b>Private Capital</b>	<b>10.3%</b>	<b>15.0%</b>	<b>3.16%</b>	<b>8.30%</b>	Venture Economics' Periodic IRR Index
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>-1.37%</b>	<b>0.69%</b>	

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

III. SHORT INTERMEDIATE TERM FUND (1)

Summary Investment Report at May 31, 2004

(\$ millions)

	FY02-03	FY03-04			
	Full Year	1st Qtr	2nd Qtr	3rd Qtr	Year-to-Date
Beginning Net Assets	1,435.9	1,435.3	1,366.5	1,106.2	1,435.3
Net Contributions (Withdrawals)	26.6	(73.4)	(267.4)	98.4	(242.4)
Investment Return	25.8	12.9	14.6	(8.5)	19.0
Expenses	(0.7)	(0.2)	(0.1)	(0.2)	(0.5)
Distributions of Income	(52.3)	(8.1)	(7.4)	(6.7)	(22.2)
Ending Net Assets	1,435.3	1,366.5	1,106.2	1,189.2	1,189.2
Net Asset Value per Unit	9.917	9.947	10.000	9.863	9.863
No. of Units (End of Period)	144,736,640	137,378,810	110,618,420	120,565,911	120,565,911
Total Net Investment Return	1.64%	0.88%	1.20%	-0.77%	1.30%

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

IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 2004

(\$ thousands)

ASSET TYPES	FUND TYPE													
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
<b>Cash &amp; Equivalents:</b>														
Beginning value 02/29/04	2,950	2,950	1,703	1,703	38,342	38,342	482	482	99	99	2,231,342	2,231,342	2,274,918	2,274,918
Increase/(Decrease)	89	89	676	676	38,263	38,263	195	195	(97)	(97)	162,123	162,123	201,249	201,249
Ending value 05/31/04	3,039	3,039	2,379	2,379	76,605	76,605	677	677	2	2	2,393,465	2,393,465	2,476,167	2,476,167
<b>Debt Securities:</b>														
Beginning value 02/29/04	-	-	263	205	38,098	40,103	14,614	15,368	-	-	230,100	231,047	283,075	286,723
Increase/(Decrease)	-	-	-	(8)	1,446	215	573	142	-	-	(230,100)	(231,047)	(228,081)	(230,698)
Ending value 05/31/04	-	-	263	197	39,544	40,318	15,187	15,510	-	-	-	-	54,994	56,025
<b>Equity Securities:</b>														
Beginning value 02/29/04	40	11,849	1,920	1,323	38,849	43,400	22,007	22,878	-	-	157,962	131,053	220,778	210,503
Increase/(Decrease)	-	(1,719)	3,994	4,005	10	(1,298)	(1,120)	(1,751)	-	-	100,076	99,097	102,960	98,334
Ending value 05/31/04	40	10,130	5,914	5,328	38,859	42,102	20,887	21,127	-	-	258,038	230,150	323,738	308,837
<b>Other:</b>														
Beginning value 02/29/04	6,100	6,100	(1)	(1)	2	2	174	63	-	-	-	-	6,275	6,164
Increase/(Decrease)	(6,100)	(6,100)	2,110	2,110	3	3	11	-	-	-	-	-	(3,976)	(3,987)
Ending value 05/31/04	-	-	2,109	2,109	5	5	185	63	-	-	-	-	2,299	2,177

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

4. U. T. Board of Regents: Adoption of Fourteenth Supplemental Resolution; authorization to complete all related transactions; and resolution of parity debt

The Board

- a. adopted the Fourteenth Supplemental Resolution to the Master Resolution, substantially in the standard 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 \$650,000,000 with a final maturity not to exceed the Year 2035 for the purpose of advance refunding certain outstanding Revenue Financing System Bonds to produce present value debt service savings; to refund a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program; and to pay the costs of issuance and any original issue discount;
- b. authorized issuance of the Bonds with natural or synthetic fixed interest rates and the execution of interest rate swap transactions to convert variable interest rates on the bonds into fixed rate obligations if the Bonds are issued with variable interest rates; and
- c. authorized appropriate officers and employees of the U. T. System as set forth in the Fourteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents, within the limitations and procedures specified therein, 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.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the U. T. Board of Regents on February 14, 1991, amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the Board resolved that

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

- b. the component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt.

The Fourteenth Supplemental Resolution (Resolution) authorizes the advance refunding of certain outstanding Revenue Financing System (RFS) Bonds provided the refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. The Resolution provides flexibility to execute the transaction using either natural or synthetic fixed rate debt. Natural fixed rate debt involves issuing fixed rate bonds. Synthetic fixed rate debt involves issuing variable rate bonds and executing a corresponding floating-to-fixed interest rate swap agreement to effectively convert the interest rate on the bonds to a fixed interest rate. The determination to issue either natural or synthetic fixed rate debt will be made based on market conditions at the time of pricing. The use of any interest rate swap agreements will be in accordance with the U. T. System Interest Rate Swap Policy approved by the Board on February 13, 2003, using standard International Swaps and Derivatives Association, Inc. (ISDA) documentation. The Chairman of the Board of Regents and the Chairman of the Finance and Planning Committee will be informed of any proposed transactions to be undertaken pursuant to the Resolution.

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

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

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

- \$3,605,000 of the RFS Bonds, Series 1998A maturing 2014-2018
- \$56,185,000 of RFS Bonds, Series 1998B maturing 2008 and 2012-2018
- \$3,365,000 of the RFS Bonds, Series 1998C maturing 2019

- \$39,725,000 of RFS Bonds, Series 2001B maturing 2020-2022
- \$18,770,000 of RFS Bonds, Series 2001C maturing 2020-2022.

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

Note: The Fourteenth Supplemental Resolution, auction agreement, and broker-dealer agreement were reviewed by outside bond counsel and the U. T. System Office of General Counsel and are in substantially the same form as the Thirteenth Supplemental Resolution, auction agreement, and broker-dealer agreement approved by the Board on November 13, 2003, for use as standard agreements.

5. U. T. System: Approval of an aggregate amount of equipment financing for Fiscal Year 2005 and resolution of parity debt

The Board

- a. approved an aggregate amount of \$86,360,000 of Revenue Financing System Equipment Financing as allocated to those University of Texas System component institutions set out on Page 135;
- b. resolved 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. Board of Regents relating to the Financing System;
  - the component institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt parity debt in the aggregate amount of \$86,360,000 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.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING  
FY 2005

Component	\$ Amount	Description of Equipment Purchases	DSC*	
			Min	Max
U. T. Arlington	\$4,164,000	Student information system computer, elevator modernization HVAC equipment replacement, lighting upgrades, utility infrastructure	1.60	1.71
U. T. Austin	2,000,000	IT hardware, research and athletic equipment	1.94	2.89
U. T. Brownsville	225,000	Stadium lighting	1.52	1.57
U. T. El Paso	1,421,000	Network system upgrades, instructional technology, elevator upgrades, vehicle replacement	1.51	2.78
U. T. San Antonio	6,000,000	Computer equipment & software, scientific & lab equipment	1.26	2.62
U. T. Southwestern Medical Center - Dallas	9,000,000	Clinical equipment, information resources projects, phone system replacement	1.54	2.10
U. T. Medical Branch - Galveston	10,000,000	Clinical & information technology equipment	2.54	3.46
U. T. M. D. Anderson Cancer Center	50,000,000	Diagnostic imaging, radiation and research equipment, information services equipment	3.06	4.63
U. T. Health Science Center - San Antonio **	510,000	Telephone switch	3.34	3.70
U. T. Health Center - Tyler	3,040,000	Network upgrade, radiology equipment, scanner, anesthesia machines, and ambulatory call center system	1.60	3.95

<b>Total</b>	<b>\$86,360,000</b>
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\* Debt Service Coverage ("DSC") is net revenue divided by debt service.

\*\* The \$510,000 telephone switch is proposed to be purchased and financed during FY 2004.

U. T. System Office of Finance, June 21, 2004



6. U. T. System: Approval of Optional Retirement Program employer contribution rates for Fiscal Year 2005

The Board approved the Optional Retirement Program (ORP) employer contribution rates for Fiscal Year 2005, as recommended by each institution as follows:

- a. For all component institutions and The University of Texas System Administration with respect to employees who participated in the ORP prior to September 1, 1995, an employer contribution rate of 8.5%.
- b. For all other employees, an employer contribution rate as set forth by institution below:

<u>Component Institution</u>	<u>Employer Contribution Rate</u>
The University of Texas at Arlington	6.0 %
The University of Texas at Austin	6.0 %
The University of Texas at Brownsville	6.0 %
The University of Texas at Dallas	6.0 %
The University of Texas at El Paso	6.0 %
The University of Texas - Pan American	6.0 %
The University of Texas of the Permian Basin	8.5 %
The University of Texas at San Antonio	8.5 %
The University of Texas at Tyler	6.0 %
The University of Texas Southwestern Medical Center at Dallas	6.0 %
The University of Texas Medical Branch at Galveston	8.5 %
The University of Texas Health Science Center at Houston	6.0 %
The University of Texas Health Science Center at San Antonio	6.0 %
The University of Texas M. D. Anderson Cancer Center	8.5 %
The University of Texas Health Center at Tyler	8.5 %
The University of Texas System Administration	8.5 %

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 6.0% and 8.5%. It is not required that the rate be the same for grandfathered employees, nor that the rate be the same for all U. T. institutions.

Given the diversity of the U. T. System institutions, and the differential budget impact for each institution, it was determined that each institution should propose its own ORP employer contribution rates for grandfathered and nongrandfathered participants. For grandfathered employees hired prior to September 1, 1995, all U. T. System institutions elected to continue the current 8.5% employer contribution rate. For nongrandfathered participants hired after September 1, 1995, six institutions (including U. T. System Administration) elected to increase the ORP employer contribution rate from 6.0% to 8.5%, while the remaining 10 campuses elected to continue the 6.0% employer contribution rate.

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 Texas Higher Education Coordinating Board. Under those rules, the governing board is to determine the employer contribution rates once per fiscal year, to be effective for the entire fiscal year.

7. U. T. System: Authorization to establish a voluntary deferred compensation plan to be known as UTSaver, to delegate authority to administer the plan to the Vice Chancellor for Administration, and to authorize conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' Rules and Regulations

The Board authorized the establishment of a voluntary deferred compensation plan pursuant to Internal Revenue Code Section 457(b) for all employees of The University of Texas System Administration and U. T. institutions, to be known as UTSaver.

Further, the Board delegated to the Vice Chancellor for Administration the authority for the administration of UTSaver and the power to take all action and to make all decisions and interpretations that may be necessary or appropriate to administer and maintain the plan, consistent with State and federal law.

Additionally, the Counsel and Secretary to the Board was authorized to make conforming changes to Part Two, Chapter VI, Section 9 (Deferred Compensation Plan) of the Regents' Rules and Regulations to reference the plan and the delegation to the Vice Chancellor for Administration.

In 2003, the 78th Texas Legislature, Regular Session, enacted Senate Bill 1652, codified as Texas Government Code Section 609.701 et seq. One provision of Chapter 609 authorizes an institution of higher education to establish a deferred compensation plan for its employees pursuant to Internal Revenue Code Section 457(b).

The State legislation followed the enactment of federal legislation known as the Economic Growth and Tax Relief Reconciliation Act (EGTRRA) in 2001, which changed existing law and created an additional retirement savings opportunity for public employees. Prior to the enactment of EGTRRA, contributions to a voluntary 403(b) tax-sheltered annuity program and a voluntary 457(b) deferred compensation retirement savings program were subject to coordinated limits. This resulted in one contribution limit for both programs. EGTRRA repealed the coordinated limits for 403(b) and 457(b) programs thereby providing a separate contribution limit for each program for years beginning after December 31, 2001.

The purpose of the UTSaver deferred compensation plan is to provide employees who elect to participate in the plan the option to defer taxation on compensation subject to federal contribution limits. Employees may elect to contribute up to the maximum amount that may be deferred under the plan for the taxable year. The plan will be established pursuant to Texas Government Code Section 609.701 et seq. and is intended to constitute an "eligible deferred compensation plan" within the meaning of Section 457 of the Internal Revenue Code. All contributions to the plan will be employee contributions.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 139 - 146).--Committee Chairman Krier reported that the Academic Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session by the U. T. Board of Regents:

1. U. T. Austin: Approval of Changes to the Coordinated Admissions Program (formerly Off-Campus Provisional Admissions Program)

Modifications to the Coordinated Admissions Program (CAP) at The University of Texas at Austin resulted from a recent review of the program. The three-year review was suggested by the U. T. Austin Faculty Council upon the program's inception and adopted by President Faulkner at that time. The review, conducted to improve the quality of the students enrolling in CAP and to provide enhanced transfer enrollment management at U. T. Austin, resulted in numerous modifications to the program. These modifications, which will be in effect for freshman applicants applying for admission for Fall Semester 2005, are:

- The minimum grade point average requirement for the prescribed 30 semester credit hours of coursework will be 3.2 rather than 3.0.
- A mathematics course beyond Math 301 (college algebra) will be required as part of the prescribed 30 semester credit hours of coursework.
- Short semester courses may not be counted in the prescribed 30 semester credit hours of coursework.
- Applicants offered admission into CAP must accept by a June 1 deadline rather than the current July 1 deadline.
- The other U. T. System institutions participating in CAP need to accept for participation only those applicants offered CAP who meet the regular minimum admission requirements of the respective institution.

Under CAP, a Texas resident high school graduate applying for freshman admission who is not offered regular admission to U. T. Austin is given the opportunity to attend one of the other University of Texas System general academic institutions cooperating in the program to complete certain minimum requirements during the freshman year. The current requirements are that during the freshman year the student complete 30 semester hours of

prescribed coursework with a 3.0 minimum grade point average and that the coursework be taken during the fall and spring semesters (and mini-semesters during the summer at selected campuses) immediately following high school graduation. If the student successfully completes these requirements, he or she is guaranteed the opportunity to transfer to U. T. Austin at the beginning of the sophomore year. A successful CAP student also may elect to remain at the campus at which he or she completed the freshman year. A CAP student who does not successfully complete the minimum requirements for guaranteed transfer to U. T. Austin may remain at the freshman-year campus if he/she is in good academic standing.

The U. T. Austin Coordinated Admissions Program – formerly known as the Off-Campus Provisional Admissions Program and prior to that referred to as the Summer Provisional Admissions Program – was approved by the Board on November 16, 2000. The U. T. Austin Office of Admissions and the U. T. Austin Admissions and Registration Committee conducted the program review during the 2003-2004 academic year. The review was helpful and an annual review will be performed in the future.

The review showed that, in general, CAP students who enroll at U. T. Austin are doing well academically and that CAP has become increasingly attractive. There is a need to place some limits on the growth of the program as part of the overall enrollment management plan at U. T. Austin. The number of transfer applicants that can be accepted each year is limited.

U. T. Austin desires to have a healthy mix among the transfer cohort – made up of CAP transfers, community college transfers, and transfers from other four-year institutions. Most of the community college and four-year institution transfers admitted for the 2004 Fall Semester applied with a grade point average of at least 3.7.

The changes will enhance CAP student preparation and participation and will also contribute to enrollment management. CAP has been a successful cooperative venture among U. T. Austin and the other U. T. System participants. (All of the general academic institutions participate except The University of Texas at Dallas and The University of Texas at Tyler, although U. T. Tyler is joining the program.) CAP will continue to provide all Texas resident high school applicants with an opportunity to earn enrollment at U. T. Austin while at the same time bringing some students to U. T. System campuses that they otherwise might not have attended.

2. U. T. Brownsville: Wellness, Recreation and Fitness Complex - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

The Board amended the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Wellness, Recreation and Fitness Complex at The University of Texas at Brownsville as follows:

**Architecturally or**

**Historically Significant:** Yes  No

**Project Delivery Method:**

Construction Manager at Risk

**Substantial Completion Date:**

August 2007

**Total Project Cost:**

<u>Source</u>	
Revenue Financing System Bond Proceeds	\$12,500,000

Project Description

The Wellness, Recreation and Fitness Complex at U. T. Brownsville will enable students to gather in an environment which will emphasize exercise, athletics, and a healthy lifestyle. This facility will further develop the on-campus student experience. The facility will contain a gymnasium, weight rooms, cardio rooms, rooms for aerobics and dance, and sports fields. Although yet to be programmed, this facility should contain approximately 50,000 gross square feet. In March 2004, the students voted to assess themselves a fee to fund the project.

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

3. U. T. El Paso: Authorization to establish a Doctor in Philosophy in Computer Science

The Board

- a. granted authorization to establish a Doctor of Philosophy (Ph.D.) in Computer Science degree program at The University of Texas at El Paso; and
- b. approved submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

This program involves creating a separate Ph.D. program in Computer Science from the existing interdisciplinary Ph.D. program in Computer

Engineering. The existing program, jointly administered by the Departments of Computer Science and Electrical and Computer Engineering, has evolved since its establishment toward two distinct emphases: computer science and computer engineering. Creation of the program will facilitate student recruitment and enhance research activities in both departments.

The program will be supported by the faculty and staff who support the current interdisciplinary Ph.D. program and there are no new costs associated with the program.

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

4. U. T. El Paso: Authorization to establish a Master of Occupational Therapy degree

The Board

- a. authorized establishment of a Master of Occupational Therapy degree program at The University of Texas at El Paso;
- b. approved submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and
- c. authorized the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

This program will provide an 82-semester credit hour entry-level master's degree that will replace the current baccalaureate program.

The current Occupational Therapy program at U. T. El Paso was highly commended and accredited in March 2003 for seven years by the Accreditation Council for Occupational Therapy Education (ACOTE). ACOTE intends to extend the current accreditation for an additional three years once the newly reorganized master's-level program has been reviewed and approved.

Since the program replaces an existing program, most of the current courses will remain the same. In addition, current faculty will offer all the courses in the program. Therefore, new costs for the program will be negligible; approximately \$1,500 in new library acquisitions.

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

5. U. T. San Antonio: Authorization to establish a Master of Science and a Doctor of Philosophy degree in Physics

The Board

- a. authorized establishment of Master of Science (M.S.) and Doctor of Philosophy (Ph.D.) degree programs in Physics at The University of Texas at San Antonio;
- b. approved submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and
- c. authorized the Executive Vice Chancellor for Academic Affairs to certify on behalf of the U. T. Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

In addition, the Coordinating Board will be asked to change the U. T. San Antonio Table of Programs to reflect authorization for the degree programs.

The programs will be offered by the Department of Physics and Astronomy in the College of Sciences in collaboration with the Space Science and Engineering Division of the Southwest Research Institute (SwRI).

In August 2004, there will be eight tenured or tenure-track faculty members in the Department of Physics and Astronomy who will contribute to the delivery of the program. Two additional faculty members, one at the senior level, will be hired during 2004-2005. Eight researchers from SwRI will participate in the program's delivery. They will be appointed as Adjoint Professors, with all rights and responsibilities of U. T. San Antonio tenured or tenure-track faculty except they will not be eligible for tenure. All faculty members who will participate in the program have excellent research records. A Letter of Agreement will be signed by the authorities at U. T. San Antonio and SwRI to define the legal contract between the two institutions.

Completion of the Biotechnology, Sciences and Engineering Building in Fall 2005 will increase the amount of laboratory and office space available to the Department of Physics and Astronomy. At SwRI, a variety of world-class laboratories will be used to train graduate students. In addition, it is anticipated that some SwRI facilities will be remodeled into teaching labs or classrooms.

Estimated expenditures for the first five years of the programs total \$4,710,000. This includes \$270,000 in new faculty salaries and start-up funds, \$165,000 in the contractual arrangement with SwRI for courses taught,



\$3,700,000 for graduate assistant and research assistant support, \$405,000 for new lab equipment, \$120,000 for supplies and materials, and \$50,000 for administrative support.

U. T. San Antonio will commit \$1,679,349 in existing institutional resources, \$700,000 from SwRI for student support and \$2,355,202 in formula funding to finance the first five years of the programs.

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

6. U. T. San Antonio: Recreation and Wellness Facilities, Phase II – Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include project

The Board amended the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include the Recreation and Wellness Facilities, Phase II project at The University of Texas at San Antonio as follows:

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** July 2007

**Total Project Cost:** Source  
Revenue Financing System Bond \$44,000,000  
Proceeds

Project Description

The Recreation and Wellness Facilities, Phase II project at U. T. San Antonio will provide additions to the existing campus Child Development Center, Health Services Center, and Recreation Center.

With enrollment expected to increase, the existing space in the Recreation Center is currently deficient and will become more severe as U. T. San Antonio’s population grows. The debt for the Revenue Financing System Bond Proceeds will be repaid from student fees.

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

7. U. T. San Antonio: Approval to acquire the leasehold interest in 5.297 acres of land with improvements located at 301 South Frio Street, San Antonio, Bexar County, Texas; authorization to amend the FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to include a new Business Technology Center Renovation project; and resolution of parity debt

The Board, on behalf of The University of Texas at San Antonio,

- a. appropriated funds and authorized expenditure of \$15 million from Revenue Financing System Bond Proceeds to acquire the leasehold interest in 5.297 acres of land located at 301 South Frio Street, San Antonio, Bexar County, Texas, at a cost of \$8.2 million and to renovate the improvements on the real property at a cost of \$6.8 million;
- b. amended the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to include a new project entitled Business Technology Center Renovation; and
- c. resolved in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative, that
  - parity debt shall be issued to pay the project's cost, including any project 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. Board of Regents relating to the Financing System;
  - The University of Texas at San Antonio, 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. Board of Regents of parity debt in the aggregate amount of \$15 million; 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.

On May 13, 2004, the U. T. Board of Regents approved acquisition of the leasehold interest in the real property located at 301 South Frio Street, San Antonio, Bexar County, Texas. At that time, an appraisal indicated a value of \$7.3 million, but that appraisal made an incorrect assumption concerning occupancy of the building. Subsequent appraisals obtained as part of the negotiating process indicated values of \$8.1 and \$8.25 million, respectively. Acquisition of the subject property is part of an agreement with the City of San Antonio to expand the Downtown Campus of U. T. San Antonio. Approval of this item will provide financing for the acquisition of the leasehold interest in the real property and renovation of the building through Revenue Financing System debt.

U. T. San Antonio expects that portions of the building will continue to be leased to nongovernmental tenants until the institution requires the space for its own use. The portion of the building occupied by nongovernmental tenants will be financed on a taxable basis that can be converted to tax-exempt financing once U. T. San Antonio occupies the space.

At the Academic Affairs Committee meeting on August 11, Committee Chairman Krier confirmed that this Agenda Item was an informational item at the last meeting (May 2004) and was now going forward and approval would be sought with the understanding that all needed environmental work on the property would be completed prior to acquisition.

REPORT AND RECOMMENDATION OF THE HEALTH AFFAIRS COMMITTEE (Pages 147 - 174).--Committee Chairman Clements reported that the Health Affairs Committee met in open session to consider matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session by the U. T. Board of Regents:

1. U. T. System: Adjustment of the Plan Participant Premium Rate for the U. T. System Professional Medical Liability Benefit Plan Effective September 1, 2004, and Return a Portion of Plan Reserves to Participating U. T. System Institutions

The Board approved that the faculty and resident participant premium rates for Fiscal Year 2005 for The University of Texas System Professional Medical Liability Benefit Plan (Plan) be increased by an average of 4% effective September 1, 2004, as set forth in Exhibits 1 and 2 on Pages 148 - 149. The premiums reflect a trend in increased claims payment amounts.

The Board further approved that \$35 million be returned in proportion to premiums paid to the participating U. T. System component institutions unless the matter is returned to the Board.

The Plan has reserves above the actuarially projected risks associated with the Plan, and a return of \$35 million, representing a portion of such reserves, will be returned to participating U. T. System component institutions, via a formula to be determined by the Chancellor. This will be the eighth consecutive year for a partial return of Plan reserves.

As of August 31, 2003, there were 5,550 staff and resident physicians of the U. T. System covered by the Plan, with basic liability limits of \$500,000 per claim for staff physicians and \$100,000 for residents. In addition, approximately 3,332 medical students are enrolled in the Plan by paying \$25 a year for \$25,000 in coverage.

**THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**  
Summary of Rates by Risk Class by Health Component

<u>Health Component</u>	<u>Risk Class 1</u>		<u>Risk Class 2</u>		<u>Risk Class 3</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UT Cancer Center	\$1,025	\$ 959	\$1,603	\$1,500	\$2,562	\$2,397
UT SMC Dallas	1,019	953	1,594	1,491	2,546	2,382
UTMB Galveston	1,675	1,567	2,620	2,453	4,185	3,918
UT HSC Houston	1,624	1,519	2,541	2,378	4,059	3,799
UT HSC San Antonio	1,214	1,137	1,899	1,780	3,034	2,843
UT HC Tyler	1,452	1,358	2,272	2,126	3,630	3,396
UT Austin	1,214	1,137	1,899	1,780	3,034	2,843
UT Arlington	1,214	1,137	1,899	1,780	3,034	2,843

<u>Health Component</u>	<u>Risk Class 4</u>		<u>Risk Class 5</u>	
	<u>Staff</u>	<u>Resident</u>	<u>Staff</u>	<u>Resident</u>
UT Cancer Center	\$4,765	\$4,458	\$ 7,019	\$ 6,568
UT SMC Dallas	4,735	4,430	6,976	6,526
UTMB Galveston	7,785	7,287	11,468	10,735
UT HSC Houston	7,550	7,066	11,120	10,408
UT HSC San Antonio	5,642	5,288	8,312	7,791
UT HC Tyler	6,750	6,317	9,943	9,306
UT Austin	5,642	5,288	8,312	7,791
UT Arlington	5,642	5,288	8,312	7,791

**All Risk Classes Combined**

<u>Health Component</u>	<u>Staff</u>	<u>Resident</u>
UT Cancer Center	\$2,464	\$2,974
UT SMC Dallas	2,792	2,538
UTMB Galveston	4,546	4,274
UT HSC Houston	4,290	9,206
UT HSC San Antonio	2,867	3,127
UT HC Tyler	2,809	4,260
UT Austin	NA	NA
UT Arlington	NA	NA
Total/Weighted Average	3,252	3,370

**THE UNIVERSITY OF TEXAS SYSTEM PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**  
Dental Rates by Health Component

<u>Health Component</u>	<u>Staff</u>	<u>Residents</u>
<u>Dentist - NOC* (Risk Class A)</u>		
UT Cancer Center	\$358	\$335
UT SMC Dallas	357	333
UTMB Galveston	586	548
UT HSC Houston	568	532
UT HSC San Antonio	425	398
UT HC Tyler	508	475
UT Austin	425	398
UT Arlington	425	398
*No Other Classification		
<u>Dentist - Oral Surgery (Risk Class B)</u>		
UT Cancer Center	\$1,603	\$1,500
UT SMC Dallas	1,594	1,491
UTMB Galveston	2,620	2,453
UT HSC Houston	2,541	2,378
UT HSC San Antonio	1,899	1,780
UT HC Tyler	2,272	2,126
UT Austin	1,899	1,780
UT Arlington	1,899	1,780

2. U. T. System: Amendments to The University of Texas System Professional Medical Liability Benefit Plan

The Board approved amendments to The University of Texas System Professional Medical Liability Benefit Plan to be effective September 1, 2004, and the Plan is set forth in its entirety on Pages 151 - 164.

Authority for the establishment of a self-insurance program to indemnify U. T. physicians was granted to the Board of Regents by Senate Bill 391, Acts of the 65th Legislature, effective March 10, 1977 (later codified as Texas Education Code Section 59.01 et seq.). The Plan for Professional Medical Malpractice Self-Insurance was originally approved by the Board of Regents on April 15, 1977. Since the Plan was first approved, it has been amended several times with the most recent amendment on February 13, 2003, when coverage for dentists was added.

In Fall 2003, a Task Force of U. T. physicians and attorneys was appointed to discuss recent tort reform measures and the impact on U. T. physicians and component institutions. The Task Force overwhelmingly recommended expanding coverage to provide legal representation before the Texas State Board of Medical Examiners and the Texas State Board of Dental Examiners. The amendments to Articles II, III, and V provide coverage for legal representation in disciplinary, licensing or similar administrative proceedings up to \$25,000 per proceeding and \$100,000 per enrollment year, unless other Plan exclusions apply. No fines, penalties, or costs assessed as a result of the proceedings will be covered.

**THE UNIVERSITY OF TEXAS SYSTEM  
PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN**

**(Effective September 1, 2004)**

**ARTICLE I  
PURPOSE**

The purpose of The University of Texas System Professional Medical Liability Plan (“Plan”) is to provide certain health care providers and students of The University of Texas System (“System”) with professional liability indemnity from and against medical and dental liability claims pursuant to the authority granted to the Board of Regents of The University of Texas System by Texas Education Code Section 59.01 et seq.

**ARTICLE II  
DEFINITIONS**

Unless otherwise required by the context, the following definitions shall control:

A. ***Plan Participant*** shall mean:

1. Staff physicians and dentists who are medical doctors, oral surgeons, oral pathologists, dentists, doctors of osteopathy, or podiatrists appointed to the full-time faculty of a medical or dental school or hospital of the System, medical doctors employed in health services at and by a general academic institution of the System;
2. Residents and fellows enrolled in a residency program or fellowship at a System medical or dental school who are duly licensed, credentialed, and registered to practice their profession;
3. Medical doctors, oral surgeons, oral pathologists, dentists, doctors of osteopathy, and podiatrists appointed to the faculty of a medical school or hospital of the System on a part-time or volunteer basis, and who either devote their total professional service to such appointments or provide services to patients by assignment from the department chairman. For purposes of the Plan, such persons are “Plan Participants” only when providing services to patients in conjunction with supervision of medical or dental students or residents by assignment from the department chairman and shall become Participants in the Plan only as provided in Article IV, Section 2; and



4. Medical or dental students of a medical or dental school of the System and only when participating (with prior approval of such medical or dental school) in a patient-care program of a duly accredited medical or dental school under the direct supervision of a faculty member of the school conducting such program.
- B. **Liability Claim** means a claim, lawsuit or cause of action based upon treatment or lack of treatment within the United States of America, its territories or possessions, or Canada that departs from accepted standards of medical or dental care which proximately results in injury to or death of a patient, whether the claim or cause of action sounds in tort or contract, subject to the exclusions described in Article V, Section 4, below.
- C. **Disciplinary and Licensing Actions** means any disciplinary, licensing, or similar administrative proceeding brought against a Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners that arises from professional services, except those excluded pursuant to Article V, Section 4.
- D. **System** means The University of Texas System.
- E. **Board** means the Board of Regents of The University of Texas System.
- F. **Fund** means the Professional Medical Liability Fund established by the Board.
- G. **Administrator** means the Vice Chancellor and General Counsel of The University of Texas System.
- H. **Damages** mean all damages, including damages for death, which are payable because of injury to which the Plan applies, but does not include exemplary or punitive damages.
- I. **Coverage** means the liability indemnity and legal representation afforded Participants by this Plan.
- J. **Annual Enrollment period** begins on the date the Participant has a System appointment and meets the conditions for participation under Article IV below and ends on August 31<sup>st</sup> after enrollment begins.
- K. **Certificate of Coverage** means that document issued to the Plan Participant by the System specifying the enrollment period and limits of coverage.

- L. **Professional services** means medical, dental or health care and treatment.
- M. **Plan year** means the twelve-month period beginning on September 1 and ending on August 31 of each year.

**ARTICLE III  
APPLICABILITY OF PLAN PROVISION**

The coverage afforded by this Plan is subject to the particular terms, conditions, and limitations (including, but not limited to limits of liability) of this Plan and the interpretation thereby by the Board or the Plan Administrator. Notwithstanding any other language of the Plan, the coverage afforded by the Plan applies only to Liability Claims and Disciplinary and Licensing Actions arising out of incidents, transactions or events occurring on or after April 1, 1977.

**ARTICLE IV  
CONDITIONS FOR PARTICIPATION**

Section 1

Each Participant on the effective date of the Plan, and each person who becomes a Participant thereafter, as long as this Plan remains in effect, shall participate in the Plan provided, that

- A. Each medical or dental student, as an additional condition of participation, must pay into the Fund a fee in such amount or amounts, and at such time or times, as may be required by the Board; and
- B. A medical doctor employed in health services at and by a general academic institution of the System shall not become a participant unless and until
  1. Such institution files with the Administrator a written application, on behalf of such medical doctors, for participation in the Plan, and
  2. Such application is approved and accepted by the Administrator.

Section 2

Plan Participants as defined in Article IIA.3 above shall become participants in the Plan upon written designation by the president of the health care institution with the approval of the Administrator and the Executive Vice Chancellor for Health Affairs.

### Section 3

Residents and fellows who work additional hours for additional compensation at a System health facility or facility affiliated with the System, will be provided coverage as long as it meets the requirements of the Accreditation Council for Graduate Medical Education (including requirements of supervision and restrictions on allowable number of work hours), and the work has previously been identified as part of the resident's or fellow's general training program and fees generated for professional services are deposited in a System health component practice plan, trust or affiliated foundation or certified not-for-profit corporation as approved by the Board.

## **ARTICLE V COVERAGE OF PARTICIPANTS**

### Section 1 -- Payments on Behalf of Participants

- A. Except as otherwise provided herein, the System will pay on behalf of each Participant, from monies in the Fund, all sums which the Participant shall become legally obligated to pay as damages because of a Liability Claim arising from the exercise of the Participant's employment, duties or training with the System as a Plan Participant performed in the practice of the Participant's profession, including service by the Participant as a member of a formal accreditation or similar professional board or committee of a hospital or professional society with respect to medical staff privileges, accreditation or disciplinary matters related to competency.
- B. Coverage for Plan Participants as defined in Article IIA. 3 above shall be limited to claims arising from assigned teaching activities and supervision of medical or dental students, residents and fellows performed within the course and scope of the Participants' assignments.
- C. Peer review performed at the request of a credentialing body or a professional society for the purpose of determining quality of care is covered provided that any funds generated from the review are deposited into the practice plan as required by the practice plan bylaws.
- D. Coverage for Plan Participants for Disciplinary and Licensing Actions shall be limited to legal representation of the Plan Participant by an attorney in a proceeding brought against the Plan Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners that arises from a covered activity, subject to the limitation in Section 3 D below and exclusions set forth in Section 4 below.

## Section 2 -- Defense of Lawsuits

The System shall have the right and duty to defend any claim or lawsuit against a Participant seeking damages because of such injury even if any of the allegations of the claim or lawsuit are groundless, false or fraudulent. The System may make such investigation and settlement of any claim or lawsuit, as it deems appropriate. The System shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the System's liability has been exhausted by payment of judgments or settlements, or monies in the Fund have been exhausted. The System has no duty to defend any claims not covered by the Plan.

## Section 3 -- Supplementary Payments

The System will pay from the Fund, in addition to the applicable limit of liability:

- A. All expenses incurred by the System in investigating and defending any lawsuit, all costs taxed against the Participant in any suit defended by the System, and all interest on the entire amount of any judgment therein which accrues after entry of the judgment and before the System has paid or tendered or deposited in court that part of the judgment which does not exceed the limit of the System's liability thereon;
- B. Premiums on appeal bonds required in any such suit, premiums on bonds to release attachments in any such lawsuit for an amount not in excess of the applicable limit of liability of this Plan, but the System shall have no obligation to apply for or furnish any such bonds.
- C. Reasonable, personal expenses incurred by a Participant at the System's request in assisting the System in the investigation or defense of any claim or lawsuit.
- D. Costs and expenses incurred in connection with the investigation and defense of a disciplinary and licensing action brought against the Participant; however the Plan will not pay more than \$25,000 in costs and expenses on behalf of a Participant for any single proceeding. Furthermore, the Plan will not pay more than \$100,000 for costs and expenses on behalf of a Participant for all such proceedings during an annual enrollment period.

## Section 4 -- Exclusions

The System will not defend or indemnify a Participant for:

- A. Injury arising out of the performance by the Participant of any illegal, dishonest, fraudulent, criminal or malicious act or omission by the Participant unless Participant had no reasonable cause to believe his conduct was unlawful or illegal;
- B. Any claims or lawsuits alleging violation of state or federal laws relating to antitrust, fraud and abuse, anti-kickback, and illegal remuneration;
- C. Injury arising out of any sexual conduct of the Participant, including but not limited to sexual harassment and sexual relations, and including, without limitation, when intentionally or negligently done in connection with any professional service, act or omission, and regardless of whether such conduct is alleged to constitute negligence;
- D. Any injury caused while Participant is acting under the influence of alcohol or controlled substances or as a result of excessive use of therapeutic drugs;
- E. Any use, administration or prescription of any drug or pharmaceutical disapproved or not yet approved by the United States Food and Drug Administration for treatment for human beings; unless such use, administration or prescription has been approved by the Institutional Review Board of the health care institution where such drug or pharmaceutical was used, administered or prescribed;
- F. Any liability arising out of any professional or licensed service, act or omission outside the scope of Participant's employment with System;
- G. Injury for which the Participant may be held liable as a proprietor, stockholder, owner, member of the board of directors, governors or trustees, superintendent, executive officer, department head or medical director of any non-System owned or managed hospital, sanitarium, laboratory, clinic with bed and board facilities, infirmary, nursing home, foundation, surgical center, blood bank, commercial or any other business enterprise whether or not related to patient care and/or treatment; but, this exclusion shall not be applied to responsibilities which require the special expertise or training of a physician or surgeon and which are not principally executive or administrative in nature;
- H. Injury arising out of the rendering of or failure to render professional services by any other person for whose acts or omissions the Participant may be held liable as a member, partner, officer, director or stockholder of any professional partnership, association or corporation;

- I. Injury to any employee of the Participant arising out of and in the course of that person's employment by the Participant;
- J. Any obligation for which the Participant or any carrier acting as insurer may be liable under any workers' compensation, unemployment compensation or disability benefits law, or under any similar law;
- K. Any liability or indemnity obligation assumed by the Participant under contract or agreement, except to the extent endorsed hereto;
- L. Injury to any employee (past or present) or applicant for employment or patient of the Participant based upon actual or alleged discrimination based on race, religion, color, sex, national origin, age, veteran status, or disability;
- M. Damage to property:
  - 1. owned, occupied or rented by a Participant;
  - 2. used by a Participant;
  - 3. in any Participant's care, custody or control; or
  - 4. over which a Participant is exercising physical control for any reason;
- N. Any fines, penalties, the return or withdrawal of fees or government payments, including any fines, penalties or costs assessed against a Participant by the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners as a result of a Disciplinary and Licensing Action;
- O. Any award of punitive or exemplary damages, treble or multiple damages;
- P. Any claim arising out of professional services which occurred prior to the date of this Plan;
- Q. Any claim arising out of professional services which occurred after the termination of faculty appointment, residency or student status with the System;
- R. Any claim arising out of professional services where the professional services were billed for by the Participant and were not deposited in a System health component practice plan trust or affiliated foundation or certified not-for-profit corporation as approved by the Board;
- S. Any claim arising out of professional services performed for professional fees, salaries or other compensation by a Plan Participant that is not part of the Plan Participant's employment with the System or training program; and

- T. Legal representation of a Plan Participant before the Texas State Board of Medical Examiners or Texas State Board of Dental Examiners in a Disciplinary and Licensing Action arising out of any activity that is excluded under this Plan.

## **ARTICLE VI PARTICIPANTS' OBLIGATIONS**

### Section 1 -- Notice of Claim, Suit or Disciplinary and Licensing Action

The Participant shall give written notice to the System as soon as practicable of any claim made against the Participant. The notice shall identify the Participant and contain reasonably obtainable information with respect to the time, place and circumstances of the injury, including the names and addresses of the patient and of available witnesses. If a claim is made or a lawsuit is brought against the Participant, the Participant shall immediately forward to the Administrator every demand, notice, summons, or other process received by the Participant in accordance with administrative procedures prescribed or approved by the Administrator.

The Participant shall give written notice to the System as soon as practicable of any disciplinary and licensing action taken against the Participant for which the Participant seeks coverage.

### Section 2 -- Cooperation by Participant

The Participant shall cooperate with the System and, upon the System's request, respond to discovery requests, attend meetings with Plan representatives or defense counsel, and attend mediations and trials. Further, the Participant shall cooperate with the System in enforcing any right of contribution or indemnity against any person or organization who may be liable to the Participant because of injury or damage with respect to which coverage is afforded under this Plan. The Participant shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The Participant shall not, except at Participant's own cost, and after informing the Administrator in writing, voluntarily make any payment, assume any obligation or incur any expense. The Participant shall not take any affirmative act or omission which may reasonably prejudice the defense of the claim or lawsuit. The taking of any affirmative act or omission which prejudices the defense of the claim or lawsuit shall entitle the System, but not obligate the System, to deny indemnity for any or all claims or lawsuit so prejudiced.

### Section 3 -- Nonassignability of Interest in Plan

The Participant's interest under this Plan is nonassignable. If any Participant shall die or be adjudged incompetent, this Plan shall thereupon terminate automatically as to such Participant, but shall indemnify and defend the legal representative of such Participant's estate as a Participant with respect to liability previously incurred and covered by this Plan.

## **ARTICLE VII LIMITS OF LIABILITY**

The Plan's liability shall not exceed the limits of liability stated below, and such stated limits shall be applied as follows:

1. A single "per claim" limit of liability shall be applicable to a Liability Claim regardless of the number of claimants or Plan Participants involved.
  - a. A single "per claim" limit of liability shall apply to claims involving injuries to more than one patient such as in obstetrical services to the mother and fetus/child or children, a single "per claim" limit of liability shall be applicable for all such claims and resulting lawsuits.
  - b. A single "per claim" limit of liability shall apply to all claims by both the patient and by the family members or the heirs or estate of such patient, including derivative claims, claims for loss of consortium, claims of beneficiaries under the Texas Wrongful Death Statute and claims for mental anguish and related injuries associated with bystander perception or reaction to the injuries sustained by the patient.
  - c. Plan coverage limits of liability will not be stacked, added or combined in any manner to increase liability under this Plan even though multiple claimants, multiple claims or injuries, multiple lawsuits, or annual periods may be involved within a Liability Claim.
2. The "annual aggregate for all claims for all Participants" is the maximum amount of money the Plan will pay to indemnify all Participants for all Liability Claims arising during any one Plan year.



## Limits of Liability Schedule

The following limits shall apply unless lower liability limits are set by law, in which case the lower limits shall apply:

Staff Physician - \$500,000.00 per Liability Claim (up to \$1,500,000.00 for all Liability Claims during any one enrollment period)

Resident and Fellows - \$100,000.00 per Liability Claim (up to \$300,000.00 for all Liability Claims during any one enrollment period)

Medical or Dental Student - \$25,000.00 per Liability Claim (up to \$75,000.00 for all Liability Claims during any one enrollment period)

Annual Aggregate - \$30,000,000.00 for all Liability Claims for all Participants during any one Plan year

Per Claim Limitation - Plan liability shall be limited to \$2,000,000.00 per claim regardless of the number of the claimants or Plan Participants involved in an incident.

## ARTICLE VIII OTHER COVERAGE

### Section 1 -- Coverage

When the Participant has other professional liability coverage which is stated to be applicable to the loss on an excess or contingent basis, the amount of the System's liability under this Plan shall not be reduced by the existence of such insurance.

### Section 2 -- Insurance

When both this Plan and insurance apply to the loss on the same basis, whether primary, excess or contingent, the System shall not be liable under this Plan for a greater proportion of the loss than that stated in the applicable contribution provision below:

- A. **Contribution by Equal Shares.** If all such valid and collectible insurance provides for contribution by equal shares, the System shall not be liable for a greater proportion of such loss than would be payable if each such insurer contributes an equal share until the share of each insurer or the Plan equals the lowest applicable limit of liability under any one policy or the Plan or the full amount of loss is paid, and with respect to any amount of loss not so paid, the

remaining insurers or the Plan then continue to contribute equal shares of the remaining amount of the loss until each such insurer or the Plan has paid its limit in full or the full amount of the loss is paid.

- B. ***Contribution by Limits.*** If any of such insurance does not provide for contribution by equal shares, the System shall not be liable for a greater proportion of such loss than the applicable limit of liability under this Plan for such loss bears to the total applicable limit of liability of all valid and collectible insurance and the Plan against such loss.

## **ARTICLE IX MODIFICATION AND TERMINATION**

### Section 1 -- Rights of Participants

The Board may terminate the Plan at any time or from time to time, may amend, alter or suspend the Plan in whole or in part, as to all persons eligible to participate hereunder, or any class or groups of such persons, provided such action shall not impair any rights accrued prior to the effective date of such termination, amendments, alterations or suspension. Any such termination, amendments, alterations or suspension shall be effective on the date of the Board action unless a later date is specified by the Board. The Administrator shall promptly give notice of any such termination, amendment, alteration or suspension to all Participants affected thereby.

### Section 2 -- Termination in Event of Mandatory Participation in Other Indemnity or Insurance Programs

It is an express condition of the Plan that if the System is required by law, or by a collective bargaining or other agreement, to contribute toward another plan, program or scheme providing professional liability insurance or indemnity benefits for a class or group of Plan Participants, this Plan will terminate forthwith as to such class or group of Plan Participants.

### Section 3 -- Termination of Plan Participation

This Plan shall apply to a Participant only so long as such Participant remains qualified to participate in this Plan, provided that cessation of such participation shall not impair any rights accrued under this Plan prior to the effective date of such cessation of qualification.

### Section 4 -- Benefits Terminable

All coverage of a Participant under this Plan shall cease at once if the Participant engages in any business or performs any act which in the sole judgment of the Board is prejudicial to the interest of the System.

**ARTICLE X  
ACTION AGAINST SYSTEM**

Section 1 -- Conditions Precedent

No action shall lie against the System unless, as a condition precedent thereto, there shall have been full compliance with all of the terms of this Plan, nor until the amount of the Participant's obligation to pay shall have been finally determined either by judgment against the Participant after actual trial, or by written agreement of the claimant and the Administrator.

Section 2 -- Third-party Actions

Any person or organization, or the legal representative thereof, who has secured such judgment or written agreement, shall thereafter be entitled to recover under this Plan to the extent of the coverage afforded by this Plan. No person or organization shall have any right under this Plan to join the System as a party to any action against the Participant to determine the Participant's liability, nor shall the System be impleaded by the Participant or the Participant's legal representative. Bankruptcy or insolvency of the Participant or the Participant's estate shall not relieve the System of any of its obligation hereunder.

**ARTICLE XI  
ADMINISTRATION OF PLAN**

Section 1 -- Administration

The Plan shall be administered by the Administrator under direction of the Board.

Section 2 -- Administrative Regulations

The Administrator may from time to time prescribe regulations for the administration of this Plan provided that such regulations shall, in the opinion of the Administrator, be consistent with the provisions of this Plan as it may be amended from time to time pursuant to Article IX of this Plan. Pursuant to The University of Texas System Regents' Rules and Regulations, the Administrator may delegate in writing certain administrative, accounting, and investment functions of the Plan.

Section 3 -- Legal Interpretation

The text of this Plan shall control and the headings to the Articles, Sections and Paragraphs are for reference purposes only, and do not limit or extend the meaning of any of the Plan's provisions. The Plan shall be governed by and construed in accordance with the laws of the State of Texas. Any interpretation of the Plan by the

Administrator shall be conclusive as between the System and its employees and students, participating Plan Participant, and retired or otherwise terminated Participants, employees and students, and may be relied upon by the System and all parties in interest.

#### Section 4 -- Counsel and Settlement Authority

Authority to employ counsel, approve attorney fees and expenses, and approve settlement of all claims, including litigation, shall rest with the Administrator, or the Administrator's delegate, subject to any additional approval required by the Board of Regents of the System pursuant to any applicable policies of the System.

## **ARTICLE XII GENERAL PROVISIONS**

#### Section 1 -- Subrogation

In the event of any payment under this Plan, the System shall be subrogated to all of the Participant's rights of recovery thereof against any person or organization and the participant shall execute and deliver instruments and papers and do whatever else is necessary to secure such rights. The Participant shall do nothing after loss to prejudice such rights.

#### Section 2 -- Changes

Notice to any agent or knowledge possessed by any agent or by any other person shall not affect a waiver or a change in any part of this Plan, or estop the System from asserting any right under the terms of this Plan; nor shall the terms of this Plan be waived or changed, except by written waiver or amendment duly approved by the Board.

#### Section 3 -- Entirety of Agreement

This Plan embodies all agreements existing between any and all persons and the System or any of its agents relating to this Plan and the coverage afforded hereunder.

#### Section 4 -- Employment Noncontractual

The System may terminate the appointment, internship, residency, fellowship, or student-school relationship of any Participant as freely and with the same effect as if this Plan were not in operation.

## Section 5 -- Actions Against Participant

This Plan or its operations shall not in any way affect any claim or cause of action by the System against a Participant for indemnity or contribution arising out of or incident to any Liability Claim.

## Section 6 -- Communications

All notices, reports and statements given, made, delivered or transmitted to a Participant shall be deemed duly given, made, delivered or transmitted when delivered to the Participant, or when mailed by first-class mail, postage prepaid, and addressed to the Participant at the address last appearing on the books of the System. A Participant who changes address shall forthwith give written notice to the System of such change. Written directions, notices and other communications from participants to the System shall be mailed by first-class mail, postage prepaid, or delivered as follows:

The University of Texas System  
Office of General Counsel  
Ashbel Smith Hall  
201 West 7th Street  
Austin, Texas 78701

**Attention:** Vice Chancellor and General Counsel

## Section 7 -- Use of Pronouns

Whenever used in this Plan, masculine pronouns shall include both men and women unless the context indicates otherwise.

## Section 8 -- Effective Date

The revised Plan shall be effective September 1, 2004.

3. U. T. Health Science Center - Houston: Honoring naming of the Department of Ophthalmology and Visual Science as the Richard S. Ruiz, M.D. Department of Ophthalmology and Visual Science

The Board approved naming of the Department of Ophthalmology and Visual Science at The University of Texas Health Science Center at Houston as the Richard S. Ruiz, M.D. Department of Ophthalmology and Visual Science effective upon the retirement of Dr. Ruiz from the health science center.

Dr. Ruiz, John S. Dunn Distinguished University Chair in Ophthalmology, was recognized at the Board meeting. He served as Chairman of the Department of Ophthalmology and Visual Science for the past 36 years. He is Chief of Ophthalmology at Memorial Hermann Hospital.

In 1968, Dr. Ruiz established the Hermann Eye Fund, a nonprofit, tax-exempt foundation, to help underwrite indigent patient care, teaching, research, and public service. Under Dr. Ruiz's leadership as President of the Hermann Eye Fund, contributions have grown to more than \$15 million. Hermann Eye Center physicians provide free ophthalmic care for indigent patients, while the Eye Fund underwrites their hospital costs. Through the efforts of the Eye Fund Board of Directors, Dr. Ruiz has created more than 20 endowed positions totaling approximately \$10 million within his department, including two distinguished university chairs, five chairs, two distinguished professorships, eight professorships, two special endowed funds, and one fellowship.

The naming will not be effective until Dr. Ruiz retires from U. T. Health Science Center – Houston; however, the naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, Subdivision 1.32 and institutional guidelines regarding naming of facilities and significant entities, which allow honorific namings for an employee in unusual circumstances.

4. U. T. Southwestern Medical Center - Dallas: Authorization to enter into a letter of intent regarding the proposed acquisition of Zale Lipshy University Hospital and St. Paul University Hospital

The Board

- a. authorized the Chairman of the U. T. Board of Regents, on behalf of The University of Texas Southwestern Medical Center at Dallas, to enter into a letter of intent (substantially in the form on Pages 169 – 171) with Zale Lipshy University Medical Center, Inc., Zale Lipshy University Hospital, Inc., and St. Paul University

Hospital, Inc. for the purchase of the assets of Zale Lipshy University Hospital and St. Paul University Hospital in Dallas, Texas, for the benefit and use of U. T. Southwestern Medical Center - Dallas;

(Counsel and Secretary's Note: The letter of intent was signed by Chairman Huffines on August 12, 2004.)

- b. recognized that the acquisition of such hospitals is essential to conducting U. T. Southwestern Medical Center - Dallas as a medical school of the first class, and will serve the public benefit through the ownership and operation of such hospitals in accordance with the rules and regulations of U. T. Southwestern Medical Center - Dallas; and
- c. delegated to the Chancellor the authority to (i) direct that final agreements covering all essential issues be negotiated and submitted for Board approval at a future meeting and (ii) direct the preparation and filing of any required submittals to other governmental agencies in connection with the proposed transaction.

For a medical school to excel in medical education, research, and clinical care requires superior programs not only in emergencies, trauma, and acute diseases that are common in public hospitals, but also private specialty care that draws referral patients from a large, diverse population.

Over the last two decades, U. T. Southwestern Medical Center - Dallas has come to be recognized as one of America's greatest medical schools in education and research. Its clinical programs for indigent patients and emergencies at Parkland Memorial Hospital are also regarded as second-to-none, and many of its clinical faculty specialists are regularly included on peer-reviewed lists of "Best Doctors in America." However, having lacked facilities in which to care for referral patients until very recently, and even now having to utilize multiple small, uncoordinated, and separately-identified sites for such care, U. T. Southwestern Medical Center – Dallas has not been able to provide the highest level of clinical care for patients who require referral to specialists and subspecialists. This need has contributed to the inability of the institution to achieve national prominence for broad excellence in clinical care. National recognition for excellence in clinical care plays a major role in achieving substantial program improvements.

To help meet U. T. Southwestern's need for facilities to accommodate private and referral patients, the medical school built and began operating the Aston Ambulatory Care Center in 1985. In 1989, the school also enlisted the help of community leaders to raise philanthropic funds to construct and operate Zale Lipshy University Hospital as a separately governed 501(c)(3) corporation. The property for the building was leased for 50 years with a

50 year renewal option from the Dallas County Hospital District. By 2000, Zale Lipshy's 145 beds were insufficient to serve U. T. Southwestern's patients. After considering the expansion of Zale Lipshy by 80 beds (the maximum its site could accommodate), it was decided instead that U. T. Southwestern would accept the proposal of Texas Health Resources to sell the real estate assets of the adjacent St. Paul Hospital (26 acres including a 300-bed hospital building) to U. T. Southwestern. The purchased assets of St. Paul Hospital were then leased to Zale Lipshy for operational purposes. The Board of Regents approved this transaction in 2000, and the addition of St. Paul has provided a much-needed, centrally-located outlet for U. T. Southwestern's rapidly growing private practice. Currently, private and referral university programs for cardiology, cardiac surgery, heart transplant, lung transplant, emergency services, and obstetrics and gynecology are housed solely on the St. Paul campus.

In 2002, U. T. Southwestern embarked on a major initiative to transform the quality of the clinical service provided to patients, and to develop the highest quality education and care for private and referral patient clinical programs.

U. T. Southwestern entered into a management agreement with the hospital boards in March 2003, whereby the medical school would provide the senior management for the hospitals.

U. T. Southwestern is a leading academic institution; however, to achieve the goals and program improvements in clinical care requires operationally and financially integrated inpatient-outpatient systems and a consolidated brand identity, in addition to faculty excellence in research and teaching. Acquisition of the operations of St. Paul and Zale Lipshy University Hospitals will allow U. T. Southwestern to create the structure required to achieve clinical excellence in a number of crucial medical specialties. Enhanced national recognition of clinical programs will, in turn, also benefit the university's research and education missions by increasing the visibility of the institution, promoting faculty and student recruitment, augmenting clinical research programs and opportunities to engage in clinical trials, and facilitating philanthropy. Moreover, enhancement of U. T. Southwestern's clinical strength in referral medicine will improve the quality of care at Parkland and the VA Hospital, through the availability of highly qualified specialists who will also care for indigent patients in their area of special expertise.

The form of the transactions under which U. T. Southwestern will acquire the hospitals is described in the letter of intent. The transactions, which are anticipated to take place by December 31, 2004, will involve a purchase of assets, at not greater than fair market value, as supported by an independent business appraisal. The assets of St. Paul are the remaining term of the



property lease from U. T. Southwestern, other fixed assets not already owned by U. T. Southwestern and financial assets. At Zale Lipshy, the assets are a ground lease for its building and all fixed and financial assets. As a part of the acquisition of the financial and fixed assets of the hospitals, the Board will acquire from Zale Lipshy University Hospital, Inc., its hospital building and equipment, and a lease for the land on which the building sits (for which the Dallas County Hospital District is the lessor). The value of the ground lease will be supported by appraisals. Along with final approval of the Zale Lipshy acquisition, U. T. Southwestern will request financing through the Revenue Financing System, for the purchase of this ground lease, equipment and building, in an amount, supported by the appraisal, at least sufficient to retire outstanding bonds issued on behalf of Zale Lipshy University Hospital. Acquisition of the ground lease and facility will require approval of the Texas Higher Education Coordinating Board and consent by Dallas County Hospital District. Although not anticipated at this time, if a delay should occur in acquiring the ground lease at the closing date, the use of a lease purchase agreement could serve as an interim step leading to an outright purchase. Of the purchase price for each hospital, all amounts in excess of hospital liabilities will ultimately be gifted back to U. T. Southwestern. The Board will not assume any liabilities, known or unknown, of the hospitals.

[To Be Placed on the Letterhead of Zale Lipshy University Medical Center. Inc.]

James R. Huffines, Chairman  
The Board of Regents of The University of Texas System  
201 W. 7<sup>th</sup> Street, Suite 820  
Austin, TX 78701-2981

Dear Chairman Huffines:

The purpose of this Letter of Intent is to confirm current discussions and understandings between The University of Texas Southwestern Medical Center at Dallas, a component institution of The University of Texas System, (“UTSW”), and Zale Lipshy University Medical Center, Inc. (“ZLUMC”), Zale Lipshy University Hospital, Inc. (“ZLUH”) and St. Paul University Hospital, Inc. (“SPUH”) (ZLUMC, ZLUH and SPUH being collectively referred to in this letter as “Zale Lipshy-St. Paul”). UTSW and Zale Lipshy-St. Paul are individually referred to herein as a “Party” and collectively referred to as the “Parties”. The Parties agree as follows:

1. Proposed Transactions. UTSW and Zale Lipshy-St. Paul have reached agreements in principle for the acquisition by the Board of Regents of The University of Texas System for the use and benefit of UTSW from Zale Lipshy-St. Paul of the assets of ZLUH and SPUH, as going concern general acute care hospitals, at not greater than fair market value, as supported by independent business appraisals. As a part of the acquisition of the financial and fixed assets of these hospitals, the Board of Regents will acquire a long-term ground lease and building from ZLUH, as lessee, with the Dallas County Hospital District. The value of the ground lease will be supported by a separate appraisal. The Parties understand and acknowledge that the acquisition of the ground lease and ZLUH hospital facility will require approval by the Texas Higher Education Coordinating Board and a consent or waiver by the Dallas County Hospital District. Further, the Parties understand and acknowledge that UTSW will request the issuance of bonds through The University of Texas System Revenue Financing System for the acquisition financing in an amount, as supported by the appraisals, at least sufficient to defease the outstanding bonds issued on behalf of ZLUH. The acquisition transactions may close contemporaneously; however, although not anticipated at this time, if a delay needs to occur in acquiring the assets of ZLUH, a later closing date may be specified for ZLUH or the use of a lease-purchase arrangement for ZLUH may serve as an interim process leading to the later acquisition. All amounts from the purchase price of ZLUH and SPUH in excess of the liabilities of ZLUH and SPUH ultimately will be gifted to UTSW. The Board of Regents will not assume any liabilities of Zale Lipshy-St. Paul, whether known or unknown.
2. Negotiation Time Period. The Parties each agree to use their reasonable best efforts to negotiate, complete and execute definitive documents relating to the Proposed Transactions for a closing date(s) of no later than December 31, 2004, unless this date is extended by mutual agreement of the Parties.

3. Confidentiality. To the extent permitted by applicable law, each Party will keep strictly confidential as to third parties (a) the discussions relating to and status of the Proposed Transactions, (b) the nature and substance of this Letter of Intent, and (c) all Evaluation Material (as defined below) provided to it by the other Party in connection with the discussions relating to and negotiations of the Proposed Transactions.

In connection with the Proposed Transactions, the Parties may from time to time request of and disclose to each other certain information and documentation (“Evaluation Material”) to be used to evaluate the Proposed Transactions. Each Party agrees that any Evaluation Material disclosed to it will be kept confidential to the extent permitted by applicable law (acknowledging the fact that Texas open records laws will impact upon this agreement).

Evaluation Material shall not include, and the prohibitions hereof shall not apply to, information which (i) is or becomes generally available to the public other than as a result of an unauthorized disclosure, (ii) is made available to the public or a requesting third party through compliance with the Texas open records laws, (iii) was available to a Party on a non-confidential basis prior to its disclosure, or (iv) was or becomes available to a Party on a non-confidential basis from an independent source other than the disclosing Party, provided that such source is not bound by a confidentiality obligation with the disclosing Party or otherwise prohibited from transmitting such information.

In the event that any Party or any of its Representatives are required, in the opinion of a Party’s counsel, by applicable law or legal process, to disclose any Evaluation Material supplied to it in accordance with the provisions hereof, it is agreed that such Party will give the Party from whom it received the Evaluation Material prompt written notice of the proposed disclosure.

Notwithstanding the foregoing, (1) the Parties acknowledge and agree that part or all of the Evaluation Material may be disclosed to a Party’s Representatives (defined below) who need to know such information for the purpose of evaluating the Proposed Transactions, it being understood that such Representatives shall be informed of the confidential nature of such Evaluation Material and shall be directed to treat such Evaluation Material confidentially, and (2) either Party may make such disclosures as may be appropriate or necessary, including in open meetings, in order to obtain the necessary authority and/or approval to negotiate, enter into and complete the Proposed Transactions, including, without limitation, disclosures to the Board of Regents of The University of Texas System, the Texas Higher Education Coordinating Board, the Texas Bond Review Board, the Office of the Texas Attorney General, the boards of ZLUMC, ZLUH and SPUH, and the Dallas County Hospital District. For purposes of this Agreement, the term “Representatives” shall mean a Party’s directors/trustees, officers, members, employees, attorneys, accountants, and other persons engaged to advise such Party regarding the Evaluation Material or the Proposed Transactions, as well as any of the foregoing who receive the Evaluation Material.

4. External Communication. The Parties will endeavor to ensure that any external or public communication regarding this Letter of Intent or the Proposed Transactions is approved by or consented to by the other Party beforehand.

5. Not Legally Binding. This Letter of Intent is not legally enforceable and does not constitute or create any legally enforceable or binding right or obligation on the Parties except that the provisions of Paragraph 3 relating to confidentiality are intended by the Parties to be legally binding and enforceable. The Parties intend that this Letter of Intent express their commitment to progress through a process of further negotiation and discussion toward definitive terms and documents for the Proposed Transactions. The Parties cannot execute and deliver final and legally binding definitive agreements until the respective governing boards for Zale Lipshy-St. Paul and the Board of Regents have approved those definitive terms and documents and all other legally required approvals or consents for the closing of the Proposed Transactions have been received.

6. Expenses. Each Party will pay its own expenses and costs incidental to this Letter of Intent and the negotiation and completion of the Proposed Transactions.

7. Effective Date. The date of the latter of the dates of execution of this Letter of Intent by the Parties shall be its Effective Date.

8. Counterparts. This Letter of Intent may be executed in one or more counterparts which, when taken together, shall constitute one complete document.

If you are in agreement with the provisions of this Letter of Intent, please execute this Letter of Intent in the space provided below and return the executed Letter of Intent to me at the above address on or before August 15, 2004.

Sincerely,

---

David Quinn, Chair of the Boards of Directors  
Zale Lipshy University Medical Center, Inc.  
Zale Lipshy University Hospital, Inc.  
St. Paul University Hospital, Inc.  
Date: \_\_\_\_\_

ACCEPTED AND AGREED TO:

The Board of Regents of The University of Texas System  
for the benefit of The University of Texas Southwestern Medical  
Center at Dallas

By: \_\_\_\_\_

Name: James R. Huffines

Title: Chairman

Date: \_\_\_\_\_

5. U. T. System: Proposed Austin Academic Health Center

Executive Vice Chancellor Shine presented a report on the proposed Austin Academic Health Center that would expand biomedical research, education, and training programs in Austin.

He noted that The University of Texas at Austin, a major research institution, would benefit significantly from interactions with biomedical scientists and health researchers. Such research activities could translate into further economic development. President Faulkner thanked Dr. Shine for his leadership and said a larger volume of scientific research will strengthen the institution.

Expansion of educational opportunities for medical students and training for resident physicians would enhance health and health care in general, and particularly provide care for the medically indigent in the community. Research and training programs would also attract outstanding faculty physicians who would contribute to health care and would add to the attractiveness of the city to employers, employees, and their families.

The University of Texas Medical Branch at Galveston has a long history of academic affiliations in Austin. Twenty-three medical students spend their third year training in Austin hospitals. Many other students take electives in Austin so that at any given time as many as 100 medical students are present. A new women's health hospital was opened under the direction of The University of Texas Medical Branch at Galveston at the Seton/Brackenridge Hospital. This program has received approval for a resident physician training program in obstetrics and gynecology. A state-of-the-art MRI imaging program is now under joint development by U. T. Medical Branch - Galveston, U. T. Austin and the Central Texas Veterans Administration. U. T. Medical Branch - Galveston and U. T. Austin are now organizing a joint M.D./Ph.D. program.

Opportunities for an academic health center in Austin include the development of a regional school of public health, created by The University of Texas Health Science Center at Houston in collaboration with U. T. Austin, as well as collaborations with The University of Texas Health Science Center at San Antonio and other health institutions.

An academic health center could be developed in Austin through a series of incremental steps that would build research, education, and patient care capacity over time. Such an academic health center could be developed in accordance with the principles set forth on Page 173.

- a. Each component of the enterprise must be of the highest quality so as to recruit a world-class faculty and develop outstanding educational and clinical programs.
- b. Each step would be taken only if adequate funding were available for that portion of the program. Considerable private support would be required for this purpose.
- c. An incremental approach would be taken to increase the number of programs for undergraduate students seeking M.D. or M.D./Ph.D. degrees, and the addition of postgraduate residency training programs in the various medical specialties.
- d. The academic health center should be physically located proximate to the U. T. Austin campus, in order to synergize the capacities of each enterprise.
- e. An academic medical center would require the establishment of one or more medical research institutes which capitalize on synergies with U. T. Austin. An institute might focus on developmental biology, neurosciences, systems biology, cancer genetics or other aspects of molecular medicine. Substantial support from private donors would be required to create such an institution.
- f. U. T. Medical Branch - Galveston would continue to develop educational and research programs in collaboration with the new Austin Children's Hospital, the Central Texas Veterans Administration, Seton/Brackenridge Hospital, St. David's Hospital and other clinical sites for student and residency training.
- g. The School of Public Health at U. T. Health Science Center - Houston would continue to develop collaborations with U. T. Austin for research and education.
- h. Other institutions including The University of Texas at San Antonio, U. T. Health Science Center - Houston, and Texas A&M University would be encouraged to enter into collaborations in medicine, nursing, pharmacy, allied health and other areas.

The development of expanded educational programs, including residencies, would contribute substantially to the provision of care for the medically indigent individuals and would contribute to an increased number of physicians practicing in Texas.

In a time of profound fiscal constraints in the State, development of these academic health programs would require substantial public and private partnerships in which the local community and local donors would have to provide substantial resources for the development of an academic health center.

While there have been no negotiations with the City of Austin, it has been reported that the City of Austin proposes to set aside 15 acres on the former Mueller Airport site for medical purposes. This site is proximate to the new Children's Hospital. A more fully developed academic health center would require substantially more space. However this property might form the initial location of the educational, research, or clinical facilities essential to developing an Academic Health Center.

Considerable public interest has been expressed in Austin to create a medical school in the community. It is possible that the incremental developments described above might lead, at some future time, to formal establishment of such a school. However, incremental and gradual expansion of programs by U. T. Medical Branch - Galveston, an already fully accredited institution, could continue without the immediate major financial resources required for a new medical school. Incremental development of research program offers opportunities to recruit a small core of world class scientists upon which a great faculty could be built. This development will require effective public-private synergies and resources for its accomplishment. There does seem to be a convergence of interest and opportunity upon which to build.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 175 - 198).--Committee Chairman Barnhill reported that the Facilities Planning and Construction Committee met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Facilities Planning and Construction Committee and approved in open session by the U. T. Board of Regents:

1. U. T. Austin: Experimental Science Building Renovation Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval to revise funding source; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; resolution regarding parity debt; and redesignation of project as the Center for Nano and Molecular Science and Technology

The Board approved the recommendations for the Experimental Science Building Renovation Phase I and II project at The University of Texas at Austin as follows:

**Project Number:** 102-906  
**Architecturally or Historically Significant:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** July 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$35,000,000	\$28,000,000
	Unexpended Plant Funds		<u>\$10,000,000</u>
			\$38,000,000

**Debt Service**

The \$28,000,000 in Revenue Financing System debt will be repaid from Designated Tuition. Annual debt service on the project is estimated at \$1,926,551. Overall debt service coverage on projects funded through Designated Tuition is expected to be at least 3.2 times.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$35,000,000 to \$38,000,000;
- b. revise the funding sources;
- c. approve design development plans;
- d. approve the evaluation of alternative energy economic feasibility;



- e. appropriate funds and authorize expenditure of funds;
- 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. 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$28,000,000; and
- g. redesignate the project as the Center for Nano and Molecular Science and Technology.

#### **Previous Board Actions**

On November 13, 2002, the Board approved combining the Experimental Science Building Renovation Phase I and II projects with a preliminary project cost of \$35,000,000 with funding from Revenue Financing System Bond Proceeds.

#### **Project Description**

The Experimental Science Building Renovation Phase I was for the development of an overall program and cost estimate for subsequent phase work. The Experimental Science Building Renovation Phase II project will renovate a small portion of the existing building to support state-of-the-art research and teaching laboratories, classrooms, and offices. The addition to the north side of the building will provide approximately 53,000 gross square feet for research facilities and supporting office components for the Center for Nano and Molecular Science and Technology.

Approval of this item increases the total project cost to fund the additional project scope costs associated with providing all utilities to the site. U. T. Austin had requested the name change of the project to the Center for Nano and Molecular Science and Technology to better reflect the nature of the project.

The existing Experimental Science Building is a 50-year old building designed as a teaching and research building. The existing facility has had no additions and only small renovations of specific laboratories.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project was reported to the U. T. Board of Regents as part of the design development presentation.

2. U. T. Austin: MRI Imaging Center, Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise funding sources; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the MRI Imaging Center, Phase I and II project at The University of Texas at Austin as follows:

**Project Number:** 102-197

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** January 2005

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Grants	\$5,500,000	\$ 850,000
	Revenue Financing System Bond Proceeds		\$2,550,000
	Unexpended Plant Funds		<u>\$2,100,000</u>
			\$5,500,000

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to revise the funding sources from \$5,500,000 from Grants to \$850,000 from Grants, \$2,550,000 from Revenue Financing System Bond Proceeds, and \$2,100,000 from Unexpended Plant Funds;
- b. approve design development plans;
- c. approve the evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds; 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. 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$2,550,000.

**Debt Service**

The \$2,550,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$175,454. Debt service coverage on the project is expected to be at least 1.42 times.

**Previous Board Actions**

On February 4, 2004, the project was included in the CIP with a preliminary project cost of \$5,500,000 with funding from Grants.

**Project Description**

The MRI Imaging Center, Phase I and II at U. T. Austin will construct a facility containing approximately 9,000 gross square feet to house a 3-Tesla MRI. U. T. Austin will utilize the new MRI Imaging Center to focus on education and research in the fields of imaging, bio-behavioral substance abuse disorders, and bioengineering. Modifying the funding sources will more specifically reflect the financing for the project and will allow construction to start.

U. T. Austin has developed a relationship with the Central Texas Veterans Health Care System (CTVHCS) and The University of Texas Medical Branch at Galveston to establish a joint imaging center. CTVHCS will use the MRI Center primarily for research concerning the aging process, brain and spinal cord injuries, dementia and neuronal degeneration, major psychosis, mood disorder and stress, sensory disorder, and substance abuse. U. T. Medical Branch - Galveston substance abuse research focuses on brain-adaptive neurochemical responses that mediate the reward effects of abused drugs.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project was reported to the U. T. Board of Regents as part of the design development presentation.

- 3. U. T. Austin: New Residence Halls - Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; resolution regarding parity debt; and approval of honorific naming of facility as the Almetris Duren Residence Hall

The Board approved the recommendations for the New Residence Halls - Phase II project at The University of Texas at Austin as follows:

**Project Number:** 102-043  
**Architecturally or Historically Significant:** Yes  No   
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** June 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$24,000,000	\$38,750,000
	Auxiliary Enterprise Balances	\$ 6,000,000	\$11,250,000
		\$30,000,000	\$50,000,000

**Debt Service**

The \$38,750,000 in Revenue Financing System debt will be repaid from net revenues of the housing system. Annual debt service on the project is estimated at \$2,666,209. Overall debt service coverage on projects funded through housing system revenues is expected to be at least 1.6 times.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$30,000,000 to \$50,000,000;
- b. approve design development plans;
- c. approve the evaluation of alternative energy economic feasibility;
- d. appropriate funds and authorize expenditure of funds;
- 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. 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$38,750,000; and
- f. approve honorific naming as the Almetris Duren Residence Hall.

**Previous Board Actions**

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$30,000,000 with funding of \$24,000,000 from Revenue Financing System Bond Proceeds and \$6,000,000 from Auxiliary Enterprise Balances.

**Project Description**

The New Residence Halls – Phase II project at U. T. Austin will consist of 175,000 gross square feet of additional on-campus residence hall space. Common spaces include a multipurpose room, lounges, study rooms, a game room, a TV room, a laundry facility, an activity room, and mailbox areas. Approval of this item will increase the total project cost to fund the additional project scope associated with this site as a gateway to the University campus with additional costs for provision of utilities to the site and an increase in the number of student beds from 403 to 574.

U. T. Austin is significantly expanding its student housing because on-campus living is known to benefit students, particularly freshmen, by enhancing academic performance and persistence, GPA, retention rates, graduation rates, integration in the campus community, friendships with diverse peers, and overall development and satisfaction. Currently, U. T. Austin residence halls house approximately 6,700 students. This includes about 4,700 freshman students and 1,900 upper-division students. U. T. Austin has a current goal to provide housing to 10,000 students on campus.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project was reported to the U. T. Board of Regents as part of the design development presentation.

The naming of the New Residence Halls – Phase II as the Almetris Duren Residence Hall will recognize the contributions and service the late Mrs. Almetris Duren rendered to students, faculty, and staff. Mrs. Duren served as housemother, friend, and advisor, and mentor to African-American students from 1956 to 1980. Almetris Duren's profound impact on the University community and her contributions to residence life are the reason the Division of Housing and Food Service recommended naming the new housing complex in her honor. This naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3 relating to honorific namings of facilities, and institutional guidelines on the naming of facilities.

Chairman Huffines read the following statement concerning Mrs. Duren:

Mrs. Almetris March Duren began her service to U. T. students as housemother for Black students in off-campus co-op housing in 1956 and worked from 1968-1980 as a student development specialist and later a resident fellow in Jester Dormitory. An on-line exhibit of the Center for American History celebrates Mrs. Duren's life under the title "A Gift of Love". The exhibit notes that Mrs. Duren was known as the guide, inspiration, comfort, and challenge for four decades of U. T. students. Included in the exhibit is a note of thanks from international opera star Barbara Conrad. Mrs. Duren authored a 1979 book entitled "Overcoming: A History of Black Integration at the University of Texas at Austin" and received a Nowotny Medal for contributions to student life in 1983. She died in 2000 at the age of 90.

4. U. T. Health Science Center - San Antonio: Teaching/Learning Lab, Regional Academic Health Center (RAHC) Harlingen - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Teaching/Learning Lab, Regional Academic Health Center (RAHC) Harlingen project for The University of Texas Health Science Center at San Antonio as follows:

**Project Number:** 402-137  
**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** May 2006

**Total Project Cost:** Source  
Tuition Revenue Bond Proceeds \$25,500,000

**Debt Service**

Annual debt service on the \$25,500,000 of Tuition Revenue Bonds is projected to be \$2,223,206. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

**Recommendations**

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure 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. Board of Regents relating to the Financing System; and
  - U. T. Health Science Center - San Antonio, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$25,500,000.

**Previous Board Actions**

On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$25,500,000. The Regional Academic Health Center project was divided into four separate projects with three overseen by U. T. Health Science Center – San Antonio and one overseen by The University of Texas Health Science Center at Houston.

**Project Description**

The Teaching/Learning Lab, RAHC Harlingen will be a component of U. T. Health Science Center – San Antonio. This is the second building of a proposed complex of buildings of a multisite regional campus. The Harlingen location will serve as the headquarters of the Regional Academic Health Center, as well as a home base for medical training and educational programs. The 77th Session of the Texas Legislature authorized \$25,500,000 of Tuition Revenue Bonds to construct a teaching and learning laboratory in or near the City of Harlingen.

The new construction includes approximately 79,000 gross square feet to house the Outpatient Clinic. The clinic facilities will provide an educational opportunity for U. T. Health Science Center – San Antonio. Along with the Outpatient Clinic, the building will consist of educational space for medical students and residents, as well as a Clinical Research Center.

The Teaching/Learning Lab, RAHC Harlingen is a medical education and research endeavor in which programs are directed at distinctive regional needs and conducted in affiliation with health professionals and educational entities of the region. It operates as a geographically separate campus of U. T. Health Science Center - San Antonio's School of Medicine.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project was reported to the U. T. Board of Regents as part of the design development presentation.

5. U. T. Health Center - Tyler: Health Clinic - Approval of design development; approval of evaluation of alternative energy economic feasibility; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Health Clinic project for The University of Texas Health Center at Tyler as follows:

**Project Number:** 801-209

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2005

**Total Project Cost:** Source  
Revenue Financing System Bond Proceeds \$3,500,000

**Debt Service**

The \$3,500,000 in Revenue Financing System debt will be repaid from net revenues on the project. Annual debt service is projected to be \$280,849. Debt service coverage on the project is expected to be at least 1.6 times.

**Recommendations**

- a. approve design development plans;
- b. approve the evaluation of alternative energy economic feasibility;
- c. appropriate funds and authorize expenditure 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. Board of Regents relating to the Financing System; and
- U. T. Health Center - Tyler, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,500,000.

#### **Previous Board Actions**

On May 13, 2004, the project was included in the CIP with a preliminary project cost of \$3,500,000.

#### **Project Description**

The Health Clinic will be located on The University of Texas at Tyler campus. This project will construct a 10,000 gross square feet, one-story facility incorporating outpatient clinic facilities for the general public, faculty, staff, and students of U. T. Tyler. The facility will include examination rooms, nurse and clerical work areas, medical records storage, teaching and testing areas, waiting rooms, and staff offices. An additional parking area will also be constructed adjacent to the facility.

U. T. Health Center – Tyler currently operates and leases two facilities in South Tyler and has been exploring different options for consolidating operations into one facility. This possibility, combined with the need to provide student, faculty, and staff health care on the U. T. Tyler campus, provides justification for a more permanent investment. In addition to being able to serve a greater patient population in the new facility, U. T. Health Center – Tyler also expects a decrease in overhead costs as a result of the combined operation with the debt for financing repaid from patient care income. Furthermore, operations at this facility will provide an on-campus teaching forum for education and clinical research for students.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building. Therefore, the Project Architect prepared an evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

The economic impact of the project was reported to the U. T. Board of Regents as part of the design development presentation.

#### 6. U. T. System: Honorific naming of the Bauer House Pavilion as the Charmaine and Frank Denius Pavilion at Bauer House

The Board approved the naming of the Bauer House Pavilion at The University of Texas System as the Charmaine and Frank Denius Pavilion at Bauer House.

Bauer House is the official residence of the Chancellor of the U. T. System. The Pavilion, which is being rebuilt due to mold infestation and broken plumbing lines below the foundation, will accommodate up to 60 people for a seated event or 150 people for a reception and will serve as a meeting room and a place to host community events and dinners.



Mr. and Mrs. Denius generously provided funding of \$300,000, a majority of the total project cost, in support of this project through their family foundation, the Cain Foundation. The Deniuses are longtime donors and supporters of The University of Texas.

The naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, relating to honorific namings of facilities.

7. U. T. Arlington: Honorific naming of the Chemistry Research Building as the W. A. Baker Chemistry Research Building

The Board approved the naming of the Chemistry Research Building at The University of Texas at Arlington as the W. A. Baker Chemistry Research Building.

The Chemistry Research Building at U. T. Arlington was constructed in 1996 with approximately 67,000 gross square feet used predominantly for graduate and sponsored research by the Chemistry Department.

Dr. Baker was Vice President for Academic Affairs at U. T. Arlington from 1973 to 1993 during which time the University experienced unprecedented growth and expansion and he was instrumental in the academic advancements and the University's emergence as a research university. Vice President Baker was directly involved in securing approval for the construction of the Chemistry Research Building. Dr. Baker also served as Provost and Vice President for Academic Affairs at The University of Texas at Tyler.

The naming of the Chemistry Research Building at U. T. Arlington to recognize the distinguished service of Dr. W. A. Baker is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

8. U. T. Austin: Benedict/Mezes/Batts Renovation Phase I and II - Amendment of FY 2004-2009 Capital Improvement Program and FY 2004-2005 Capital Budget to reduce appropriation of funds; approval to increase funding source; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Benedict/Mezes/Batts Renovation Phase I and II project at The University of Texas at Austin as follows:

**Project Number:** 102-027

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** July 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$30,000,000	\$48,000,000
	Designated Tuition	<u>\$18,000,000</u>	
		\$48,000,000	

**Debt Service**

The \$18,000,000 in Revenue Financing System debt will be repaid from Designated Tuition. Annual debt service on the project is estimated at \$1,238,497. Overall debt service coverage on projects funded through Designated Tuition is expected to be at least 3.2 times.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to reduce the appropriation of \$18,000,000 from Designated Tuition;
- b. increase the funding source from \$30,000,000 to \$48,000,000 from Revenue Financing System Bond Proceeds;
- c. appropriate funds and authorize expenditure of additional funds of \$18,000,000; 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. 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. Board of Regents of additional tax-exempt parity debt in the aggregate amount of \$18,000,000.

**Previous Board Actions**

On November 10, 1999, the Phase I project was authorized for inclusion in the CIP at a preliminary project cost of \$6,000,000 with funding from Designated Tuition. On August 8, 2001, the Phase I project was revised to increase the preliminary project cost to \$32,000,000 with funding from Designated Tuition. On May 9, 2002, the Board approved the design development for Phase I with a total project cost of \$32,000,000 with funding from Designated Tuition. On November 13, 2002, the Board reduced the Phase I total project cost to \$30,000,000, revised the funding source from Designated Tuition to Revenue Financing System Bond Proceeds, and authorized appropriation of funds in the amount of \$30,000,000 from Revenue Financing System Bond Proceeds. On November 12, 2003, the Board approved combining the Benedict/Mezes/Batts Renovation Phase I and II projects and increased the total project cost to \$48,000,000 with additional funding of \$18,000,000 from Designated Tuition.

**Project Description**

The Phase I renovation work for Benedict Hall and Mezes Hall was substantially completed in June 2004. The Phase II work started in June 2004 and will include renovation of classrooms and offices in Batts Hall. The decrease in the Designated Tuition funding source allows construction to continue in a timely manner with the appropriation of additional Revenue Financing System Bond Proceeds in the amount of \$18,000,000.

Benedict Hall, Mezes Hall, and Batts Hall form the eastern edge of the buildings on the south mall of the central campus and comprise approximately 110,000 gross square feet of classroom/lab instruction space and faculty office space. The buildings have not been renovated since they were occupied in 1951. The renovation includes all modifications necessary to comply with applicable life safety code provisions. The infill building between Benedict Hall and Mezes Hall will link the buildings, adding 20,000 gross square feet and improving traffic circulation.

9. U. T. El Paso: Parking Garage ID#, P-4 and New Bookstore - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects as the Parking Garage and Bookstore and revise total project cost

The Board approved the recommendations for the Parking Garage ID#, P-4 project and the New Bookstore project at The University of Texas at El Paso as follows:

**Project Numbers:** 201-184 (Parking Garage ID#, P-4) / 201-186 (New Bookstore)

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** May 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>Parking Garage ID#, P-4</b>	Revenue Financing System Bond Proceeds	\$25,000,000
<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>New Bookstore</b>	Auxiliary Enterprise Balances	\$ 4,950,000
<b>Combined Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
<b>Parking Garage and Bookstore</b>	Revenue Financing System Bond Proceeds	\$25,000,000
	Auxiliary Enterprise Balances	<u>\$ 4,950,000</u>
		\$29,950,000

### Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Parking Garage ID#, P-4 project and the New Bookstore project to be designated as the Parking Garage and Bookstore; and
- b. revise the preliminary project cost.

### Previous Board Actions

On August 7, 2003, the Parking Garage ID#, P-4 project was included in the CIP with a preliminary project cost of \$25,000,000 and the New Bookstore project was included in the CIP with a preliminary project cost of \$4,950,000.

### Project Description

U. T. El Paso recommended combining the two projects to better reflect the scope of the work. The parking garage will contain approximately 500 parking spaces and will house a bookstore in the ground level which will be approximately 28,000 gross square feet.

### 10. U. T. Permian Basin: Baseball Field - Honorific naming of complex as the Ted and Jan Roden Field

The Board approved the naming of the Baseball Field at The University of Texas of the Permian Basin as the Ted and Jan Roden Field.

The first phase of the baseball field for the new men's club/intercollegiate baseball team, which will be completed in November 2004, will consist of the field, an infield practice area, and grass-covered berms for seating built on 230,500 gross square feet at a total project cost of \$650,000. The naming of the complex will recognize the gift of \$200,000 from Mr. and Mrs. Ted G. Roden. Mr. Roden helped to facilitate the location of U. T. Permian Basin in Odessa and to acquire its four-year status, and he continues to serve on the Development Board.

This naming is consistent with the Regents' Rules and Regulations, Part Two, Chapter VIII, Section 1, Subsection 1.3, relating to honorific namings of facilities and institutional guidelines on the naming of facilities.

11. U. T. San Antonio: Student Housing Expansion, Phase II - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost

The Board approved the recommendations for the Student Housing Expansion, Phase II project at The University of Texas at San Antonio as follows:

**Project Number:** 401-211

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** April 2007

**Total Project Cost:**

<u>Source</u>	<u>Former</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$20,500,000	\$27,000,000

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the preliminary project cost from \$20,500,000 to \$27,000,000.

**Previous Board Actions**

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$20,500,000 with funding from Revenue Financing System Bond Proceeds.

**Project Description**

U. T. San Antonio is increasing the scope of the project to construct 200 more beds, bringing the total to 700 beds. The project will be apartment-style student housing. Based on extensive research, this facility will be designed to incorporate shared living spaces, meeting rooms, lounges, and study rooms.

U. T. San Antonio is expanding its student housing. Current student housing occupies 1,965 beds. The Student Housing Phase I project will provide housing for an additional 500 students with scheduled occupancy for the Fall Semester 2004. The waiting list currently stands at 500 students. The Student Housing Phase II project is scheduled for occupancy for the Fall Semester 2006.

12. U. T. Tyler: Louise Herrington Patriot Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to reduce appropriation of funds; approval to increase funding source; approval to revise funding source; and appropriation of funds and authorization of expenditure

The Board approved the recommendations for the Louise Herrington Patriot Center project at The University of Texas at Tyler as follows:

**Project Number:** 802-019

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2003

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$ 9,700,000	\$ 9,700,000
	Revenue Financing System Bond Proceeds	\$ 6,000,000	\$ 900,000
	Gifts	\$ 3,600,000	\$ 8,545,933
	Auxiliary Enterprise Balances		\$ 154,067
		<u>\$19,300,000</u>	<u>\$19,300,000</u>

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to decrease the appropriation of \$6,000,000 to \$900,000 from Revenue Financing System Bond Proceeds;
- b. increase the funding source from \$3,600,000 to \$8,545,933 from Gifts;
- c. revise the funding source to include Auxiliary Enterprise Balances in the amount of \$154,067; and
- d. appropriate funds and authorize expenditure of funds.

**Previous Board Actions**

On January 20, 2000, the Executive Committee of the Board allocated \$9,700,000 from Permanent University Fund Bond Proceeds for the Student Health and Kinesiology Building project. On February 9, 2000, the project was included in the CIP with a preliminary project cost of \$19,300,000 with funding of \$9,600,000 from Gifts and \$9,700,000 from Permanent University Fund Bond Proceeds. On February 15, 2001, the Board approved design development plans and a total project cost of \$19,300,000 with funding of \$9,600,000 from Gifts and \$9,700,000 from Permanent University Fund Bond Proceeds. On November 8, 2001, the Board approved revising the funding sources to \$9,700,000 from Permanent University Fund Bond Proceeds, \$6,000,000 from Revenue Financing System Bond Proceeds, and \$3,600,000 from Gifts, and appropriated the funding of \$6,000,000 from Revenue Financing System Bond Proceeds. On July 22, 2002, the Chancellor approved redesignation of the project as the Patriot Center. On August 7, 2003, the Board approved the honorific naming of the project as the Louise Herrington Patriot Center.

**Project Description**

U. T. Tyler requested approval to revise the funding to reflect the actual and final funding to close out the completed project.

The Louise Herrington Patriot Center consists of approximately 127,000 gross square feet of classrooms, labs, offices, and recreational space.

13. U. T. Tyler: Patriot Village - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Patriot Village project at The University of Texas at Tyler as follows:

**Project Number:** 802-171

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Design/Build

**Substantial Completion Date:** July 2005

**Total Project Cost:**

<u>Source</u>	<u>Former</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$7,200,000	\$10,800,000

**Debt Service**

The \$3,600,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$743,098. Debt service coverage on the project is expected to be at least 1.3 times.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$7,200,000 to \$10,800,000;
- b. appropriate additional funds and authorize expenditure of funds; 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. Board of Regents relating to the Financing System; and
  - U. T. Tyler, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$3,600,000.

**Previous Board Actions**

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$7,200,000 with funding from Revenue Financing System Bond Proceeds. On November 13, 2003, the Board approved the design development plans and a total project cost of \$7,200,000. On March 31, 2004, the Chancellor, under delegated authority from the Board, approved the nonhonorific naming of the Student Apartments project as Patriot Village.

**Project Description**

U. T. Tyler requested an increase in the total project cost of \$3,600,000 from Revenue Financing System Bond Proceeds for the construction of an additional apartment building at the complex and related site improvements to increase from 200 to 300 beds. The current housing is fully occupied.

Enrollment expansion and enhanced character of student life on campus has increased demand for upper-and lower-division student housing. This apartment-style housing is the first housing project to be directly managed by U. T. Tyler and supports the continued growth at U. T. Tyler. Currently, the University Pines Apartments, a privately developed and managed housing complex, is the only housing available to students. With the completion of the Patriot Village and Student Dormitory project, approximately 600 beds will be added to meet the campus master plan that anticipates housing for approximately 950 students.

14. U. T. Tyler: Student Dormitory and Academic Excellence Center - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to increase total project cost; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Student Dormitory and Academic Excellence Center project at The University of Texas at Tyler as follows:

**Project Number:** 802-166  
**Architecturally or Historically Significant:** Yes  No   
**Project Delivery Method:** Competitive Sealed Proposals  
**Substantial Completion Date:** July 2006

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$ 8,000,000	\$13,884,000
	Gifts	\$ 3,000,000	\$ 3,000,000
		<u>\$11,000,000</u>	<u>\$16,884,000</u>

**Debt Service**

The \$5,884,000 in Revenue Financing System debt will be repaid from net revenues on the project. Total annual debt service on the project is estimated at \$955,294. Debt service coverage on the project is expected to be at least 1.15 times and average 1.42 times over the first 10 years.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to increase the total project cost from \$11,000,000 to \$16,884,000;
- b. appropriate additional funds and authorize expenditure of funds; 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. Board of Regents relating to the Financing System; and
- U. T. Tyler, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,884,000.

**Previous Board Actions**

On February 13, 2003, the project was included in the CIP with a preliminary project cost of \$11,000,000 with funding of \$8,000,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Gifts.

On November 13, 2003, the Board approved the design development plans and a total project cost of \$11,000,000 with funding of \$8,000,000 from Revenue Financing System Bond Proceeds and \$3,000,000 from Gifts.

**Project Description**

U. T. Tyler is requesting an increase in the total project cost of \$5,884,000 from Revenue Financing System Bond Proceeds to increase the number of beds from 200 to 268 to allow for the additional design configuration.

This is the first student dormitory at U. T. Tyler. The dormitory project will consist of housing for approximately 200 students and will include lounge areas, centralized laundry facilities and kitchen, and offices for dormitory staff. The Academic Excellence Center will consist of a large meeting room and smaller breakout rooms and will be connected to the dormitory on the first floor.

Enrollment growth over the last few years and future projected growth at the U. T. Tyler campus have resulted in increased demand to provide new living facilities for undergraduate students. Currently, the University Pines Apartments, a privately developed and managed housing complex, is the only housing available to students. With the completion of the Patriot Village and Student Dormitory project, approximately 600 beds will be added to meet the campus master plan that anticipates housing for approximately 950 students.

15. U. T. Health Science Center - Houston: Basic Science Research Building and Medical School Building - Rooftop Vivarium and Exterior Elevator - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; redesignate as the Replacement Research Facility; and revise total project cost

The Board approved the recommendations for the Basic Science Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project at The University of Texas Health Science Center at Houston as set forth below:

**Project Number:** 701-160  
**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2005

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>Basic Science Research Building</b>	Revenue Financing System Bond Proceeds	\$20,000,000
	Tuition Revenue Bond Proceeds	\$30,000,000
	Gifts	<u>\$30,000,000</u>
		\$80,000,000

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>Medical School Building – Rooftop Vivarium and Exterior Elevator</b>	Gifts	\$ 6,000,000
	Tuition Revenue Bond Proceeds	\$ 7,300,000
	Insurance Claims	<u>\$24,700,000</u>
		\$38,000,000

<b>Revised Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
<b>Replacement Research Facility</b>	Tuition Revenue Bond Proceeds	\$23,600,000
	Gifts	\$ 9,330,000
	Insurance Claims	\$16,600,000
	Grants	<u>\$ 6,000,000</u>
		\$55,530,000

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Basic Science Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project to be redesignated as the Replacement Research Facility; and
- b. revise the total project cost.

**Previous Board Actions**

Medical School Building – Rooftop Vivarium and Exterior Elevator: On November 13, 2002, the Vivarium project was added to the CIP with a preliminary project cost of \$38,000,000. On August 7, 2003, the Board approved appropriation of \$7,300,000 from Tuition Revenue Bond Proceeds for the Vivarium project.

Basic Science Research Building: On August 8, 2001, the project was included in the CIP with a preliminary project cost of \$80,000,000.

**Project Description**

The Replacement Research Facility project is the first phase of the Institute of Molecular Medicine and will be a six-story building consisting of 208,000 gross square feet of laboratory and vivarium with supporting areas to follow the completion of the Research Expansion Project (see Item 16 on Page 194). This building will replace the existing two-story John Freeman Building. In addition to highly flexible biotechnology laboratory and animal facilities, the building will house office space, mechanical rooms, and break rooms.

The vivarium will occupy the top two floors with the bottom four floors being laboratory floors. There will be a dedicated loading dock for support of the vivarium facility and a mechanical penthouse.

During the 78th Session, the Texas Legislature authorized \$64,900,000 of tuition revenue bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,600,000 is being allocated for the Basic Science

Research Building project and the Medical School Building – Rooftop Vivarium and Exterior Elevator project. The use of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

16. U. T. Health Science Center - Houston: Research Expansion Project - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to revise funding source; reduce appropriation of funds; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Research Expansion Project at The University of Texas Health Science Center at Houston as follows:

**Project Number:** 701-059

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** August 2005

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Tuition Revenue Bond Proceeds		\$ 15,000,000
	Permanent University Fund Bond Proceeds	\$ 50,000,000	\$ 50,000,000
	Gifts	\$ 70,000,000	\$ 55,000,000
		<u>\$120,000,000</u>	<u>\$120,000,000</u>

**Debt Service**

Annual debt service on the \$15,000,000 of Tuition Revenue Bonds is projected to be \$1,307,768. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

**Recommendations**

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to revise the funding source to include Tuition Revenue Bond Proceeds in the amount of \$15,000,000;
- b. reduce the appropriation from Gifts from \$70,000,000 to \$55,000,000;
- c. appropriate funds and authorize expenditure 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. Board of Regents relating to the Financing System; and

- U. T. Health Science Center - Houston, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$15,000,000.

**Previous Board Actions**

On November 10, 1999, the project was included in the CIP with a preliminary project cost of \$120,000,000 with funding of \$21,000,000 from Permanent University Fund Bond Proceeds and \$99,000,000 from Gifts. On January 20, 2000, the Executive Committee of the Board allocated \$50,000,000 from Permanent University Fund Bond Proceeds for the project. On January 9, 2002, the Board designated the project as architecturally significant. On November 13, 2002, the Board approved revising the source of funding. On February 13, 2003, the project received design development approval.

**Project Description**

This new building is the second phase of the Institute of Molecular Medicine and will be a comprehensive basic research facility of 206,000 gross square feet, designed to support research and collaboration in the area of molecular medicine. The facility will house dry and wet laboratories, offices, conferencing areas, and a 200-seat assembly facility. A vivarium capable of supporting a transgenic rodent colony will be included. The facility will house 80 to 100 Principal Investigators (PI). Each PI will support four or five researchers including graduate assistants, lab technicians, and postdoctoral fellows. Office and conference room support will be provided. The first phase of the Institute of Molecular Medicine is the Replacement Research Facility (see Item 15 on Page 192).

During the 78th Session, the Texas Legislature authorized \$64,900,000 of Tuition Revenue Bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$15,000,000 is being allocated to the Research Expansion Project. The use of the \$15,000,000 of Tuition Revenue Bond Proceeds is requested to improve infrastructure for recovery from the damage caused by Tropical Storm Allison and for the replacement of research and academic facilities.

17. U. T. Health Science Center - Houston: Completion of Medical School Building Hazard Mitigation and Repair of the Medical School Building, Phase I - Amendment of FY 2004-2009 Capital Improvement Program and the FY 2004-2005 Capital Budget to combine projects; revise total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the Completion of Medical School Building (MSB) Hazard Mitigation project and the Repair of the Medical School Building, Phase I at The University of Texas Health Science Center at Houston as follows:

**Institutionally Managed:** Yes  No

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** March 2005

<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>Completion of MSB Hazard Mitigation</b>	Tuition Revenue Bond Proceeds	\$10,000,000
<b>Total Project Cost:</b>	<u>Source</u>	<u>Former</u>
<b>Repair of the Medical School Building, Phase I</b>	Tuition Revenue Bond Proceeds	\$15,100,000
	Insurance Claims	<u>\$34,900,000</u>
		\$50,000,000
<b>Revised Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
<b>Repair of the Medical School Building, Phase I</b>	Tuition Revenue Bond Proceeds	\$23,800,000
	Insurance Claims	<u>\$36,200,000</u>
		\$60,000,000

### Debt Service

Annual debt service on the \$23,800,000 of Tuition Revenue Bonds is projected to be \$2,074,992. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

### Recommendations

- a. amend the FY 2004-2009 Capital Improvement Program (CIP) and the FY 2004-2005 Capital Budget to combine the Completion of Medical School Building Hazard Mitigation project and the Repair of the Medical School Building, Phase I project into the Repair of the Medical School Building Phase I project;
- b. revise the total project cost to \$60,000,000;
- c. appropriate funds and authorize expenditure 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. Board of Regents relating to the Financing System; and
  - U. T. Health Science Center - Houston, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$8,700,000.

### Previous Board Actions

On February 14, 2002, the Repair of the Medical School Building, Phase I project was included in the CIP with a preliminary project cost of \$20,000,000 and was authorized for institutional management. On May 9, 2002, the Board increased the total project cost to \$50,000,000 and appropriated funding. On August 7, 2003, the Completion of the MSB Hazard Mitigation project was included in the CIP with a preliminary project cost of \$10,000,000 and was authorized for institutional management.

**Project Description**

During the 78th Session, the Texas Legislature authorized \$64,900,000 of Tuition Revenue Bonds to be issued for U. T. Health Science Center – Houston for recovery from damage caused by Tropical Storm Allison. Of this amount, \$23,800,000 is being allocated to the Repair of the Medical School Building, Phase I project.

The Completion of MSB Hazard Mitigation is part of the project underway to protect against future disasters since Tropical Storm Allison. The work involves installation of a hydrostatic wall and relocation of the imaging center. The Repair of the Medical School Building, Phase I project will restore basic building infrastructure. The basement was rendered totally unusable by storm damage. The project includes demolition of the basement, installation of new air handling units, and installation of electrical distribution systems, as well as build back and reconfiguration of the basement and ground floors.

The combining of the two projects revises the project scope to add the mitigation of the primary electrical feed to the Medical School Building and the reconstruction of the balance of space in the Medical School Basement as the final phase of the institution’s managed-recovery program.

18. U. T. M. D. Anderson Cancer Center: U. T. Research Park Infrastructure Improvements - Appropriation of funds and authorization of expenditure; and resolution regarding parity debt

The Board approved the recommendations for the U. T. Research Park Infrastructure Improvements project at The University of Texas M. D. Anderson Cancer Center as follows:

**Institutionally Managed:** Yes  No

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** December 2007

**Total Project Cost:** Source  
Tuition Revenue Bond Proceeds \$20,000,000

**Debt Service**

Annual debt service on the \$20,000,000 of Tuition Revenue Bonds is projected to be \$1,743,691. While the annual debt service is payable from Pledged Revenues, it is expected that debt service on Tuition Revenue Bonds will be reimbursed through General Revenue Appropriations.

**Recommendations**

- a. appropriate funds and authorize expenditure of funds; 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 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. Board of Regents relating to the Financing System; and
- U. T. M. D. Anderson Cancer Center, 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. Board of Regents of tax-exempt parity debt in the aggregate amount of \$20,000,000.

**Previous Board Actions**

On August 7, 2003, the project was included in the Capital Improvement Program with a preliminary project cost of \$20,000,000 with funding from Tuition Revenue Bond Proceeds and authorized for institutional management.

**Project Description**

The U. T. Research Park Infrastructure Improvements project at U. T. M. D. Anderson Cancer Center involves development of the south campus, including roadways, underground detention and storm water systems, water and sanitation systems, underground telecommunications, underground off-site electrical, demolition, landscaping, and lighting. Street, utility, and storm drainage systems must be in place before the buildings are constructed to support biotechnology research and development needs.

During the 78th Session, the Texas Legislature authorized \$20,000,000 of Tuition Revenue Bonds for U. T. M. D. Anderson Cancer Center to fund capital costs related to biotechnology research and development facilities.

RECONVENE.--At 10:05 a.m., the Board reconvened as a committee of the whole to consider an item remaining on the agenda.

## REPORT FOR THE RECORD

### U. T. Board of Regents: Revised list of Committee and Regental appointments

Chairman Huffines appointed Regent Rowling to the Academic Affairs Committee, Finance and Planning Committee, and the Health Affairs Committee effective August 2, 2004. Committee and Regental appointments are herewith reported for the record:

#### **Standing Committees**

##### Executive Committee

James Richard Huffines, Chairman  
Rita C. Clements, Vice-Chairman  
Woody L. Hunt, Vice-Chairman  
Cyndi Taylor Krier, Vice-Chairman

Note: Chairman Huffines chairs the Executive Committee and is a voting member of that Committee. He is a nonvoting *ex officio* member of the following standing committees:

##### Academic Affairs Committee

Cyndi Taylor Krier, Chairman  
H. Scott Caven, Jr.  
Judith L. Craven, M.D.  
Robert A. Estrada  
Robert B. Rowling

Note: Members of the Academic Affairs Committee also serve on The University of Texas at Brownsville/Texas Southmost College (UTB/TSC) Partnership Advisory Committee.

##### Audit, Compliance, and Management Review Committee

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



Facilities Planning and Construction Committee

John W. Barnhill, Jr., Chairman  
H. Scott Caven, Jr.  
Rita C. Clements  
Robert A. Estrada  
Woody L. Hunt

Finance and Planning Committee

Woody L. Hunt, Chairman  
John W. Barnhill, Jr.  
H. Scott Caven, Jr.  
Cyndi Taylor Krier  
Robert B. Rowling

Health Affairs Committee

Rita C. Clements, Chairman  
H. Scott Caven, Jr.  
Judith L. Craven, M.D.  
Cyndi Taylor Krier  
Robert B. Rowling

**Ad Hoc Committee**

Student, Faculty, and Staff Campus Life Committee

Judith L. Craven, M.D., Chairman  
John W. Barnhill, Jr.  
Rita C. Clements  
Robert A. Estrada  
Woody L. Hunt

Note: Chairman Huffines is a nonvoting *ex officio* member of this ad hoc committee.

**Regental Representatives**

Board for Lease of University Lands

Judith L. Craven, M.D.  
Cyndi Taylor Krier  
Robert A. Estrada, Alternate

The University of Texas Investment Management Company (UTIMCO) Board of Directors

John W. Barnhill, Jr.  
Rita C. Clements  
Woody L. Hunt

Texas Growth Fund Board of Trustees

Robert A. Estrada

M. D. Anderson Services Corporation

Rita C. Clements

OTHER MATTER

U. T. Board of Regents: Presentation of certificate of appreciation to President Nevárez

Chairman Huffines thanked President Nevárez for his leadership as President of The University of Texas - Pan American and Pan American University over the past 23 years. Noting that Dr. Nevárez was instrumental in the merger of Pan American University with The University of Texas System, Mr. Huffines also said Dr. Nevárez has been a key member of the U. T. System family, has presided over 100 graduation ceremonies, and will remain on the U. T. Pan American faculty.

Mr. Huffines then presented the following certificate of appreciation to Dr. Nevárez:

CERTIFICATE OF APPRECIATION

The Board of Regents

Expresses to

MIGUEL A. NEVÁREZ, PH.D.

Its Sincere Appreciation for His

Distinguished Service and Outstanding Contributions

to

The University of Texas System

as

President  
at

Pan American University  
1981-1989

and

The University of Texas - Pan American  
1989 – 2004

Adopted by unanimous vote this 12th day of August, 2004

(signed by all members of the Board)

Following a standing ovation, President Nevárez said it had been a pleasure to work for The University of Texas System and thanked current and former members of the Board of Regents and officials of the U. T. System for supporting the decision 15 years ago to merge the two institutions.

SCHEDULED MEETINGS.--The next regular scheduled meeting will be held on November 3-4, 2004, in Austin.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 10:15 a.m.

/s/ Francie A. Frederick  
Counsel and Secretary to the Board

November 2, 2004

**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
DOCKET NO. 118**

July 19, 2004

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

Woody L. Hunt, Chairman  
John W. Barnhill, Jr.  
H. Scott Caven, Jr.  
Cyndi Taylor Krier  
Robert B. Rowling

The Docket for The University of Texas System Administration and the Dockets recommended by the Presidents concerned and prepared by the institutions listed below are submitted for approval as appropriate at the meeting of the U. T. Board of Regents on August 12, 2004. The Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel, and I concur in these recommendations.

<u>Institutions</u>	<u>Pages</u>
The University of Texas System Administration	Docket 1 - 4
The University of Texas at Arlington	Docket 5 - 15
The University of Texas at Austin	Docket 16 - 37
The University of Texas at Brownsville	Docket 38 - 43
The University of Texas at Dallas	Docket 44 - 52
The University of Texas at El Paso	Docket 53 - 58
The University of Texas - Pan American	Docket 59 - 65
The University of Texas of the Permian Basin	Docket 66 - 71
The University of Texas at San Antonio	Docket 72 - 78
The University of Texas at Tyler	Docket 79 - 83
The University of Texas Southwestern Medical Center at Dallas	Docket 84 - 93
The University of Texas Medical Branch at Galveston	Docket 94 -102
The University of Texas Health Science Center at Houston	Docket 103-114
The University of Texas Health Science Center at San Antonio	Docket 115-123
The University of Texas M. D. Anderson Cancer Center	Docket 124-135
The University of Texas Health Center at Tyler	Docket 136-137

Mark G. Yudof  
Chancellor

xc: Other Members of  
the Board



Prepared by:  
U. T. System Administration

Docket - i

August 12, 2004

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**U. T. SYSTEM ADMINISTRATION  
AMENDMENTS TO THE 2003-04 BUDGET**

**TRANSFERS OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and the Chancellor and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
LIBRARY SPECIAL COLLECTIONS RESERVE		
1. Amount of Transfer:	60,000	3
From: U. T. System Administration – Library Special Collection Reserve		
To: U. T. Arlington		
<p>Transfer funds from the Library Special Collection Reserve to U. T. Arlington for the purchase of 116.5 linear feet of personal papers, manuscripts, and correspondence of Texas writer, A. C. Greene, and add these materials to the Special Collections Division of the U. T. Arlington Libraries. Mr. Greene played a pivotal role in focusing attention and debate on Texas letters and authors, and because of the importance of his own creative workings in the literary history of Texas, U. T. Arlington has worked many years to complete this acquisition. The papers have a market value of \$120,000 and the estate has agreed to donate half of their value to U. T. Arlington; therefore, half of the appraised valued is requested for the purchase.</p>		
2. Amount of Transfer:	125,000	4
From: U. T. System Administration – Library Special Collection Reserve		
To: U. T. Austin		
<p>Transfer funds from the Library Special Collection Reserve to U. T. Austin for purchase of the Forzinetti Archive by the Harry Ransom Humanities Research Center. The Forzinetti Archive contains seminal materials pertaining to the infamous Dreyfus Affair that took place in France in the 1890s. It also contains materials valuable for research in French literature and culture as well as Jewish and Holocaust studies. This archive would be an extremely important addition to the holdings of the Harry Ransom Center and a resource for scholars. U. T. Austin will fund the remaining \$225,000 needed for the purchase.</p>		

## OTHER FISCAL ITEMS

### EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Chancellor, and is recommended for approval by the U. T. Board of Regents:

1. Item: Executive Vice Chancellor for Business Affairs  
Funds: \$250,000 annually  
Period: Beginning July 19, 2004  
Description: Agreement for employment of Executive Vice Chancellor for Business Affairs, Dr. Scott C. Kelley. The Executive Vice Chancellor for Business Affairs reports to and is responsible to the Chancellor and shall hold office without fixed term, subject to the pleasure of the Chancellor. Compensation also includes \$8,400 annual automobile allowance to be paid monthly. System Administration will reimburse some club and professional memberships and continuing education expenses. Additionally, System Administration will either make payment for or reimburse the actual costs for expenses related to preparation and moving of household, personal, and professional possessions and will be responsible for the tax consequences, if any, of the moving expenses.

## OTHER MATTERS

### APPROVAL OF NEWLY COMMISSIONED U. T. SYSTEM PEACE OFFICERS

In accordance with Chapter 51.203 of the Texas Education Code, the U. T. Board of Regents is requested to approve the commissioning of the individuals listed below as peace officers effective June 11, 2004. The following officers have completed a course of training that included mandated Texas Commission on Law Enforcement Officer Standards and Education courses at The University of Texas System Police Training Academy and have successfully passed the State of Texas Peace Officer Licensing Examination.

<u>Name</u>	<u>Component Institution</u>
Michelle Luci Avila	U. T. San Antonio
Tracy Mae Buck	U. T. Southwestern Medical Center - Dallas
Michelle D'Alesandro	U. T. Medical Branch - Galveston
Tyrone T. Davis	U. T. Health Science Center - Houston
Joel Benjamin Lee Dobbins	U. T. Southwestern Medical Center - Dallas
Ryan D. Erwin	U. T. Medical Branch - Galveston
Tony M. Esprit	U. T. Health Science Center - Houston
Travis John Houston Gates	U. T. Health Science Center - Houston
Reginald R. Larson	U. T. San Antonio
Ernest Edward Natal	U. T. San Antonio
Nancy A. Olguin	U. T. Austin
Brodie E. Riner, III	U. T. Health Science Center - Houston
Kelly D. Ross	U. T. Austin
Stephen R. Schlather	U. T. Austin
Adrian L. Slaymaker	U. T. Austin
Janna M. Swain	U. T. Austin
Darryl D. Tidwell	U. T. Austin
Angelica M. Uvalle	U. T. Health Science Center – Houston

# REAL ESTATE REPORT

## THE UNIVERSITY OF TEXAS SYSTEM REAL ESTATE ASSETS

Managed by U. T. System Real Estate Office

Summary Report at May 31, 2004

		<b>FUND TYPE</b>							
		<b>Current Purpose Restricted</b>		<b>Endowment &amp; Similar Funds</b>		<b>Annuity &amp; Life Income Funds</b>		<b>TOTAL</b>	
		<b>Book</b>	<b>Market</b>	<b>Book</b>	<b>Market</b>	<b>Book</b>	<b>Market</b>	<b>Book</b>	<b>Market</b>
<b>Land &amp; Buildings:</b>									
Ending Value 2/29/04		\$ 5,355,012	\$ 23,188,537	\$ 25,062,921	\$ 202,993,074	\$ 1,249,644	\$ 858,515	\$ 31,667,577	\$ 227,040,126
Increase or Decrease		1	1	(318,000)	(49,978)	-	-	(317,999)	(49,977)
Ending Value 3/31/04		<u>\$ 5,355,013</u>	<u>\$ 23,188,538</u>	<u>\$ 24,744,921</u>	<u>\$ 202,943,096</u>	<u>\$ 1,249,644</u>	<u>\$ 858,515</u>	<u>\$ 31,349,578</u>	<u>\$ 226,990,149</u>
<b>Other Real Estate:</b>									
Ending Value 2/29/04		\$ 133,098	\$ 133,098	\$ 356,886	\$ 356,886	\$ 0	\$ 0	\$ 489,984	\$ 489,984
Increase or Decrease		(1,221)	(1,221)	(16,871)	(16,871)	0	0	(18,092)	(18,092)
Ending Value 5/31/04		<u>\$ 131,877</u>	<u>\$ 131,877</u>	<u>\$ 340,015</u>	<u>\$ 340,015</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 471,892</u>	<u>\$ 471,892</u>

Report prepared in accordance with Sec. 51.0032 of the Texas Education Code.

Details of individual assets by account furnished on request.

## U. T. ARLINGTON

### CHANGES TO ADMISSION CRITERIA

The following listing summarizes the changes proposed to admission criteria to be included in the Catalog of The University of Texas at Arlington. The changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

#### Summary of Changes to Transfer Admission Criteria

Addition: Admission Policy in compliance with Texas Education Code Section 51.808. This policy describes the requirements for entrance and selection factors used in the selection of students at The University of Texas at Arlington.

U. T. Arlington recommends the following two-part change to transfer admission requirements:

1. Advance the transfer application deadline 30 days to May 1 and November 1 for the fall and spring terms respectively, and April 1 for the summer.
2. Increase the minimum grade point average for acceptance from 2.0 to 2.25.

#### Justification for Changes

As part of the ongoing University effort to improve incoming classes of students, to ensure the academic success of students, to better match resources with enrollment, to protect the quality of the classroom experience, and to strengthen the public perception of the University, we recommend an increase in transfer admissions requirements for Fall 2005 as well as an earlier transfer application deadline.

A modest increase in admission requirements signals that the University values academic strength. Higher expectations for student performance prior to transfer are consistent with the higher performance expectations for first time freshmen and admission to academic majors.

An earlier application deadline requires students to act sooner thus providing more time for the delivery of important services such as course evaluation, academic advising, financial aid, and orientation; in effect, more time for the things that support student success. Furthermore, a revised deadline signals that attending the University cannot be considered a last minute plan.

**AMENDMENTS TO THE 2003-04 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>No. Mos.</u>	<u>Full-time Salary</u>		<u>RBC #</u>
				<u>Rate \$</u>		
<b>OFFICE OF THE PRESIDENT</b>						
President						
College of Liberal Arts						
Communication						
School of Urban and Public Affairs						
1. James D. Spaniolo (T)						73
From: President		100	12	65,945		
and		R	12	173,655		
Professor of		SUPLT	12	35,400		
Communication		0	09	90,000		
To: President	3/28-8/31	100	12	65,945		
and Professor of	3/28-8/31	R	12	173,655		
Communication and	3/28-8/31	SUPLT	12	35,400		
Professor of Urban	3/28-5/31	0	09	90,000		
and Public Affairs	3/28-5/31					

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
OFFICE OF THE PROVOST AND VICE PRESIDENT FOR ACADEMIC AFFAIRS					
Provost and Vice President for Academic Affairs					
College of Liberal Arts					
Sociology					
2. Dana Dunn (T)					44
From: Interim Provost and Vice President for Academic Affairs and Associate Professor		100 SUPLT 0	12 12 09	158,067 40,000 86,692	
To: Provost and Vice President for Academic Affairs and Associate Professor	3/1-8/31 3/1-5/31	100 0	12 09	198,067 86,692	
OFFICE OF THE PROVOST					
Office of the Vice President for Academic Affairs					
College of Liberal Arts					
Political Science					
3. Michael Moore (T)					66
From: Associate Professor and Associate Vice President for Academic Affairs		0 SUPLT 100	09 4.5 12	54,986 5,368 89,049	
To: Associate Professor and Associate Provost	3/1-5/31 3/1-5/31 3/1-8/31	0 SUPLT 100	09 4.5 12	54,986 5,368 114,049	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>COLLEGE OF ENGINEERING</b>					
Electrical Engineering					
4. Raymond R. Shoults (T)					78
From: Professor and Acting Chair		100 SUPLT	09 09	94,800 7,500	
To: Professor and Chair	6/1-5/31 6/1-8/31	100 SUPLT	09 09	94,800 7,500	
<b>COLLEGE OF LIBERAL ARTS</b>					
English					
5. Wendy B. Faris (T)					72
From: Professor		100 SUPLT	09 09	65,606 6,000	
To: Professor and Chair	6/1-5/31 6/1-8/31	100 SUPLT	09 09	65,606 6,000	
<b>COLLEGE OF SCIENCE</b>					
Office of the Dean Psychology					
6. Paul B. Paulus (T)					77
From: Professor and Chair		100 SUPLT	09 09	87,450 7,000	
To: Professor and Interim Dean	5/1-5/31 5/1-8/31	0 100	09 12	87,450 140,000	



## PARKING AND TRAFFIC REGULATIONS

The following listing summarizes the substantive changes proposed to Parking and Traffic Regulations of The University of Texas at Arlington. They have been approved by the Executive Vice Chancellor for Academic Affairs and the Office of General Counsel and are incorporated in model regulations approved by the U. T. Board of Regents. These regulations supersede all prior Parking and Traffic Regulations and continue in effect until modified.

<u>Page Number(s)</u>	<u>Summary of Proposed Substantive Change</u>
6	Section I. O. Visitors parking passes rate increase from \$1.00 to \$2.00 weekly and from \$5.00 to \$6.00 monthly.
12	Section III. Add statement regarding towing of unauthorized vehicles at the discretion of the reserve space owner.
17	Section V. Rate increase from \$25.00 to \$50.00 for employees who accumulate more than three unpaid traffic violations.
18	Section V. B.6. Add statement that a vehicle shall not block traffic in a university owned lot unless a vehicle occupying a space is in the process of vacating the space.
18	Section V. B.7. Add statement that a vehicle shall not block a gated access portion of a lot at any time.
21	Section VI. K.3. A rate increase from \$1.00 to \$5.00 per week for each additional hangtag after two have been issued during any one session.
23	Section VI. M. Add statement that a two week pass can be issued per doctor's letter for disabled parking until the county disabled placard can be obtained; the University recognizes vehicle parking in disabled parking displaying the Texas Department of Transportation disabled placard as legally parked in lieu of a University permit.

**PARKING AND TRAFFIC REGULATIONS (CONTINUED)**

<u>Page Number(s)</u>	<u>Summary of Proposed Substantive Change</u>
24	Section VI. N.2. Revised to allow visitors and temporary workers to obtain temporary hang tags.
25	Section VII. Delete "Backing unsafely"; add "Obstruction of driveway, aisle or gate"; delete "Parking in driveways".

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED REAPPOINTMENT</b>	<b>RELATIVE</b>
1. Office of the President President James D. Spaniolo	Office of the President Special Assistant Sally Spaniolo (spouse)*
2. College of Business Administration Office of the Dean Dean Daniel D. Himarios	College of Business Administration Economics Department Senior Lecturer Jane S. Himarios (spouse)
3. Campus Printing Service Director Steven M. Burdette	Campus Printing Service Assistant Director Mary K. Ruesing (spouse)

\*Mrs. Spaniolo is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business</b>		
<b>Administration</b>		
Information Systems and Operations Management Mahapatra, Radha	Assistant Professor (NT)	Associate Professor (T)
<b>College of Engineering</b>		
Computer Science Engineering		
Lawrence B. Holder	Associate Professor (T)	Professor (T)
Farhad A. Kamangar	Associate Professor (T)	Professor (T)
Electrical Engineering Meng Tao	Assistant Professor (NT)	Associate Professor (T)
<b>College of Liberal Arts</b>		
Art and Art History		
Andrew Ortiz	Assistant Professor (NT)	Associate Professor (T)
Barton C. Weiss	Assistant Professor (NT)	Associate Professor (T)
Communication Alisa R. White	Assistant Professor (NT)	Associate Professor (T)
Criminology and Criminal Justice O. Elmer Polk	Assistant Professor (NT)	Associate Professor (T)
History Gerald D. Saxon	New	Associate Professor (T)
Political Science Mark A. Cichock	Associate Professor (T)	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts (Continued)</b>		
Sociology and Anthropology		
Karl M. Petruso	Associate Professor (T)	Professor (T)
Theatre Arts		
Andrew C. Gaupp	Associate Professor (T)	Professor (T)
<b>College of Science</b>		
Chemistry		
Rasika Dias	Associate Professor (T)	Professor (T)
Dmitry Rudkevich	Assistant Professor (NT)	Associate Professor (T)
Geology		
John M. Holbrook	New	Professor (T)
Mathematics		
Barbara A. Shipman	Assistant Professor (NT)	Associate Professor (T)
Michaela Vancliff	Assistant Professor (NT)	Associate Professor (T)
Psychology		
Charles J. Brainerd	New	Professor (T)
Robert J. Gatchel	New	Professor (T)
<b>School of Nursing</b>		
Mary L. Bond	New	George W. & Hazel M. Jay Professorship (T)
Barbara M. Raudonis	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	22	12	34	17
b. To keep proper sequence	5	3	8	47
c. New program	15	12	27	7
d. Cross listed	6	3	9	7
e. First time offered	1	2	3	1
f. Accreditation or licensing standard	3	1	4	0
g. Limited facilities	6	1	7	18
Subtotal	58	34	92	97
h. Voluntarily offered	5	26	31	20
Total	63	60	123	117

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	2	1	3	10
b. To keep proper sequence	0	2	2	0
c. New program	1	5	6	2
d. Cross listed	5	13	18	5
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	1	1	2	0
g. Limited facilities	0	0	0	0
Subtotal	9	22	31	18
h. Voluntarily offered	1	6	7	3
Total	10	28	38	21

## U. T. AUSTIN

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: ConocoPhillips Company  
College/School/ Department: Various colleges, sections, and units  
Purpose: Benefiting a variety of programs  
Asset Type: Cash  
Value: \$1,000,000



## CONTRACTS

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents:

### GENERAL CONTRACTS

#### FUNDS COMING IN

1. Agency: Ludwig-Maximilians-Universität München  
Funds: \$240,471  
Period: May 1, 2004-August 31, 2012  
Description: Agreement between the McDonald Observatory and Ludwig-Maximilians-Universität München (LMU), wherein LMU will provide prepayment for LMU's use of the Hobby-Eberly Telescope (HET). LMU is currently using the HET under a separate agreement.
  
2. Agency: University of Trinidad and Tobago  
Funds: \$5,000,000  
Period: August 1, 2004-July 31, 2009  
Description: Collaboration Agreement wherein U. T. Austin will assist the University of Trinidad and Tobago in establishing its B.S. and M.S. degree programs in Petroleum Engineering, and a Center for Energy Studies at the University of Trinidad and Tobago, Department of Petroleum Engineering.

**AMENDMENTS TO THE 2003-04 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>No. Mos.</u>	<u>Full-time Salary Rate \$</u>	<u>RBC #</u>
<b>COLLEGE OF COMMUNICATION</b>					
Communication Studies					
1. Roderick P. Hart (T)					117
From: Allan Shivers Centennial Chair in Communication and Professor Chair Supplement		100 SUPLT	09 09	117,493 30,000	
To: Interim Dean and Walter Cronkite Regents Chair In Communication Dean's Chair Supplement	7/1-8/31 7/1-8/31	100 SUPLT	12 12	165,500 20,000	

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
<b>SERVICE DEPARTMENTS FUNDS</b>		
Information Technology Services		
2. Amount of Transfer:	863,300	101

From: Information Technology Services Administration Store Operating Income

To: Information Technology Services Services – Maintenance, Operation, Equipment

Transfer from I.T.S. Store income account to Services expense account to provide funding for maintenance/repair of computer equipment and software; rental of computer software; computer equipment; consumable office computer supplies; telecommunications rental; and computer software expenses.

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS (CONTINUED)**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
<b>DESIGNATED FUNDS</b>		
Dean of Liberal Arts		
3. Amount of Transfer:	649,550	102
From: Placement Fee – Operating Income		
To: Placement Fee – Other Expenses		
Transfer placement fee income to expense account to provide funding for renovation of the Liberal Arts Career Services Office in Flawn Academic Center. (Reference RBC #104 transferring Liberal Arts' Designated Funds to Plant Funds).		
<b>PLANT FUNDS</b>		
Information Technology Services – U.T.X. Equipment		
4. Amount of Transfer:	1,500,000	103
From: Service Department Funds – I.T.S. Telecommunications Network – U.T.X. Telephone Systems Operating Income		
To: U.T.X. Equipment Replacement Allocation Account		
Balance forward income transferred to the equipment replacement account to fund line equipment hardware/software upgrades and internal system purchases.		
Physical Plant – Flawn Academic Center		
5. Amount of Transfer:	780,000	104
From: Designated Funds – Liberal Arts Placement Fee Operating Income		
To: Flawn Academic Center Career Services Renovation All Expenses Account		
Supplemental funding for the Liberal Arts Career Services renovation in Rooms 20, 28, and 34 of the Flawn Academic Center.		

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS (CONTINUED)**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
PLANT FUNDS (Continued)		
Physical Plant – Kinsolving Dormitory		
6. Amount of Transfer:	1,800,000	105
From: Auxiliary Enterprise Funds – Housing and Food Services – Division Office Other Expenses		
To: Kinsolving – Fire Protection and Renovation All Expenses		
Supplemental funding for fire protection and renovation in the food service area and lobby of Kinsolving Dormitory.		
Physical Plant – Kinsolving Dormitory		
7. Amount of Transfer:	700,000	106
From: Housing and Food Services General Repair and Replacement Allocation Account		
To: Kinsolving – Electrical Distribution Upgrades All Expenses Account		
Funding for an electrical distribution upgrade in Kinsolving Dormitory.		

## PARKING AND TRAFFIC REGULATIONS

The following listing summarizes the substantive changes proposed to Parking and Traffic Regulations of The University of Texas at Austin. They have been approved by the Executive Vice Chancellor for Academic Affairs and the Office of General Counsel and are incorporated in model regulations approved by the U. T. Board of Regents. These regulations supersede all prior Parking and Traffic Regulations and continue in effect until modified.

<u>Page Number(s)</u>	<u>Summary of Proposed Substantive Change</u>
3	Definition of visitors to include "event" parkers.
4	Parking citation debts will be invoiced to the permit holder.
6	Penalty for blocking spaces for those with disabilities.
6	Garage access will be denied for overdue charges.
7	Upon receipt of a motor vehicle transfer notification (form VTR-346) from the Department of Motor Vehicle Records, the owner will be relieved of any liability for citations issued after that date.
8	Habitation in vehicles parked on U. T. Austin campus is prohibited.
9, 20-21	Addresses the use of and regulations for Electronic Personal Assistive Mobility Devices (EPAMD) on U. T. Austin campus.
10	New definition of "park" (attended or unattended).
13	Clarification of penalties for possession or use of a lost, stolen, forged, or altered parking permit.
13-14	Extended parking (over 72 hours) must be coordinated with Parking and Transportation Services.
15	Employees who fail to abide by the parking regulations may be referred to their Dean or Director for further action and may have their parking privileges suspended with no refund.
16-17	Event signage outlining all parking restrictions and reserved parking areas will be put into place at least 72 hours before any University sponsored event. Any event which impacts parking on the University campus must be coordinated with Parking and Transportation Services.
17	Extended hours of meter to "24 hours a day" with a 30 minute limit.

## PARKING AND TRAFFIC REGULATIONS (CONTINUED)

<u>Page Number(s)</u>	<u>Summary of Proposed Substantive Change</u>
18	Penalties for improper exit or misuse of garage access cards.
20, 50	Added penalty of immobilization by booting of bicycles or EPAMDs that are not parked according to these regulations.
20	Added "Low-Powered Electrical Bicycles" in the description for bicycles.
20	Added "Department Chair" as an authority who may give permission to store bicycles in buildings.
21	Bicycles or EPAMDs stored for more than five days after University housing closes will be considered abandoned and shall be deemed University property for disposal.
24, 33	Night Horn permit described.
25	Added penalty of citation for failure to display a permit.
30	Eliminated salary criteria for Class "F" permit applications.
32	Added clarification as to who is responsible for the purchase of a Class "AN" (Shift Worker) permit.
32	Surface parking overnight by students extended to 4:00 a.m. in lots west of the Interstate Highway.
34	Class "M" (Motorcycle) permits are no longer available at no cost to Class "R" (Resident) permit holders.
37	U. T. Share Garage Pass allows any faculty/staff member an opportunity to purchase a University debit card for use in garages on a space available basis.
40	Class "VN" (Vendor) permit fee must be paid by either the vendor or the coordinating University department.
51	Impoundment procedure for customer returning prior to the actual impound.
51	Boot procedure for customer returning prior to the installation of the boot.

## FEES AND MISCELLANEOUS CHARGES

### PARKING PERMIT FEES

Approval is recommended for the following parking permit fees to be effective beginning with the Fall Semester 2003. The Student Fees Advisory Committee, as required under Section 54.514 of the Texas Education Code, has approved the fees. The fees have also been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>Academic Year:</u>			
<u>Student (Garage)</u>			
Permit "R"	616	648	5.19%
Permit "S"	510	540	5.88%
<u>Student (Surface)</u>			
Permit "C"	89	100	12.36%
Permit "C+"	139	160	15.11%
Permit "DC"	89	100	12.36%
<u>Employee/Student</u>			
Permit "E"	50	60	20.00%
Permit "M"	50	60	20.00%
Permit "N"	50	60	20.00%
<u>Annual Fee:</u>			
<u>Employee</u>			
Permit "A"	108	120	11.11%
Permit "AN"	n/a	30	n/a
Permit "D"	108	120	11.11%
Permit "F"	381	420	10.24%
Permit "FDP"	381	420	10.24%
Permit "F21"	600	672	12.00%
Permit "F99"	600	672	12.00%
Permit "O"	600	672	12.00%
Permit "VN"	381	420	10.24%

**FEEES AND MISCELLANEOUS CHARGES (CONTINUED)**

**PARKING PERMIT FEES (CONTINUED)**

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>Single Semester Fee: Student (Garage)</u>			
Permit "R"	336	360	7.14%
Permit "S"	240	256	6.67%
<u>Single Semester Fee: Employee/Student</u>			
Permit "N"	35	44	25.71%
<u>Summer Semester Fee: Employee/Student</u>			
Permit "N"	25	30	20.00%



## FEES AND MISCELLANEOUS CHARGES (CONTINUED)

### PARKING ENFORCEMENT FEES

Approval is recommended for the following parking enforcement fees to be effective beginning with the Fall Semester 2004. The fees have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
Inhabiting a vehicle of any kind on U. T. Austin property without authorization	n/a	50	n/a
Improper exit from a U. T. Austin parking garage (plus maximum daily fee due)	n/a	25	n/a

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED REAPPOINTMENT</b>	<b>RELATIVE</b>
1. Office of the President President Larry R. Faulkner	Office of the President Special Assistant Mary Ann Faulkner (spouse)*
2. Red McCombs School of Business Accounting Professor Rowland Atiase	Red McCombs School of Business Accounting Lecturer Florence Atiase (spouse)
3. College of Education Educational Administration Sid W. Richardson Regents Chair in Community College Leadership John E. Roueche, Jr.	College of Education Educational Administration  Senior Lecturer and Editor Suanne Roueche (spouse)
4. College of Engineering Biomedical Engineering Fletcher Stuckey Pratt Chair in Engineering Nicholas Peppas	College of Engineering Biomedical Engineering  Research Professor Lisa Peppas (spouse)
5. College of Fine Arts Theatre and Dance Joanne Sharp Crosby Regents Chair in Design Technology Richard M. Isackes	College of Fine Arts Theatre and Dance  Associate Professor Sharon Grady (spouse)
6. College of Liberal Arts Classics Raymond Dickson Centennial Professor Thomas Palaima	College of Liberal Arts Classics  Senior Program Coordinator Carolyn Palaima (spouse)

\*Mrs. Faulkner is not listed in the budget as she is appointed without compensation.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES (CONTINUED)**

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED APPOINTMENT (Continued)</b>	<b>RELATIVE</b>
7. College of Natural Sciences Section of Integrative Biology Professor and Dean of College of Natural Sciences Mary Ann Rankin	College of Natural Sciences Section of Neurobiology  Professor Wesley Thompson (spouse)
8. College of Natural Sciences Cellular and Molecular Biology Mr. and Mrs. Frank A. Smith, Jr. Regents Chair in Molecular Biology Alan Lambowitz	College of Natural Sciences Cellular and Molecular Biology  Assistant Professor Ellen Gottlieb (spouse)
9. College of Pharmacy Clinical Assistant Professor Jon T. Albrecht	College of Pharmacy Clinical Instructor Linda S. Albrecht (spouse)
10. College of Pharmacy Clinical Associate Professor Yui-Wing Lam	College of Pharmacy Clinical Assistant Professor Chi –Yim Chan-Lam (spouse)
11. College of Pharmacy George H. Hitchings Chair in Drug Design Hung-Wen Liu	College of Pharmacy  Research Associate Yung-Nan Liu (spouse)
12. College of Pharmacy Associate Professor Richard A. Morrisett	College of Pharmacy Research Associate Regina E. Maldve (spouse)
13. College of Pharmacy Alcon Centennial Professor in Chemistry Salomon Stavchansky	College of Pharmacy  Teaching Assistant Marcus Stavchansky (son)
14. College of Pharmacy Johnson & Johnson Centennial Fellow in Pharmacy Robert O. Williams III	College of Pharmacy  Director of Continuing Education Jill L. Williams (spouse)

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES (CONTINUED)**

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED APPOINTMENT  
(Continued)**

**RELATIVE**

15. Marine Science Institute  
Research Professor  
Lee A. Fuiman

Marine Science Institute  
Senior Office Assistant  
Linda T. Fuiman (spouse)

16. Bureau of Business Research  
Associate Director  
J. Bruce Kellison

Bureau of Business Research  
Editor II  
Sally J. Furgeson (spouse)

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Architecture</b>		
Architecture and Planning		
Michael Oden	Assistant Professor (NT)	Associate Professor (T)
Vincent L. Snyder	Assistant Professor (NT)	Associate Professor (T)
Nichole Wiedemann	Assistant Professor (NT)	Associate Professor (T)
<b>College of Business</b>		
<b>Administration</b>		
Accounting		
Michael B. Clement	Assistant Professor (NT)	Associate Professor (T)
Finance		
Zhenyu Wang	New	Associate Professor (T)
Management		
Edward G. Anderson, Jr.	Assistant Professor (NT)	Associate Professor (T)
Alison Davis-Blake	Professor (T)	Eddy Clark Scurlock Centennial Professor in Management (T)
Management Science and Information Systems		
Paul Damien	New	B.M. (Mack) Rankin, Jr. Professor in Business Administration (T)
Jonathan J. Koehler	Associate Professor (T)	Distinguished Teaching Professor (T)
Prabhudev C. Konana	Associate Professor (T)	Distinguished Teaching Professor (T)
Marketing Administration		
Susan M. Broniarczyk	Associate Professor (T)	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Communication</b>		
Advertising		
Geraldine R. Henderson	New	Associate Professor (T)
Deborah K. Morrison	Associate Professor (T)	William David Blunk Memorial Professor (T)
Radio-Television-Film		
Andrew S. Garrison	Assistant Professor (NT)	Associate Professor (T)
School of Journalism		
Maggie R. Rodriguez	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education</b>		
Curriculum and Instruction		
Susan B. Empson	Assistant Professor (NT)	Associate Professor (T)
Special Education		
Diane P. Bryant	Associate Professor (T)	Professor (T)
<b>College of Engineering</b>		
Aerospace Engineering and Engineering Mechanics		
Jeffrey K. Bennighof	Associate Professor (T)	Professor (T)
Glenn Lightsey	Assistant Professor (NT)	Associate Professor (T)
Civil Engineering		
Carl T. Haas	Professor (T)	Clyde E. Lee Endowed Professor in Transportation Engineering (T)
Spyridon A. Kinnas	Associate Professor (T)	Professor (T)
Kara Kockelman	Assistant Professor (NT)	Associate Professor (T)
Ellen M. Rathje	Assistant Professor (NT)	Associate Professor (T)
Danny D. Reible	New	Bettie Margaret Smith Chair in Environmental Health Engineering (T)
Eric B. Williamson	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Engineering (Continued)</b>		
Electrical and Computer Engineering Dennis G. Deppe	Professor (T)	Cullen Trust for Higher Education Endowed Professor in Engineering #5 (T)
Mechanical Engineering Steven P. Nichols	Associate Professor (T)	Clint W. Murchison, Sr. Fellow of Free Enterprise (T)
Elmira Popova	Assistant Professor (NT)	Associate Professor (T)
Petroleum & Geosystems Engineering Carlos Torres-Verdin	Assistant Professor (NT)	Associate Professor (T)
<b>College of Fine Arts</b>		
Art and Art History Troy D. Brauntuch	Assistant Professor (NT)	Associate Professor (T)
Glenn A. Peers	Assistant Professor (NT)	Associate Professor (T)
Music Jeffrey L. Hellmer	Professor (T)	E.W. Doty Professor in Fine Arts (T)
Theatre and Dance James J. Glavan	Professor (T)	David Bruton, Jr. Regents Professor in Fine Arts (T)
Lynn C. Miller	Associate Professor (T)	Professor (T)
<b>College of Liberal Arts</b>		
American Studies Janet M. Davis	Assistant Professor (NT)	Associate Professor (T)
Asian Studies Sung-Sheng Chang	Associate Professor (T)	Professor (T)
Patricia Maclachlan	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts (Continued)</b>		
English		
Douglas S. Bruster	Assistant Professor (NT)	Associate Professor (T)
Ann Cvetkovich	Associate Professor (T)	Professor (T)
Jose E. Limon	Professor (T)	Mody C. Boatright Regents Professor in American and English Literature (T)
Adam Z. Newton	Professor (T)	Jane and Roland Blumberg Centennial Professor in English (No. 2) (T)
Roger D. Renwick	Associate Professor (T)	Professor (T)
Geography		
Paul F. Hudson	Assistant Professor (T)	Associate Professor (T)
Germanic Studies		
Sabine Hake	New	Texas Chair of German Literature and Culture (T)
Government		
Gary J. Jacobson	New	Patterson-Bannister Chair And H. Malcolm Macdonald Chair in Constitutional and Comparative Law (T)
Thomas L. Pangle	New	Joe R. Long Endowed Chair in Democratic Studies (T)
Kurt G. Weyland	Associate Professor (T)	Professor (T)
History		
Alison K. Frazier	Assistant Professor (T)	Associate Professor (T)
Seth W. Garfield	Assistant Professor (T)	Associate Professor (T)
Linguistics		
Samuel K. Walters	Associate Professor (T)	Professor (T)



**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts (Continued)</b>		
Rhetoric and Composition		
Joan M. Mullin	New	Professor (T)
Patricia Roberts-Miller	Assistant Professor (NT)	Associate Professor (T)
Jeffrey Walker	New	Professor (T)
Sociology		
Robert A. Hummer	Associate Professor (T)	Professor (T)
Marc A. Musick	Assistant Professor (NT)	Associate Professor (T)
<b>College of Natural Sciences</b>		
Astronomy		
Karl Gebhart	Assistant Professor (NT)	Associate Professor (T)
Chemistry and Biochemistry		
Eric V. Anslyn	Professor (T)	Norman Hackerman Professor in Chemistry and Distinguished Teaching Professor (T)
Brent L. Iverson	Professor (T)	Warren J. and Viola Mae Raymer Professor and Distinguished Teaching Professor (T)
Michael J. Krische	Assistant Professor (NT)	Professor (T)
John F. Stanton	Professor (T)	George W. Watt Centennial Professor (T)
Computer Sciences		
Douglas C. Burger	Assistant Professor (NT)	Associate Professor (T)
Anna Gal	Assistant Professor (NT)	Associate Professor (T)
Stephen W. Keckler	Assistant Professor (NT)	Associate Professor (T)
Harrick M. Vin	Associate Professor (T)	Professor (T)
Human Ecology		
Deborah B. Jacobvitz	Associate Professor (T)	Professor (T)
Bugao Xu	Associate Professor (T)	Professor (T)
Mathematics		
Sean M. Keel	Associate Professor (T)	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Natural Sciences (Continued)</b>		
Physics		
Fred C. Moore	Professor (T)	Marian Harris Thornberry Centennial Professor Mathematics or Physics (T)
Section of Integrative Biology		
David M. Parichy	Assistant Professor (NT)	Associate Professor (T)
<b>College of Pharmacy</b>		
Pharmacy		
Jamie C. Barner	Assistant Professor (NT)	Associate Professor (T)
Christine L. Duvauchelle	Assistant Professor (NT)	Associate Professor (T)
Robert O. Williams III	Associate Professor (T)	Johnson & Johnson Centennial Fellow in Pharmacy (T)
<b>Lyndon B. Johnson School of Public Affairs</b>		
LBJ School of Public Affairs		
William G. Spellman	Associate Professor (T)	Professor (T)
<b>School of Social Work</b>		
Social Work		
King E. Davis	Professor (T)	Hogg Professor in Sociology (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and is submitted for approval by the U. T. Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding the position and the appointment of Dr. Flamm with The University of Texas at Austin.

By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

- |               |   |
|---------------|---|
| Name:         | Dr. Kenneth S. Flamm  |
| Title:        | Professor, LBJ School of Public Affairs   |
| Position:     | Member of the Board on Science, Technology, and Economic Policy of The National Academies   |
| Period:       | October 1, 2003 through October 31, 2006  |
| Compensation: | None  |
| Description:  | Dr. Richard E. Bissell, Executive Director of the Policy and Global Affairs Division of The National Academies appointed Dr. Flamm to serve as a member of the Board on Science, Technology, and Economic Policy. This Board makes the initial review of research projects and follows up with recommendations to the Policy and Global Affairs Division as to which projects should be funded. |

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	58	33	91	93
b. To keep proper sequence	75	112	187	155
c. New program	0	0	0	0
d. Cross listed	28	26	54	37
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	7	12	19	8
g. Limited facilities	0	0	0	0
Subtotal	168	183	351	293
h. Voluntarily offered	23	8	31	24
Total	191	191	382	317

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	10	11	21	44
b. To keep proper sequence	36	45	81	38
c. New program	0	0	0	0
d. Cross listed	45	56	101	100
e. First time offered	4	0	4	0
f. Accreditation or licensing standard	9	7	16	22
g. Limited facilities	0	0	0	0
Subtotal	104	119	223	204
h. Voluntarily offered	0	0	0	0
Total	104	119	223	204

**U. T. BROWNSVILLE**  
**AMENDMENTS TO THE 2003-04 BUDGET**

**TRANSFERS OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
Education and General Fund		
1. Amount of Transfer:	3,040,000	28
From: Fund Balance		
To: Life Health Sciences II Education and Business Complex Maintenance and Operations		

This transfer is needed to fund building and/or equipment needs for the new Education and Business Complex. Construction is ongoing and funds will be used to continue construction and ordering of essential equipment.

2. Amount of Transfer:	800,000	29
From: Fund Balance		
To: Higher Education Assistance Fund (HEAF) – Academic Affairs Non-Capitalized Equipment and HEAF – Academic Affairs Capitalized Equipment		

To set up HEAF Budget for Academic Affairs to purchase equipment needed for research, update old computers and lab equipment.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel action involving the appointment, reappointment, or promotion of relatives has been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel action is consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED REAPPOINTMENT**

**RELATIVE**

1. **College of Liberal Arts**

Fine Arts

Chairperson/Assoc. Professor

Sue Zanne Urbis

Fine Arts

Associate Professor

Richard J. Urbis (spouse)

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Business</b>		
Business Technology Irma Jones	Associate Professor (T)	Professor (T)
Business Administration Rafael Otero	Assistant Professor (NT)	Associate Professor (T)
<b>School of Health Sciences</b>		
Allied Health Shamina Davis	Associate Master Technical Instructor (T)	Master Technical Instructor (T)
Ana Linville	Technical Instructor (NT)	Assistant Master Technical Instructor (T)
Nursing Suzanne Dougherty Nancy Tang Elizabeth Freeth	Instructor (NT) Instructor (NT) Associate Master Technical Instructor (NT)	Assistant Professor (NT) Assistant Professor (NT) Associate Master Technical Instructor (T)
Vocational Nursing Virginia M. Maxwell  Norma Lee Loya	Assistant Master Technical Instructor (NT) Assistant Master Technical Instructor (NT)	Associate Master Technical Instructor (T) Assistant Master Technical Instructor (T)



**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Science</b>		
<b>Mathematics and Technology</b>		
Biological Sciences		
Luis V. Colom	Associate Professor (NT)	Professor (T)
Larry L�f	Assistant Professor (NT)	Assistant Professor (T)
Mathematics		
Raymond Simonsen	Assistant Professor (T)	Associate Master Technical Instructor (T)
Jorge Navarro	Associate Professor (NT)	Associate Professor (T)
Physics and Astronomy		
Natalia Guevara	Assistant Professor (NT)	Associate Professor (NT)
Computer Sciences		
Mahmoud Quweider	Assistant Professor (NT)	Associate Professor (T)
<b>College of Liberal Arts</b>		
English and Speech		
William H. Harris	Associate Master Technical Instructor (T)	Master Technical Instructor (T)
Mohammed N. Islam	Assistant Professor (NT)	Associate Professor (T)
Julie Larson	Associate Master Technical Instructor (T)	Master Technical Instructor (T)
Behavioral Sciences		
Virginia Wood	Associate Professor (T)	Professor (T)
Social Sciences		
Charles Chapman	Associate Professor (NT)	Associate Professor (T)
Fine Arts		
George Lorio	Associate Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	11	17	28	38
b. To keep proper sequence	23	23	46	17
c. New program	5	5	10	10
d. Cross listed	19	19	38	23
e. First time offered	1	0	1	9
f. Accreditation or licensing standard	1	0	1	0
g. Limited facilities	1	0	1	0
Subtotal	61	64	125	97
h. Voluntarily offered	0	2	2	5
Total	61	66	127	102

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	7	10	17	4
b. To keep proper sequence	0	0	0	1
c. New program	3	1	4	5
d. Cross listed	2	3	5	2
e. First time offered	0	1	1	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	12	15	27	16
h. Voluntarily offered	1	2	3	6
Total	13	17	30	22

## U. T. DALLAS

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: Ms. Nancy B. Hamon  
College/School/ Department: School of Arts and Humanities  
Purpose: To establish the Margaret M. McDermott Distinguished Chair of Art and Aesthetic Studies  
Asset Type: Cash  
Value: \$1,000,000

## AMENDMENTS TO THE 2003-04 BUDGET

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. Board of Regents:

### TRANSFERS OF FUNDS

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
Erik Jonsson School of Engineering and Computer Science		
1. Amount of Transfer:	21,500,000	14
From: Texas Enterprise Fund		
To: U. T. Dallas – 529900 – TEF-Project Emmitt		

This adjustment is needed to establish budgets for Texas Enterprise Fund accounts.

## OTHER FISCAL ITEMS

### EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at Dallas is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas at Dallas. The violation of the provisions of such constitution, bylaws, rules or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Volleyball Coach  
Funds: \$38,000 annually  
Period: January 12, 2004 through August 31, 2004  
Description: Agreement for employment of Head Volleyball Coach, Marci Sanders, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

## FEES AND MISCELLANEOUS CHARGES

### PARKING PERMIT FEES

Approval is recommended for the following parking permit fee to be effective beginning with the Fall Semester 2004. The fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect this new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
Annual fees: <u>Student Permit Classifications</u>			
Evening Orange	n/a	\$160.00	n/a

NOTE: Evening Orange permits are issued for 12 months and allow evening students the opportunity to park in premium spaces previously vacant. Annual parking permit fees may be prorated for permits purchased for spring semester/summer session or for summer session only and at the discretion of the institution, refunds may be made for fall semester enrollment/employment only.

## FEES AND MISCELLANEOUS CHARGES (CONTINUED)

### PARKING AND TRAFFIC ENFORCEMENT FEES

Approval is recommended for the following parking enforcement fees to be effective beginning with the Fall Semester 2004. The fees have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate component catalog will be amended to reflect these new fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<b>CLASS A</b>			
Parking without a permit	20	40	100.00
Parking on campus with Waterview permit or parking at Waterview without Waterview permit	30	40	33.33
Parking Two Permit Levels Up	20	25	25.00
Parking Three Permit Levels Up	30	35	16.67
<b>CLASS C – Moving Violations</b>	<b>50</b>	<b>60</b>	<b>20.00</b>
Driving on sidewalks, walkways or curbs			
Exceeding posted speed limit			
Failure to stop			
Failure to yield right-of-way to pedestrians			
Illegal turn			
Leaving the scene of an accident			
Operating or parking a barred vehicle			
Parking behind barricades			
<b>CLASS C – Non-moving Violations</b>	<b>35</b>	<b>40</b>	<b>14.29</b>
Displaying expired license plates			
No inspection sticker/expired inspection			
Failure to show proof of liability insurance			
<b>CLASS E</b>			
Parking in a disabled space without authorization	100	120	20.00
Parking in loading zone without authorization or exceeding time limit	25	30	20.00
Parking in fire lane	50	60	20.00



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AND MARRIAGE OF CERTAIN EMPLOYEES**

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College, Department, Title, Name

College, Department, Title, Name

**PROPOSED APPOINTMENT**

1. Office of the President  
President  
Franklyn G. Jenifer

**RELATIVE**

Office of the President  
Special Assistant to the President  
Alfleda Jenifer (spouse)\*

\*Mrs. Jenifer is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Arts and Humanities</b>		
Film Studies		
Adrienne McLean	Assistant Professor (NT)	Associate Professor (T)
<b>School of Behavioral and Brain Sciences</b>		
Communication Sciences		
Peter Assman	Associate Professor (T)	Professor (T)
Richard Golden	Associate Professor (T)	Professor (T)
Neuroscience		
Michael Kilgard	Assistant Professor (NT)	Associate Professor (T)
Stephen Lomber	Assistant Professor (NT)	Associate Professor (T)
<b>School of Engineering and Computer Science</b>		
Computer Science		
Jason Jue	Assistant Professor (NT)	Associate Professor (T)
Balakrishnan Prabhakaran	Assistant Professor (NT)	Associate Professor (T)
Electrical Engineering		
Mehrdad Nourani	Assistant Professor (NT)	Associate Professor (T)
Philipos Loizou	Associate Professor (T)	Professor (T)
<b>School of Management</b>		
Accounting		
Surya Janakiraman	Assistant Professor (NT)	Associate Professor (T)
Ramachandran Natarajan	Assistant Professor (NT)	Associate Professor (T)
<b>School of Natural Sciences and Mathematics</b>		
Geosciences		
Janok Bhattacharya	Associate Professor (T)	Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

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### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	8	10	18	39
b. To keep proper sequence	16	22	38	44
c. New program	0	0	0	0
d. Cross listed	49	51	100	147
e. First time offered	0	0	0	12
g. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	73	83	156	242
h. Voluntarily offered	14	3	17	4
Total	87	86	173	246

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	5	2	7	9
b. To keep proper sequence	6	9	15	12
c. New program	0	0	0	0
d. Cross listed	17	23	40	36
e. First time offered	0	3	3	3
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	28	37	65	60
h. Voluntarily offered	4	8	12	8
Total	32	45	77	68

## U. T. EL PASO

### OTHER FISCAL ITEMS

#### EMPLOYMENT AGREEMENTS

The following agreements have been awarded, have been approved by the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas at El Paso is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas at El Paso. The violation of the provisions of such constitution, bylaws, rules or regulations shall be grounds for suspension without pay or dismissal.

1. Item: Head Football Coach  
Funds: \$225,000 annually  
Period: December 21, 2003 through August 31, 2009  
Description: Agreement for employment of Head Football Coach, Michael Bruce Price, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.
  
2. Item: Head Basketball Coach  
Funds: \$180,000 annually  
Period: March 29, 2004 through March 31, 2009  
Description: Agreement for employment of Head Basketball Coach, Kenneth Lee Sadler, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED APPOINTMENT**

**RELATIVE**

1. Intercollegiate Athletics  
Head Football Coach  
Michael Price (father)

Intercollegiate Athletics  
Assistant Head Football Coach  
Aaron Price

2. Intercollegiate Athletics  
Head Football Coach  
Michael Price (father)

Intercollegiate Athletics  
Assistant Head Football Coach  
Eric Price

**PROPOSED REAPPOINTMENT**

**RELATIVE**

3. College of Business Administration  
Institute for Policy and Economic  
Development  
Director  
Dennis Soden (husband)

College of Business Administration  
Institute for Policy and Economic  
Development  
Coordinator  
Janet Conary

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business</b>		
<b>Administration</b>		
Marketing & Management		
Richard Posthuma	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education</b>		
Teacher Education		
Judith Munter	Assistant Professor (NT)	Associate Professor (T)
<b>College of Engineering</b>		
Mechanical Engineering		
Rafael Gutierrez	Assistant Professor (NT)	Associate Professor (T)
<b>College of Health Sciences</b>		
Health Sciences		
Meg Weigel	Associate Professor (NT)	Professor (T)
<b>College of Liberal Arts</b>		
Communication		
Larry Erbert	Associate Professor (NT)	Associate Professor (T)
English		
Kate Mangelsdorf	Associate Professor (T)	Professor (T)
Evelyn Posey	Associate Professor (T)	Professor (T)
Political Science		
Irasema Coronado	Assistant Professor (NT)	Associate Professor (T)
Theatre Arts		
Cynthia Haines	Assistant Professor (NT)	Associate Professor (T)
Greg Taylor	Assistant Professor (NT)	Associate Professor (T)
Psychology		
John Wiebe	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Science</b>		
Biological Science		
Carl Lieb	Associate Professor (T)	Professor (T)
Geological Science		
Elizabeth Anthony	Associate Professor (T)	Professor (T)



## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	5	13	18	17
b. To keep proper sequence	9	10	19	7
c. New program	2	5	7	5
d. Cross listed	111	86	197	154
e. First time offered	4	1	5	1
f. Accreditation or licensing standard	0	0	0	1
g. Limited facilities	0	4	4	2
Subtotal	131	119	250	187
h. Voluntarily offered	9	6	15	15
Total	140	125	265	202

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	1	0	1	10
b. To keep proper sequence	3	0	3	3
c. New program	3	1	4	2
d. Cross listed	16	19	35	37
e. First time offered	0	1	1	1
f. Accreditation or licensing standard	0	1	1	0
g. Limited facilities	1	0	1	0
Subtotal	24	22	46	53
h. Voluntarily offered	2	1	3	5
Total	26	23	49	58

## U. T. PAN AMERICAN

### OTHER FISCAL ITEMS

#### EMPLOYMENT AGREEMENTS

The following agreement has been awarded, has been approved by the Chancellor, and is recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas - Pan American.

1. Item: President  
Funds: \$235,000 annually  
Period: Beginning August 23, 2004  
Description: Agreement for employment of Dr. Blandina Cardenas as President of The University of Texas – Pan American. The President reports to the Chancellor and the Executive Vice Chancellor for Academic Affairs and shall hold office without fixed term subject to the pleasure of the Chancellor. Dr. Cardenas will receive \$45,600 as a salary supplement in lieu of a housing allowance pursuant to approved policy. All reasonable moving expenses from San Antonio to McAllen, Texas will be reimbursed. Dr. Cardenas is also appointed as a Professor, with tenure, in the College of Education, with an initial academic rate of \$90,000 per year. During her presidency, Dr. Cardenas will not be paid a salary as Professor.

## OTHER FISCAL ITEMS (CONTINUED)

### EMPLOYMENT AGREEMENTS (CONTINUED)

The following agreements have been awarded, have been approved by the Executive Vice Chancellor for Academic Affairs, and are recommended for approval by the U. T. Board of Regents. Such employment under these agreements is subject to the Constitution and Bylaws of the National Collegiate Athletic Association, any intercollegiate athletic conference of which The University of Texas – Pan American is a member, and the Rules and Regulations of the Board of Regents of The University of Texas System and the policies of The University of Texas – Pan American. The violation of the provisions of such constitution, bylaws, rules or regulations shall be grounds for suspension without pay or dismissal.

2. Item: Head Women's Basketball Coach  
Funds: \$65,000 annually  
Period: April 1, 2004 through March 31, 2005  
Description: Agreement for employment of Head Women's Basketball Coach, DeAnn Croft, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.
3. Item: Head Men's Basketball Coach  
Funds: \$80,083 annually  
Period: June 7, 2004 through August 31, 2005  
Description: Agreement for employment of Head Men's Basketball Coach, Robert Davenport, for the above designated period following the standard coach's employment contract prepared by the Office of General Counsel.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel action involving the appointment, reappointment, or promotion of relatives has been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel action is consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED REAPPOINTMENT**

**RELATIVE**

1. College of Education  
Office of the Dean  
Dean  
Hilda Medrano

College of Education  
Educational Psychology  
Professor  
Ralph Carlson (spouse)

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Arts and Humanities</b>		
Modern Languages & Literature Jose Maria Martinez	Assistant Professor (NT)	Associate Professor (T)
<b>College of Business Administration</b>		
Accounting and Business Law Raymond Landry	Associate Professor (NT)	Associate Professor (T)
Economics, Finance & General Business Cynthia Ann Brown	Assistant Professor (NT)	Associate Professor (T)
Management, Marketing & International Business Angela Hausman	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education</b>		
Curriculum and Instruction Veronica L. Estrada	Assistant Professor (NT)	Associate Professor (T)
Educational Psychology Terry Patrice Overton	Associate Professor (NT)	Professor (T)
<b>College of Science and Engineering</b>		
Electrical Engineering Mounir Ben Ghalia	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Science and Engineering (Continued)</b>		
Mechanical Engineering		
Karen Lozano	Assistant Professor (NT)	Associate Professor (T)
Ala Rafat Quabbaj	Assistant Professor (NT)	Associate Professor (T)
<b>College of Health Sciences and Human Services</b>		
Communication Sciences & Disorders		
Nola Radford	Associate Professor (T)	Professor (T)
Rehabilitation Services		
Charles Robert Reid	Assistant Professor (NT)	Associate Professor (T)
Occupational Therapy		
Angela Scoggin	Associate Professor (NT)	Associate Professor (T)
Pharmacy Program		
Mark C. Granberry	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	1	3	4	2
b. To keep proper sequence	3	7	10	12
c. New program	0	1	1	1
d. Cross listed	35	33	68	67
e. First time offered	1	4	5	0
f. Accreditation or licensing standard	0	0	0	6
g. Faculty limited	9	5	14	15
Subtotal	49	53	102	103
h. Voluntarily offered	30	26	56	186
i. Administrative	9	2	11	9
Total	88	81	169	298



**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	0	1	1	2
b. To keep proper sequence	0	4	4	5
c. New program	0	0	0	1
d. Cross listed	6	8	14	14
e. First time offered	1	0	1	1
f. Accreditation or licensing standard	0	0	0	0
g. Faculty limited	11	8	19	16
Subtotal	18	21	39	39
h. Voluntarily offered	1	4	5	63
i. Administrative	0	0	0	1
Total	19	25	44	103

**U. T. PERMIAN BASIN**

**AMENDMENTS TO THE 2003-04 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>BEHAVIORAL SCIENCE</b>					
1. Robert L. Perry (T)					2
From: Associate Professor		100	09	47,195	
To: Associate Professor and Department Chair	11/1-08/31	75 25	09 12	35,396 16,500	
2. Lois S. Hale (T)					3
From: Professor and Department Chair		75 25	09 12	48,002 20,219	
To: Professor and Assistant Dean	2/1-08/31	75 25	09 12	48,002 21,334	
<b>HUMANITIES AND FINE ARTS</b>					
3. Christopher J. Stanley (T)					4
From: Associate Professor		100	09	48,580	
To: Associate Professor and Department Chair	11/1-8/31	75 25	09 12	36,435 16,500	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>No. Mos.</u>	<u>Full-time Salary Rate \$</u>	<u>RBC #</u>
<b>SCHOOL OF EDUCATION</b>					
4. Rebecca S. Oekerman (T)					5
From: Associate Professor		100	09	47,126	
To: Associate Professor and Assistant Dean	3/1-8/31	75 25	09 12	35,345 15,708	
<b>BEHAVIORAL SCIENCE</b>					
Sociology					
Professor Emeritus					
5. Robert C. Rhodes (T)	9/31-8/31				6

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
Center for Energy and Economic Development		
6. Amount of Transfer :	110,000	7
From: LERR - Equipment (501-100) FY 02/03		
To: LERR - Critical Water Systems Problems		

Transfer funds to project for resolving critical water systems problems for the Center for Energy and Economic Development.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5, Subsection 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED REAPPOINTMENT</b>	<b>RELATIVE</b>
1. Office of the President President W. David Watts	Office of the President Associate to the Chief Administrative Officer Denise Watts (spouse)*
2. Learning Resource Center Director Charlene Shults	Learning Resource Center Professional Librarian Terrance Shults (spouse)
3. Information Resources Division Assistant Vice President/Director J. Keith Yarbrough	Information Resources Division System Analyst II Mary Yarbrough (spouse)

\*Mrs. Watts is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School Business</b>		
Economics Scott Carson	Assistant Professor (NT)	Associate Professor (T)
Accountancy Wilma Dye	Assistant Professor (NT)	Associate Professor (T)
Management Lloyd J. Taylor III	Assistant Professor (NT)	Associate Professor (T)
<b>Humanities and Fine Arts</b>		
History Roland Spickermann	Assistant Professor (NT)	Associate Professor (T)
<b>Humanities and Fine Arts</b>		
English Sophia Andres	Associate Professor (T)	Professor (T)
Spanish Ana Leon	Associate Professor (T)	Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	26	40	66	49
b. To keep proper sequence	4	6	10	40
c. New program	0	2	2	0
d. Cross listed	22	39	61	53
e. First time offered	0	0	0	7
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	52	87	139	149
h. Voluntarily offered	2	1	3	9
Total	54	88	142	158

**SMALL CLASS REPORT, FALL 2002 AND SPRING 2003 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	2	3	5	0
b. To keep proper sequence	0	0	0	6
c. New program	0	0	0	0
d. Cross listed	4	2	6	9
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	6	5	11	16
h. Voluntarily offered	0	0	0	4
Total	6	5	11	20

## U. T. SAN ANTONIO

### CONTRACTS

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs, and is recommended for approval by the U. T. Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS COMING IN

1. Agency: Time Warner Cable, Inc.  
Funds: \$2,339,752  
Period: August 1, 2004 through July 31, 2009 with the option to renew for five additional one-year periods.  
Description: Time Warner Cable, Inc. agrees to provide internet, cable television, and telephone services for new student housing. U. T. San Antonio receives a 10% commission on any additional internet, telephone, and cable TV services a student purchases from the Contractor that are not included within the scope of work of this Agreement. Time Warner Cable was selected from three bidders: Time Warner Cable, Inc. from San Antonio, Texas; Grande Communications, Inc. from San Marcos, Texas; and Southwestern Bell Telephone, L.P. from San Antonio, Texas, following a competitive bid process. Although the Agreement does not specifically address exclusivity, prudent business practices dictate that one vendor provide the services.



**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED REAPPOINTMENT</b>	
<b>RELATIVE</b>	
1. Office of the President	College of Liberal and Fine Arts Sociology
President	Associate Professor
Ricardo Romo	Harriett D. Romo (spouse)
2. Office of Provost and Executive Vice President for Academic Affairs	College of Liberal and Fine Arts English, Classics and Philosophy
Provost and Executive Vice	Associate Professor
President for Academic Affairs	
Guy Bailey	Janevlyn Tillery (spouse)
3. College of Business Management	College of Business Management
Department Chair	Professor
Dennis Duchon	Donde Plowman (spouse)
4. College of Sciences Biology	College of Sciences Biology
Associate Professor	Technical Staff Assistant II
Matthew J. Gdovin	Ralph Gdovin (brother)
5. College of Sciences Biology	College of Sciences Biology
Assistant Professor	Research Science Associate I
Garry Sunter	Janet Sunter (daughter)

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business</b>		
Economics Su Zhou	Associate Professor (T)	Professor (T)
Finance Yiuman Tse	Associate Professor (T)	Professor (T)
Management Science and Statistics Nandini Kannan Mark Leung	Associate Professor (T) Assistant Professor (NT)	Professor (T) Associate Professor (T)
<b>College of Education and Human Development</b>		
Counseling, Educational Psychology, Adult & Higher Education Michael Karcher Carolyn Orange	Assistant Professor (NT) Associate Professor (T)	Associate Professor (T) Professor (T)
Bicultural-Bilingual Studies Thomas Ricento	Associate Professor (T)	Professor (T)
Health & Kinesiology Wan Yao John Zhang	Assistant Professor (NT) Assistant Professor (NT)	Associate Professor (T) Associate Professor (T)
Interdisciplinary Studies and Curriculum and Instruction Maria Cortez Belinda Flores Susan Keehn	Assistant Professor (NT) Assistant Professor (NT) Assistant Professor (NT)	Associate Professor (T) Associate Professor (T) Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Engineering</b>		
Electrical Engineering Wei-Ming Lin	Associate Professor (T)	Professor (T)
<b>College of Liberal and Fine Arts</b>		
Anthropology James McDonald	Associate Professor (T)	Professor (T)
Art and Art History Neil Maurer	Associate Professor (T)	Professor (T)
English, Classics and Philosophy Michael Almeida	Associate Professor (T)	Professor (T)
Bernadette Andrea	Assistant Professor (NT)	Associate Professor (T)
Ben Olguin	Assistant Professor (NT)	Associate Professor (T)
History Patrick Kelly	Assistant Professor (NT)	Associate Professor (T)
Music James Balentine	Associate Professor (T)	Professor (T)
Deborah Schwartz-Kates	Assistant Professor (NT)	Associate Professor (T)
Kenneth Williams	Assistant Professor (NT)	Associate Professor (T)
<b>College of Public Policy</b>		
Criminal Justice Cynthia McCluskey	New	Associate Professor (T)
Public Administration Jerrell Cogburn	Assistant Professor (NT)	Associate Professor (T)
Ruben Martinez	New	Professor (T)
<b>College of Sciences</b>		
Applied Mathematics Weiming Cao	Assistant Professor (NT)	Associate Professor (T)
Fengxin Chen	Assistant Professor (NT)	Associate Professor (T)
Jose Iovino	Assistant Professor (NT)	Associate Professor (T)
Mary Lou Zeeman	Associate Professor (T)	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

College, Department, and Name                      From                      To

**College of Sciences (Continued)**

Biology

Karl Klose

New

Professor (T)

Valerie Sponsel

Associate Professor (NT)

Associate Professor (T)

Earth and Environmental

Sciences

Dibyenda Sarkar

Assistant Professor (NT)

Associate Professor (T)

School of Architecture

Mark Blizzard

Assistant Professor (NT)

Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	11	5	16	33
b. To keep proper sequence	7	5	12	25
c. New program	5	3	8	7
d. Cross listed	18	17	35	31
e. First time offered	0	3	3	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	1	3	4	3
Subtotal	42	36	78	103
h. Voluntarily offered	8	3	11	25
Total	50	39	89	128

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	3	3	6	10
b. To keep proper sequence	1	1	2	12
c. New program	2	2	4	5
d. Cross listed	7	14	21	11
e. First time offered	0	2	2	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	13	22	35	42
h. Voluntarily offered	1	7	8	9
Total	14	29	43	51

## U. T. TYLER

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: Mr. and Mrs. Robert B. Irwin  
College/School/ Department: Institution  
Purpose: Support of the U. T. Tyler Baseball Complex  
Asset Type: Stock  
Value: \$1,195,761

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel action involving the appointment, reappointment, or promotion of relatives has been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel action is consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED REAPPOINTMENT**

**RELATIVE**

1. Office of the President  
President  
Rodney H. Mabry

Office of the President  
Special Associate  
Barbara M. Mabry (spouse)\*

\*Mrs. Mabry is not listed in the budget as she is appointed without compensation.



## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business &amp; Technology</b>		
Public Administration		
Kenneth Wink	Assistant Professor (NT)	Associate Professor (T)
Business Administration		
Mary Helen Fagan	Assistant Professor (NT)	Associate Professor (T)
<b>College of Arts &amp; Sciences</b>		
Political Science		
John LeBlanc	Assistant Professor (NT)	Associate Professor (T)
English		
Victor Scherb	Associate Professor (T)	Professor (T)
<b>College of Engineering &amp; Computer Science</b>		
Electrical Engineering		
Hassan El-Kishky	Assistant Professor (NT)	Associate Professor (T)
Mechanical Engineering		
Robert Greendyke	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer Than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	7	13	20	38
b. To keep proper sequence	24	28	52	38
c. New program	0	0	0	18
d. Cross listed	3	5	8	12
e. First time offered	1	0	1	10
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	3	3	6	5
Subtotal	38	49	87	121
h. Voluntarily offered	7	3	10	6
i. Internet	0	17	17	18
Total	45	69	114	145

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	6	8	14	9
b. To keep proper sequence	4	5	9	6
c. New program	0	0	0	0
d. Cross listed	1	2	3	2
e. First time offered	1	0	1	6
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	5	0	5	0
Subtotal	17	15	32	23
h. Voluntarily offered	9	4	13	5
i. Internet	0	0	0	4
Total	26	19	45	32

## U. T. SOUTHWESTERN MEDICAL CENTER - DALLAS

### GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. Board of Regents:

1. Donor Name: Anonymous Donor  
College/School/ Department: Psychiatry  
Purpose: To support research activities under the direction of Dr. Carol A. Tamminga and Dr. Steven A. Kliwer  
Asset Type: Cash  
Value: \$650,000
  
2. Donor Name: Southwestern Medical Foundation  
College/School/ Department: Institution  
Purpose: The Foundation's grant to The University of Texas Southwestern Medical Center at Dallas for the 2003-04 academic year  
Asset Type: Cash  
Value: \$805,000 (represents the second and final payment on a \$1,610,000 commitment)

## CONTRACTS

The following contracts have been administratively approved by the President or his delegate and are recommended for approval by the U. T. Board of Regents:

### GENERAL CONTRACTS

#### FUNDS GOING OUT

1. Agency: Scientific Frontiers, Inc.  
Funds: \$1,252,948  
Period: September 1, 2003 through August 31, 2004  
Description: Scientific Frontiers, Inc. agrees to provide continued services for the Continuing Education activity entitled Rheumatoid Arthritis and Biologic DMARDs Regional Meetings held in May and June 2003 and new services for those held September through December 2003. Such services include management and organization, audience generation, field force mailing, meetings materials, postage, mailing lists, food and beverage, room rental, audiovisual equipment, travel and lodging.
  
2. Agency: 2110 Research Row, Ltd.  
Funds: \$4,465,538  
Period: September 30, 2002 through August 31, 2009  
Description: Amended lease to increase to 35,063 square feet of laboratory space, to amortize tenant improvements, and to extend the lease period by two years.

## AMENDMENTS TO THE 2003-04 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>SOUTHWESTERN MEDICAL SCHOOL</b>					
Office of the Dean – Southwestern Medical School					
1. Dennis M. McKearin (T)					15
From: Associate Professor, Molecular Biology		100	12	82,900	
To: Associate Dean, Medical Science Training Program	4/1-8/31	100	12	110,000	
Center for Immunology					
2. Elizabeth S. Ward (T)					16
From: Professor		100	12	111,700	
To: Professor and Paul and Betty Meek - FINA Professorship in Molecular Biology	4/1-8/31	100	12	111,700	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SOUTHWESTERN MEDICAL SCHOOL (Continued)					
Office of the Dean – Southwestern Medical School					
3. Charles M. Ginsburg (T)					23
From: Associate Dean for Faculty Development and Marilyn R. Corrigan Distinguished Chair in Pediatric Research		100	12	270,000	
To: Associate Dean for Academic Administration and Marilyn R. Corrigan Distinguished Chair in Pediatric Research	6/1-8/31	100	12	270,000	
Biochemistry					
4. Michael G. Roth (T)					24
From: Professor and Diane and Hal Brierley Chair in Biomedical Research		100	12	115,000	
To: Professor, Associate Dean of the Southwestern Graduate School of Biomedical Sciences and the Diane and Hal Brierley Chair in Biomedical Research	6/1-8/31	100	12	115,000	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
SOUTHWESTERN MEDICAL SCHOOL		
Advanced Technology Program		
5. Amount of Transfer:	1,405,732	17
From: Allocation of General Revenue by the Coordinating Board		
To: Advanced Technology Programs for:		
Dynamic Organ Preservation: A Strategy to Expand the Donor Pool for Heart Transplantation	160,000	
Therapeutic Targets for Treatment of Cardiac Enlargement and Heart Failure	200,000	
Genetic Engineering of Human Cardiac Stem Cells	260,000	
New Mouse Models of Polycystic Kidney Disease	180,000	
Photoregulated Enzymes: A novel and general approach to control function in vitro and in vivo	220,000	
Gene Expression Signatures for Selection of Individual Cancer Patient Chemotherapy	180,000	
Genetically Engineered Transparent Biosynthetic Conduits for Directed and Enhanced Nerve Repair	205,732	



**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED APPOINTMENT**

**RELATIVE**

1. Department of Physiology  
Chairman  
James Stull
  
2. Department of Orthopaedic Surgery  
Chairman  
Robert Bucholz

- Department of Physiology  
Associate Professor  
Kristine E. Kamm (spouse)
- Department of Orthopaedic Surgery  
Associate Professor  
Mary Beth Ezaki (spouse)

**PROPOSED REAPPOINTMENT**

**RELATIVE**

3. Office of the President  
President  
C. Kern Wildenthal

- Office of the President  
Special Assistant  
Margaret Wildenthal (spouse)\*

\*Mrs. Wildenthal is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Southwestern Medical School</b>		
Biochemistry		
Kevin H. Gardner	Assistant Professor (NT)	Associate Professor (T)
Nick V. Grishin	Assistant Professor (NT)	Associate Professor (T)
Dermatology		
Amit G. Pandya	Associate Professor (NT)	Professor (T)
Internal Medicine		
Daniel J. Garry	Assistant Professor (NT)	Associate Professor (T)
Robert L. Ilaria	Assistant Professor (NT)	Associate Professor (T)
Clyde W. Yancy, Jr.	Associate Professor (NT)	Professor (T)
Microbiology		
Michael J. Gale, Jr.	Assistant Professor (NT)	Associate Professor (T)
Molecular Biology		
Leon Avery	Associate Professor (T)	Professor (T)
Rueyling Lin	Assistant Professor (NT)	Associate Professor (T)
Neurology		
Michael K. Racke	Associate Professor (T)	Professor (T)
Pathology		
Richard H. Scheuermann	Associate Professor (T)	Professor (T)
Pediatrics		
Deepak Srivastava	Associate Professor (T)	Professor (T)
Pharmacology		
Dean P. Smith	Assistant Professor (NT)	Associate Professor (T)
Hongtao Yu	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

College, Department, and Name	From	To
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**Southwestern Medical School (Continued)**

Physiology

Yi Liu	Assistant Professor (NT)	Associate Professor (T)
Duojia Pan	Assistant Professor (NT)	Associate Professor (T)
Philip J. Thomas	Associate Professor (T)	Professor (T)

Psychiatry

Mustafa M. Husain	Associate Professor (NT)	Professor (T)
David W. Self	Associate Professor (NT)	Associate Professor (T)
Madhukar H. Trivedi	Associate Professor (NT)	Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	12	12	24	34
b. To keep proper sequence	0	0	0	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	1	1	4
Subtotal	12	13	25	38
h. Voluntarily offered	1	5	6	2
Total	13	18	31	40

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	7	15	22	17
b. To keep proper sequence	2	3	5	3
c. New program	0	0	0	0
d. Cross listed	0	1	1	5
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	15	1	16	0
Subtotal	24	20	44	25
h. Voluntarily offered	0	0	0	0
Total	24	20	44	25

## U. T. MEDICAL BRANCH – GALVESTON

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs, and are recommended for approval by the U. T. Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS GOING OUT

1. Agency: OPTUS, Incorporated  
Funds: \$4,209,412  
Period: May 18, 2004 through May 17, 2009  
Description: OPTUS, Incorporated will provide telecommunication system maintenance and move/add/change activities for the voice communication system at U. T. Medical Branch - Galveston. The vendor was selected from six bidders: OPTUS, Incorporated from Houston, Texas; NEC Business Network Solutions from Irving, Texas; Shared Technologies, Inc. from Houston, Texas; NextiraOne from Houston, Texas; Southwestern Bell (SBC) from Bellaire, Texas; and HTIS, Inc. from Houston, Texas, following a competitive bid process.
  
2. Agency: Sodexho Services of Texas Limited Partnership (Sodexho)  
Funds: \$28,990,790  
Period: May 20, 2004 through August 31, 2007  
Description: Amendment to extend the contract for an additional three-year period. Sodexho provides environmental housekeeping services to U. T. Medical Branch - Galveston and maintains an adequate staff in such manner that the facilities are kept clean from both a technical and aesthetic perspective.

**AMENDMENTS TO THE 2003-04 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>SCHOOL OF MEDICINE</b>					
Internal Medicine					
Professor					
1. Joseph H. Sellin (T)	10/13-8/31	100	12	210,000	23
2. Allan R. Brasier (T)					24
From: Leon Bromberg, M.D. Professorship in Internal Medicine and Professor		100	12	167,500	
To: Leon Bromberg, M.D. Professorship in Internal Medicine and Chancellor's Health Fellow in Science and Professor	7/1-8/31	100	12	167,500	
Otolaryngology					
3. Shawn D. Newlands (T)					21
From: Associate Professor and Chair		100	12	300,000	
To: Professor and Chair	1/1-8/31	100	12	300,000	
4. Shawn D. Newlands (T)					19
From: Professor and Chair		100	12	300,000	
To: Harry Carothers Weiss Chair in Otolaryngology and Professor and Chair	2/1-8/31	100	12	300,000	

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED APPOINTMENT</b>	<b>RELATIVE</b>
1. Catering Catering Chef Rey Lopez	Catering Cook Pedro Almazan (brother-in-law)
2. Correctional Managed Care Cluster Dental Director (Gatesville) Dr. John Stephens	Correctional Managed Care Dentist (Gatesville) Dr. Debie Stephens (spouse)
3. Information Services Manager, Information Systems  David Copado	Information Services Shift Supervisor, Computer Operations Michael Rendon (brother-in-law)
4. School of Medicine Cardiology Heart Lab Chief Electrocardiograph Technician Dorothea Senegal	School of Medicine Cardiology Heart Lab Electrocardiograph Technician I Carolyn Scott (sister)
5. School of Medicine Internal Medicine Professor Dr. Michael Boyars	School of Medicine Internal Medicine Senior Research Associate Dr. Donna Wilkey (spouse)
6. School of Medicine Microbiology Associate Professor Vladimer Motin	School of Medicine Microbiology Assistant Professor Sadhana Chauhan (spouse)
7. School of Medicine Pathology Professor Robert Tesh, M.D.	School of Medicine Pathology Research Associate I Hilda Guzman (spouse)



**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES (CONTINUED)**

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
8. School of Medicine (Continued) Pathology Associate Professor Charles Fulhorst, D.V.M., Dr. P.H.	School of Medicine (Continued) Pathology Research Associate I Mary Louise Milazzo (spouse)
9. School of Medicine Pathology Associate Professor Stephen Higgs, Ph.D.	School of Medicine Pathology Senior Research Associate I Dana Vanlandingham (spouse)
<b>PROPOSED REAPPOINTMENT</b>	<b>RELATIVE</b>
10. Office of the President President John D. Stobo, M.D.	Office of the President Special Assistant Mary Ann Stobo (spouse)*
11. School of Medicine Anesthesiology Professor Daniel L. Traber	School of Medicine Anesthesiology Laboratory Supervisor Lillian D. Traber (spouse)
12. School of Medicine Human Biological Chemistry and Genetics Professor David W. Bolen	School of Medicine Human Biological Chemistry and Genetics Research Technician Cassandra L. Bolen (spouse)
13. School of Medicine Human Biological Chemistry and Genetics Professor Werner Braun	School of Medicine Human Biological Chemistry and Genetics Senior Scientist Catherine H. Braun-Schein (spouse)
14. School of Medicine Human Biological Chemistry and Genetics Professor James C. Lee	School of Medicine Human Biological Chemistry and Genetics Senior Research Associate Lucy L. Lee (spouse)

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES (CONTINUED)**

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
15. School of Medicine (Continued) Human Biological Chemistry and Genetics Professor Bruce Luxon	School of Medicine (Continued) Human Biological Chemistry and Genetics Office Supervisor Jacqueline Luxon (spouse)
16. School of Medicine Human Biological Chemistry and Genetics Professor John Papaconstantinou	School of Medicine Human Biological Chemistry and Genetics Research Assistant I Eugenia T. Papaconstantinou (spouse)
17. School of Medicine Human Biological Chemistry and Genetics Professor & Chair Ad-Interim Jose R. Perez-Polo	School of Medicine Human Biological Chemistry and Genetics Research Associate II Karin Werrbach-Perez (spouse)
18. School of Medicine Ophthalmology and Visual Sciences Associate Professor Stefan D. Trocme	School of Medicine Ophthalmology and Visual Sciences Research Scientist Marie C. Trocme (spouse)
19. School of Medicine Physiology and Biophysics Associate Professor Owen Hamill	School of Medicine Physiology and Biophysics Assistant Professor Rosario Maroto (spouse)
20. School of Medicine Physiology and Biophysics Professor Simon Lewis	School of Medicine Physiology and Biophysics Research Associate I Jamie Lewis (spouse)

\*Mrs. Stobo is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Allied Health</b>		
Physical Therapy		
Caroline Jansen	Assistant Professor (NT)	Associate Professor (T)
<b>School of Medicine</b>		
Human Biological Chemistry And Genetics		
Lee-Nien Lillan Chan	Associate Professor (T)	Professor (T)
Internal Medicine		
Jean L. Freeman	Associate Professor (T)	Professor (T)
Joseph H. Sellin	New	Professor (T)
Sanjiv Sur	Associate Professor (T)	Professor (T)
Dennis M. Walling	Assistant Professor (NT)	Associate Professor (T)
Shu-Yuan Xiao	Associate Professor (NT)	Associate Professor (T)
Microbiology and Immunology		
Istvan Boldogh	Associate Professor (NT)	Associate Professor (T)
Dennis M. Walling	Assistant Professor (NT)	Associate Professor (T)
Neuroscience and Cell Biology		
Gregg T. Nagel	Associate Professor (T)	Professor (T)
Pathology		
Patrick A. Adegboyega	Associate Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Medicine (Continued)</b>		
Pathology (Continued)		
Shu-Yuan Xiao	Associate Professor (NT)	Associate Professor (T)
Pediatrics		
Sanjiv Sur	Associate Professor (T)	Professor (T)
Pharmacology and Toxicology		
Xiaodong Cheng	Assistant Professor (NT)	Associate Professor (T)
Preventive Medicine and Community Health		
Jean L. Freeman	Associate Professor (T)	Professor (T)
Mary Kristen Peek	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	19	19	38	26
b. To keep proper sequence	17	21	38	32
c. New program	0	0	0	3
d. Cross listed	0	0	0	9
e. First time offered	0	0	0	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	1
Subtotal	36	40	76	75
h. Voluntarily offered	3	1	4	1
Total	39	41	80	76

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	15	20	35	18
b. To keep proper sequence	10	11	21	33
c. New program	0	1	1	7
d. Cross listed	1	0	1	13
e. First time offered	7	7	14	6
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	13	15	28	20
Subtotal	46	54	100	97
h. Voluntarily offered	7	6	13	25
Total	53	60	113	122

## U. T. HEALTH SCIENCE CENTER - HOUSTON

### GIFTS

The following gift has been received, has been administratively approved by the President or his delegate, and is recommended for approval by the U. T. Board of Regents:

1. Donor Name: The Cullen Trust for Health Care  
College/School/ Department: Institution  
Purpose: Support the New Frontiers Campaign for the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases  
Asset Type: Cash  
Value: \$600,000

### RETURN OF GIFT

On November 8, 2001, the Board of Regents approved the acceptance from the Estate of Eula Goss Wintermann to the U. T. Health Science Center - Houston, a parcel of real estate located in Colorado County, Texas, with improvements, furnishings, and artwork to be maintained in perpetuity. The sum of \$2,000,000 was also gifted to U. T. Health Science Center - Houston, the income from which was to pay for maintenance of the other real estate. The understanding with the Wintermann Estate mandated transfer of the real estate, personal property, and cash to another educational institution in the event that U. T. Health Science Center - Houston ever determined it could not use the Wintermann assets in the manner intended by the donor. It is the intention of U. T. Health Science Center Houston to notify the Executor of the Estate of Eula Goss Wintermann and the directors of the David and Eula Wintermann Foundation that the Wintermann assets should be transferred to a successor educational institution designated by the Estate or Foundation, as appropriate.

**AMENDMENTS TO THE 2003-04 BUDGET**

**APPOINTMENTS AND PROMOTIONS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>HSC – GENERAL</b>					
Administrative Support					
1. L. Maximilian Buja					38
From: Executive Vice President for Academic Affairs		100 SUPLT	12 12	314,746 95,000	
To: Executive Vice President for Academic Affairs	9/1-8/31	100	12	314,746	
Chancellor's Health Fellow in Medical Education	9/1-8/31 4/1/04	100	12	95,000	
<b>MEDICAL SCHOOL</b>					
Internal Medicine					
2. Dianna M. Milewicz (T)					34
From: Professor		100 SUPLT	12 12	160,000 20,000	
To: Professor and President George Bush Chair in Cardiovascular Medicine	5/16-8/31	100 SUPLT	12 12	160,000 20,000	



**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
Radiology					
3. Susan D. John (T)					32
From: Professor and Vice Chairman		100	12	280,000	
		SUPLT	12	20,000	
To: Professor and Chairman	4/16-8/31	100	12	320,500	
		SUPLT	12	85,000	
GRADUATE SCHOOL OF BIOMEDICAL SCIENCES (GSBS)					
General Instruction - Graduate School of Biomedical Sciences					
4. Stephen P. Daiger					35
From: Professor (T)					
SCHOOL OF PUBLIC HEALTH					
Biological Sciences					
Professor (T)		100	12	113,733	
To: Professor and Thomas S. Matney, Ph.D. Endowed Professorship in Environmental and Genetics Sciences (T)	05/25/04	100	12	113,733	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
SCHOOL OF NURSING					
Center for Nursing Research					
4. Sandra K. Hanneman (T)					33
From:					
General Instruction – Nursing School Associate Professor Center for Nursing Research Administration Associate Dean for Research and Evaluation		100 SUPLT	12 12	81,800 10,000	
To:					
General Instruction – Nursing School Associate Professor and Jerold B. Katz Distinguished Professorship for Nursing Research Administration, Associate Dean for Research and Evaluation	5/1-8/31	100 SUPLT	12 12	81,800 10,000	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
U. T. HEATH SCIENCE CENTER - HOUSTON		
Repair and Rehabilitation		
4. Amount of Transfer:	10,105	37

From: Repair and Rehabilitation (701-105) FY 00/01

To: Library, Equipment, Repair and Rehabilitation – Control the Chill Water Supply

Transfer of all remaining encumbrances prior to 2003 to complete the installation of Chilled Water Control Supply Valves in the Medical School Building Laboratory Units. This project will allow operational personnel to control the chill water supply to all the laboratory air handlers in the Medical School.

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel action involving the appointment, reappointment, or promotion of relatives has been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel action is consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED REAPPOINTMENT**

**RELATIVE**

1. School of Public Health  
Epidemiology  
Dean, Professor and  
Director  
R. Palmer Beasley

School of Public Health  
Epidemiology  
Associate Professor  
  
Lu-Yu Hwang (wife)

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Medical School</b>		
Anesthesiology		
Robert D. Wartens	Associate Professor (T)	Professor (T)
Integrative Biology and Pharmacy		
Carmen W. Dessauer	Assistant Professor (NT)	Associate Professor (T)
Robert A. Kirken	Assistant Professor (NT)	Assistant Professor (T)
Internal Medicine, Infectious Diseases		
Roberto C. Arduino	Associate Professor (NT)	Associate Professor (T)
Pablo C. Okhuysen	Associate Professor (T)	Professor (T)
Internal Medicine, Renal Diseases		
Andrew M. Kahn	Associate Professor (T)	Professor (T)
Internal Medicine, Rheumatology		
Maureen D. Mayes	Professor (NT)	Professor (T)
Filemon K. Tan	Assistant Professor (NT)	Associate Professor (T)
Neurobiology and Anatomy		
Andrew Bean	Assistant Professor (NT)	Assistant Professor (T)
Ruth Heidelberger	Assistant Professor (NT)	Assistant Professor (T)
Pathology and Laboratory Medicine		
Chinnaswamy Jagannath	Associate Professor (NT)	Associate Professor (T)
Dani S. Zander	Professor (NT)	Professor (T)
<b>Dental Branch</b>		
Dental Public Health and Hygiene		
Donna P. Warren	Assistant Professor (NT)	Assistant Professor (T)
Department of Orthodontics		
Jeryl D. English	Associate Professor (T)	Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Dental Branch (Continued)</b>		
Department of Prosthodontics Robert L. Engelmeier	Associate Professor (NT)	Associate Professor (T)
Periodontics Donna P. Warren	Assistant Professor (T)	Associate Professor (T)
<b>School of Public Health</b>		
Health Promotion and Behavioral Sciences Benjamin C. Amick III	Associate Professor (NT)	Associate Professor (T)
Maria E. Fernandez-Esquer	Assistant Professor (NT)	Associate Professor (T)
Brownsville Regional Campus/RAHC Maureen Sanderson	Associate Professor (NT)	Associate Professor (T)
<b>School of Nursing</b>		
Nursing Systems and Technology Christine A. Brosnan	Assistant Professor (NT)	Associate Professor (T)
Nursing for Target Populations Joan C. Engebretson	Associate Professor (T)	Professor (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and **is** submitted for approval by the U. T. Board of Regents. It has been determined that the holding of **this** office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Hamilton with The University of Texas Health Science Center at Houston. By approval of this item, the Board is also asked to find that holding this position **is** of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University appointment.

- |               |   |
|---------------|---|
| Name:         | Dr. Carlos R. Hamilton, Jr.   |
| Title:        | Executive Vice President for External Affairs   |
| Position:     | Appointment to the Health, Medical and Research Committee of the World Anti-Doping Agency (WADA)  |
| Period:       | November 19, 2003   |
| Compensation: | None  |
| Description:  | The Health Medical and Research Committee of WADA provides guidance for WADA's main programs. WADA is an international agency that regulates and supervises the ban on performance-enhancing drugs in athletic competition such as the Tour d'France and the Olympic Games. |

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	0	0	0	3
b. To keep proper sequence	0	0	0	1
c. New program	1	0	1	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	3	0	3	5
Subtotal	4	0	4	9
h. Voluntarily offered	0	1	1	0
Total	4	1	5	9



**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	19	20	39	33
b. To keep proper sequence	46	61	107	92
c. New program	2	4	6	10
d. Cross listed	7	6	13	7
e. First time offered	4	5	9	9
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	2	1	3	0
Subtotal	80	97	177	151
h. Voluntarily offered	24	27	51	27
Total	104	124	228	178

**U. T. HEALTH SCIENCE CENTER - SAN ANTONIO**

**AMENDMENTS TO THE 2003-2004 BUDGET**

**TRANSFERS OF FUNDS**

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
SPECIAL ITEMS-INSTRUCTIONS SUPPORT		
Regional Academic Health Center (RAHC)		
1. Amount of Transfer:	9,000,000	125

From: State Appropriations Income General Revenue, Article IX Enhanced Regional Academic Health Center Funding over the 2004-2005 biennium

To: Special Items-Instructions Support RAHC

Funding from appropriations made in House Bill 1, Section 11.28(c), Article IX, Chapter 1330, Acts of the 78<sup>th</sup> Legislature, Third Called Session, the amount of \$9,000,000 from the general revenue fund for fiscal year 2004 to be transferred to The University of Texas Health Science Center at San Antonio, for operating costs for the Regional Academic Health Center in Harlingen and Edinburg for the biennium ending August 31, 2005.

**FEEES AND MISCELLANEOUS CHARGES**

**OTHER FEES AND CHARGES**

The following new charge recommended for approval by the U. T. Board of Regents and inclusion in institutional catalogs has been approved by the Executive Vice Chancellor for Health Affairs. The recommended charge is consistent with applicable statutory requirements under Section 54.504 and Section 55.16 of the Texas Education Code and is proposed to effective beginning Spring 2005.

<u>Name/Description</u>	<u>\$ Amount of Fee</u>
<b>TECHNICAL CLINICAL SKILLS FEE</b>	
To defray the cost of consumable laboratory supplies, equipment, and other expenses associated with the Technical Clinical Skills Laboratory	
Undergraduate Nursing Students	
Semester 1	60
Semester 2	60
Semester 3	30
Semester 4	60
Graduate Nursing Students	
Semester 1	60
All other semesters	90

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, and Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Medical School</b>		
Family and Community Medicine		
Claudia S. Miller	Associate Professor (T)	Professor (T)
Medicine		
Antonio R. Anzueto	Associate Professor (T)	Professor (T)
John M. Erikson	Assistant Professor (NT)	Associate Professor (T)
Cesar O. Freytes	Associate Professor (T)	Professor (T)
Stephanie M. Levine	Professor\Clinical (NT)	Professor (T)
Daniel J. Riley	Assistant Professor (NT)	Associate Professor (T)
Ophthalmology		
Randolph D. Glickman	Associate Professor/ Charles and Lillian Senderoff Professorship (NT)	Associate Professor/ Charles and Lillian Senderoff Professorship (T)
Jeffrey W. Kiel	Associate Professor (T)	Professor (T)
Stuart J. McKinnon	Assistant Professor (NT)	Associate Professor (T)
Otolaryngology - Head and Neck Surgery		
Frank R. Miller	Assistant Professor (NT)	Associate Professor (T)
Pediatrics		
Jacques Guy Baillargeon	Assistant Professor (NT)	Associate Professor (T)
Psychiatry		
Ming D. Li	Associate Professor/ Southwest Texas Addiction Research and Technology Center Genetic Research Professorship (NT)	Associate Professor/ Southwest Texas Addiction Research and Technology Center Genetic Research Professorship (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Medical School (Continued)</b>		
Psychiatry (continued)		
Donald R. Royall	Professor (NT)	Professor (T)
Peter M. Thompson	Assistant Professor (NT)	Associate Professor (T)
<b>Dental School</b>		
Community Dentistry		
David P. Cappelli	Assistant Professor (NT)	Associate Professor (T)
Dental Diagnostic Science		
Chih-Ko Yeh	Associate Professor (T)	Professor (T)
Endodontics		
Karl Keiser	Assistant Professor (NT)	Associate Professor (T)
Pediatric Dentistry		
Adriana Segura Donly	Associate Professor (NT)	Professor (T)
Periodontics		
Bjorn Steffensen	Associate Professor (T)	Professor (T)
<b>Graduate School of Biomedical Sciences</b>		
Cellular and Structural Biology		
Luzhe Sun	Associate Professor (T)	Professor (T)
Pathology		
Marilyn S. Pollack	Associate Professor (T)	Professor (T)
I-Tien Yeh	Associate Professor (T)	Professor (T)
Sherry L. Werner	Associate Professor/ Research (NT)	Associate Professor (T)
Physiology		
Glenn M. Toney	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Allied Health Sciences</b>		
Clinical Laboratory Sciences		
Betty Dunn	Assistant Professor (NT)	Associate Professor (T)
Occupational Therapy		
Alison J. Beck	Assistant Professor (NT)	Associate Professor (T)
Respiratory Care		
David C. Shelledy	Associate Professor and Chair (T)	Professor and Chair (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following items have been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' Rules and Regulations, Part One, Chapter III, Section 13 and are submitted for approval by the U. T. Board of Regents. It has been determined that the holding of these offices or positions is of benefit to the State of Texas and The University of Texas and there is no conflict between holding these positions and the appointments of Dr. Cigarroa and Dr. Murphy with The University of Texas Health Science Center at San Antonio. By approval of these items, the Board is also asked to find that holding these positions are of benefit to the State of Texas and The University of Texas and there is no conflict between the positions and the University appointments.

- |               |   |
|---------------|---|
| Name:         | Francisco G. Cigarroa, M.D.   |
| Title:        | President   |
| Position:     | Appointment as a member of the President's Committee on the National Medal of Science   |
| Period:       | February 5, 2003 through December 31, 2006  |
| Compensation: | None  |
| Description:  | In March 2004 President George W. Bush reappointed Dr. Cigarroa as a member of the President's Committee on the National Medal of Science, for the remainder of a three-year term expiring December 31, 2006. Congress created the National Medal of Science in 1959 as a Presidential Award to be given to individuals "deserving of special recognition by reason of their outstanding contributions to knowledge in the physical, biological, mathematical or engineering sciences." In 1980 the award was expanded to include the social and behavioral sciences. The President appoints twelve of the nation's most prominent leaders in the fields of research, science, or engineering to evaluate award nominees. |

## OTHER MATTERS (CONTINUED)

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT (CONTINUED)

2. Name: Sharon B. Murphy, M.D., Ph.D.  
Title: Professor of Pediatrics and Director of the Children's Cancer Research Institute  
Position: Appointment as a Special Government Employee or consultant to Center for Drug Evaluation and Research, Food and Drug Administration, Department of Health and Human Services  
Period: Intermittently beginning May 4, 2004  
Compensation: \$54.47 an hour for each assignment  
Description: In May 2004, Johanna Clifford of the Food and Drug Administration, Center for Drug Evaluation and Research, Advisors and Consultants Staff, invited Dr. Murphy to serve as a Special Government Employee, or consultant, to the Division of Oncologic Drug Products, to serve ad hoc as an advisory committee member on the evaluation of oncologic drug products for the Food and Drug Administration on a case-by-case basis.



## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	1	16	17	10
b. To keep proper sequence	15	14	29	33
c. New program	2	2	4	14
d. Cross listed	0	2	2	5
e. First time offered	1	2	3	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	34
Subtotal	19	36	55	96
h. Voluntarily offered	31	39	70	24
Total	50	75	125	120

**SMALL CLASS REPORT, FALL 2003 AND SPRING 2004 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	15	15	30	16
b. To keep proper sequence	14	12	26	32
c. New program	2	0	2	2
d. Cross listed	9	9	18	8
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	4	9	13	5
Subtotal	44	45	89	63
h. Voluntarily offered	14	20	34	65
Total	58	65	123	128

## U. T. M. D. ANDERSON CANCER CENTER

### GIFTS

The following gifts have been received, have been administratively approved by the President or his delegate, and are recommended for approval by the U. T. System Board of Regents:

1. Donor Name: The Houston Comets  
College/School/ Department: Institution  
Purpose: Construction of Kim's Place/Capital Improvement Program  
Asset Type: Cash  
Value: \$631,482
  
2. Donor Name: Louis and Gloria Flanzer Charitable Trust  
College/School/ Department: Surgical Oncology  
Purpose: Sarcoma Research  
Asset Type: Cash  
Value: \$1,000,000
  
3. Donor Name: The Prostate Cancer Foundation  
College/School/ Department: Genitourinary Medical Oncology  
Purpose: Prostate Cancer Research  
Asset Type: Cash  
Value: \$1,000,000
  
4. Donor Name: Mr. Morton L. Topfer  
College/School/ Department: Gastro-Intestinal Medical Oncology  
Purpose: Pancreatic Cancer Research  
Asset Type: Common Stock  
Value: \$978,039
  
5. Donor Name: The Commonwealth Foundation for Cancer Research  
College/School/ Department: President's Office  
Purpose: Cancer Research  
Asset Type: Cash  
Value: \$1,250,000

## AMENDMENTS TO THE 2003-04 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>U. T. M. D. ANDERSON CANCER CENTER - MEDICAL STAFF</b>					
Melanoma Medical Oncology					
Professor					
1. Wen-Jen Hwu (T)	6/1-8/31	100	12	210,000	32
Laboratory Medicine					
Professor					
2. Marcelo Fernandez-Vina (T)	5/1-8/31	100	12	202,000	33
Pediatrics					
Professor					
3. Nancy Ratner (T)	8/1-8/31	100	12	165,000	44
Diagnostic Radiology					
Professor					
4. Carl M. Sandler (T)	7/1-8/31	100	12	290,000	47
Diagnostic Radiology					
Professor					
5. Leena Ketonen (T)	8/23-8/31	100	12	320,000	48

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>U. T. M. D. ANDERSON CANCER CENTER -</b>					
<b>MEDICAL STAFF (Continued)</b>					
EVP and COO-Patient Care, Imaging Physics, and Educational Programs					
6. John Hazle (T)					34
From: Chair (ad interim), Associate Professor		100 SUPLT	12 12	177,846 16,000	
To: Chair, Associate Professor	3/1-8/31 3/1-8/31	100 SUPLT	12 12	251,000 4,000	
EVP and COO-Patient Care, Lymphoma/Myeloma					
7. Maria Rodriguez (T)					35
From: Chair (ad Interim), Professor		100 SUPLT	12 12	199,382 12,000	
To: Professor	3/1-8/31 3/1-8/31	100 SUPLT	12 12	199,382 12,000	
Neurosurgery					
8. Raymond Sawaya (T)					36
From: Chair, Professor, and Mary Beth Pawelek Endowed Chair		100	12	553,816	
To: Chair, Professor and Anne C. Brooks and Anthony D. Bullock III Distinguished Chair	3/1-8/31	100	12	553,816	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>U. T. M. D. ANDERSON CANCER CENTER - MEDICAL STAFF (Continued)</b>					
Vice President and Chief Medical Officer					
9. Thomas Burke (T)					42
From: Vice President and Chief Medical Officer, Professor		100	12	400,000	
To: Executive Vice President and Chief Operating Officer Senior Vice President and Chief Operating Officer (ad interim), Professor	5/1-8/31	100	12	400,000	
<b>U. T. M. D. ANDERSON CANCER CENTER - RESEARCH</b>					
Molecular Genetics					
10. Benoit deCrombrugge (T)					37
From: Chair, Professor, and Paul and Mary Haas Endowed Chair in Honor of Amanda Marie Whittle		100	12	254,628	
To: Chair, Professor, and Hubert L. Olive Stringer Distinguished Chair in Basic Science	3/1-8/31	100	12	254,628	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
U. T. M. D. ANDERSON CANCER CENTER - RESEARCH (Continued)					
Molecular Genetics					
11. Richard Behringer (T)					38
From: Professor and Barnts Family Professorship in Cancer Research		100	12	162,900	
To: Professor and Ben F. Love Endowed Chair in Cancer Research	4/1-8/31	100	12	165,900	
Molecular Genetics					
12. Guillermina Lozano (T)					39
From: Professor and Anise J. Sorrell Professorship		100	12	162,682	
To: Professor and Mattie Allen Fair Research Endowed Chair	4/1-8/31	100	12	165,682	

**AMENDMENTS TO THE 2003-04 BUDGET (CONTINUED)**

**APPOINTMENTS AND PROMOTIONS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>U. T. M. D. ANDERSON CANCER CENTER - RESEARCH (Continued)</b>					
Biostatistics					
13. Peter Thall (T)					41
From: Professor		100	12	159,000	
To: Professor and Anise J. Sorrell Professorship	5/1-8/31	100	12	162,000	
Experimental Radiation Oncology					
14. Elizabeth Travis (T)					43
From: Professor and Mattie Allen Fair Professorship in Cancer Research		100	12	167,859	
To: EVP/CAO Office, Experimental Radiation Oncology Associate Vice President for Academic Affairs, Professor and Mattie Allen Fair Professorship in Cancer Research	5/1-8/31	100	12	167,859	
	5/1-8/31	SUPLT	12	10,000	
<b>QUALITY MANAGEMENT</b>					
15. Sharon Martin					60
From: Vice President, Process Improvement		100 SUPLT	12 12	174,200 43,550	
To: Vice President, Process Improvement and Chancellor's Health Fellow in Quality of Care and Patient Safety	7/1-8/31	100 SUPLT	12 12	174,200 43,550	



**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

<u>College, Department, Title, Name</u>	<u>College, Department, Title, Name</u>
<b>PROPOSED REAPPOINTMENT</b>	<b>RELATIVE</b>
1. Office of the President President and Professor John Mendelsohn	Office of the President Special Assistant Anne Mendelsohn (spouse)*
2. Radiation Oncology Division Head, Chair, Professor and Distinguished Chair James D. Cox	Radiation Oncology Professor Ritsuko Komaki (spouse)
3. EVP & Chief Academic Officer EVP and Chief Academic Officer and Professor Margaret L. Kripke	Cancer Biology Chair, Professor and Distinguished Chair Isaiah J. Fidler (spouse)

\*Mrs. Mendelsohn is not listed in the budget as she is appointed without compensation.

## NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS

The following personnel actions involving new tenure appointments and promotion within tenure ranks have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2005 Annual Operating Budget of each component institution and are consistent with the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Section 6.2, Subsection 6.25.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>U. T. M. D. Anderson Cancer Center</b>		
<b>Epidemiology</b>		
Xi F. Wu	Associate Professor (T)	Professor (T)
<b>Pathology</b>		
Gregg A. Staerkel	Associate Professor (T)	Professor (T)
Savitri Krishnamurthy	Assistant Professor (NT)	Associate Professor (T)
Jinsong Liu	Assistant Professor (NT)	Associate Professor (T)
Lavinia P. Middleton	Assistant Professor (NT)	Associate Professor (T)
William F. Symmans	Associate Professor (NT)	Associate Professor (T)
<b>Diagnostic Radiology</b>		
Lawrence E. Ginsberg	Associate Professor (T)	Professor (T)
<b>Radiation Oncology</b>		
Thomas A. Bucholz	Associate Professor (T)	Professor (T)
Chul S. Ha	Associate Professor (NT)	Professor (T)
Mark S. Chambers	Associate Professor (NT)	Associate Professor (T)
<b>Surgical Oncology</b>		
Kelly K. Hunt	Associate Professor (T)	Professor (T)
Peter W. Pisters	Associate Professor (T)	Professor (T)
<b>Gynecologic Oncology</b>		
Karen H. Lu	Assistant Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>U. T. M. D. Anderson Cancer Center</b>		
Biochemistry and Molecular Biology		
Sharon R. Dent	Associate Professor (T)	Professor (T)
Naoto T. Ueno	Associate Professor (NT)	Associate Professor (T)
Paul J. Chiao	Associate Professor (NT)	Associate Professor (T)
Head & Neck Surgery		
Franco DeMonte	Associate Professor (T)	Professor (T)
Behavioral Science		
Alexandre V. Prokhorov	Associate Professor (T)	Professor (T)
David W. Wetter	Associate Professor (T)	Professor (T)
Veterinary Sciences		
Jagannadha K. Sastry	Associate Professor (T)	Professor (T)
Clinical Cancer Prevention		
Anita Lyn Sabichi	Assistant Professor (NT)	Associate Professor (T)
Thoracic & Cardiovascular Surgery		
Ara A. Vaporciyan	Assistant Professor (NT)	Associate Professor (T)
Immunology		
Hector Martinez-Valdez	Associate Professor (NT)	Associate Professor (T)
Breast Medical Oncology		
Lajos Pusztai	Assistant Professor (NT)	Associate Professor (T)
Blood & Marrow Transplantation		
Issa F. Khouri	Associate Professor (T)	Professor (T)
Leukemia		
Jorge E. Cortes-Franco	Associate Professor (T)	Professor (T)
Infectious Diseases		
Dimitrios P. Kontoyiannis	Associate Professor (NT)	Associate Professor (T)

**NEW TENURE APPOINTMENTS AND PROMOTIONS WITHIN TENURE RANKS  
(CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>U. T. M. D. Anderson Cancer Center</b>		
Sarcoma Medical Oncology Shreyaskumar Patel	Associate Professor (T)	Professor (T)
Neuro-Oncology Mark R. Gilbert	Associate Professor (NT)	Associate Professor (T)
Thoracic/Head & Neck Medical Oncology Jonathan M. Kurie	Associate Professor (T)	Professor (T)
Molecular Therapeutics Francois-Xavier Claret	Assistant Professor (NT)	Associate Professor (T)
Thoracic and Cardiovascular Surgery – Research Bingliang Fang	Assistant Professor (NT)	Associate Professor (T)
Plastic Surgery Charles W. Patrick, Jr.	Associate Professor (NT)	Associate Professor (T)
Radiation Physics – Pt. Care John D. Hazle	Associate Professor (T)	Professor (T)
Biostatistics Kim-Anh Do	Associate Professor (T)	Professor (T)
Linda S. Elting	Associate Professor (T)	Professor (T)
Keith A. Baggerly	Assistant Professor (NT)	Associate Professor (T)
Experimental Imaging Physics Roger E. Price	Associate Professor (T)	Professor (T)
Thoracic Head and Neck Medical Oncology – Research Li Mao	Associate Professor (T)	Professor (T)
Anesthesiology Patrick M. Dougherty	Associate Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2003 AND SPRING 2004

Pursuant to Section 51.403 of the Texas Education Code and Section 5.301 of the Texas Higher Education Coordinating Board Rules, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	16	19	35	38
b. To keep proper sequence	16	19	35	38
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing Standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	32	38	70	76
h. Voluntarily offered	0	0	0	0
Total	32	38	70	76

**U. T. HEALTH CENTER - TYLER**  
**AMENDMENTS TO THE 2003-04 BUDGET**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
LERR EQUIPMENT PROJECT		
1. Amount of Transfer:	1,832	9
From: Library, Equipment, Repair and Rehabilitation (LERR) Centralized Call Management System		
To: LERR Emergency Room Renovation		
<p>To transfer of \$1,832.14 from approved LERR Equipment Project to a LERR Repair and Rehabilitation project. These funds are needed for an existing purchase order for a Text Telephone and Emergency Room renovation costs.</p>		

LERR EQUIPMENT PROJECT		
2. Amount of Transfer:	4,535	10
From: LERR Analytical Electron Microscope		
To: LERR Emergency Room Renovation		
<p>To transfer funds of \$4,535 from approved LERR Equipment Project to a LERR Repair and Rehabilitation project. These funds are needed for Emergency Room renovation costs.</p>		

**APPOINTMENT, REAPPOINTMENT, OR PROMOTION OF RELATIVES  
AND MARRIAGE OF CERTAIN EMPLOYEES**

The following personnel actions involving the appointment, reappointment, or promotion of relatives have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions are consistent with the provisions of Section 573.001 of the Texas Government Code and the Regents' Rules and Regulations, Part One, Chapter III, Section 5.

College, Department, Title, Name

College, Department, Title, Name

**PROPOSED REAPPOINTMENT**

**RELATIVE**

1. Office of the President  
President  
Kirk A. Calhoun

Office of the President  
Special Assistant  
Jeanette Deas Calhoun  
(spouse)\*

\*Mrs. Calhoun is not listed in the budget as she is appointed without compensation.