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FOR
MEETING OF THE BOARD**

November 12-13, 2008
El Paso, Texas

Wednesday, November 12, 2008

- A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551 (working lunch) (*Templeton Suite, Union Building East*) *11:00 a.m.*
Chairman Caven
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
- a. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, Chancellor ad interim, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees**
- b. **U. T. Austin: Discussion and appropriate action regarding employment term and change in compensation for Head Baseball Coach August E. Garrido, Jr.** *President Powers*
- c. **U. T. Medical Branch - Galveston: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. Medical Branch – Galveston employees**
- d. **U. T. System Board of Regents: Discussion of personnel matters relating to Chancellor search**
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
- a. **U. T. System Board of Regents: Discussion with Counsel regarding legal matters or pending and/or contemplated litigation or settlement offers** *Mr. Burgdorf*

Wednesday, November 12, 2008 (con't)

b. U. T. Austin: Report on settlement of an intellectual property lawsuit styled Board of Regents, The University of Texas System, on behalf of The University of Texas at Austin, and Hydro-Québec v. Nippon Telegraph and Telephone Corporation

*Mr. Burgdorf
President Powers*

c. U. T. Medical Branch – Galveston: Legal issues related to recovery from Hurricane Ike

3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

U. T. Medical Branch – Galveston: Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property

4. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

U. T. Medical Branch – Galveston: Negotiated Contracts for Prospective Gifts or Donations

B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY, AND RECESS

12:50 p.m.

COMMITTEE MEETINGS

Concurrent

Audit, Compliance, and Management Review Committee
(Templeton Suite, Union Building East)

1:00 – 2:00 p.m.

Student, Faculty, and Staff Campus Life Committee
(Tomás Rivera Conference Center, Union Building East)

Finance and Planning Committee.....
(Tomás Rivera Conference Center, Union Building East)

2:00 – 3:00 p.m.

Academic Affairs Committee.....
(Tomás Rivera Conference Center, Union Building East)

3:00 – 4:00 p.m.

Health Affairs Committee.....
(Tomás Rivera Conference Center, Union Building East)

4:00 – 5:00 p.m.

Thursday, November 13, 2008

(Tomás Rivera Conference Center, Union Building East)

**Board/Committee
Meetings**

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COMMITTEE MEETINGS

Special Health Affairs Committee	8:30 a.m.	
Facilities Planning and Construction Committee	9:30 a.m.	
C. RECONVENE THE BOARD IN OPEN SESSION	10:30 a.m.	
D. APPROVAL OF MINUTES		
E. CONSIDER AGENDA ITEMS		
1. U. T. El Paso: Overview of the institution	10:35 a.m. Report <i>President Natalicio</i>	1
2. U. T. System: Chancellor's quarterly update -- Impact of Hurricane Ike on U. T. System institutions	10:55 a.m. Report <i>Dr. Shine</i>	1
3. U. T. System: Approval to establish a major Systemwide new initiative in Innovations in Undergraduate Education	11:05 a.m. Action <i>Dr. Shine</i>	1
4. U. T. System: Approval of program details for the Regents' Outstanding Teachers Awards and the Center for Technology Commercialization	11:15 a.m. Action <i>Dr. Prior</i>	2
5. U. T. System: Preparations for the 81st Legislative Session	11:25 a.m. Report <i>Mr. McBee</i>	4
6. U. T. System Board of Regents: Approval to amend Regents' Rules and Regulations, Rule 10501, regarding Delegation to Act on Behalf of the Board, to allow certain agreements needed to facilitate negotiation of contracts with foreign governments	11:35 a.m. Action <i>Mr. Burgdorf</i>	4
7. U. T. System Board of Regents: Amendment to Regents' Rules and Regulations, Rule 30202, regarding delegation to amend the Optional Retirement Program	11:40 a.m. Action <i>Ms. Brown</i>	5
8. U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Rule 60101, regarding Acceptance and Administration of Gifts	11:45 a.m. Action <i>Dr. Safady</i>	7
9. U. T. System Board of Regents: Approval of proposed amendments to the Master Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO)	11:50 a.m. Action <i>Mr. Zimmerman</i>	13

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

12:00 p.m.

Audit, Compliance, and Management Review Committee:
Chairman Foster

Finance and Planning Committee: Chairman Rowling

Academic Affairs Committee: Chairman Barnhill

Health Affairs Committee: Chairman McHugh

Facilities Planning and Construction Committee:
Chairman Huffines

- G. RECONVENE AS A COMMITTEE OF THE WHOLE

12:15 p.m.

10. **U. T. System Board of Regents: Discussion and
appropriate action regarding proposed recipient
for Santa Rita Award**

Action

35a

- H. ADJOURN

12:30 p.m.

1. **U. T. El Paso: Overview of the institution**

REPORT

President Natalicio will discuss the transformative activities at U. T. El Paso in recent years.

Supplemental Materials: PowerPoint presentation on Pages 1 - 22 of Volume 2.

2. **U. T. System: Chancellor's quarterly update -- Impact of Hurricane Ike on U. T. System institutions**

REPORT

Chancellor ad interim Shine will report on the impact of Hurricane Ike on University of Texas System institutions.

3. **U. T. System: Approval to establish a major Systemwide new initiative in Innovations in Undergraduate Education**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that authorization be granted by the U. T. System Board of Regents to approve the following:

- a. investment of \$500,000 of Available University Funds (AUF) to support competitive proposals on innovations in undergraduate education at U. T. Austin; and
- b. investment of \$2 million of Intermediate Term Funds (ITF) to support competitive proposals on innovations in undergraduate education at U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler.

BACKGROUND INFORMATION

The Innovations in Undergraduate Education effort is proposed to be funded with \$2 million from ITF and \$500,000 from AUF funds.

This will be a competitive grant program to fund transformational changes in undergraduate education, targeting significant areas of teaching and learning. These areas include uses of technology, reorganization of curriculum, interdisciplinary learning, new pedagogical approaches, learning materials, and new learning spaces. Specifically, proposals could address any of the following topics:

Pedagogy - strategies that will promote proven pedagogical techniques that result in the most effective student learning (e.g., increase success rates, course completion rates, greater retention rates, increased responsiveness to diverse learning styles).

Learning Materials - strategies to stimulate development of high-quality learning tools that address new learning styles (e.g., virtual laboratories for science courses, serious gaming activities that engage undergraduates within and outside the classroom).

Technologies - strategies that will stimulate new technological applications, reduce instructional costs, and increase student learning and successes. For example, the studio teaching model has been adopted by several prominent institutions.

Learning Spaces - strategies that will explore redesign of campus facilities and alternatives to reduce costs in building new facilities. Web-based classrooms, chat rooms, and virtual laboratories are examples of new learning spaces.

The program, to be titled *Transformational Programs in Undergraduate Education*, will be led by the Office of Academic Affairs. Special consideration will be given to innovative projects, the results of which can be shared across academic institutions.

Supplemental Materials: Transforming Undergraduate Education on Pages 23 - 25 of Volume 2.

4. U. T. System: Approval of program details for the Regents' Outstanding Teachers Awards and the Center for Technology Commercialization

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs that the U. T. System Board of Regents approve the proposed program implementation details for the previously approved Regents' Outstanding Teachers Awards and the Center for Technology Commercialization at the U. T. System institutions.

BACKGROUND INFORMATION

On August 14, 2008, the Board modified the operating budget to add \$15 million as follows:

- a. \$1 million each year for five years to benefit U. T. Austin through the establishment of a teaching excellence incentive compensation program;
- b. \$1 million each year for five years to benefit U. T. Arlington, U. T. Brownsville, U. T. Dallas, U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler through the establishment of teaching excellence incentive compensation programs; and
- c. \$1 million each year for five years to support technology transfer and commercialization at U. T. Austin.

The Board's action on August 14, 2008, also provided that Executive Vice Chancellor Prior and the Office of Academic Affairs would work on specific details of the new teaching excellence and commercialization incentives and present the proposals for Board approval at the November 2008 meeting.

Dr. Prior has worked in consultation with the presidents of the academic institutions to frame the program implementation details proposed for Board approval.

Awards Program

The Awards Program will recognize tenured, tenure-track, and other instructional faculty for outstanding teaching, personal commitment to students and the learning process, and the ability to inspire and motivate students in the classroom.

The Awards Program will provide a framework that fosters excellence in teaching at all levels, rewards outstanding teachers, stimulates innovation in education, and promotes continuous quality improvement in education. This program will require a demonstration of sustained excellence in teaching, instructional development and curricular design, and advising and mentoring.

In summary, the Awards Program will recognize those faculty members who deliver the highest quality of undergraduate instruction in the classroom, the laboratory, the field, or online.

Center for Technology Commercialization

The proposed implementation details and organizational structure for the Center for Technology Commercialization at U. T. Austin builds on the expressed intention of the Board to recognize the importance of accelerating university discoveries into commercial products, increasing the number of start-up companies, and decreasing the time from an idea generation to final stage commercialization.

In summary, the Center will be created to bring together the distinct and complementary capabilities and resources of the Office of Technology Commercialization (OTC) and the

Austin Technology Incubator (ATI). The Center will accelerate commercialization and new venture activities by providing dedicated specialists to structure start-up ventures, negotiate licenses, and increase other transactions relating to university inventions.

Supplemental Materials:

- **Regents' Outstanding Teachers Awards - U. T. Austin on Pages 26 - 28 of Volume 2**
- **Regents' Outstanding Teachers Awards - Academic Institutions on Pages 29 - 32 of Volume 2**
- **Center for Technology Commercialization on Pages 33 - 37 of Volume 2**

5. U. T. System: Preparations for the 81st Legislative Session

REPORT

Mr. Barry McBee, Vice Chancellor for Governmental Relations, will briefly update the Board on the status of U. T. System preparations for the 81st Regular Legislative Session, including a summary of the U. T. System's and institutions' budget requests, proposals that the Legislature may consider affecting higher education, and the major budgetary and substantive issues facing the Legislature.

Supplemental Materials: Full report on Pages 38 - 88 of Volume 2.

6. U. T. System Board of Regents: Approval to amend Regents' *Rules and Regulations*, Rule 10501, regarding Delegation to Act on Behalf of the Board, to allow certain agreements needed to facilitate negotiation of contracts with foreign governments

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Vice Chancellor for External Relations and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 10501, be amended as set forth below in congressional style to add a provision allowing U. T. System Administration and U. T. System institutions to enter into certain agreements needed to facilitate negotiation of contracts with foreign governments, without the need for prior Board approval:

- Sec. 3 Contracts or Agreements Requiring Board Approval. The following contracts or agreements, including purchase orders or vouchers, must be approved by the Board.

...

- 3.2 Contracts with Foreign Governments. Contracts or agreements of any kind or nature, regardless of dollar amount, with a foreign government or agencies thereof, except affiliation agreements and cooperative program agreements, material transfer agreements, sponsored research agreements and licenses, or other conveyances of intellectual property owned or controlled by the Board of Regents prepared on an approved standard form or satisfying the requirements set by the Office of the General Counsel, or agreements or contracts necessary to protect the exchange of confidential information or nonbinding letters of intent or memorandums of understanding executed in advance of definitive agreements each as reviewed and approved by the Vice Chancellor and General Counsel.

....

BACKGROUND INFORMATION

Under Rule 10501, the Board of Regents controls and monitors contracting with foreign governments subject to certain exceptions for matters that do not raise substantial concern and/or are in the normal course of business. The proposed amendment to Section 3.2 adds language allowing U. T. System Administration and U. T. System institutions to enter into nondisclosure agreements and similar mechanisms routinely used to facilitate business transaction discussions in advance of definitive agreements. In each instance, the contemplated facilitating agreement will be subject to review and approval by the Vice Chancellor and General Counsel. Definitive agreements will remain subject to Regental approval other than the express exceptions already listed in Rule 10501.

7. **U. T. System Board of Regents: Amendment to Regents' Rules and Regulations, Rule 30202, regarding delegation to amend the Optional Retirement Program**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Rule 30202, regarding Employee Benefits, be revised to delegate authority to amend the Optional Retirement Program (ORP) to the Vice Chancellor for Administration, by amending Section 1.1 as set forth below in congressional style:

- Sec. 1 Optional Retirement Program. The Board of Regents shall select those companies accepted as vendors to participate in the Optional Retirement

Program (ORP), based upon recommendation from the Chancellor. Within a reasonable time period following selection by the Board of Regents, each vendor must execute a contract for products and services. The contract must be acceptable to The University of Texas System and must include the selection criteria contained in the Request for Proposals.

- 1.1 Delegation of Authority. The Board of Regents delegates to the Chancellor authority to approve the ORP employer contribution rates for all institutions and U. T. System Administration in accordance with rules issued by the Texas Higher Education Coordinating Board. The Board of Regents further delegates to the Vice Chancellor for Administration the authority to sign and amend the ORP plan documents consistent with applicable law and to take all actions and make all decisions and interpretations necessary or appropriate to administer and operate the ORP consistent with the plan documents. The Vice Chancellor for Administration will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain the Program in accordance with Section 403(b) of the *Internal Revenue Code*, consistent with *Texas Government Code* Section 830.001 et seq.

BACKGROUND INFORMATION

ORP is a State-authorized retirement program for institutions of higher education. Participant account balances include employee contributions pursuant to a salary reduction agreement, employer contributions, and earnings on the contributions. An eligible employee shall make a once-per-lifetime irrevocable election to participate in the ORP in lieu of participation in the Teacher Retirement System of Texas.

An eligible employee must be employed on a full-time basis for at least one full semester or four and one-half months or more in an ORP eligible position. ORP eligible positions include:

- 1) Faculty members whose duties include teaching and/or research as a principal activity
- 2) Faculty administrators responsible for teaching and research faculty
- 3) Professional librarians
- 4) Executive administrators of U. T. System and its institutions
- 5) Other key administrators
- 6) Professionals including physicians, engineers, attorneys, veterinarians, and architects
- 7) Athletic coaches.

The proposed delegation of authority would facilitate the required revision of the ORP to meet new Internal Revenue Service (IRS) regulations under Section 403(b) of the

Internal Revenue Code, which will become effective January 1, 2009. The final regulations will require for the first time a formal written plan document for tax deferred 403(b) plans such as the ORP. Such plans must be signed before the end of 2008.

Since there will now be a formal plan document for the ORP, such plan will need to be revised from time to time to comply with applicable law and to facilitate plan operations. It is for these reasons that similar delegations of authority to the Vice Chancellor for Administration are already in place for all other U. T. Systemwide retirement plans, including the UTSaver Deferred Compensation Plan, the UTSaver Tax-Sheltered Annuity Program, and The University of Texas Governmental Retirement Arrangement (UTGRA).

8. **U. T. System Board of Regents: Amendment to the Regents' Rules and Regulations, Rule 60101, regarding Acceptance and Administration of Gifts**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for External Relations and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 60101, regarding acceptance and administration of gifts, be amended as set forth on Pages 8 - 12.

BACKGROUND INFORMATION

The proposed amendments to the Regents' *Rules and Regulations*, Rule 60101, will streamline the acceptance of gifts that conform to all relevant policies, including the U. T. System Gift Acceptance Procedures, to provide that gifts, which currently require Board of Regents' approval if valued at greater than \$1,000,000, may be accepted by the Chancellor or the president, as appropriate, regardless of the value of the gift. Only gifts that do not conform to all relevant policies would continue to require Board of Regents' approval.

Proposed deletion of Section 6.3 eliminates the requirement for periodic reports summarizing acceptance and approval by the Office of External Relations of all conforming gifts. These reports were discontinued several years ago and were replaced by an annual presentation to the Board on private giving.

Deletion of the references to quasi-endowments in Section 7 is proposed to eliminate redundancy, as quasi-endowments are simply one classification of endowments. Minor editorial changes are also proposed.

€1. Title

Acceptance and Administration of Gifts

2. Rule and Regulation

Sec. 1 Authority to Accept Gifts and Develop Acceptance Procedures. The authority to accept gifts to The University of Texas System or to any of its institutions is vested in the Board of Regents and delegated by the Board as specifically set out in this Rule. Except as provided in this Rule or any other Rule in the Regents' *Rules and Regulations*, or approved institutional policies, no member of the staff of any institution has the authority to accept gifts.

Sec. 2 The Board delegates to the Vice Chancellor for External Relations the authority and responsibility to promulgate a set of guidelines regarding the acceptance, processing, investment, and administration of gifts. These guidelines, ~~will be~~ known as [The University of Texas System Administration Policy UTS138, Gift Acceptance Procedures](#), and shall be adhered to by the U. T. System and its institutions. In promulgating the [U. T. System Gift Acceptance Procedures](#), the delegate shall also consider provisions to:

- 2.1 accomplish the goal of increasing financial support for the U. T. System through the appropriate assistance of donors,
- 2.2 allow staff members to respond to donor initiatives quickly and with certainty,
- 2.3 establish administrative processes to accept and administer gifts in a prudent and efficient manner, with fiduciary responsibilities of fundamental importance,
- 2.4 comply with the Texas Constitution and applicable federal and State law,
- 2.5 comply with the provisions of the [Internal Revenue Code](#) and related regulations,
- 2.6 specifically incorporate provisions related to the acceptance of pledges to fund endowments as follows:

- (a) at least 20% of the donors' total required minimum funding must be received prior to the acceptance of an endowment, and
- (b) the pledge for payment of the remaining funds shall not extend beyond five years from the date of execution of the gift agreement. With the written approval of the Vice Chancellor for External Relations the pledge period may be longer than five years under rare and special circumstances-, and

2.7 provide that, in the interest of financial responsibility and efficiency, it is the specific preference of the Board that all endowment gifts be eligible for commingling for investment purposes with other endowment funds.

Sec. 3 ~~Gifts Requiring Board Approval. All conforming gifts, including pledges, having a value of more than \$1,000,000 (in cash or in-kind) must be submitted to the Board of Regents for approval via the Docket, except those processed or administered by the Office of External Relations. Recommendations regarding the acceptance of gifts or other actions that do not conform to all relevant policies, including but not limited to the [U. T. System Gift Acceptance Procedures](#), shall be made through the Vice Chancellor for External Relations to the Board of Regents after review by appropriate offices of the terms of the gifts, the nature of the donated assets, and/or the requested action.~~

Sec. 4 Gifts of Art

- 4.1 Outdoor Works of Art. Approval by the Board is also required prior to the acceptance of a gift of an outdoor work of art. Considerations will include appropriateness with regard to the institution's Campus Master Plan and expense related to installation and/or continuing maintenance.
- 4.2 Gifts of Statuary Depicting Living Persons. No gift of statuary depicting a living person shall be accepted by an institution, unless intended for display in a museum or for addition to the collection of works of art for display in a museum. Authority to accept proposed museum gifts of statuary depicting living persons, intended for display indoors, is delegated to the presidents. Proposed gifts of

statuary intended for outdoor display require approval under Section 4.1 above.

- Sec. 5 Gifts Requiring Approval by Chancellor or Presidents. The Board of Regents delegates to the Chancellor or the president of an institution the authority to accept all conforming gifts, including pledges, of any value (either in cash or in-kind), other than gifts of real property, that are not processed or administered by the Office of External Relations, and the authority to take any and all desirable actions relating to the administration and management of gifts accepted by the Chancellor or the president of the institution, as may be permitted by applicable law, policies, these Regents' *Rules and Regulations*, and the [U. T. System Gift Acceptance Procedures](#).
- Sec. 6 Gifts Requiring Approval by Executive Vice Chancellor for Business Affairs. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs authority to accept all conforming gifts of real property of any value that are not processed or administered by the Office of External Relations, and the authority to take any and all desirable actions relating to the administration and management of gifts accepted by the Executive Vice Chancellor for Business Affairs, as may be permitted by applicable law, policies, ~~these Rules and Regulations~~, the [U. T. System Gift Acceptance Procedures](#), and ~~these Regents' Rules and Regulations~~, including [Rule 80306](#) concerning the environmental review policy for acquiring real property and [Rule 60103](#) concerning guidelines for acceptance of gifts of real property. Acceptance of all gifts of real property shall be subject to the Regents' *Rules and Regulations*, [Rule 60103](#) and [Rule 80306](#).
- Sec. 7 Gifts Requiring Approval by Vice Chancellor ~~of~~ for External Relations. The Board of Regents delegates to the Vice Chancellor for External Relations authority to accept all conforming gifts, including pledges, of any value (either in cash or in-kind) that are processed or administered by the Office of External Relations. The Board also delegates to the Vice Chancellor for External Relations authority to take any and all desirable actions relating to the administration and management of gifts accepted by the Office of External Relations, including without limitation the modification or termination of trusts, and endowments, and quasi-endowments as may be permitted by applicable law, policies, these *Rules and Regulations*, and the [U. T. System Gift Acceptance Procedures](#).

- 7.1 Gifts Reviewed. The Office of Development and Gift Planning Services, with assistance from the Real Estate Office, University Lands West Texas Operations and the Office of General Counsel as required, shall review all gift assets processed or administered by the Office of External Relations and certain gift assets that the Chancellor or president is authorized to accept. Gift assets requiring review include, but are not limited to, securities, interests in limited partnerships, stock of closely-held corporations, stock of S corporations, stock options, and warrants. The Office of Development and Gift Planning Services shall also review all bequests, interests in trusts, gifts, and other funds to establish endowments and quasi-endowments, and other planned gifts as defined in the [U. T. System Gift Acceptance Procedures](#).
- 7.2 Gifts to Establish Endowments. Endowments will be established with gifts that have been completed for tax purposes or with a combination of such gifts, pledges, and other funds at a minimum funding level of \$10,000.

Sec. 8 Internal Revenue Service Forms. The Board of Regents delegates to the Chancellor, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for External Affairs, and the president of the institution the authority to execute all necessary Internal Revenue Service forms, including without limitation IRS Forms 8283 and 8282, that relate to gifts accepted by each, respectively.

~~Sec. 8 Nonconforming Gifts. Recommendations regarding the acceptance of gifts or other actions which do not conform to all relevant laws and Board of Regents policies, including but not limited to the U. T. System Gift Acceptance Procedures, shall be made through the Chancellor to the Board via the Agenda after review by the appropriate offices of the terms of the gifts, the nature of the donated assets and/or the requested action.~~

Sec. 9 Gift Benefiting an Individual. Neither the U. T. System nor any of its institutions will administer a gift for the benefit of any designated individual unless the donor is exempt from federal income taxes as defined by the Commissioner of Internal Revenue.

- Sec. 10 Service by Board as Estate Executor/Administrator. The Board of Regents will not serve as executor or administrator of an estate because of the potential for conflicts of interest and the scope of the required duties.
- Sec. 11 Prohibition to Act as Witness to Will. The employees of the U. T. System or any of its institutions should not knowingly act as witnesses to wills in which the U. T. System or an institution is named as a beneficiary so as not to jeopardize the receipt of the bequest.
- Sec. 12 Service by Employee as Executor/Administrator of Estate or Trustee of Trust. Employees of the U. T. System or any of its institutions who agree to serve as trustee of a trust, or executor or administrator of an estate benefiting the U. T. System or any of its institutions are immediately to notify the Office of Development and Gift Planning Services of their appointment. Upon notification, the employee will be furnished with a statement advising of the potential for conflicts of interest and directing that all communications pertaining to the trust or estate between the employee and any office of the U. T. System or its institutions shall be in writing.

9. **U. T. System Board of Regents: Approval of proposed amendments to the Master Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO)**

RECOMMENDATION

The Chancellor ad interim, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) Board of Directors that the U. T. System Board of Regents (U. T. Board) approve amendments to Section 3, Description of Investment Management Services, of the Master Investment Management Services Agreement (IMSA) effective November 13, 2008, as set forth below in congressional style:

Section 3. Description of Investment Management Services.

...

(h) Other Services:

...

(x) maintaining a log of (1) all agreements or transactions between UTIMCO or a "UTIMCO entity" and a "Director entity" or an "Employee entity," and (2) all investments in the private investments of a business entity in which a "Director" or "Employee" then owns a private investment, or is then co-investing, in the same business entity, provided that all quoted terms above shall have the meanings assigned to them in UTIMCO's Code of Ethics, which annually shall be reviewed by the UTIMCO Board of Directors and reported to the U. T. Board;

(xi) reporting to the U. T. Board annually on compliance with the UTIMCO Code of Ethics and any recommended changes to the UTIMCO Code of Ethics following review by the UTIMCO Board of Directors; and

(xii) any other services necessary to provide investment management of the Funds.

BACKGROUND INFORMATION

The proposed amendments to the IMSA between the U. T. Board and UTIMCO incorporate compliance requirements associated with the revised UTIMCO Code of Ethics, approved at the August 14, 2008, meeting of the U. T. Board. The action approving the amended Code was conditioned upon requirements that UTIMCO maintain a log of certain transactions, assure that the log is reviewed annually by the UTIMCO Board of Directors, and report the covered transactions annually to the U. T. Board. UTIMCO is also required to report annually to the U. T. Board on compliance

with the Code of Ethics and suggest recommended Code changes, if any, following review by the UTIMCO Board.

UTIMCO staff has drafted changes to the IMSA, consistent with the above requirements, which have been reviewed and approved by U. T. System staff.

Proposed substantive amendments are summarized as follows:

- Section 3(h)(x): Add the requirement to maintain a log of agreements, transactions, investments and co-investments between UTIMCO and a Director or Employee and their related business entities, to be reviewed by the UTIMCO Board of Directors and reported to the U. T. Board on an annual basis.
- Section 3(h)(xi): Add the requirement to annually report to the U. T. Board on compliance with the UTIMCO Code of Ethics and any recommended changes to it.

These proposed revisions to the IMSA and the precise wording of the Code of Ethics (as approved on August 14, 2008, and as set forth for information on Pages 15 - 35) have been the subject of careful review and consultation between U. T. System and UTIMCO staff members to assure that the compliance requirements are consistent with the intent of the approval motion and are clear and enforceable. The proposed IMSA revisions are on the agenda for approval by the UTIMCO Board of Directors on November 7, 2008, and will formally amend the IMSA that was approved February 7, 2008.



**THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY**

CODE OF ETHICS

Approved by the Board of Regents August 14, 2008

**THE UNIVERSITY OF TEXAS INVESTMENT
MANAGEMENT COMPANY
CODE OF ETHICS**

Subchapter A. GENERAL PROVISIONS

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

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

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

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

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

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

Sec. 1.02. Definitions. In this Code:

- (1) "Audit and Ethics Committee" means the standing Audit and Ethics Committee established by UTIMCO bylaws.
- (2) "Board" means the Board of Directors of UTIMCO.
- (3) "Board of Regents" means the Board of Regents of The University of Texas System.
- (4) "CEO" means the Chief Executive Officer of UTIMCO.
- (5) "Chief Compliance Officer" means the person designated from time to time as the chair of the Employee Ethics and Compliance Committee.
- (6) "Director" means a member of the Board of Directors of UTIMCO.
- (7) "Director entity" means an investment fund or other entity controlled by a UTIMCO Director.
- (8) "Employee" means a person working for UTIMCO in an employer-employee relationship.
- (9) "Employee entity" means an investment fund or other entity controlled by a UTIMCO Employee.

- (10) “General Counsel” means the lawyer or firm of lawyers designated from time to time as the external General Counsel of UTIMCO.
- (11) “Key Employee” means an Employee who has been designated by the Board as one who exercises significant decision-making authority by virtue of the position the Employee holds with UTIMCO.
- (12) “Personal securities transactions” means:
- (A) transactions for a Director’s or Employee’s own account, including an individual retirement account; or
 - (B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director’s or Employee’s spouse, minor child, or other dependent Relative:
 - (i) is an income or principal beneficiary or other equity owner of the account; or
 - (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.
- (13) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.
- (14) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.
- (15) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.
- (16) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:
- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-

grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;

- (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
- (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
- (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.

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

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

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

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

Sec. 1.04. Decision-Making Based on Merit. (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional

integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

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

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

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

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

Sec. 1.08. General Standards of Conduct for Directors and Employees.

(a) It is the policy of UTIMCO that a Director or Employee should not:

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the Director or Employee might reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;
- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the

Director's or Employee's private interest and the interests of UTIMCO; or

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

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

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

Sec. 1.10. Relationship with UTIMCO Not Used for Personal Gain.

(a) Directors and Employees may not use their relationship with UTIMCO to seek or obtain personal gain beyond agreed compensation or any properly authorized expense reimbursement.

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

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

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

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

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

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

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

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

- (1) before the date of the selection of the Key Employee or consultant; or
- (2) before becoming a Relative.

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

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

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

Sec. 1.13. Gifts and Entertainment. (a) A Director or Employee may not accept a gift that the Director or Employee knows or should know is being offered or given because of the Director's or Employee's position with UTIMCO. This prohibition applies to gifts solicited or accepted for the personal benefit of the Director or Employee as well as to gifts to third parties.

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

- (1) gifts given on special occasions between Employees and/or Directors;

- (2) books, pamphlets, articles, or other similar materials that contain information directly related to the job duties of a Director or Employee and that are accepted by the Director or Employee on behalf of UTIMCO for use in performing his or her job duties;
- (3) gifts from the Relatives of a Director or Employee that are based solely on a personal relationship between the Director or Employee and his or her Relative;
- (4) business meals and receptions when the donor or a representative of the donor is present;
- (5) ground transportation in connection with business meetings, meals, or receptions;
- (6) fees for seminars or conferences that relate to the Director's or Employee's job duties and that are sponsored by UTIMCO's consultants or agents, prospective consultants or agents, or persons or entities whose interests may be affected by UTIMCO; and
- (7) items of nominal intrinsic value, such as modest items of food and refreshment on infrequent occasions, gifts on special occasions, and unsolicited advertising or promotional material such as plaques, certificates, trophies, paperweights, calendars, note pads, and pencils, but excluding cash or negotiable instruments.

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

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

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

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

Sec. 1.15. Key Employees. The Board shall designate by position with UTIMCO those Employees who exercise significant decision-making authority. These Employees are “Key Employees” for purposes of this Code.

Subchapter B. CONFLICTS OF INTEREST

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

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

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

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

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

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

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

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

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as described in Section 3.01 of this Code.

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

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

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

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

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

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

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

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

Sec. 2.09. Procedures for Employee's Disclosure of Conflict of Interest.

(a) An Employee must promptly disclose conflicts of interest in writing to the Chief Compliance Officer through the financial disclosure and ethics compliance statement required by Section 4.03 of this Code. The Chief Compliance Officer shall report to the Audit and Ethics Committee regarding the statements the officer receives under this subsection.

(b) If a person with a duty to disclose a conflict has a reasonable cause to believe that disclosure to the Chief Compliance Officer will be ineffective, the person shall disclose the conflict to the Audit and Ethics Committee by filing a written disclosure with the chair of the Committee.

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

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

Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS

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

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity, including an investment fund, in which a Director or Employee has a pecuniary interest;
- (3) a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee; or
- (4) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

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

- (1) owns five percent or more of the voting stock or shares of the business entity; or
- (2) owns five percent or more of the fair market value of the business entity; or
- (3) received more than five percent of the person’s gross income for the preceding calendar year from the business entity.

Sec. 3.02. UTIMCO Investment Policies for Publicly Traded Companies.

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

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

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

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

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

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

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

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

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

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

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

Sec. 3.06. Divestment Not Required For Certain Private Investments.

An Employee or Employee entity that owns a private investment in a business entity on the date on which the Employee assumes a position with UTIMCO is not required by Section 3.05 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined by Section 3.01(b) of this Code. Any transactions concerning the private investment that might occur after that date are subject to this Code.

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

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

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

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

(c) Before an Employee or Employee entity may engage in a personal securities transaction with respect to a security of an issuer that is included on the UTIMCO maintained list of securities holdings, the Employee or Employee entity must obtain preclearance for the transaction from the Chief Compliance Officer. Preclearance is effective for one trading day only.

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

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

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

- (1) name and amount of the security involved;
- (2) date and nature of the transaction;
- (3) price at which the transaction was effected; and
- (4) name of the broker through whom the transaction was effected.

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

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

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

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for

UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

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

- (1) stock held for an Employee's own account;
- (2) stock or other ownership or profit sharing interests held by an Employee's spouse; or
- (3) stock held for an account, other than an account over which the Employee has no direct or indirect influence or control, in which the Employee has a beneficial interest, such as accounts involving the spouse, minor child, or other dependent Relative.

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

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

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

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

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

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

the matter would confer a benefit to the person by or through the business, contract, property, or investment;

- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or
- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

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

- (1) with the intent to influence; and
- (2) on behalf of any person in connection with any matter on which the former Director or Employee seeks action by UTIMCO.

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

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

**Subchapter D. FINANCIAL DISCLOSURE, COMPLIANCE,
AND ENFORCEMENT**

Sec. 4.01. Employee Ethics and Compliance Committee. (a) The CEO shall appoint an Employee Ethics and Compliance Committee composed of UTIMCO personnel.

(b) The Chief Compliance Officer appointed by the Audit and Ethics Committee shall be the chair of the Employee Ethics and Compliance Committee.

(c) The Employee Ethics and Compliance Committee shall:

(1) provide ethics training for UTIMCO personnel; and

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(b) An Employee who has knowledge of a violation of this Code shall report the violation to the Chief Compliance Officer or to a member of the Audit and Ethics Committee.

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

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

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

(2) any disciplinary action disclosed by Directors or Key Employees.

10. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed recipient for Santa Rita Award**

RECOMMENDATION

Chairman Caven may make a recommendation for award of the Santa Rita Award, the highest honor bestowed by the Board of Regents.

Supplemental Materials: Regents' *Rules and Regulations*, Rule 10601 on Pages 88a - 88b in Volume 2.

BACKGROUND INFORMATION

The criteria for selection include such factors as:

- A demonstrated concern for the principles of higher education
- A deep commitment to the furtherance of the purposes and objectives of The University of Texas System
- A record of commitment to securing appropriate support for the System from both the public and private sectors
- A demonstrated record of participation in the affairs of the System, which serves as a high example of selfless and public-spirited service.



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FOR
AUDIT, COMPLIANCE, AND MANAGEMENT
REVIEW COMMITTEE**

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

Committee Meeting: 11/12/2008

Board Meeting: 11/13/2008
El Paso, Texas

	Committee Meeting	Board Meeting	Page
A. CONVENE	<i>1:00 p.m. Chairman Foster</i>		
1. U. T. System: Approval of the U. T. Systemwide Internal Audit Plan for Fiscal Year 2009	Not on Agenda	Action	36
2. U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)	<i>1:00 p.m. Report Mr. Tom Wagner, Deloitte & Touche</i>	Not on Agenda	36
3. U. T. System: Report on the Fiscal Year 2008 Consolidated Annual Financial Report audit	<i>1:10 p.m. Report Mr. Chaffin</i>	Not on Agenda	37
4. U. T. System: Report on the Systemwide internal audit activities and Internal Audit Department report for U. T. Health Science Center – Tyler	<i>1:20 p.m. Report Mr. David Hullum, U. T. Health Science Center – Tyler Mr. Chaffin</i>	Not on Agenda	38
5. U. T. System: Report on the Systemwide Compliance Program, including introduction of the new Systemwide Compliance Officer	<i>1:30 p.m. Report Mr. Larry Plutko</i>	Not on Agenda	42

**B. RECESS TO EXECUTIVE SESSION PURSUANT TO
TEXAS GOVERNMENT CODE, CHAPTER 551**

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

U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions

1:40 p.m.
Report
Mr. Chaffin
Mr. Plutko
Mr. Hullum,
U. T. Health
Science
Center –
Tyler

**C. RECONVENE IN OPEN SESSION TO CONSIDER
ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS
AND ADJOURN**

2:00 p.m.

1. **U. T. System: Approval of the U. T. Systemwide Internal Audit Plan for Fiscal Year 2009**

RECOMMENDATION

Chairman Foster recommends that the U. T. System Board of Regents approve the U. T. Systemwide Internal Audit Plan (Plan) for Fiscal Year 2009 as approved by the Committee at a Special Called Meeting on October 8, 2008. Development of the Plan is based on risk assessments performed at each institution. Implementation of the Plan will be coordinated with the institutional auditors.

Supplemental Materials: The Plan executive summary is on Pages 89 - 90 of Volume 2. The full Plan was distributed to Committee members and is available upon request.

BACKGROUND INFORMATION

Institutional audit plans, compiled by the internal audit departments after input and guidance from the System Audit Office, the Offices of Academic or Health Affairs, and the institution's management and Institutional Audit Committee, were submitted to the respective Institutional Audit Committee and institutional president for review and comments. Additionally, the institutional audit plans were presented and discussed at the System Administration Internal Audit Committee meeting held on September 3, 2008. Also, the Chief Audit Executive provided feedback by conducting audit hearings with each institution.

After the review process, each Institutional Audit Committee formally approved its institution's audit plan.

2. **U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

Mr. Tom Wagner, Deloitte & Touche, LLP, will report on the results of the financial statement audits of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF). These funds are managed by UTIMCO.

A copy of Deloitte & Touche's report was mailed to Committee members in advance of the meeting and is available upon request.

BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF (the Funds) rests with the U. T. System Board of Regents (Board). *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF, if the PUF is within the scope of funds managed by an external management corporation.

On July 11, 2007, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, to perform a financial audit of the Funds managed by UTIMCO for the fiscal year ended August 31, 2007, with the option to renew for four additional one-year terms. The Board renewed the contract with Deloitte & Touche, LLP, on February 7, 2008, to perform the audit of the funds managed by UTIMCO for the fiscal year ended August 31, 2008.

3. U. T. System: Report on the Fiscal Year 2008 Consolidated Annual Financial Report audit

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the progress and preliminary results of the U. T. System Consolidated Annual Financial Report audit for Fiscal Year 2008.

BACKGROUND INFORMATION

The U. T. System Audit Office prepared a plan to oversee and coordinate the internal audit of the Fiscal Year 2008 U. T. System Consolidated Financial Statements. The System Audit Office and each institutional internal audit department will express an opinion on their institution's individual annual financial report (AFR), including the Balance Sheet, the Statement of Revenues, Expenses, and Changes in Net Assets, and related footnote information.

The internal audits of the AFRs are performed at the request of the U. T. System Board of Regents (Board) for the benefit of the Board, U. T. System Administration management, and U. T. System institution management and are not intended to provide assurance for any purpose to readers of the report outside of U. T. System.

4. U. T. System: Report on the Systemwide internal audit activities and Internal Audit Department report for U. T. Health Science Center – Tyler

REPORT

Mr. David Hulum, Administrative Director of Internal Audit, U. T. Health Science Center – Tyler, will present an overview of the internal audit department and discuss current audits at the institution.

Mr. Charles Chaffin, Chief Audit Executive, will further report on the annual report of the Systemwide Internal Audit Program for Fiscal Year 2008. Institutional Internal Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on an annual basis. The last activity report was sent on October 23, 2008.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The fourth quarter activity report on the Status of Outstanding Significant Findings/Recommendations is set forth on Pages 39 - 40. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the Systemwide audit program follows on Page 41.

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

Supplemental Materials:

- **U. T. Health Science Center – Tyler PowerPoint presentation on Pages 91 - 94 of Volume 2.**
- **Systemwide Internal Audit Program Annual Report for Fiscal Year 2008 on Pages 95 - 100 of Volume 2.**

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

U. T. SYSTEM AUDIT

Report Date	Institution	Audit	3rd Quarter 2008		4th Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General Information Technology Controls – Planning and Organization		1		0	9/24/2008	Implemented
2007-06	UTARL	Implementation Progress of UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		1	3/31/2009	Satisfactory
2008-01	UTARL	Systems Security Audit		2		1	10/31/2008	Satisfactory
2008-05	UTARL	Texas Administrative Code 202 Audit				1	10/24/2008	Satisfactory
2008-05	UTARL	UT Arlington Health Services Audit				2	12/31/2008	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	4/30/2009	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2009	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	12/31/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	2/27/2009	Satisfactory
2008-08	UTB	UTS165: Protecting the Confidentiality and Integrity of Digital Research Data Follow Up				4	10/15/2008	Satisfactory
2007-01	UTD	Annual Financial Report Audit		1		1	12/31/2008	Satisfactory
2007-02	Utep	Campuswide Information Technology Applications		3		3	5/31/2009	Satisfactory
2007-11	Utep	Decentralized Server Security		8		8	5/31/2009	Satisfactory
2008-05	Utep	University Residence Life-Miner Village		1		1	10/31/2008	Satisfactory
2008-08	Utep	University Ticket Center and Office of Special Events				2	10/31/2008	Satisfactory
2008-01	UTPA	Confidentiality of Social Security Numbers		2		1	12/31/2008	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		1		1	10/31/2008	Satisfactory
2008-08	UTPB	Annual Financial Report Audit FY 2007				2	11/30/2008	Unsatisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	2/1/2009	Satisfactory
2006-05	UTSMC - Dallas	Accounts Payable		1		0	8/31/2008	Implemented
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1	No update was obtained due to interruption of operations at UTMB.			
2008-04	UTMB - Galveston	PeopleSoft Application		2	No update was obtained due to interruption of operations at UTMB.			
2008-05	UTMB - Galveston	Information Systems Change Management Process		2	No update was obtained due to interruption of operations at UTMB.			
2008-05	UTMB - Galveston	Information Security Action Plan				2	12/31/2008	Satisfactory
2008-08	UTMB - Galveston	Data Retention and Records Management				1	8/1/2009	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		0	6/30/2008	Implemented
2007-05	UTHSC - Houston	Security of Credit Card Data		1		0	10/1/2008	Implemented
2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		1	12/31/2008	Satisfactory
2008-03	UTHSC - Houston	Windows Servers Vulnerabilities		2		2	12/31/2008	Satisfactory
2008-05	UTHSC - Houston	Change in Management: Harris County Psychiatric Center		2		2	1/31/2009	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		0	9/30/2008	Implemented
2007-08	UTHSC - San Antonio	Central Computing Facility		1		0	9/8/2008	Implemented
2007-09	UTHSC - San Antonio	Research Compliance Program		1		1	10/31/2008	Satisfactory

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

Report Date	Institution	Audit	3rd Quarter 2008		4th Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	5/31/2009	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage, and Recovery		1		1	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		4	8/31/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials		1		1	11/30/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review		2		2	5/30/2009	Satisfactory
2008-05	UTMDACC - Houston	Lab Safety		1		1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Clinical Trial Research		1		1	2/28/2009	Satisfactory
2008-05	UTMDACC - Houston	Advance Beneficiary Notice Implementation Review		1		1	5/31/2009	Satisfactory
2005-04	UTHSC - Tyler	Texas Administrative Code 202 Compliance Audit		1		1	8/31/2009	Satisfactory
2005-12	UTSYS ADM	Systemwide Financial Audit		1		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		1		1	5/31/2009	Satisfactory
2008-04	UTSYS ADM	Office of Employee Benefits Retiree Drug Subsidy Review		1		0	6/9/2008	Implemented
2008-04	UTSYS ADM	FileNet Audit				1	9/1/2009	Satisfactory
Totals				<u>61</u>		<u>64</u>		

STATE AUDITOR'S OFFICE AUDITS

2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		1		1	11/30/2008	Satisfactory
2008-03	UTMDACC - Houston	Federal Portion of the Statewide Single Audit Report for FY Ended August 31, 2007		3		3	11/30/2008	Satisfactory
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions		1		1	1/31/2009	Satisfactory
Totals				<u>5</u>		<u>5</u>		

Color Legend:

- Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.
- Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- Significant finding for which substantial progress towards implementation was made during the quarter.
- Significant finding was appropriately implemented during the quarter and will no longer be tracked.

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

U. T. SYSTEMWIDE INTERNAL AUDIT AND STATE AUDITORS' OFFICE AUDIT REPORTS

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2008 THROUGH 8/2008	
Institution	Audit
UTARL	MyMav Student Information System – Tuition and Fees Audit
UTARL	Procurement Card Monitoring Plan Audit
UTAUS	Cash and Cash Equivalent Controls Audit
UTAUS	Time and Effort (departmental level)
UTAUS	Information Resources Use and Security Policy: Division of Housing and Food Service
UTAUS	Change in Management - College of Liberal Arts
UTAUS	Change in Management - Division of Instructional Innovation and Assessment
UTAUS	Change in Management - Lady Bird Johnson Wildflower Center
UTAUS	Change in Management - Molecular Genetics and Microbiology
UTAUS	Change in Management - Vice President for Information Technology
UTAUS	Change in Management - Continuing and Innovative Education
UTAUS	Change in Management - Department of Economics
UTAUS	Change in Management - Department of Philosophy
UTAUS	Change in Management - South Asia Institute
UTAUS	Change in Management - Center for Strategic Analysis
UTAUS	Change in Management - Vice President for Diversity and Community Engagement
UTAUS	Advanced Research Program/Advanced Technology Program
UTB	Change in Management Audit of the Dean for the College of Science, Math & Technology and Engineering Department
UTD	Scholarships and Fellowships
UTD	Technology Workforce Development Grants
UTD	Comet Cards
UTD	Women's Center
UTD	Student Health Center
UTD	Lena Callier Trust
UTEP	Student Health Center
UTEP	Technology Workforce Development Grant
UTPA	Office of the Vice President of University Advancement
UTPA	Office of the Vice President of Community Engagement
UTPA	Technology Workforce Development Grant
UTPA	National Collegiate Athletic Association (NCAA) Recruiting
UTPA	Student Financial Services
UTPA	Vice President of Information Technology
UTSA	Texas Workforce Development Grants
UTSA	Office of the Provost Reconciliation Process Audit
UTSA	Internal Control Review - Office of Facilities Salvage Property Disposal
UTSA	Utility Billing Audit
UTSA	Institute for Texan Cultures - Financial Audit
UTTY	Endowment Management and Administrative Fees
UTTY	Audit of Director of Information Technology
UTTY	Office of Vice President for Student Affairs
UTTY	Office of Vice President for Academic Affairs
UTSMC - Dallas	Network Security Review
UTSMC - Dallas	University Hospital Accounts Payable
UTSMC - Dallas	University Hospital - Patient Billing & Accounts Receivable
UTSMC - Dallas	Information Technology Computer Inventory Control & Data Encryption
UTSMC - Dallas	Transplant Services
UTMB - Galveston	Post Award Management
UTMB - Galveston	Enrollment Services Review
UTMB - Galveston	Public Affairs Organizational Review
UTMB - Galveston	Student Wellness Services
UTHSC - Houston	Change in Management - Employee Assistance Program
UTHSC - Houston	Electronic Medical Records
UTHSC - Houston	Follow-up on Open Recommendations
UTHSC - Houston	Dental Practice Plan - Oral Maxillofacial Clinic
UTHSC - Houston	Student Financial Services - Fair Lending Practices
UTHSC - Houston	Student Information System
UTHSC - San Antonio	Practice Plans Financial Review
UTHSC - San Antonio	Facilities Development Projects Component
UTMDACC - Houston	Physicians Referral Service Financial Review
UTMDACC - Houston	Construction Vendor Selection Process
UTHSC - Tyler	Audit of the Office of the Vice President for Patient Care Operations and Chief Nursing Officer
UTSYS ADM	University Lands Operator Audit (Anadarko)
UTSYS ADM	UT System Administration Office of Facilities Planning and Construction Conflicts of Interest Audit
UTSYS ADM	UT System Administration Follow Up FY 2008 Audit
UTSYS ADM	UT System Administration TeleCampus Departmental Audit
UTSYS ADM	The University of Texas Health Science Center at Houston Office of the President Change in Management Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 6/2008 THROUGH 8/2008	
Institution	Audit
UTSYS ADM	An Audit Report on Pharmacy Benefit Manager Contracts at Selected State Agencies and Higher Education Institutions

5. **U. T. System: Report on the Systemwide Compliance Program, including introduction of the new Systemwide Compliance Officer**

REPORT

Mr. Larry Plutko, Systemwide Compliance Officer, will brief the Audit, Compliance, and Management Review Committee on the annual activities of the Systemwide Compliance Program. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on October 23, 2008.



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Committee Meeting: 11/12/2008

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

Board Meeting: 11/13/2008
El Paso, Texas

	Committee Meeting	Board Meeting	Page
Convene	<i>2:00 p.m. Chairman Rowling</i>		
1. U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 136</i>	<i>2:00 p.m. Discussion Dr. Kelley</i>	Action	43
2. U. T. System: Key Financial Indicators Report	<i>2:02 p.m. Report Dr. Kelley</i>	Not on Agenda	43
3. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the fiscal year and quarter ended August 31, 2008	<i>2:07 p.m. Report Mr. Zimmerman</i>	Report	52
4. U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Request for authorization to a) file Federal Emergency Management Agency (FEMA) documents, b) dispose of salvageable property, and c) execute all documents related thereto	<i>2:12 p.m. Action Mr. Dendy</i>	Action	58
5. U. T. System: Adoption of a Resolution related to a contract to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund Lands	<i>2:16 p.m. Action Dr. Kelley</i>	Action	59
6. U. T. System: Update on the credit markets and the impact on U. T. System debt programs and credit ratings	<i>2:20 p.m. Report Mr. Aldridge</i>	Not on Agenda	69
7. U. T. System Board of Regents: Adoption of Resolutions authorizing the use of tender programs and direct debt repurchases to refund and retire outstanding Permanent University Fund Bonds and Revenue Financing System Bonds, and authorization to complete all related transactions	<i>2:25 p.m. Action Mr. Aldridge</i>	Action	69

	Committee Meeting	Board Meeting	Page
8. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, and authorization to complete all related transactions	2:30 p.m. Action <i>Mr. Aldridge</i>	Action	77
9. U. T. System: Shared Services Initiative Report including Regional Data Centers, North Texas Student Information System, Time and Effort Reporting, and Supply Chain Alliance	2:35 p.m. Report <i>Dr. Kelley</i>	Not on Agenda	78
10. U. T. System: Discussion with representative chief business officers regarding the challenges of institutional budget and finance	2:30 p.m. Discussion <i>Dr. Kelley</i> <i>Ms. Cynthia Villa,</i> <i>U. T. El Paso</i> <i>Mr. Gregg Lassen,</i> <i>U. T. Tyler</i>	Not on Agenda	79
Adjourn	3:00 p.m.		

1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 136**

RECOMMENDATION

It is recommended that *Docket No. 136* be approved.

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

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

2. **U. T. System: Key Financial Indicators Report**

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 44 - 51 that follow. The report represents the consolidated and individual operating results of the U. T. System institutions.

REPORT

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

THE UNIVERSITY OF TEXAS SYSTEM



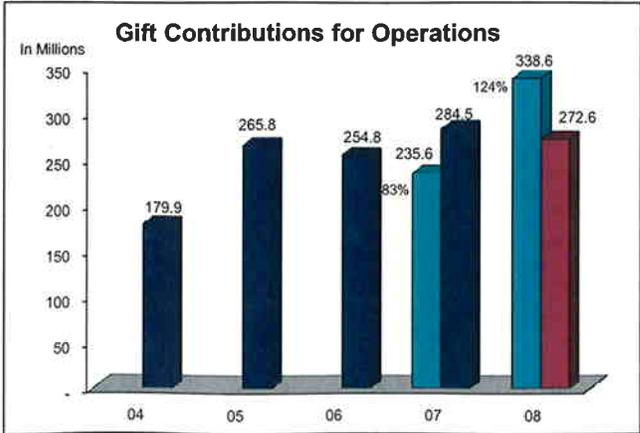
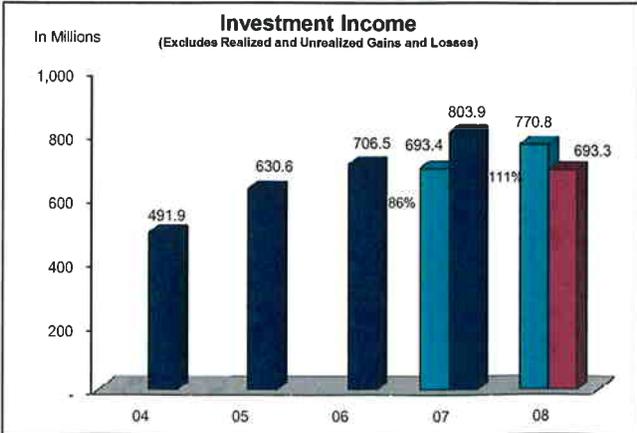
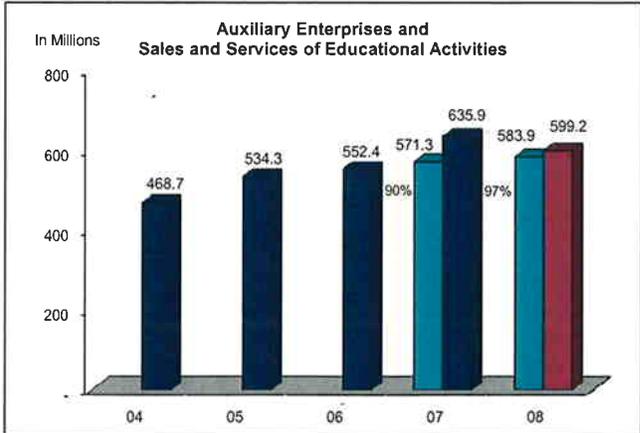
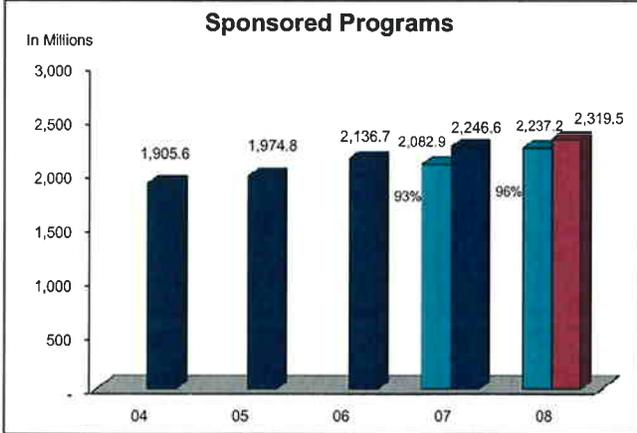
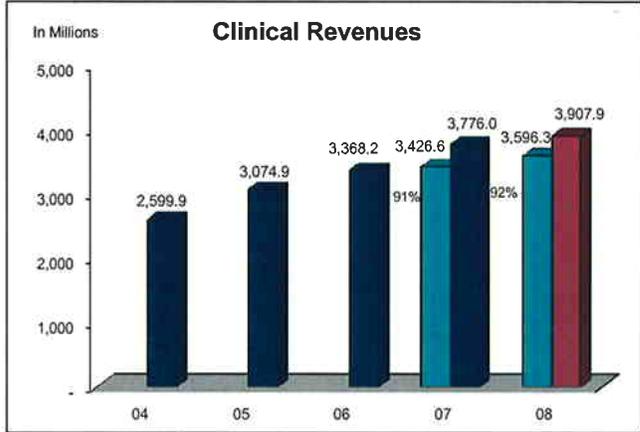
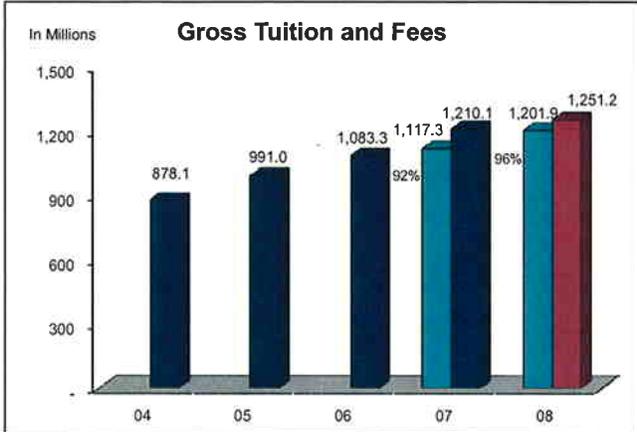
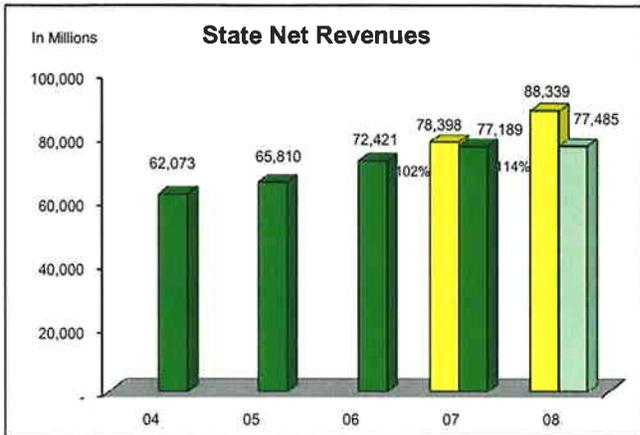
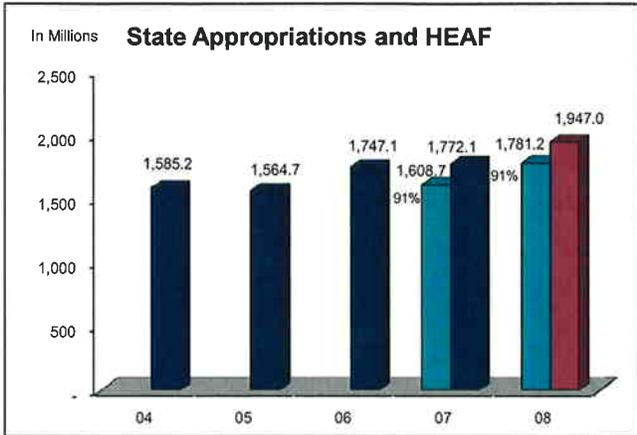
KEY FINANCIAL INDICATORS REPORT

JULY 2008

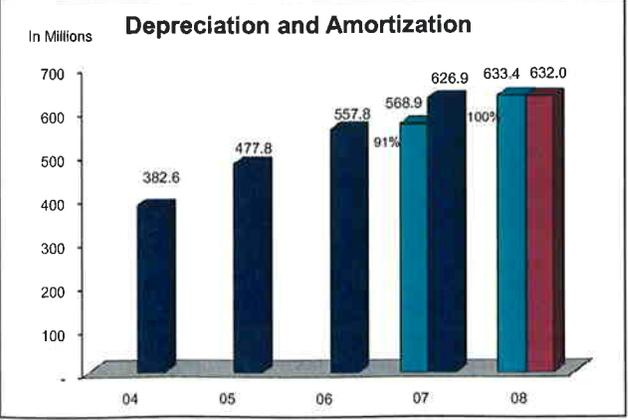
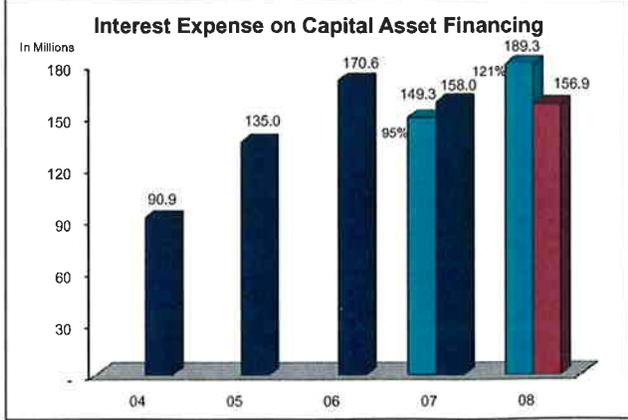
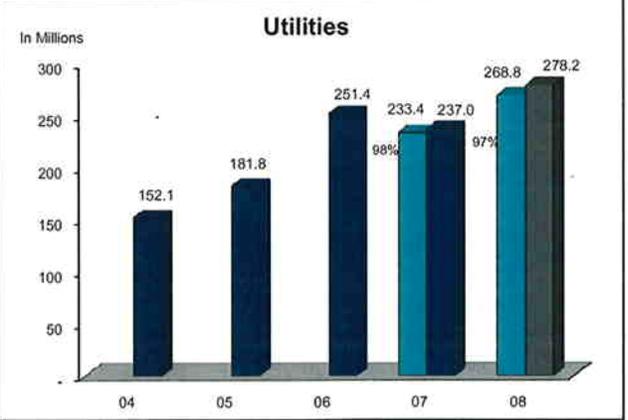
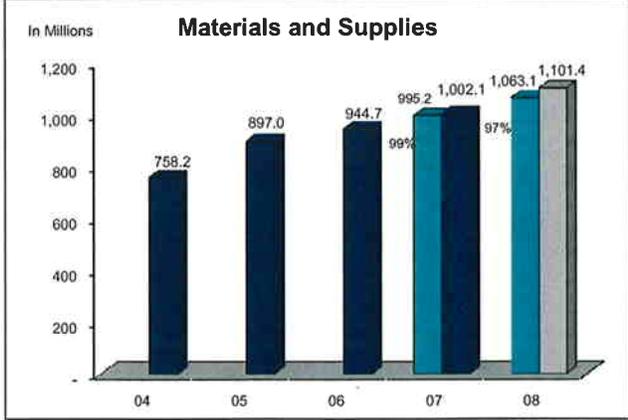
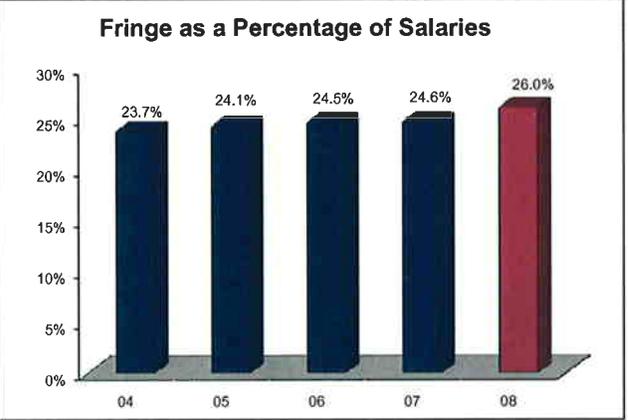
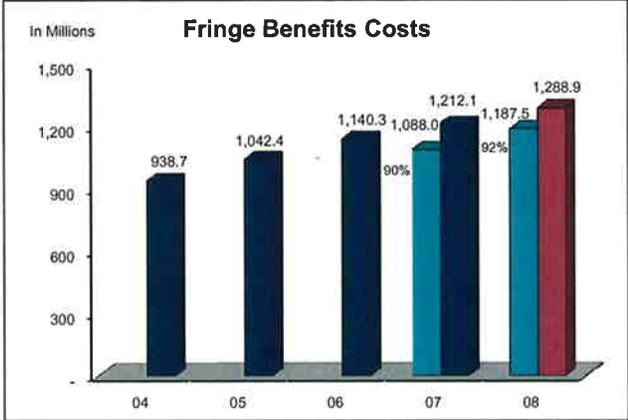
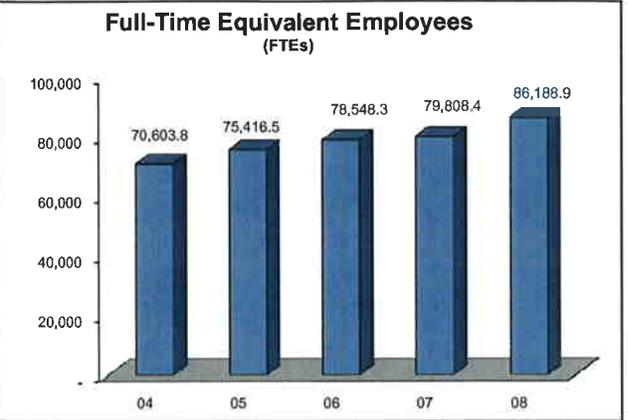
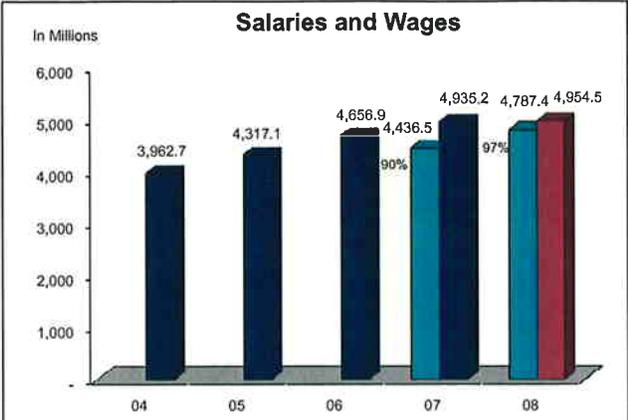
KEY

-  **Actual Annual Amounts**
(SOURCE: Annual Financial Reports)
-  **Budget amounts**
(SOURCE: Operating Budget Summary)
-  **Projected Amounts**
(trend based on the average change of the previous four years of data)
-  **Monthly Financial Report Year-to-Date Amounts**
-  **Annual State Net Revenue Collections**
(SOURCE: Texas Revenue History by Source and Texas Net Revenue by Source, State Comptroller's Office)
-  **Year-to-Date State Net Revenue Collections**
(SOURCE: State Comptroller's Office)
-  **Estimated State Revenue Collections**
(SOURCE: Biennial Revenue Estimate, State Comptroller's Office)
-  **Annual and Quarterly Average of FTEs**
(SOURCE: State Auditor's Office Quarterly FTE Report)
-  **Year-to-Date Margin**
(SOURCE: Monthly Financial Report)
-  **Projected Margin**
(SOURCE: Monthly Financial Report Year-End Projections)
-  **Year-to-Date Margin**
(SOURCE: Monthly Financial Report)
-  **Target Normalized Rates**
-  **Aaa/Aa1 Median**
(SOURCE: Moody's)
-  **A2 Median**
(SOURCE: Moody's)
-  **Good Facilities Condition Index (Below 5%)**
-  **Fair Facilities Condition Index (5% - 10%)**

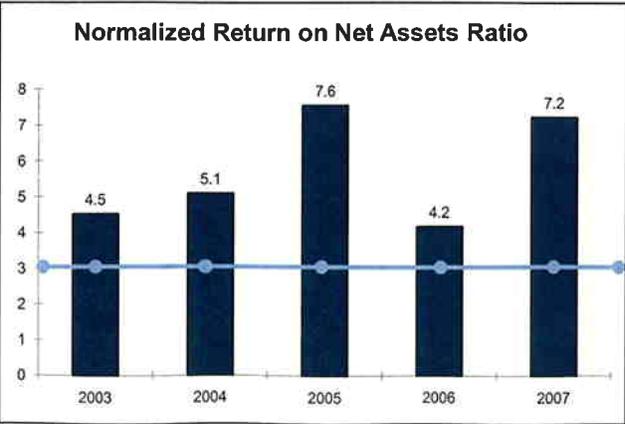
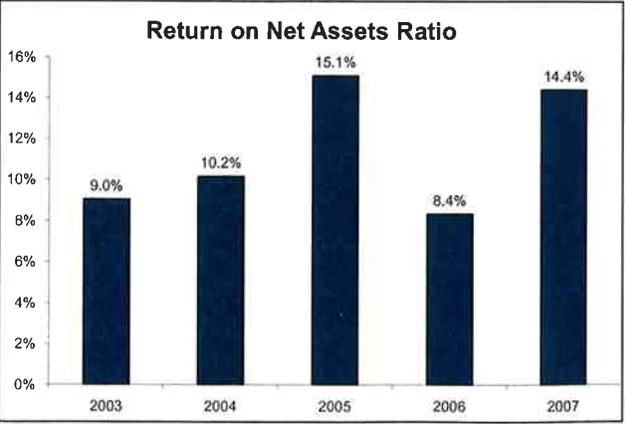
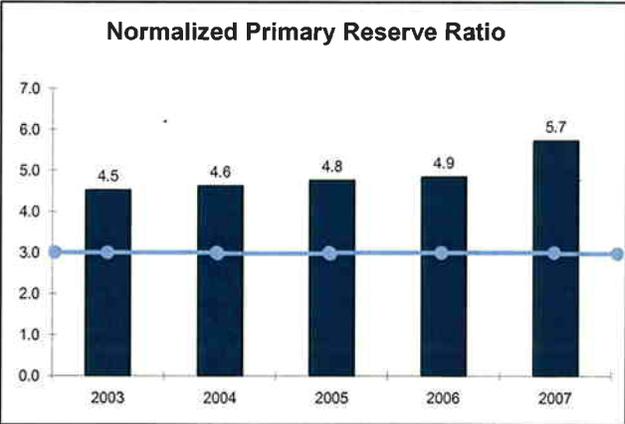
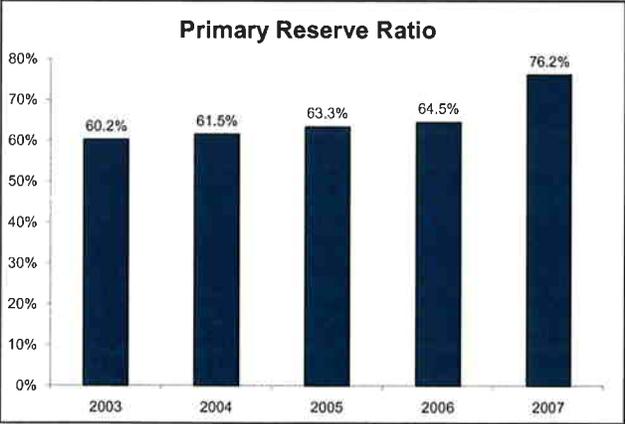
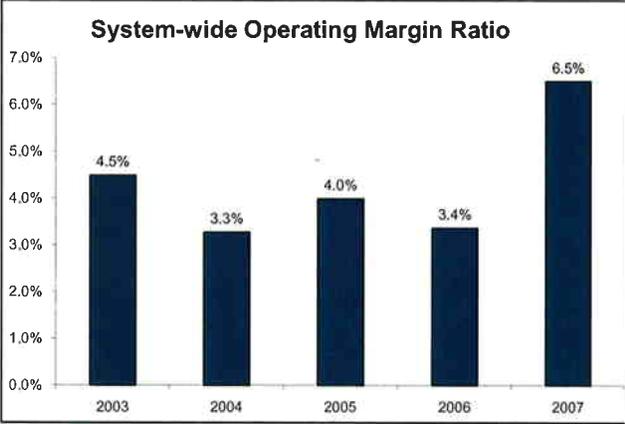
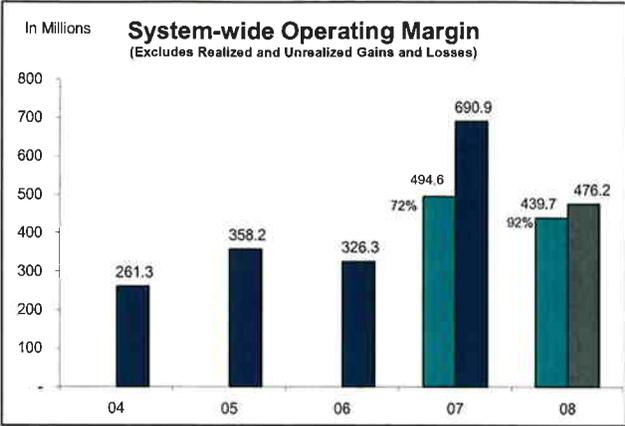
**KEY INDICATORS OF REVENUES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM JULY MONTHLY FINANCIAL REPORT**



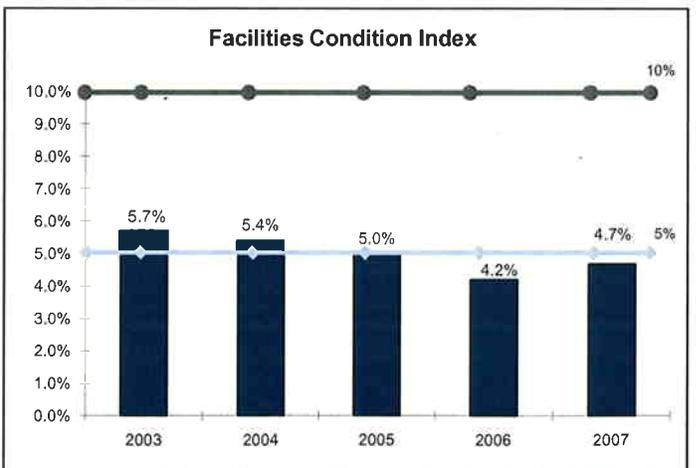
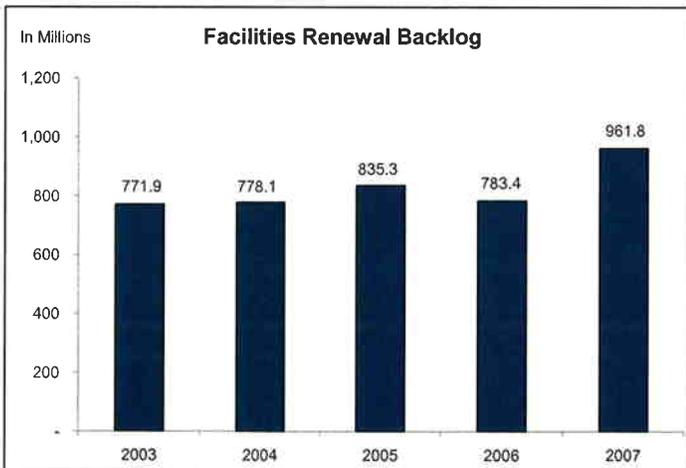
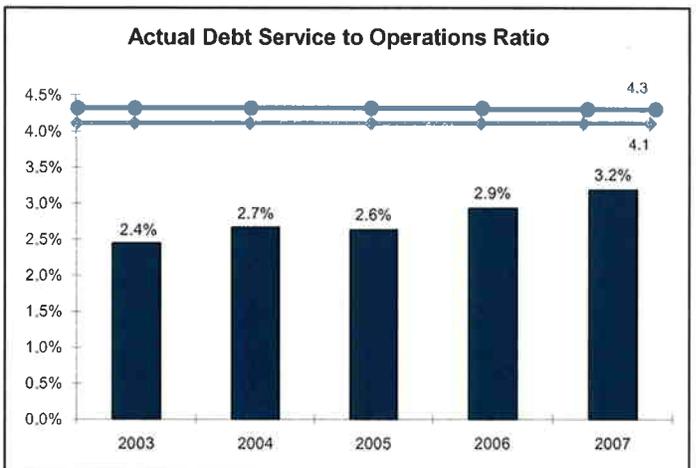
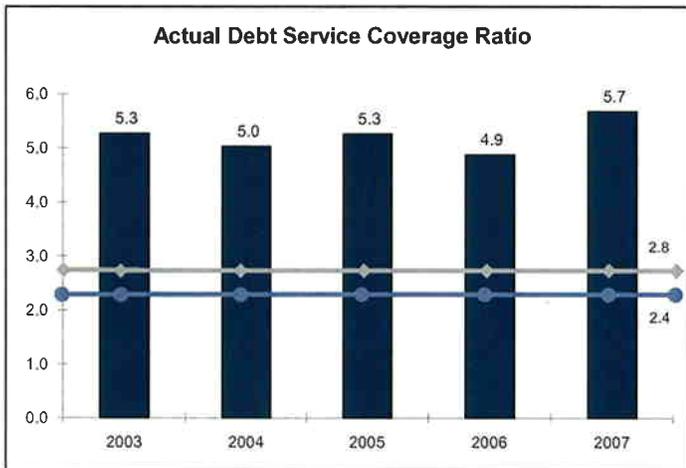
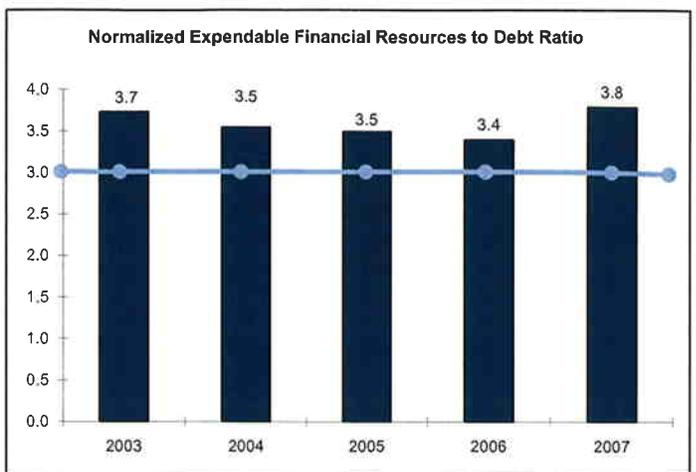
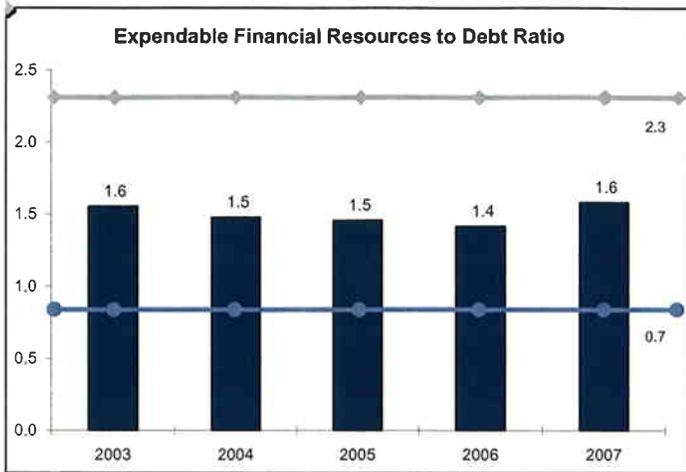
KEY INDICATORS OF EXPENSES
ACTUAL 2004 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM JULY MONTHLY FINANCIAL REPORT



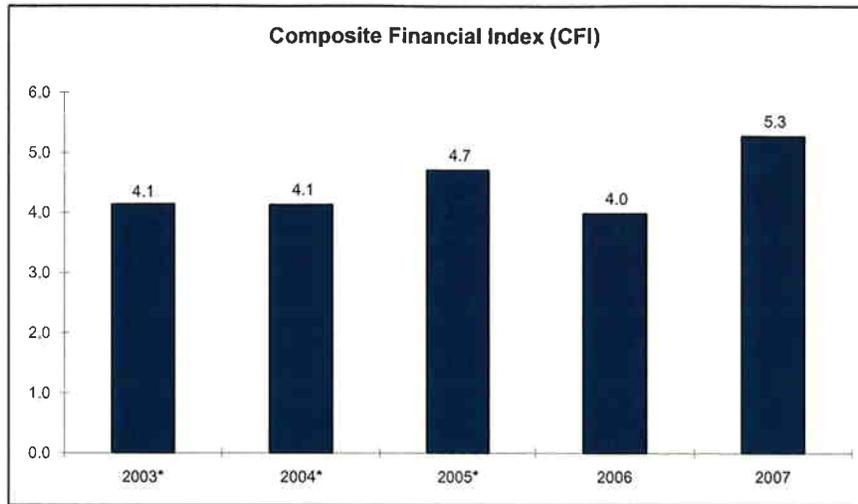
KEY INDICATORS OF RESERVES
ACTUAL 2003 THROUGH 2007
PROJECTED 2008
YEAR-TO-DATE 2007 AND 2008 FROM JULY MONTHLY FINANCIAL REPORT



KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2003 THROUGH 2007

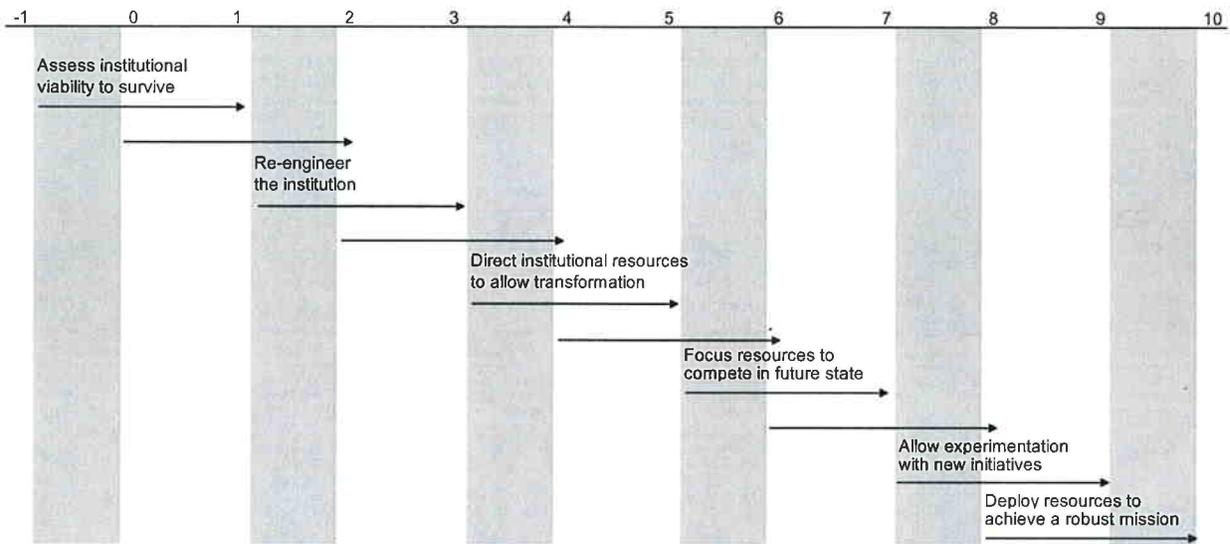


KEY INDICATORS OF FINANCIAL HEALTH 2003 THROUGH 2007

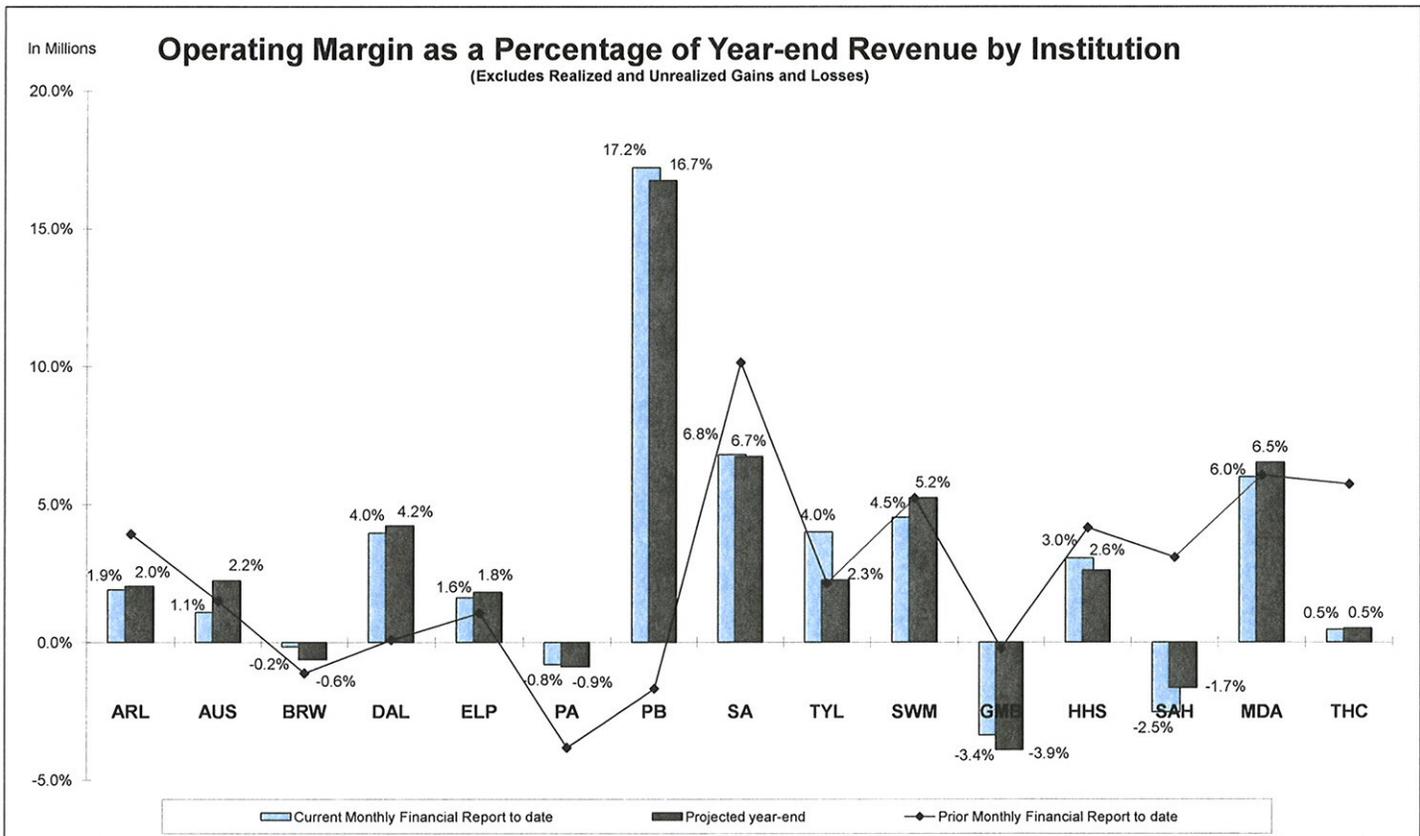
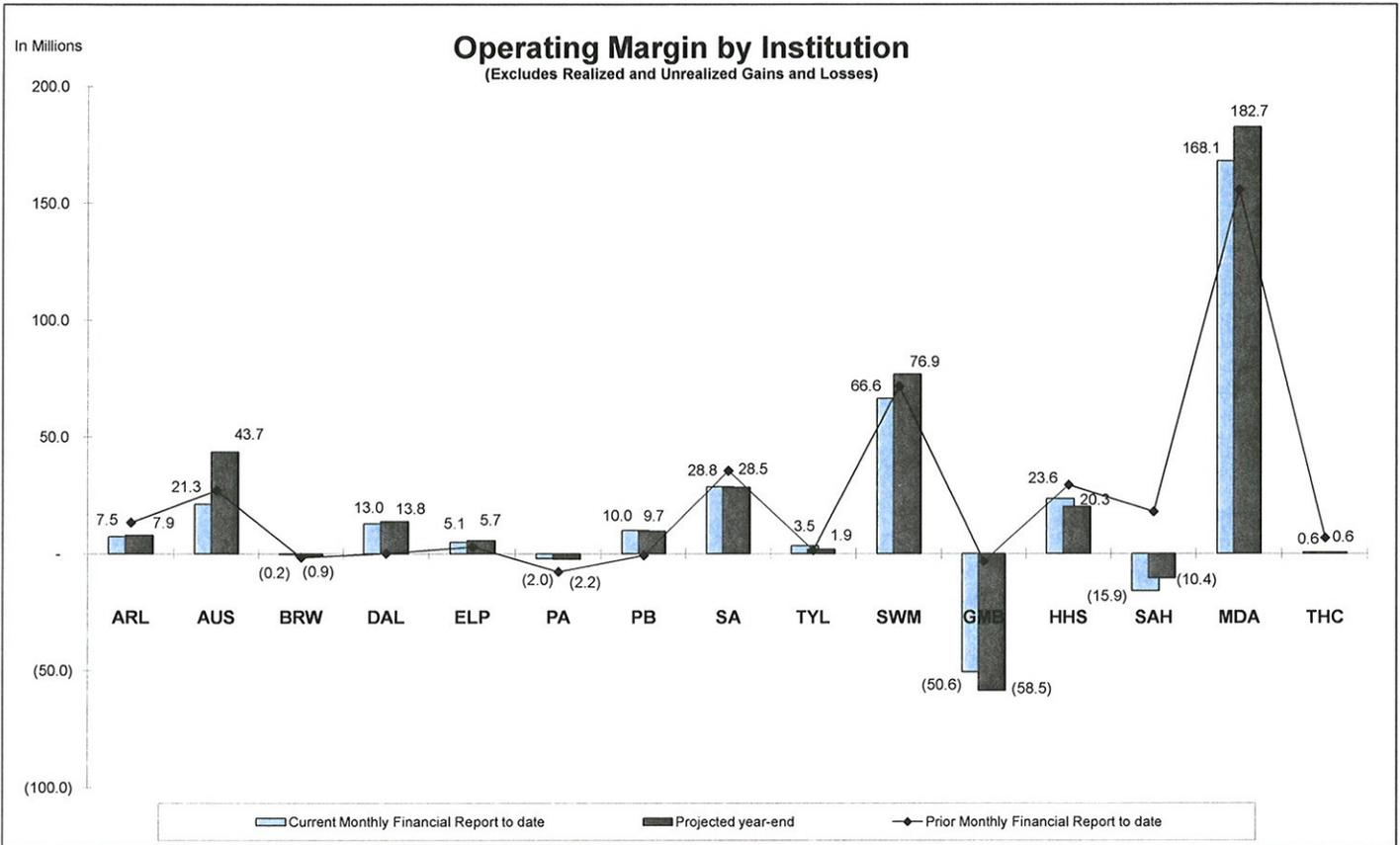


*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

Scale for Charting CFI Performance



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



3. **U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the fiscal year and quarter ended August 31, 2008**

REPORT

The August 31, 2008, UTIMCO Performance Summary Report is attached on Page 53.

The Investment Reports for the fiscal year and quarter ended August 31, 2008, are set forth on Pages 54 – 57.

Item I on Page 54 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was negative 3.34% versus its composite benchmark return of negative 5.20%. The PUF's net asset value decreased by \$383 million since the beginning of the fiscal year to \$11,359 million. This change in net asset value includes increases due to contributions from PUF Land receipts and decreases in net investment and by the annual distribution of \$449 million.

Item II on Page 55 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was negative 3.09% versus its composite benchmark return of negative 5.20%. The GEF's net asset value decreased during the fiscal year to \$6,310 million.

Item III on Page 56 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the fiscal year was negative .71% versus its composite benchmark return of negative 4.15%. The net asset value has increased to \$3,875 million due to contributions, net of distributions of \$119 million.

For all funds, all exposures were within their asset class ranges, generally very close to target, and liquidity was within policy.

Item IV on Page 57 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 institutional operating funds held in the Dreyfus money market fund, decreased by \$242 million to \$1,560 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$25 million versus \$26 million at the beginning of the period; equities: \$72 million versus \$68 million at the beginning of the period; and other investments: \$4 million versus \$15 million at the beginning of the period.

UTIMCO Performance Summary

August 31, 2008

	Net Asset Value 8/31/2008 (in Millions)	Periods Ended August 31, 2008 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns														
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs											
ENDOWMENT FUNDS																				
Permanent University Fund	\$ 11,359	(2.14)	(7.63)	(6.79)	(3.34)	(3.34)	(3.09)	(3.09)	(3.09)	(3.34)	(3.34)	(3.09)	(3.09)	(3.09)	(3.34)	(3.34)	(3.09)	(3.09)	(3.09)	(3.34)
General Endowment Fund		(2.16)	(7.62)	(6.68)	(3.09)	(3.09)	(6.70)	(6.70)	(6.70)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)	(3.14)
Permanent Health Fund	1,026	(2.09)	(7.60)	(6.70)	(3.14)	(3.14)	(6.70)	(6.70)	(6.70)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)
Long Term Fund	5,285	(2.09)	(7.60)	(6.70)	(3.13)	(3.13)	(6.70)	(6.70)	(6.70)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)	(3.13)
Separately Invested Funds	173	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	17,843																			
OPERATING FUNDS																				
Short Term Fund	1,489	0.23	0.68	2.21	3.97	3.97	(4.68)	(4.68)	(4.68)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)	(0.71)
Intermediate Term Fund	3,875	(1.79)	(6.52)	(4.68)	(0.71)	(0.71)														
Total Operating Funds	5,364																			
Total Investments	\$ 23,207																			
VALUE ADDED																				
Permanent University Fund		0.24	0.57	1.55	1.86	1.86	1.66	1.66	1.66	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
General Endowment Fund		0.22	0.58	1.66	2.11	2.11	0.68	0.68	0.68	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98	0.98
Short Term Fund		0.08	0.17	0.68	0.98	0.98	0.35	0.35	0.35	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44	3.44
Intermediate Term Fund		0.35	0.35	2.15	3.44	3.44														
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		28	69	188	218	218	188	188	188	131	131	131	131	131	131	131	131	131	131	131
General Endowment Fund		14	40	113	139	139	87	87	87	131	131	131	131	131	131	131	131	131	131	131
Intermediate Term Fund		14	15	87	131	131														

Footnotes available upon request.

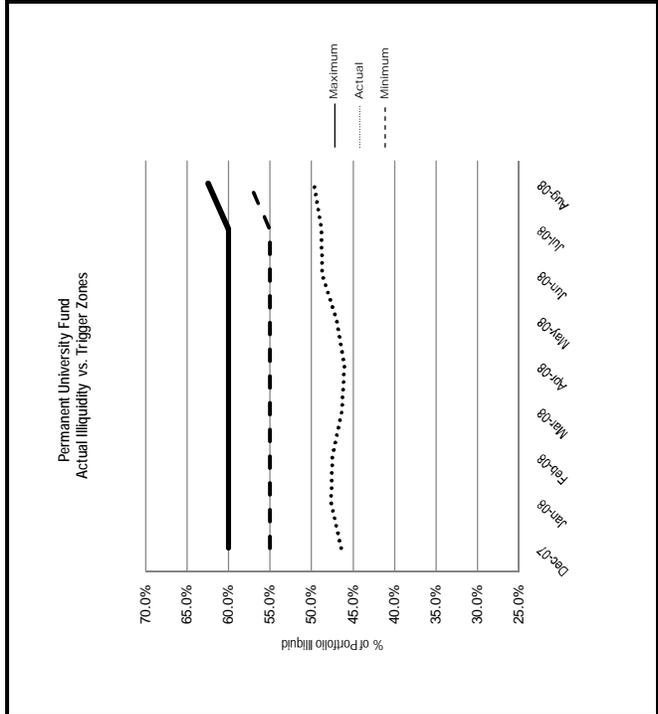
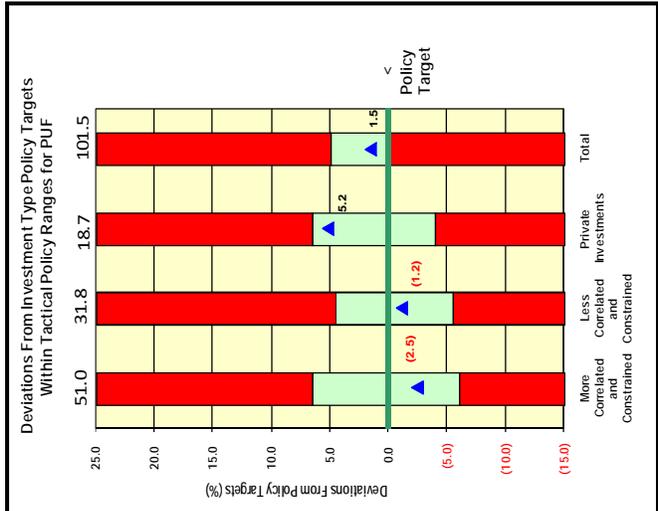
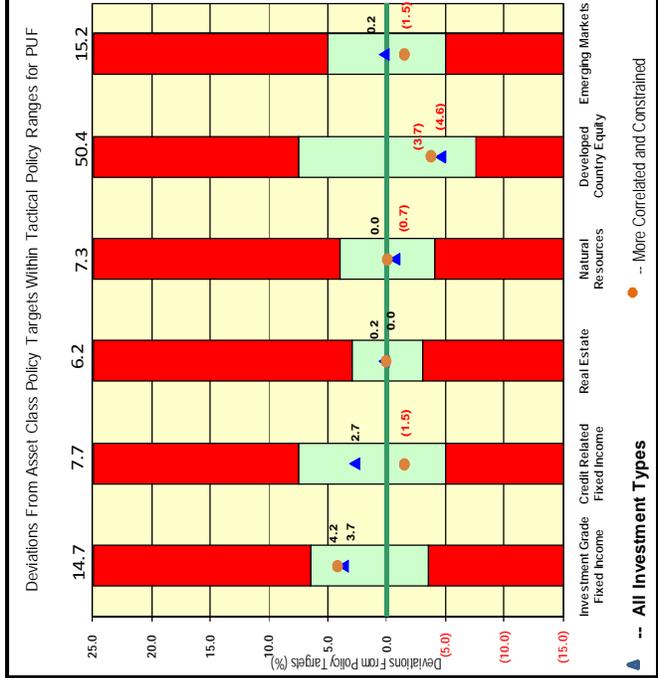
I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended August 31, 2008

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2007	Quarter Ended August 31, 2008	Fiscal Year Ended August 31, 2008
Beginning Net Assets (\$ millions)	\$ 10,313.4	\$ 12,246.0	\$ 11,742.8
PUF Lands Receipts	272.8	155.8	457.7
Investment Return	1,639.8	(923.1)	(339.5)
Expenses	(82.5)	(7.0)	(52.6)
Distributions to AUF	(400.7)	(112.2)	(448.9)
Ending Net Assets	\$ 11,742.8	\$ 11,359.5	\$ 11,359.5

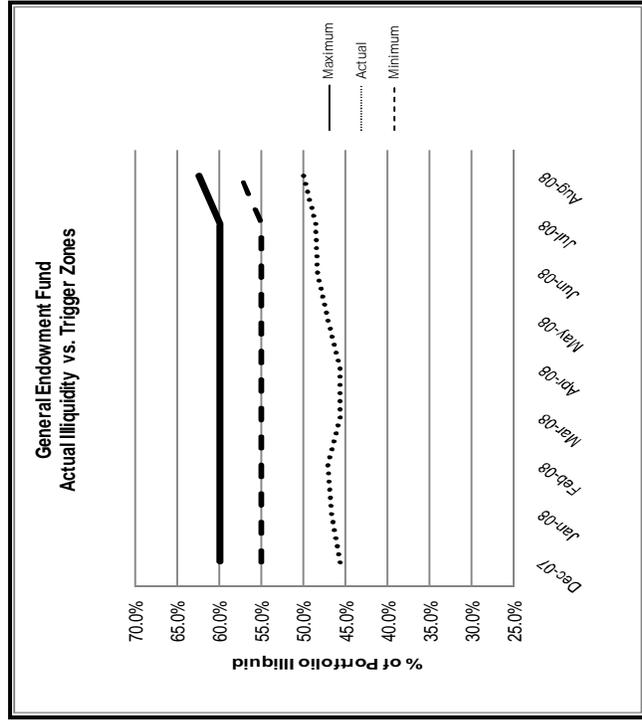
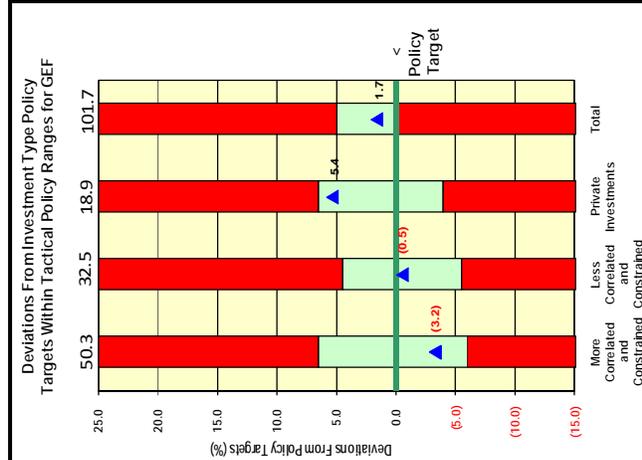
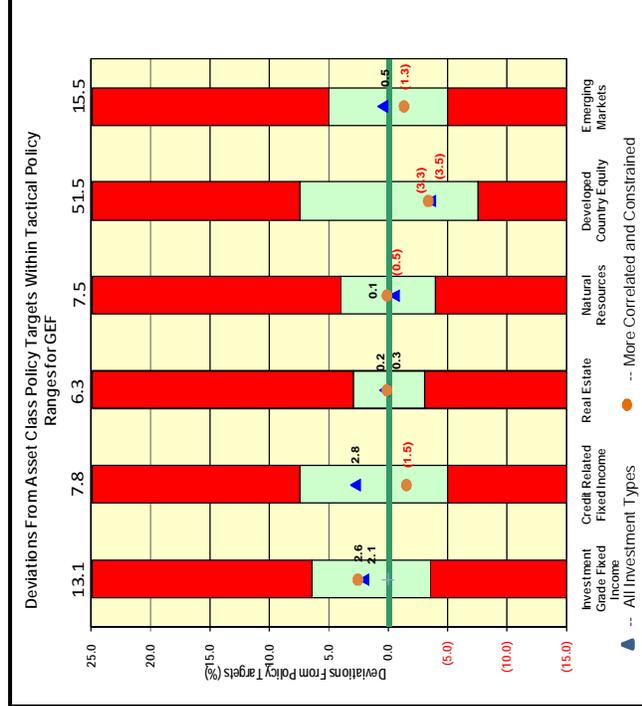
	Fiscal Year to Date				
	Returns		Value Added		
	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:					
Investment Grade	5.03%	5.11%	-0.01%	-0.07%	-0.08%
Credit-Related	N/A	-0.46%	-0.10%	0.01%	-0.09%
Real Estate	-17.93%	-22.08%	-0.01%	0.25%	0.24%
Natural Resources	23.86%	20.14%	0.60%	0.18%	0.78%
Developed Country	-14.98%	-13.27%	0.18%	-0.56%	-0.38%
Emerging Markets	-9.71%	-10.09%	0.16%	-0.04%	0.12%
Total More Correlated and Constrained	-7.57%	-8.54%	0.82%	-0.23%	0.59%
Less Correlated and Constrained	1.47%	-5.86%	-0.21%	2.15%	1.94%
Private Investments	2.30%	9.23%	0.08%	-0.75%	-0.67%
Total	-3.34%	-5.20%	0.69%	1.17%	1.86%



II. GENERAL ENDOWMENT FUND
Investment Reports for Periods Ended August 31, 2008
 Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2007	Quarter Ended August 31, 2008	Fiscal Year Ended August 31, 2008
Beginning Net Assets (\$ millions)	\$ 5,427.8	\$ 6,830.9	\$ 6,433.1
Contributions	360.7	73.0	358.6
Withdrawals	(6.2)	(4.5)	(20.2)
Distributions	(239.6)	(66.0)	(259.0)
Investment Return	928.5	(521.3)	(180.8)
Expenses	(38.1)	(1.7)	(21.3)
Ending Net Assets	\$ 6,433.1	\$ 6,310.4	\$ 6,310.4

	Fiscal Year to Date		
	Returns	Value Added	
	Portfolio	Policy Benchmark	From Asset Allocation
More Correlated and Constrained:			
Investment Grade	5.29%	5.11%	0.00%
Credit-Related	N/A	-0.46%	-0.10%
Real Estate	-17.80%	-22.08%	0.28%
Natural Resources	23.22%	20.14%	0.56%
Developed Country	-14.78%	-13.27%	0.18%
Emerging Markets	-9.81%	-10.09%	0.15%
Total More Correlated and Constrained	-7.47%	-8.54%	-0.80%
Less Correlated and Constrained	1.48%	-5.86%	-0.19%
Private Investments	3.68%	9.23%	0.09%
Total	-3.09%	-5.20%	0.70%
			From Security Selection
			Total
			-0.05%
			-0.09%
			0.29%
			0.70%
			-0.31%
			0.09%
			0.63%
			1.93%
			-0.45%
			2.11%

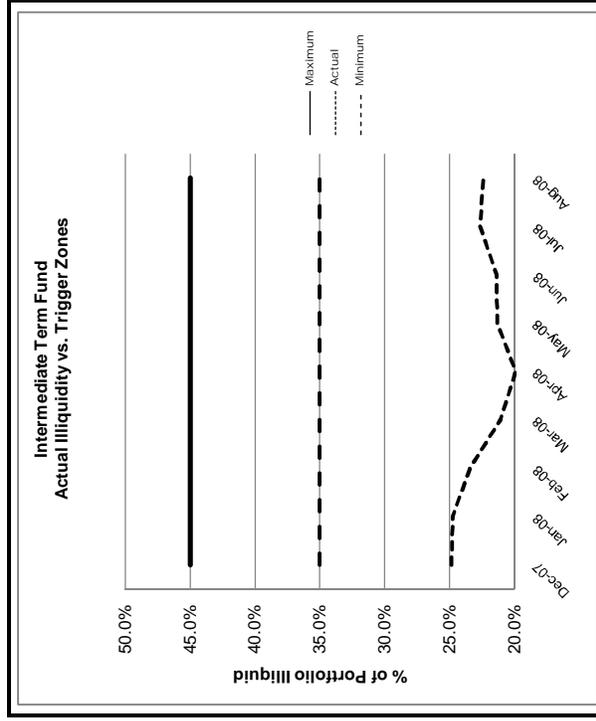
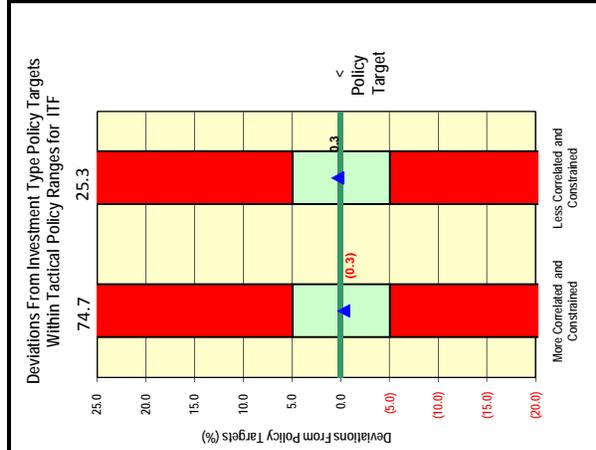
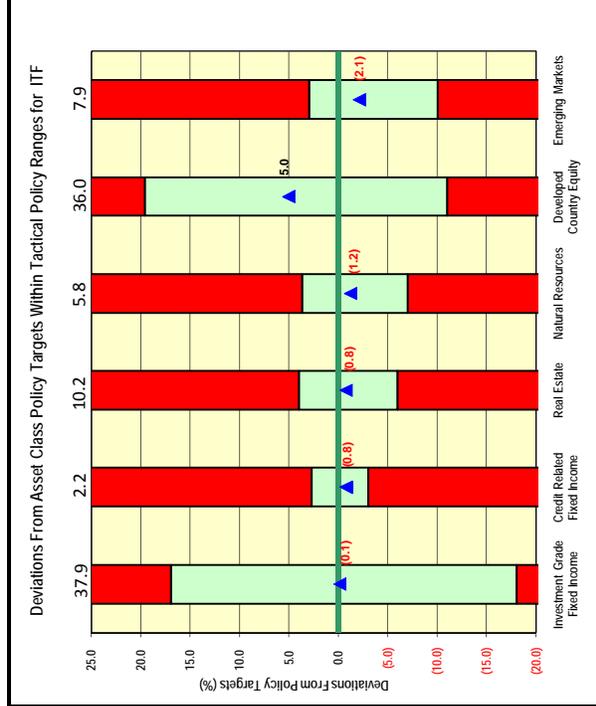


III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended August 31, 2008

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
(\$ millions)	Fiscal Year Ended August 31, 2007	Quarter Ended August 31, 2008	Fiscal Year Ended August 31, 2008
Beginning Net Assets	\$ 3,048.8	\$ 4,129.5	\$ 3,720.6
Contributions	664.6	189.8	1,639.1
Withdrawals	(228.6)	(145.4)	(1,335.3)
Distributions	(104.0)	(30.3)	(118.6)
Investment Return	377.4	(266.5)	(7.5)
Expenses	(37.6)	(2.3)	(23.5)
Ending Net Assets	\$ 3,720.6	\$ 3,874.8	\$ 3,874.8

	Fiscal Year to Date		
	Returns	Value Added	Total
More Correlated and Constrained:	Portfolio	From Asset Allocation	From Security Selection
Investment Grade	6.14%	4.83%	0.39%
Credit-Related	N/A	-0.46%	0.01%
Real Estate	-18.03%	-22.08%	0.50%
Natural Resources	26.60%	20.15%	0.25%
Developed Country	-13.03%	-13.59%	0.12%
Emerging Markets	-11.72%	-10.09%	-0.11%
Total More Correlated and Constrained	-1.58%	-3.60%	1.16%
Less Correlated and Constrained	1.82%	-5.86%	1.89%
Private Investments	0.00%	0.00%	0.00%
Total	-0.71%	-4.15%	3.05%



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at August 31, 2008
 Report prepared in accordance with Texas Education Code Sec. 51.0032

ASSET TYPES	FUND TYPE																
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL		
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	
Cash & Equivalents:																	
Beginning value 05/31/08	2,459	2,459	2,339	2,339	36,281	36,281	2,433	2,433	9,267	9,267	52,779	52,779	1,748,786	1,748,786	1,801,565	1,801,565	
Increase/(Decrease)	(2,459)	(2,459)	829	829	25,871	25,871	(350)	(350)	(5,776)	(5,776)	18,115	18,115	(259,719)	(259,719)	(241,604)	(241,604)	
Ending value 08/31/08	-	-	3,168	3,168	62,152	62,152	2,083	2,083	3,491	3,491	70,894	70,894	1,489,067	1,489,067	1,559,961	1,559,961	
Debt Securities:																	
Beginning value 05/31/08	-	-	264	244	12,730	13,413	11,708	12,091	-	-	24,702	25,748	-	-	24,702	25,748	
Increase/(Decrease)	-	-	1	15	(125)	(179)	(32)	(132)	-	-	(156)	(296)	-	-	(156)	(296)	
Ending value 08/31/08	-	-	265	259	12,605	13,234	11,676	11,959	-	-	24,546	25,452	-	-	24,546	25,452	
Equity Securities:																	
Beginning value 05/31/08	18	2,595	428	402	34,437	38,138	25,359	26,465	-	-	60,242	67,600	-	-	60,242	67,600	
Increase/(Decrease)	-	10,968	12	13	(531)	(3,374)	93	(2,992)	-	-	(426)	(4,615)	-	-	(426)	(4,615)	
Ending value 08/31/08	18	13,563	440	415	33,906	34,764	25,452	23,473	-	-	59,816	72,215	-	-	59,816	72,215	
Other:																	
Beginning value 05/31/08	-	-	12,934	12,934	1	1	304	130	1,829	1,829	15,068	14,894	-	-	15,068	14,894	
Increase/(Decrease)	-	-	(9,738)	(9,738)	2	2	17	-	(775)	(775)	(10,494)	(10,511)	-	-	(10,494)	(10,511)	
Ending value 08/31/08	-	-	3,196	3,196	3	3	321	130	1,054	1,054	4,574	4,383	-	-	4,574	4,383	
Total Assets:																	
Beginning value 05/31/08	2,477	5,054	15,965	15,919	83,449	87,833	39,804	41,119	11,096	11,096	152,791	161,021	1,748,786	1,748,786	1,901,577	1,909,807	
Increase/(Decrease)	(2,459)	8,509	(8,896)	(8,881)	25,217	22,320	(272)	(3,474)	(6,551)	(6,551)	7,039	11,923	(259,719)	(259,719)	(252,680)	(247,796)	
Ending value 08/31/08	18	13,563	7,069	7,038	108,666	110,153	39,532	37,645	4,545	4,545	159,830	172,944	1,489,067	1,489,067	1,648,897	1,662,011	

Details of individual assets by account furnished upon request.

4. **U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Request for authorization to a) file Federal Emergency Management Agency (FEMA) documents, b) dispose of salvageable property, and c) execute all documents related thereto**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and the Vice Chancellor and General Counsel that Presidents Callender, Kaiser, and Mendelsohn be authorized to execute Federal Emergency Management Agency (FEMA) documents relating to damage sustained in September 2008 as a result of Hurricane Ike and to take all necessary related steps and provide such additional information as may be required by FEMA.

It is also recommended that President Callender be authorized to contract with a salvage company or companies to dispose of damaged property in a manner deemed in the interest of U. T. Medical Branch - Galveston, consistent with State law.

BACKGROUND INFORMATION

Hurricane Ike resulted in extensive wind and water damage to U. T. Medical Branch – Galveston and some wind and water damage to U. T. Health Science Center – Houston and U. T. M. D. Anderson Cancer Center. The presidents of the institutions support the filing of applications for public assistance grants from FEMA. FEMA requires that an applicant appoint an authorized representative to file and execute documents in connection with the application and to provide such additional information as FEMA may require. To expedite the reimbursement process, affected institutions request that the Board of Regents delegate authority to their presidents to file applications for public assistance and enter into contracts or settlements necessary to accomplish the recovery and restoration.

The recommendation concerning disposal of damaged property will allow U. T. Medical Branch – Galveston to recover salvage value more quickly than through the property disposal procedures governed by Regents' *Rules and Regulations*, Rule 80201, which covers the routine disposition of unused and outdated equipment. U. T. System staff will also review the Regents' *Rules* and may suggest *Rules* changes for the future.

(See Item 5 on Page 100 in the Facilities Planning and Construction Committee regarding application for emergency interim financing for campuswide repair and renovation capital improvements at these three U. T. System institutions.)

5. **U. T. System: Adoption of a Resolution related to a contract to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund Lands**

RECOMMENDATION

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

- a. adopt the Resolution on Pages 60 - 63 related to a contract to hedge the price and sell a portion of the future oil and gas royalty production from the Permanent University Fund (PUF) Lands; and
- b. authorize appropriate officers and employees of U. T. System and The University of Texas Investment Management Company (UTIMCO) as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein.

BACKGROUND INFORMATION

On July 24, 2008, the Board of Regents approved an initial recommendation to enter into a contract to sell a portion of future oil and gas royalty production from the PUF Lands. While the substance of the proposed transaction is unchanged, the attached proposed Resolution provides significant additional detail regarding the statutory and Constitutional authorization for such a transaction. The Resolution also more fully describes the authorities that are being granted to U. T. System and UTIMCO staff.

Adoption of this Resolution would authorize appropriate officers and employees of U. T. System and UTIMCO to move forward with a transaction within parameters set in consultation with the Chairman and Vice Chairmen of the Board of Regents, consistent with the authority granted at the July 24, 2008 meeting of the Board. The passage of this Resolution will allow staff to move expeditiously once market conditions return to more attractive levels.

The PUF lands encompass 2.1 million acres of surface and mineral interests in 19 counties in West Texas. Royalty production net to the U. T. System in Fiscal Year 2007 totaled 1.8 million barrels of oil and 14.7 billion cubic feet of natural gas. Total oil and gas royalty income in Fiscal Year 2007 was \$210.8 million and is expected to exceed \$350 million in Fiscal Year 2008.

Note: An excerpt from the Reserve Report referenced in the fourth paragraph on Page 60 is set forth on Pages 64 – 68. The complete Reserve Report is available online at <http://www.utsystem.edu/bor/AgendaBook/Nov08/11-12&13-08Meetingpage.htm>.

RESOLUTION AUTHORIZING
PERMANENT UNIVERSITY FUND FORWARD SALE TRANSACTION

WHEREAS, the Permanent University Fund of the State of Texas (the “PUF”) is a constitutional fund created by the Texas Constitution of 1876 and currently consists of approximately 2,109,000 acres of land located in 24 North and West Texas Counties (the “PUF Lands”) and over \$10 billion in investment assets;

WHEREAS, except as provided below, the Board of Regents (the “Board”) of The University of Texas System (the “U. T. System”) is responsible for managing all the assets of the PUF, including the PUF Land and the investment assets;

WHEREAS, the Board for Lease of University Lands (the “Board for Lease”) is authorized to lease PUF Lands for oil and gas exploration and development (“Mineral Leases”) and to contract for the sale or other disposition of crude oil and natural gas royalties taken in kind;

WHEREAS, the Board commissioned the petroleum consulting firm of Netherland, Sewell & Associates, Inc. (“NSA”) to study the estimated proven, probable and possible crude oil and natural gas reserves and future PUF royalty net revenue from certain Mineral Leases, which study resulted in a written report from NSA to the Board, dated September 12, 2008 (see attached “Reserve Report”);

WHEREAS, in managing the assets of the PUF, the Board is authorized by Article VII, Section 11b of the State Constitution to “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, or other circumstances of the [PUF] then prevailing, taking into consideration the investment of all the assets of the [PUF] rather than a single investment”;

WHEREAS, the U. T. System staff, based upon consultation with the staff of UTIMCO, has submitted to the Board the recommendation (the “Staff Recommendation”) to approve one or more investment transactions for the PUF (each, a “Transaction”), pursuant to which the Board, as manager of the PUF, would agree to sell to one or more unrelated counterparties (each, a “Counterparty”) certain quantities of crude oil and natural gas to be delivered by the Board over a multiyear period, and the applicable Counterparty would agree to purchase such quantities from the Board by paying an upfront purchase price, said agreements to be set forth in one or more commodity prepayment agreements (each, a “Commodity Prepayment Agreement”);

WHEREAS, the Staff Recommendation calls for each Transaction to be structured, based upon the Reserve Report, such that the obligation of the Board, as manager of the PUF, to sell and deliver crude oil and natural gas pursuant to all Commodity Prepayment Agreements does not exceed the estimated PUF royalty production per the Reserve Report from total proved reserves in any given calendar year, during the delivery period of the Transactions; and

WHEREAS, in connection with a Transaction, it may be necessary or appropriate for the Board, as manager of the PUF, to enter into one or more of the following basic documents

(together with the applicable Commodity Prepayment Agreement, the “Basic Transaction Documents”) in furtherance of the prudent execution of the Transaction:

- (i) Physical commodity sales agreement(s) with one or more commodity marketers pursuant to which the Board would purchase, or exchange for PUF royalties taken in kind, crude oil and natural gas to be delivered in amounts necessary to satisfy its obligations under the applicable Commodity Prepayment Agreement; and
- (ii) Financial commodity price swap agreement(s) with two or more swap counterparties pursuant to which the Board would agree to pay a floating-price for a notional volume of crude oil and natural gas and the swap counterparty would agree to pay a fixed-price for such notional volume.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THAT:

1. Subject to the other provisions of this Resolution, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to determine the size, timing, participants and other terms of each Transaction and to complete all negotiations and finalize all arrangements with respect to the Transaction, all as may be deemed necessary or appropriate and in the best interests of the PUF; provided, however, that (i) each Transaction shall be structured, based upon the Reserve Report, such that the obligations of the Board, as manager of the PUF, to sell and deliver crude oil and natural gas pursuant to all Commodity Prepayment Agreements does not exceed the estimated PUF royalty production in any given calendar year from total proved reserves, and (ii) the term of the Transaction shall not exceed six years.

2. In connection with the actions authorized by Section 1 above, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to assist the Board for Lease in reviewing the terms of the Mineral Leases and exercising such rights contained therein as are deemed necessary or appropriate to facilitate the Transactions, including the rights to take crude oil and natural gas royalties in kind, to sell and dispose of such royalties taken in kind and to determine the delivery location of such royalties taken in kind.

3. Subject to the requirements of paragraph 1 above, in connection with each Transaction, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Finance and Business Development, and the Vice Chancellor and General Counsel are hereby severally authorized and directed to execute and deliver the applicable Basic Transaction Documents on behalf of the Board, as manager of the PUF, in such forms and with such terms as they determine to be necessary or desirable and in the best interests of the Board, as manager of the PUF, such determination to be conclusively evidenced by such execution thereof.

4. The members of the staffs of U. T. System and UTIMCO, and the officers of the Board, and each of them shall be and each is expressly authorized, empowered and directed from time-to-time to do and perform all acts and things and to execute, acknowledge and deliver in the name and on behalf of the Board all certificates, instruments and other papers, whether or not

herein mentioned, as they may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution and the Transactions authorized hereunder, such determination to be conclusively evidenced by the performance of such acts and things and the execution of certificate, instrument or paper.

5. In reliance upon the Staff Recommendation, the Reserve Report, the recitals to this Resolution and the foregoing paragraphs 1 through 4,

(a) the Board hereby finds and determines that each Transaction is prudent and appropriate for the PUF in light of the purpose, terms, distribution requirements, and other circumstances of the PUF then prevailing, taking into consideration the investment of all the assets of the PUF rather than a single investment and, thus, is an authorized investment under Article VII, Section 11b of the State Constitution; and

(b) the Board specifically further finds and determines that:

(i) because the upfront purchase payment pursuant to all Commodity Prepayment Agreements, when credited to the PUF, will be invested in investment assets pursuant to the Board's investment policies in effect from time to time, which investment assets are expected to produce revenue for the PUF, (a) distributions to the Available University Fund ("AUF") from the total return on all investment assets of the PUF are expected to increase as a result of the Transactions, and (b) the amount of bonds payable from the AUF authorized to be issued by the Board and the Board of Regents of The Texas A&M University System is expected to increase;

(ii) because each Transaction will be structured, based upon the Reserve Report, such that the obligation of the Board, as manager of the PUF, to sell and deliver crude oil and natural gas pursuant to all Commodity Prepayment Agreements is expected to be fully satisfied from PUF royalty production from total proved reserves in any given calendar year, during the delivery period of the Transactions, the Board's sale and delivery obligation is not speculative, but is fully hedged by the PUF's expected royalty production;

(iii) because the upfront purchase payment pursuant to all Commodity Prepayment Agreements will be deposited to the credit of the PUF and invested in investment assets in accordance with the Board's investment policies in effect from time-to-time, the Transactions will reduce the PUF's reliance upon volatile crude oil and natural gas commodity prices, thereby prudently further diversifying the assets of the PUF; and

- (iv) because the upfront purchase payment to the Board will be calculated based upon commodity prices and interest rates established at or prior to execution of the applicable Transaction, the Transactions will allow the PUF to lock in what currently appear to be relatively high market prices for crude oil and natural gas and relatively low interest rates.

6. This Resolution shall be in full force and effect from and after its passage, and it is accordingly so resolved.

PASSED AND APPROVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THIS ____ DAY OF NOVEMBER, 2008.

Reserve Report Excerpt

Summary Projections of Reserves and Revenue

Note: The complete Reserve Report is available online at
<http://www.utsystem.edu/bor/AgendaBook/Nov08/11-12&13-08Meetingpage.htm>.

ESTIMATE
of
RESERVES AND FUTURE REVENUE
to
THE UNIVERSITY OF TEXAS SYSTEM
UNIVERSITY LANDS ROYALTY INTEREST
in
CERTAIN OIL AND GAS PROPERTIES
located in
TEXAS
as of
AUGUST 31, 2008

BASED ON PRICE AND COST PARAMETERS
specified by
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY



**NETHERLAND, SEWELL
& ASSOCIATES, INC.**

WORLDWIDE PETROLEUM
CONSULTANTS
ENGINEERING • GEOLOGY
GEOPHYSICS • PETROPHYSICS

SUMMARY PROJECTION OF RESERVES AND REVENUE AS OF 8 -31 - 8

THE UNIVERSITY OF TEXAS SYSTEM UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES LOCATED IN TEXAS

TOTAL PROVED RESERVES

PERIOD ENDING	GROSS OIL/COND	NET OIL/COND	GROSS GAS	NET GAS	GROSS NGL	NET NGL	GROSS REVENUE	PROD+AV TAXES	NET CAP COST	OPERATING EXPENSE	NET REVENUE	CUM P.W. 10,000%
	MBBL	MBBL	MMCF	MMCF	MBBL	MBBL	M\$	M\$	M\$	M\$	M\$	M\$
12-31-8	28674.141	553.435	28674.141	4112.046	872.813	126.905	102282.0	0.0	0.0	0.0	102282.0	100863.6
12-31-9	12602.238	1532.580	75146.108	10428.808	2311.373	335.246	279521.1	0.0	0.0	0.0	279521.1	359170.1
12-31-10	11251.315	1349.969	63050.623	8464.079	1945.478	281.634	242952.3	0.0	0.0	0.0	242952.3	563563.1
12-31-11	9951.351	1154.735	51440.683	6506.033	1663.010	240.014	201242.2	0.0	0.0	0.0	201242.2	717442.7
12-31-12	8946.074	1014.790	43885.132	5376.503	1447.887	208.552	172878.8	0.0	0.0	0.0	172878.8	837587.9
12-31-13	8150.590	906.873	38223.402	4614.177	1269.590	182.753	152218.1	0.0	0.0	0.0	152218.1	933745.7
12-31-14	7442.223	812.870	33712.838	4050.153	1115.589	160.704	135457.7	0.0	0.0	0.0	135457.7	1011531.2
12-31-15	6869.687	739.245	30006.015	3607.489	982.638	141.515	122300.3	0.0	0.0	0.0	122300.3	1075368.4
12-31-16	6352.538	674.357	26885.849	3249.854	871.748	125.632	111028.7	0.0	0.0	0.0	111028.7	1128049.9
12-31-17	5875.079	615.949	24159.718	2943.147	774.900	111.802	101031.9	0.0	0.0	0.0	101031.9	1171629.1
12-31-18	5056.764	516.956	21732.871	2675.950	690.353	99.740	87002.2	0.0	0.0	0.0	87002.2	1205761.2
12-31-19	4628.896	467.825	19699.210	2458.664	619.964	89.639	79024.6	0.0	0.0	0.0	79024.6	1233931.6
12-31-20	4229.995	419.591	13563.569	2132.830	384.179	59.051	69127.6	0.0	0.0	0.0	69127.6	1256343.6
12-31-21	3923.621	382.023	11585.208	1939.152	306.618	48.288	62591.3	0.0	0.0	0.0	62591.3	1274784.6
12-31-22	3683.944	354.184	10721.693	1798.118	278.237	43.774	57959.2	0.0	0.0	0.0	57959.2	1290306.5
12-31-23	3479.044	330.676	9941.148	1669.708	251.907	39.488	53934.2	0.0	0.0	0.0	53934.2	1303437.4
12-31-24	3274.374	307.114	9254.540	1553.086	229.159	35.920	50035.7	0.0	0.0	0.0	50035.7	1314511.6
12-31-25	3065.557	281.371	8542.630	1434.763	207.911	32.645	45903.5	0.0	0.0	0.0	45903.5	1323750.9
12-31-26	2855.623	253.107	7871.843	1322.629	189.699	29.700	41547.0	0.0	0.0	0.0	41547.0	1331350.8
12-31-27	2687.822	233.687	7296.461	1225.816	174.653	27.211	38365.6	0.0	0.0	0.0	38365.6	1337730.2
SUBTOTAL	118872.613	12901.337	535393.682	71563.005	16587.706	2420.213	2206404.0	0.0	0.0	0.0	2206404.0	1337730.2
REMAINING	37152.732	2665.605	84035.212	13632.481	1677.288	258.148	429073.5	0.0	0.0	0.0	429073.5	1371635.0
TOTAL OF 50.0 YRS	156025.345	15566.942	619428.894	85195.486	18264.994	2678.361	2635477.5	0.0	0.0	0.0	2635477.5	1371635.0
CUM PROD2005103.800			5554490.276									
ULTIMATE2161129.145			6173919.170									

BASED ON UTTIMCO PRICING PARAMETERS

PRESENT WORTH PROFILE
 FOR 5.00 PCT, PRESENT WORTH \$ 1778871.8
 FOR 6.00 PCT, PRESENT WORTH \$ 1675747.0
 FOR 7.00 PCT, PRESENT WORTH \$ 1585527.0
 FOR 8.00 PCT, PRESENT WORTH \$ 1506901.5
 FOR 9.00 PCT, PRESENT WORTH \$ 1435072.3

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

SUMMARY PROJECTION OF RESERVES AND REVENUE AS OF 8 -31 - 8

THE UNIVERSITY OF TEXAS SYSTEM UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES LOCATED IN TEXAS

PROVED DEVELOPED PRODUCING RESERVES

PERIOD ENDING	GROSS OIL/COND	NET OIL/COND	GROSS GAS	NET GAS	GROSS NGL	NET NGL	GROSS REVENUE	PROD+AV TAXES	NET CAP COST	OPERATING EXPENSE	NET REVENUE	CUM P.W. 10.000%
	MBBL----	MBBL----	MMCF----	MMCF----	MBBL----	MBBL----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----	M\$-----
12-31-8	4414.688	526.664	27562.978	3847.383	871.871	126.669	97254.9	0.0	0.0	0.0	97254.9	95749.7
12-31-9	11927.012	1385.621	69365.217	9060.579	2303.743	333.337	251894.2	0.0	0.0	0.0	251894.2	328838.3
12-31-10	10456.393	1179.638	56049.369	6813.348	1935.813	279.215	210006.2	0.0	0.0	0.0	210006.2	505477.2
12-31-11	9371.954	1033.699	47058.320	5478.750	1656.847	238.472	179099.8	0.0	0.0	0.0	179099.8	642403.7
12-31-12	8476.658	918.218	40631.992	4616.403	1443.200	207.380	155845.3	0.0	0.0	0.0	155845.3	750703.7
12-31-13	7747.876	824.848	35592.808	4001.093	1265.711	181.784	138082.8	0.0	0.0	0.0	138082.8	837929.0
12-31-14	7086.365	740.852	31485.107	3532.026	1112.238	159.867	123224.4	0.0	0.0	0.0	123224.4	908688.5
12-31-15	6549.449	674.698	28063.295	3156.413	979.664	140.771	111436.7	0.0	0.0	0.0	111436.7	966853.1
12-31-16	5958.738	603.401	25142.512	2847.260	869.060	124.958	99853.7	0.0	0.0	0.0	99853.7	1014256.6
12-31-17	5156.128	507.841	22534.521	2573.844	772.436	111.185	86029.6	0.0	0.0	0.0	86029.6	1051365.5
12-31-18	4798.488	465.807	20304.043	2345.572	688.072	99.171	78607.8	0.0	0.0	0.0	78607.8	1082188.1
12-31-19	4465.599	429.438	18394.242	2156.033	617.837	89.107	72265.1	0.0	0.0	0.0	72265.1	1107948.6
12-31-20	4076.803	383.552	12357.852	1853.532	382.182	58.552	62818.4	0.0	0.0	0.0	62818.4	1128317.2
12-31-21	3779.228	348.037	10469.803	1681.126	304.742	47.819	56680.8	0.0	0.0	0.0	56680.8	1145017.3
12-31-22	3547.328	322.013	9688.805	1559.558	276.473	43.333	52406.9	0.0	0.0	0.0	52406.9	1159053.1
12-31-23	3349.374	300.109	8983.777	1449.011	250.247	39.074	48706.1	0.0	0.0	0.0	48706.1	1170910.5
12-31-24	3150.932	278.006	8366.384	1348.759	227.601	35.530	45101.1	0.0	0.0	0.0	45101.1	1180892.0
12-31-25	2959.412	256.510	7741.356	1248.933	206.445	32.279	41602.6	0.0	0.0	0.0	41602.6	1189263.9
12-31-26	2785.615	236.861	7190.868	1159.447	188.322	29.356	38417.2	0.0	0.0	0.0	38417.2	1196290.2
12-31-27	2632.859	220.441	6689.679	1077.609	173.358	26.888	35700.6	0.0	0.0	0.0	35700.6	1202226.5
SUBTOTAL	112690.899	11636.254	493672.928	61806.679	16525.862	2404.747	1985034.2	0.0	0.0	0.0	1985034.2	1202226.5
REMAING	36736.272	2563.443	79235.061	12439.619	1676.132	257.864	408246.1	0.0	0.0	0.0	408246.1	1234067.1
TOTAL OF 50.0 YRS	149427.171	14199.697	572907.989	74246.298	18201.994	2662.611	2393280.3	0.0	0.0	0.0	2393280.3	1234067.1
CUM PROD2005080.050			5554486.951									
ULTIMATE2154507.221			6127394.940									

BASED ON UTIMCO PRICING PARAMETERS

PRESENT WORTH PROFILE
 FOR 5.00 PCT, PRESENT WORTH \$ 1604169.3
 FOR 6.00 PCT, PRESENT WORTH \$ 1510124.7
 FOR 7.00 PCT, PRESENT WORTH \$ 1428036.2
 FOR 8.00 PCT, PRESENT WORTH \$ 1355719.6
 FOR 9.00 PCT, PRESENT WORTH \$ 1291500.0

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

SUMMARY PROJECTION OF RESERVES AND REVENUE AS OF 8 -31- 8

THE UNIVERSITY OF TEXAS SYSTEM UNIVERSITY LANDS ROYALTY INTEREST

SUMMARY - ALL PROPERTIES LOCATED IN TEXAS

PROVED UNDEVELOPED RESERVES

PERIOD ENDING	GROSS OIL/COND	NET OIL/COND	GROSS GAS	NET GAS	GROSS NGL	NET NGL	GROSS REVENUE	PROD+AV TAXES	NET CAP COST	OPERATING EXPENSE	NET REVENUE	CUM P.W. 10,000%
	MBBL	MBBL	MMCF	MMCF	MBBL	MBBL	M\$	M\$	M\$	M\$	M\$	M\$
12-31- 8	131.190	26.771	1111.163	264.663	0.942	0.236	5027.1	0.0	0.0	0.0	5027.1	4933.9
12-31- 9	675.226	146.959	5780.891	1388.229	7.630	1.909	27626.9	0.0	0.0	0.0	27626.9	30331.8
12-31-10	794.922	170.331	7001.254	1650.731	9.665	2.419	32946.1	0.0	0.0	0.0	32946.1	58085.9
12-31-11	579.397	121.036	4382.363	1027.283	6.163	1.542	22142.4	0.0	0.0	0.0	22142.4	75039.0
12-31-12	469.416	96.572	3253.140	760.100	4.687	1.172	17033.5	0.0	0.0	0.0	17033.5	86884.2
12-31-13	402.714	82.025	2630.594	613.084	3.879	0.969	14135.3	0.0	0.0	0.0	14135.3	95816.7
12-31-14	355.858	72.018	2227.731	518.127	3.351	0.837	12233.3	0.0	0.0	0.0	12233.3	102842.7
12-31-15	320.238	64.547	1942.720	451.076	2.974	0.744	10863.6	0.0	0.0	0.0	10863.6	108515.3
12-31-16	393.800	70.956	1743.337	402.594	2.688	0.674	11175.0	0.0	0.0	0.0	11175.0	113793.3
12-31-17	718.951	108.108	1625.197	369.303	2.464	0.617	15002.3	0.0	0.0	0.0	15002.3	120263.6
12-31-18	258.276	51.149	1428.828	330.378	2.281	0.569	8394.4	0.0	0.0	0.0	8394.4	123573.1
12-31-19	163.297	38.387	1304.968	302.631	2.127	0.532	6759.5	0.0	0.0	0.0	6759.5	125983.0
12-31-20	153.192	36.039	1205.717	279.298	1.997	0.499	6309.2	0.0	0.0	0.0	6309.2	128026.4
12-31-21	144.393	33.986	1115.405	258.026	1.876	0.469	5910.5	0.0	0.0	0.0	5910.5	129767.3
12-31-22	136.616	32.171	1032.888	238.560	1.764	0.441	5552.3	0.0	0.0	0.0	5552.3	131253.4
12-31-23	129.670	30.567	957.371	220.697	1.660	0.414	5228.1	0.0	0.0	0.0	5228.1	132526.9
12-31-24	123.442	29.108	888.156	204.327	1.558	0.390	4934.6	0.0	0.0	0.0	4934.6	133619.6
12-31-25	106.145	24.861	801.274	185.830	1.466	0.366	4300.9	0.0	0.0	0.0	4300.9	134487.0
12-31-26	70.008	16.246	680.975	163.182	1.377	0.344	3129.8	0.0	0.0	0.0	3129.8	135060.6
12-31-27	54.963	13.246	606.782	148.207	1.295	0.323	2665.0	0.0	0.0	0.0	2665.0	135503.7
SUBTOTAL	6181.714	1265.083	41720.754	9756.326	61.844	15.466	221369.8	0.0	0.0	0.0	221369.8	135503.7
REMAINING	416.460	102.162	4800.151	1192.862	1.156	0.284	20827.4	0.0	0.0	0.0	20827.4	137567.9
TOTAL OF 34.4 YRS	6598.174	1367.245	46520.905	10949.188	63.000	15.750	242197.2	0.0	0.0	0.0	242197.2	137567.9
CUM PROD	23.750		3.325									
ULTIMATE	6621.924		46524.230									

BASED ON UTMCO PRICING PARAMETERS

PRESENT WORTH PROFILE	WORTH \$
FOR 5.00 PCT.	174702.5
FOR 6.00 PCT.	165622.3
FOR 7.00 PCT.	157490.8
FOR 8.00 PCT.	150181.9
FOR 9.00 PCT.	143572.3

All estimates and exhibits herein are part of this NSAI report and are subject to its parameters and conditions.

6. **U. T. System: Update on the credit markets and the impact on U. T. System debt programs and credit ratings**

REPORT

Mr. Philip Aldridge, Vice Chancellor for Finance and Business Development, will provide an update on the current status of the credit markets and the impact on U. T. System debt programs and credit ratings.

7. **U. T. System Board of Regents: Adoption of Resolutions authorizing the use of tender programs and direct debt repurchases to refund and retire outstanding Permanent University Fund Bonds and Revenue Financing System Bonds, and authorization to complete all related transactions**

RECOMMENDATION

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

- a. adopt Resolutions, substantially in the form before the U. T. System Board of Regents on Pages 71 - 76, authorizing the use of tender programs and direct debt repurchases in connection with the refunding and retirement of outstanding Permanent University Fund (PUF) Bonds and Revenue Financing System (RFS) Bonds; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Resolutions to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the tender and repurchase of such bonds.

BACKGROUND INFORMATION

Current market conditions may allow the U. T. System Board to achieve significant debt service savings by tendering and/or directly repurchasing outstanding PUF Bonds and RFS Bonds. The tender and/or direct repurchase would be financed by the issuance of new bonds, commercial paper notes, or the use of other lawfully available funds. Depending on market conditions, the U. T. System could purchase outstanding bonds at a significant discount to par resulting in debt service savings, a reduction in the amount of debt outstanding, and an increase in the U. T. System's net assets.

Adoption of the Resolutions would allow a U. T. System Representative to undertake tender programs or direct repurchases of debt in connection with a refunding transaction, to determine the price at which offers will be made, and to determine the method for establishing such price, such as through the use of a Dutch auction, all provided that the present value savings requirements or other thresholds set forth in the tender Resolutions are met.

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

A RESOLUTION AUTHORIZING REFUNDING OF OUTSTANDING PERMANENT UNIVERSITY FUND DEBT THROUGH A TENDER PROGRAM AND AUTHORIZING OTHER AGREEMENTS AND PROCEDURES RELATING THERETO

November 13, 2008

WHEREAS, the Board of Regents (the “Board”) of The University of Texas System (the “System”) is the governing body of the System, an institution of higher education under the *Texas Education Code* and an agency of the State of Texas (the “State”);

WHEREAS, the Permanent University Fund is a constitutional fund and public endowment created in the Texas Constitution of 1876, as created, established, implemented and administered pursuant to Sections 10, 11, 11a, 11b, 15 and 18 of Article VII of the Constitution of the State, as amended, and by other applicable present and future constitutional and statutory provisions, and further implemented by the provisions of Chapter 66, *Texas Education Code*, as amended (the “Permanent University Fund”);

WHEREAS, the Available University Fund is defined by the Constitution of the State and consists of distributions made to it from the total return on all investment assets of the Permanent University Fund, including the net income attributable to the surface of Permanent University Fund land, as determined by the Board pursuant to Section 18 of Article VII of the Constitution of the State (the “Available University Fund”);

WHEREAS, Section 18 of Article VII of the Constitution of the State, as may hereafter be amended (the “Constitutional Provision”), authorizes the Board to issue bonds and notes (“PUF Debt”) not to exceed a total amount of 20% of the cost value of investments and other assets of the Permanent University Fund, exclusive of real estate, at the time of issuance thereof and to pledge all or any part of its two-thirds interest in the Available University Fund (the “Interest of the System”) to secure the payment of the principal of and interest on PUF Debt, for the purpose of acquiring land, constructing and equipping buildings or other permanent improvements, major repair and rehabilitation of buildings and other permanent improvements, acquiring capital equipment and library books and library materials, and refunding bonds or notes issued under the Constitutional Provision or prior law, at or for the System Administration and institutions of the System as listed in the Constitutional Provision;

WHEREAS, the Board heretofore has authorized, issued and delivered, pursuant to the Constitutional Provision, various series of PUF Debt, all of which are secured by a pledge of the Interest of the System in the Available University Fund;

WHEREAS, of even date herewith the Board has adopted a resolution (the “Bond Resolution”) authorizing issuance of its Permanent University Fund Bonds (the “Bonds”) in the maximum aggregate principal amount of \$500,000,000 for the purpose, among others, of refunding certain “Outstanding Parity Bonds”, “Flexible Rate Notes” or “Commercial Paper Notes” (as each such quoted term is defined in the Bond Resolution);

WHEREAS, capitalized terms used herein and not otherwise defined shall have the respective meanings given to such terms in the Bond Resolution;

WHEREAS, due to certain current market conditions, the Board may have the opportunity to achieve a debt service savings or to otherwise restructure the debt service requirements of the Outstanding Parity Bonds in a manner that is economically advantageous to the Board by the issuance of Bonds or Commercial Paper Notes or the use of other lawfully available funds to refund certain Outstanding Parity Bonds through a tender program pursuant to which the holders of such Outstanding Parity Bonds would

tender their Outstanding Parity Bonds for purchase at a price that results in debt service savings or would otherwise restructure the debt service requirements of such Outstanding Parity Bonds in a manner that is economically advantageous to the Board, as applicable;

WHEREAS, in order to provide for the efficient management of its PUF Debt, the Board hereby desires to specifically authorize the use of a tender program to accomplish the refunding of Outstanding Parity Bonds under the Constitutional Provision, Chapters 1207 and 1371, *Texas Government Code*, Section 65.46, *Texas Education Code*, and other applicable laws; and

WHEREAS, the Board finds that such program is in the best interest of the Board and the System.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. Authorization of Tender Program. The Board specifically authorizes the refunding of any of its Outstanding Parity Bonds (the “Potential Tendered Bonds”) pursuant to a tender program whereby the holders thereof are given the opportunity to tender such bonds for purchase at a price that (i) satisfies the savings requirement set forth in Section 7.04 of the Bond Resolution, in the event such refunding is accomplished by the issuance of the Bonds, (ii) is determined by an Authorized Representative (as hereinafter defined) to satisfy the requirements set forth in Section 3.02(b) of the resolution of the Board authorizing the issuance of the Commercial Paper Notes (the “Commercial Paper Resolution”), in the event such refunding is accomplished by the issuance of Commercial Paper Notes, or (iii) is determined by an Authorized Representative to be economically advantageous to the Board in the event lawfully available funds other than those described in clauses (i) and (ii) are used to accomplish such purpose, as the case may be. The “Authorized Representative” (as such quoted term is defined in the Bond Resolution or the Commercial Paper Resolution, as applicable) is hereby authorized to determine which Potential Tendered Bonds are to be included in any offer under such tender program and to enter into any necessary tender agreement with a tender agent selected by the Authorized Representative to accomplish the refunding of any Potential Tendered Bonds pursuant to such tender program. The Authorized Representative is authorized to determine the price at which offers will be made under the tender program or to determine the method for establishing such price, such as through the use of a Dutch auction, all provided that the requirement set forth in Section 7.04 of the Bond Resolution or Section 3.02(b) of the Commercial Paper Resolution, as applicable, is satisfied. Such refunding may be accomplished through the purchase and cancellation of the Potential Tendered Bonds actually tendered by the holders thereof and purchased (the “Tendered Bonds”).

SECTION 2. Sources of Funds. Any refunding of Tendered Bonds authorized by this Resolution may be funded through the issuance of the Bonds under the terms of the Bond Resolution, Commercial Paper Notes under the Commercial Paper Resolution, as applicable, or lawfully available funds of the Board as determined by the Authorized Representative. Notwithstanding anything to the contrary in this Resolution or in the Bond Resolution, a refunding of Tendered Bonds may be accomplished as determined by the Authorized Representative through the issuance of the Bonds as exchange refunding bonds to be exchanged for Tendered Bonds pursuant to Subchapter D of Chapter 1207, *Texas Government Code*.

SECTION 3. Disclosure Statement. The Authorized Representative is authorized to provide for and oversee the preparation of a disclosure statement and any related materials in connection with the tender program contemplated by this Resolution, and to approve such disclosure statement and related materials, deem them final and provide them to holders of Potential Tendered Bonds anticipated to be participants in the tender program contemplated by this Resolution.

SECTION 4. Expiration of Tender Program. No tender transaction pursuant to the tender program described in this Resolution shall be conducted after August 31, 2009.

SECTION 5. Additional Authorization. (a) The Authorized Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution or are otherwise necessary in connection with accomplishing a tender of Potential Tendered Bonds related to the tender program described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's certificates, legal opinions, disclosure documents, tender agency agreements, tender notices and any other related documents or instruments.

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

A RESOLUTION AUTHORIZING REFUNDING OF OUTSTANDING REVENUE FINANCING SYSTEM DEBT THROUGH A TENDER PROGRAM AND AUTHORIZING OTHER AGREEMENTS AND PROCEDURES RELATING THERETO

November 13, 2008

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

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

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution and the Twentieth Supplement (as defined below);

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

WHEREAS, the Board has outstanding certain Parity Debt issued pursuant to Supplemental Resolutions to the Master Resolution as special, limited obligations of the Board payable solely from and secured by a lien on and pledge of Pledged Revenues pledged for the equal and proportionate benefit and security of all owners of Parity Debt;

WHEREAS, on August 14, 2008, the Board adopted the Twentieth Supplemental Resolution to the Master Resolution (the "Twentieth Supplement") authorizing the future issuance of up to \$800,000,000 of additional Revenue Financing System bonds as Parity Debt (the "Bonds") which may be issued for the purpose, among other purposes, of refunding certain previously issued outstanding Parity Debt;

WHEREAS, the Board has also authorized a commercial paper program under which up to \$1,250,000,000 of Revenue Financing System commercial paper notes as Parity Debt (the "Commercial Paper Notes") may be outstanding at any time and may be issued for the purpose, among other purposes, of refunding other outstanding Parity Debt;

WHEREAS, due to certain current market conditions, the Board may have the opportunity to achieve a debt service savings or to otherwise restructure the debt service requirements of its currently outstanding Parity Debt in a manner that is economically advantageous to the Board by the issuance of Bonds or Commercial Paper Notes or the use of other lawfully available funds to refund certain currently outstanding Parity Debt through a tender program pursuant to which the holders of such Parity Debt would tender their bonds for purchase at a price that results in debt service savings or would otherwise restructure the debt service requirements of outstanding Parity Debt in a manner that is economically advantageous to the Board, as applicable;

WHEREAS, in order to provide for the efficient management of its Revenue Financing System debt service obligations, the Board hereby desires to specifically authorize the use of a tender program to accomplish the refunding of such Parity Debt under the Chapters 1207 and 1371, *Texas Government Code*, Section 65.46, *Texas Education Code* and other applicable laws; and

WHEREAS, the Board finds that such program is in the best interest of the Board and the Members of such Revenue Financing System.

NOW THEREFORE BE IT RESOLVED, that

SECTION 1. Authorization of Tender Program. The Board specifically authorizes the refunding of any of its currently outstanding Parity Debt previously issued pursuant to the Second through the Nineteenth Supplemental Resolutions to the Master Resolution (the "Potential Tendered Bonds") pursuant to a tender program whereby the holders thereof are given the opportunity to tender such bonds for purchase at a price that (i) satisfies the savings requirement set forth in Section 3(c) of the Twentieth Supplement, in the event such refunding is accomplished by the issuance of the Bonds, (ii) is determined by the U. T. System Representative in accordance with Section 2.01 of the resolution of the Board authorizing the issuance of the Commercial Paper Notes (the "Commercial Paper Resolution"), in the event such refunding is accomplished by the issuance of Commercial Paper Notes, or (iii) is determined by the U. T. System Representative to be economically advantageous to the Board in the event lawfully available funds other than those described in clauses (i) and (ii) are used to accomplish such purpose, as the case may be. The U. T. System Representative is hereby authorized to determine which Potential Tendered Bonds are to be included in any offer under such tender program and to enter into any necessary tender agreement with a tender agent selected by the U. T. System Representative to accomplish the refunding of any Potential Tendered Bonds pursuant to such tender program. The U. T. System Representative is authorized to determine the price at which offers will be made under the tender program or to determine the method for establishing such price, such as through the use of a Dutch auction, all provided that the other applicable requirements set forth in this section are complied with. Such refunding may be accomplished through the purchase and cancellation of the Potential Tendered Bonds actually tendered by the holders thereof and purchased (the "Tendered Bonds").

SECTION 2. Sources of Funds. Any refunding of Tendered Bonds authorized by this Resolution may be funded through the issuance of the Bonds under the terms of the Twentieth Supplement, Commercial Paper Notes under the Commercial Paper Resolution, or lawfully available funds of the Board as determined by the U. T. System Representative, as applicable. Notwithstanding anything to the contrary in this Resolution or in the Twentieth Supplemental Resolution, a refunding of Tendered Bonds may be accomplished as determined by the U. T. System Representative through the issuance of the Bonds as exchange refunding bonds to be exchanged for Tendered Bonds pursuant to Subchapter D of Chapter 1207, *Texas Government Code*.

SECTION 3. Disclosure Statement. The U. T. System Representative is authorized to provide for and oversee the preparation of a disclosure statement and any related materials in connection with the tender program contemplated by this Resolution, and to approve such disclosure statement and related materials, deem them final and provide them to holders of Potential Tendered Bonds anticipated to be participants in the tender program contemplated by this Resolution.

SECTION 4. Expiration of Tender Program. No tender transaction pursuant to the tender program described in this Resolution shall be conducted after August 31, 2009.

SECTION 5. Additional Authorization. (a) The U. T. System Representative and all officers or officials of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution or are otherwise necessary in connection with accomplishing a tender of Potential Tendered Bonds related to the tender program described in this Resolution, as any such officer or official shall deem appropriate, including without limitation, officer's

certificates, legal opinions, disclosure documents, tender agency agreements, tender notices and any other related documents or instruments.

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

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

RECOMMENDATION

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

- a. adopt a Resolution, substantially in the form previously approved by the U. T. System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Permanent University Fund (PUF) Bonds in one or more installments in an aggregate principal amount not to exceed \$500 million to be used to refund certain outstanding PUF Bonds, to refund PUF Commercial Paper Notes, to provide new money to fund construction and acquisition costs, and to pay the costs of issuance; and
- b. authorize appropriate officers and employees of U. T. System as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such bonds.

BACKGROUND INFORMATION

On August 14, 2008, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds during Fiscal Year 2009 in an amount not to exceed \$450 million. The majority of this authority was utilized with the issuance of \$400.9 million PUF Bonds, Series 2008A that were issued on October 30, 2008. The Series 2008A bonds were issued for the purpose of refunding all of the Board's outstanding PUF Flexible Rate Notes, Series A.

Adoption of the Resolution would authorize issuance of additional PUF Bonds in an amount not to exceed \$500 million to be used to allow the advance or current refunding of a portion of certain outstanding PUF Bonds provided that an advance refunding exceeds a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds more than 90 days in advance of the call date whereas a current refunding involves issuing bonds to refund outstanding bonds within 90 days of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing, including bonds refunded through the use of a tender program or direct repurchase.

As provided in the Resolution, the potential bonds to be refunded include the outstanding PUF Bonds, Series 2002A, Series 2004A&B, Series 2005A&B, and Series 2006A-C. The Resolution also authorizes the issuance of bonds to provide new money to fund the capital costs of eligible projects.

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

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

Note: The proposed Resolution is available online at <http://www.utsystem.edu/bor/AgendaBook/Nov08/11-12&13-08Meetingpage.htm>.

9. **U. T. System: Shared Services Initiative Report including Regional Data Centers, North Texas Student Information System, Time and Effort Reporting, and Supply Chain Alliance**

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will report on the status of the Shared Services Initiative; including

- Regional Data Centers;
- North Texas Shared Information System;
- Time and Effort Reporting; and
- Supply Chain Alliance.

10. **U. T. System: Discussion with representative chief business officers regarding the challenges of institutional budget and finance**

PURPOSE

Executive Vice Chancellor Kelley; Ms. Cynthia Villa, Vice President for Business Affairs at U. T. El Paso; and Mr. Gregg Lassen, Vice President for Business Affairs at U. T. Tyler, will lead a discussion on ways these U. T. System institutions are maximizing the benefit of the financial resources and areas where the institutions can improve and become more efficient.

Supplemental Materials:

- **U. T. El Paso PowerPoint Presentation on Pages 101 - 109 of Volume 2.**
- **U. T. Tyler PowerPoint Presentation on Pages 110 - 114 of Volume 2.**

Pages 80 - 87 are intentionally left blank.



TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 11/12/2008

John W. Barnhill, Jr., Chairman
Paul Foster
Printice L. Gary
Colleen McHugh

Board Meeting: 11/13/2008
El Paso, Texas

	Committee Meeting	Board Meeting	Page
Convene	<i>3:00 p.m.</i> <i>Chairman</i> <i>Barnhill</i>		
1. U. T. Dallas: Creation of advisory councils for the Office of International Education, the Institute of Public Affairs, and the Institute for Urban Policy Research (Regents' Rules and Regulations, Rule 60302, relating to advisory councils)	<i>3:00 p.m.</i> Action <i>President</i> <i>Daniel</i> <i>Dr. Prior</i>	Action	88
2. U. T. Austin: Request to approve the honorific naming of the new Experimental Science Building as the Norman Hackerman Building	<i>3:02 p.m.</i> Action <i>President</i> <i>Powers</i> <i>Dr. Safady</i>	Action	89
3. U. T. Austin: Update regarding the School of Undergraduate Studies	<i>3:04 p.m.</i> Report <i>President</i> <i>Powers</i> <i>Dr. Prior</i>	Not on Agenda	90
4. U. T. System: Report on Textbook Study Group recommendations	<i>3:09 p.m.</i> Report <i>Dr. Studer</i>	Not on Agenda	91
5. U. T. Arlington: Report on potential natural gas production and plans for investing projected revenues	<i>3:14 p.m.</i> Report <i>President</i> <i>Spaniolo</i>	Not on Agenda	91
6. U. T. System: Discussions on academic leadership matters - the importance of research as part of the higher education enterprise	<i>3:19 p.m.</i> Discussion <i>Dr. Prior</i>	Not on Agenda	91
Adjourn	<i>4:00 p.m.</i>		

1. **U. T. Dallas: Creation of advisory councils for the Office of International Education, the Institute of Public Affairs, and the Institute for Urban Policy Research (Regents' Rules and Regulations, Rule 60302, relating to advisory councils)**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Daniel that the U. T. System Board of Regents approve the creation and operation of the Office of International Education Advisory Council, the Institute of Public Affairs Advisory Council, and the Institute for Urban Policy Research Advisory Council.

BACKGROUND INFORMATION

The Office of International Education Advisory Council will focus on providing leadership and advising to strengthen and enrich the development and execution of the existing Office of International Education agenda, including ensuring safety and health issues and reviewing and approving faculty-led program proposals to study abroad. The Council will provide the U. T. Dallas community with the leadership to execute an international agenda that responds to the core values of the U. T. System and U. T. Dallas in a multi-cultural and interdisciplinary academic environment. The creation of this Council will enhance the scope of the U. T. Dallas international agenda, including the university's collaboration with more than 51 higher education institutions around the world.

The Institute of Public Affairs Advisory Council will assist the proposed Institute of Public Affairs staff in establishing Institute goals and in evaluating its success against established parameters. Council members from public and nonprofit organizations that are representative of the Institute's expected clients will provide a valuable perspective on the array of training and consulting services to be provided by the Institute of Public Affairs. Other Council members participating from similar institutes will provide guidance on how to develop and to execute the overall strategy. The Institute of Public Affairs will serve as an outreach arm for U. T. Dallas to local, State, and federal governments, nonprofit organizations, and businesses that routinely deal with public sector organizations. The primary objective of the Institute will be to develop training, consulting, and research projects that Institute staff, Public Affairs program faculty, and graduate students can deliver.

The Institute for Urban Policy Research Advisory Council will work with the Institute director and University president to establish long-term direction for the existing Institute for Urban Policy Research. The Council will be composed of leaders from Dallas/Fort Worth Metroplex businesses, academic institutions, nonprofit organizations, and neighborhoods. From their various perspectives, Council members will be responsible

for ensuring that the research and engagement direction of the Institute will best meet the policy issues local residents and businesses face now and into the future. The Council will also provide advice regarding strategic development and growth of the Institute. This new entity will bring the sharpest minds from the academy, including fields in the sciences, arts, and humanities to meet the most pressing problems of local urban centers by using a model of community empowerment that ensures a transfer of knowledge and skill to the citizens living in the neighborhoods and regions the Institute studies.

Proposed approval of these advisory councils is pursuant to Regents' *Rules and Regulations*, Rule 60302, relating to advisory councils of an institution.

2. **U. T. Austin: Request to approve the honorific naming of the new Experimental Science Building as the Norman Hackerman Building**

RECOMMENDATION

The Chancellor ad interim concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Powers that the U. T. System Board of Regents approve the honorific naming of the new Experimental Science Building as the Norman Hackerman Building to recognize Dr. Hackerman's significant legacy of service to U. T. Austin.

BACKGROUND INFORMATION

The new Experimental Science Building will be built on the site of the recently demolished original structure from 1950 located at 100 East 24th Street. This project was approved by the Board of Regents on February 7, 2008, with an expected completion date of 2010/2011.

Dr. Norman Hackerman (1912 - 2007) had a long and highly-esteemed professional life, a substantial portion of which was spent in service to U. T. Austin. He joined the U. T. Austin faculty in 1945 as a professor of chemistry and served as Chairman of the Chemistry Department from 1952 to 1962. He was later appointed as U. T. Austin's Vice President and Provost, as Vice Chancellor of Academic Affairs at U. T. System, and subsequently as President of U. T. Austin. In 1970, he was appointed President of Rice University where, for over 15 years, he is credited with transforming that institution. Dr. Hackerman was inducted into the Texas Hall of Fame for Science, Mathematics, and Technology, and received numerous prestigious awards including the National Medal of Science. He wrote or co-wrote over 200 publications and was a three-term chair of the National Science Board. Dr. Hackerman was a scientist, educator, administrator, editor, and national leader in technology. His achievements have brought great distinction to U. T. Austin.

The proposed naming is consistent with the Regents' *Rules and Regulations*, Rule 80307, relating to the honorific naming of facilities, because of the significant history of leadership demonstrated by Dr. Norman Hackerman.

3. U. T. Austin: Update regarding the School of Undergraduate Studies

REPORT

The creation of a new central administrative entity to oversee undergraduate education and to advise undeclared students at U. T. Austin has been recommended by a number of university committees, including the Doluisio Committee on Undergraduate Education (1989), the Bean Committee on the Undergraduate Experience (1991), and the Task Force on Curricular Reform (2005). To that end, a Dean of Undergraduate Studies was appointed in Fall 2006 to oversee undergraduate education at U. T. Austin, with a mandate to design and implement undergraduate curriculum reform. As of May 2008, the School of Undergraduate Studies was created to develop and maintain a solid core curriculum for all undergraduate majors at U. T. Austin and to bring together and sponsor numerous existing undergraduate programs that did not have central leadership.

In Fall 2009, the School will accept its first cohort of first-year students. The School will manage the core curriculum and will be the initial home for students who choose not to select another college or school before the beginning of the first year and for those who are admitted to U. T. Austin but not into the majors they have chosen. Additionally, the School will develop a new central advising center, the Center for Strategic Advising, which will work closely with other advising units across campus to offer special advising resources that will help new students explore potential majors before making a selection. The Center will also support continuing students who are considering a change of major. This Center will also collaborate with the Bridging Disciplines Programs, Signature Courses, First-year Interest Groups, and the Office of Undergraduate Research to provide students with opportunities to explore their academic and career interests.

The School will operate under the policies related to student tuition and other matters as approved for the 2009-2010 academic year by the Board of Regents on March 26, 2008. Accordingly, tuition for students in the School of Undergraduate Studies will be at the flat rate of \$4,477 per semester.

4. **U. T. System: Report on Textbook Study Group recommendations**

REPORT

Dr. James Studer, Associate Vice Chancellor for Student Affairs, will report on the recommendations of the Textbook Study Group charged to review how to reduce textbook costs to students.

Supplemental Materials: Executive summary of report and recommendations of the Study Group on Pages 115 - 116 of Volume 2.

5. **U. T. Arlington: Report on potential natural gas production and plans for investing projected revenues**

REPORT

President Spaniolo will report on the opportunities for investing projected revenues afforded by potential natural gas production at U. T. Arlington. (See related contract on Page Docket - 8 with DFW Midstream for installation and operation of a natural gas transmission pipeline and natural gas compressor facility on the U. T. Arlington campus.)

Supplemental Materials: Natural Gas Production Report on Pages 117 - 129 of Volume 2.

6. **U. T. System: Discussions on academic leadership matters - the importance of research as part of the higher education enterprise**

PURPOSE

Executive Vice Chancellor Prior will lead a presidential discussion and engagement with the Regents on topics related to academic issues and opportunities including the importance of research as part of the higher education enterprise.



TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 11/12/2008

Special Committee Meeting: 11/13/2008

Board Meeting: 11/13/2008
El Paso, Texas

Colleen McHugh, *Chairman*
James D. Dannenbaum
James R. Huffines
Robert B. Rowling

Wednesday, November 12, 2008

	Committee Meeting	Board Meeting	Page
A. CONVENE MEETING OF HEALTH AFFAIRS COMMITTEE	4:00 p.m. <i>Chairman McHugh</i>		
1. U. T. M. D. Anderson Cancer Center: Authorization to acquire by purchase or exchange Blocks 14, 15, 16, 17, 18, 19, 21, and 22, and Lots 1 through 9 of Block 20 of the Institute Addition, and the real property within the area bounded by South Braeswood Boulevard to the north, Fannin Street to the west, Old Spanish Trail to the south, and Bertner Avenue to the east, and within the area bounded by Corder Street to the north, Almeda Road to the west, the alignment of Pawnee Street to the south, and Cayuga Street and a line extending from its centerline to the east, together with all improvements, adjacent streets, and alleys, if applicable, all in Houston, Harris County, Texas, as and when the individual properties or undivided interests therein become available for purchase, and each for a price not to exceed fair market value as established by independent appraisals, for future programmed development of campus expansion or other purposes related to the institution's mission	4:00 p.m. Action <i>President Mendelsohn Ms. Mayne</i>	Action	92
2. U. T. M. D. Anderson Cancer Center: Authorization to enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. M. D. Anderson Cancer Center in the Houston, Texas, Metropolitan Area	4:10 p.m. Action <i>President Mendelsohn Ms. Mayne</i>	Action	95
3. U. T. Health Science Center – Houston: Report on activities related to a potential partnership between the Children's Learning Institute and the Knowledge Is Power Program	4:20 p.m. Report <i>President Kaiser</i>	Not on Agenda	96

Wednesday, November 12, 2008 (continued)

	Committee Meeting	Board Meeting	Page
4. U. T. System: Update on the status and cost savings of shared purchasing initiatives of the U. T. System Supply Chain Alliance	4:30 p.m. Report <i>Mr. St. Onge</i>	Not on Agenda	97
5. U. T. System: Quarterly report on health matters to cover discussion of leadership at the U. T. System health institutions	4:45 p.m. Report <i>Dr. Shine</i>	Not on Agenda	97
B. ADJOURN MEETING OF HEALTH AFFAIRS COMMITTEE	5:00 p.m.		

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Thursday, November 13, 2008

	Committee Meeting
C. CONVENE SPECIAL MEETING OF THE HEALTH AFFAIRS COMMITTEE	8:30 a.m. <i>Chairman</i> <i>McHugh</i>
<u>Leadership and Management Development Programs</u>	
The presidents of the U. T. System health institutions will discuss leadership and management development programs available at their campuses.	
D. ADJOURN SPECIAL MEETING	9:30 a.m.

1. **U. T. M. D. Anderson Cancer Center: Authorization to acquire by purchase or exchange Blocks 14, 15, 16, 17, 18, 19, 21, and 22, and Lots 1 through 9 of Block 20 of the Institute Addition, and the real property within the area bounded by South Braeswood Boulevard to the north, Fannin Street to the west, Old Spanish Trail to the south, and Bertner Avenue to the east, and within the area bounded by Corder Street to the north, Almeda Road to the west, the alignment of Pawnee Street to the south, and Cayuga Street and a line extending from its centerline to the east, together with all improvements, adjacent streets, and alleys, if applicable, all in Houston, Harris County, Texas, as and when the individual properties or undivided interests therein become available for purchase, and each for a price not to exceed fair market value as established by independent appraisals, for future programmed development of campus expansion or other purposes related to the institution's mission**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. acquire by purchase or exchange Blocks 14, 15, 16, 17, 18, 19, 21, and 22, and Lots 1 through 9 of Block 20 of the Institute Addition, and the real property within the area bounded by South Braeswood Boulevard to the north, Fannin Street to the west, Old Spanish Trail to the south, and Bertner Avenue to the east, and within the area bounded by Corder Street to the north, Almeda Road to the west, the alignment of Pawnee Street to the south, and Cayuga Street and a line extending from its centerline to the east, together with all improvements, adjacent streets, and alleys, if applicable, all in Houston, Harris County, Texas, as and when the individual properties or undivided interests therein become available for purchase, and each for a price not to exceed fair market value as established by independent appraisals, for future programmed development of campus expansion or other purposes related to the institution's mission; and
- b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

U. T. M. D. Anderson Cancer Center seeks to establish two acquisition zones to enable it to purchase the subject property as and when it becomes available. The property consists of two distinct areas. The Mid-Campus area includes an area bounded by South Braeswood Boulevard to the north, Fannin Street to the west, Old Spanish Trail to the south, and Bertner Avenue as currently platted to the east, and Blocks 14, 15, 16, 17, 18, 19, 21, and 22, and Lots 1 through 9 of Block 20 of the Institute Addition. The East Campus area is bounded by Corder Street to the north, Almeda Road to the west, the alignment of Pawnee Street to the south, and Cayuga Street and a line extending from its centerline to the east. (See map on Page 94.) The institution proposes to acquire the subject property over time at prices not to exceed the then fair market value as determined by independent appraisals for future programmed development of campus expansion or other purposes related to the institution's mission.

The Mid-Campus area totals approximately 33 acres. U. T. M. D. Anderson Cancer Center has over time and under a number of prior authorizations acquired approximately 20 acres in the Mid-Campus area, including the recent exchange of land with the City of Houston in October 2008; approximately 13 acres remain to be purchased in the Mid-Campus area. Based on recent appraisals of nearby properties, the current estimated market value of those 13 acres is approximately \$45,000,000. The East Campus area totals approximately 43 acres. U. T. M. D. Anderson Cancer Center has over time and under a number of prior authorizations acquired approximately 32 acres of property in the East Campus area, including the acquisition of 28.8 acres of land from Institute Partners in January 2008. Approximately 11 acres remain to be purchased in the East Campus area. Based on recent appraisals of nearby properties, the current estimated market value of those 11 acres is approximately \$19,000,000.

U. T. M. D. Anderson's long-range strategic plan envisions expansion of the institution into the entire Mid-Campus and East Campus areas. The Mid-Campus area directly links the institution's Main Campus with its South Campus, which includes research facilities. The East Campus area is located one-fourth mile directly east of the South Campus.

Authorization to purchase properties within the acquisition zones will facilitate planning and provide the institution the flexibility to acquire property in a timely manner when it becomes available for purchase.

Institutional funds will be used to fund the purchases.



2. **U. T. M. D. Anderson Cancer Center: Authorization to enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company, which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. M. D. Anderson Cancer Center in the Houston, Texas, Metropolitan Area**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Business Affairs and President Mendelsohn, that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. enter into contracts, easements, and agreements with CenterPoint Energy Houston Electric LLC, a Delaware limited liability company ("CenterPoint Energy"), which was selected through a request for proposals process to provide electrical utility distribution and transmission services to existing and future properties and facilities of U. T. M. D. Anderson Cancer Center in the Houston, Texas, Metropolitan Area; and
- b. authorize the institution's Vice President for Business Affairs to execute the contract and related agreements and the Executive Director of Real Estate to execute all documents, easements, and other agreements regarding real property, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

On August 29, 2008, U. T. M. D. Anderson Cancer Center issued a Request for Proposals (RFP) for electrical utility distribution and transmission services covering the Houston, Texas, Metropolitan Area. CenterPoint Energy was the only respondent. Section 51.923 of the *Texas Education Code* permits a contract with CenterPoint Energy by its selection through a request for proposals process.

U. T. M. D. Anderson Cancer Center desires to enter into a master contract for a term of five years for the provision of electrical distribution and transmission services for its current and future facilities located in the Houston, Texas, Metropolitan Area. The contract will permit the institution and CenterPoint Energy to enter into addenda under the master contract with respect to specific projects. Easements will be granted as

needed so that the utility services can be provided. Services and fees are based on CenterPoint Energy's tariffs and regulations from the Texas Utility Commission.

Authorization to enter into the master contract enabling project specific addenda and easements is being sought so that U. T. M. D. Anderson Cancer Center may minimize delays related to the provision of electrical distribution and transmission services to construction and renovation projects at existing and future properties.

3. U. T. Health Science Center – Houston: Report on activities related to a potential partnership between the Children's Learning Institute and the Knowledge Is Power Program

President Kaiser will report on activities related to a potential partnership between the Children's Learning Institute and the Knowledge Is Power Program.

REPORT

The Children's Learning Institute (CLI) at U. T. Health Science Center – Houston is an international leader in comprehension, prevention, and remediation of learning problems in children. The Institute is seeking a partnership with one of the nation's foremost charter school systems, the Knowledge Is Power Program (KIPP), to create a lab school where CLI researchers and KIPP educators will serve children from early childhood to fourth grade.

The CLI was formed in 2003 to build upon the success of U. T. Health Science Center – Houston's two nationally recognized centers: the Center for Academic and Reading Skills (CARS) and the Center for Improving the Readiness of Children for Learning and Education (CIRCLE). In that same year, Governor Perry named CLI the Texas State Center for Early Childhood Development with the objective of developing training for early childhood providers in Texas and enhancing preliteracy skills development for young children. CLI's continued success can be measured by its growth in external support. In Fiscal Year 2008, CLI secured more than \$38 million in federal, State, and private grants and philanthropic support.

The KIPP was founded in Houston in 1994 and has grown into a national network of free, open-enrollment, college-preparatory schools with a track record of preparing students in underserved communities for success in college and beyond. There are currently 65 KIPP schools in 19 states and the District of Columbia serving over 16,000 students. KIPP recently completed a \$65 million campaign that will increase KIPP Houston's schools from 11 to 53, with funding from some of the nation's foremost donors, including the Gates Foundation. This expansion will make KIPP the largest charter school organization in the country.

The new lab school created by the partnership between CLI and KIPP would provide model classrooms for observation and assessment, clinical rooms to treat and serve students, and a practical training ground for CLI's educational theories. The lab school would also serve as an example of what innovative learning models can achieve in all levels and abilities of children.

Under the partnership being reviewed and developed, the CLI facility would be the central location for faculty and staff currently spread throughout the Texas Medical Center. In conjunction with the CLI/KIPP lab school, CLI could strengthen the quality of research and expand the depth and breadth of knowledge coming from CLI and the collaborative lab school.

U. T. Health Science Center – Houston is considering locating the proposed CLI/KIPP lab school and the CLI facility adjacent to each other on a 5.1-acre site south of the U. T. Research Park. The proposed 68,000 square foot CLI facility would be constructed on approximately 2.2 acres of the 5.1-acre site. The remaining 2.9 acres would be made available through a ground lease to KIPP for construction of the CLI/KIPP lab school.

Supplemental Materials: PowerPoint presentation on Pages 130 - 134 of Volume 2.

4. **U. T. System: Update on the status and cost savings of shared purchasing initiatives of the U. T. System Supply Chain Alliance**

REPORT

Associate Vice Chancellor Richard St. Onge will report on the status and cost savings of shared purchasing initiatives of the U. T. System Supply Chain Alliance.

Supplemental Materials:

- **U. T. System Supply Chain Alliance Strategic Plan on Pages 135 - 147 of Volume 2.**
- **PowerPoint presentation on Pages 148 - 152 of Volume 2.**

5. **U. T. System: Quarterly report on health matters to cover discussion of leadership at the U. T. System health institutions**

REPORT

Executive Vice Chancellor Shine's report on health matters of interest to the U. T. System will cover discussion of leadership at the U. T. System health institutions. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.



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Printice L. Gary
Janiece Longoria

	Committee Meeting	Board Meeting	Page
Convene	9:30 a.m. Chairman Huffines		
 <u>Regents' Rules and Reports</u>			
1. U. T. System Board of Regents: Amendments to Regents' Rules and Regulations, Rule 80402 (Major Construction and Repair and Rehabilitation Projects), Section 6, regarding Contract Management	9:30 a.m. Action Mr. O'Donnell	Action	98
2. U. T. System: Report on Owner's Project Requirement	9:35 a.m. Report Mr. O'Donnell	Not on Agenda	98
3. U. T. System: Report on major investment impact metrics	9:40 a.m. Report Dr. Malandra	Not on Agenda	99
4. U. T. System: Fiscal Year 2008 Energy Utility Task Force Report	9:45 a.m. Report Mr. O'Donnell	Not on Agenda	100
 <u>Additions to the Capital Improvement Program</u>			
5. U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Hurricane Ike Recovery Projects - Amendment of the Capital Improvement Program to include projects; authorization of institutional management; approval of emergency interim financing; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)	9:50 a.m. Action Mr. O'Donnell	Action	100
6. U. T. San Antonio: Athletics Complex - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project (Preliminary Board approval)	9:55 a.m. Action Mr. O'Donnell	Action	103

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7. U. T. Southwestern Medical Center – Dallas: Paul M. Bass Administrative and Clinical Center Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)	9:58 a.m. Action <i>Mr. O'Donnell</i>	Action	104
<u>FY 09 Fire and Life Safety Projects</u>			
8. U. T. Arlington: FY 09 High Priority Fire and Life Safety Corrections Phase 2 - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)	10:00 a.m. Action <i>Mr. O'Donnell</i>	Action	106
9. U. T. Medical Branch – Galveston: FY 09 High Priority Fire and Life Safety Projects - University Hospital Clinics Building - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)	10:05 a.m. Action <i>Mr. O'Donnell</i>	Action	107
10. U. T. Health Science Center – San Antonio: FY 09 High Priority Fire and Life Safety Projects - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)	10:10 a.m. Action <i>Mr. O'Donnell</i>	Action	109
<u>Design Development Approval</u>			
11. U. T. El Paso: Swimming and Fitness Center - Phase II - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)	10:15 a.m. Action <i>Mr. O'Donnell</i>	Action	110
<u>Modifications to the Capital Improvement Program</u>			
12. U. T. Austin: Battle Hall Complex, Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to redefine the project as a study; redesignation of study as the Battle Hall Complex/West Mall Office Building Renovation; approval to decrease the total project cost; approval to revise the funding sources; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Preliminary Board approval)	10:20 a.m. Action <i>Mr. O'Donnell</i>	Action	112

	Committee Meeting	Board Meeting	Page
<u>Information Item</u>			
13. U. T. System: Report on construction projects completed in 2008	10:25 a.m. Report <i>Mr. O'Donnell</i>	Not on Agenda	114
Adjourn	10:30 a.m.		

1. **U. T. System Board of Regents: Amendments to Regents' Rules and Regulations, Rule 80402 (Major Construction and Repair and Rehabilitation Projects), Section 6, regarding Contract Management**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 80402 (Major Construction and Repair and Rehabilitation Projects), Section 6, regarding Contract Management, be amended as set forth below in congressional style:

- Sec. 6 Contract Management. The Associate Vice Chancellor for Facilities Planning and Construction is authorized to implement and manage all professional service, construction, and construction-related contracts executed by the Executive Vice Chancellor for Business Affairs pursuant to Sections 1 and 2 of this Rule and Rule 80403, Section 1. The Associate Vice Chancellor for Facilities Planning and Construction's authority includes, but is not limited to, extending the term of existing contracts to the extent such extensions are contemplated in the contract; approving additional work requests; ~~shall approve the~~ approving a construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price, or stipulated sum proposals; ~~sign~~ approving change orders; and ~~provide~~ providing general supervision of all Major and Minor Projects.

BACKGROUND INFORMATION

The proposed amendments clarify the authority of the Associate Vice Chancellor for Facilities Planning and Construction to manage major and minor project contracts executed by the Executive Vice Chancellor for Business Affairs.

2. **U. T. System: Report on Owner's Project Requirement**

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on the best practice of project front-end loading known as Owner's Project Requirement (OPR).

Effective planning is required to assure project success to provide a basis for action for the U. T. System institution and the Office of Facilities Planning and Construction (OFPC). While the planning process considers many alternatives, its goal is a specific project plan of actions and activities that will be carried out in the future. Part of OFPC's strategic objective to improve overall project cost, scope, and schedule includes the introduction of OPR to its core project delivery process. The OPR is key to efficient and effective project management. The written plan is referred to as the OPR document, which details project needs and functional requirements, and expectations of how it will be used and operated. The plan includes project goals, measurable performance criteria, and supporting information. Its preparation requires that:

- Adequate project information is documented and approved by the institution, including the institution's project-specific Statement of Need;
- OFPC assess the project needs at an early date and establish a basis for project execution;
- OPR becomes the basic reference and briefing document for those who are involved in the project's execution; and
- OPR allows the project team to provide assistance, guidance, review, and support to the plan through project execution.

OFPC's initial version of the OPR has been crafted primarily from the American Society of Heating, Refrigerating and Air-Conditioning Engineers Guideline 0, which is considered by most in the industry to be the closest to "best practice," and the U. T. System Capital Expenditure Policy. Other similar processes are published by the National Institute of Building Sciences and the Building and Construction Institute of the Southeast.

OFPC has implemented a series of "beta-test" projects with U. T. Austin, the results of which appear to be immediately evident regarding project definition and alignment of campus expectations and supported by all those involved, but will not be accurately known until the project(s) are completed over the next several years.

3. U. T. System: Report on major investment impact metrics

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will report on the purpose and process to identify and track investment impact metrics for capital projects.

The U. T. System has established a process to assess and communicate to the Board of Regents the specific results and impact of major capital and talent investments.

Supplemental Materials:

- **Implementation of Investment Impact Metrics Process on Pages 153 - 156 of Volume 2.**
- **PowerPoint presentation on Pages 157 - 161 of Volume 2.**

4. U. T. System: Fiscal Year 2008 Energy Utility Task Force Report

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2008. The Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to reduce energy consumption, better manage commodity price risk, and leverage their purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to, and previously endorsed by, the Board in November 2001 and a 10%-15% reduction in energy usage was targeted for Fiscal Year 2011. The estimated reduction in energy usage for Fiscal Year 2008 from baseline levels is 6.9%. Since Fiscal Year 2001, reductions in energy consumption per square foot by U. T. System institutions have resulted in cumulative savings of \$89 million.

5. U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center: Hurricane Ike Recovery Projects - Amendment of the Capital Improvement Program to include projects; authorization of institutional management; approval of emergency interim financing; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, President Callender, President Kaiser, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the Hurricane Ike Recovery Projects at U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center, respectively, as follows:

Project Nos.: 601-475 UTMB
701-476 UTHSC-H
703-477 UTMDACC

Institutionally Managed: Yes No

Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: August 2012

U. T. Medical Branch – Galveston	<u>Source</u>	<u>Proposed</u>
Total Project Cost:	Revenue Financing System Bond Proceeds	\$47,710,000

U. T. Health Science Center – Houston	<u>Source</u>	<u>Proposed</u>
Total Project Cost:	Revenue Financing System Bond Proceeds	\$ 740,000

U. T. M. D. Anderson Cancer Center	<u>Source</u>	<u>Proposed</u>
Total Project Cost:	Revenue Financing System Bond Proceeds	\$ 1,550,000

- a. amend the Capital Improvement Program (CIP) to include the projects;
- b. authorize U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. approve emergency interim financing pending receipt of Federal Emergency Management Agency (FEMA) reimbursement;
- 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
 - the institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$50,000,000 for emergency interim financing related to Hurricane Ike recovery;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations*.

BACKGROUND INFORMATION

Project Description

The projects will provide emergency interim funding for expenditures related to campuswide repair and renovation capital improvements resulting from Hurricane Ike recovery efforts at U. T. System's three Houston-Galveston area institutions. The proposed projects have been approved by U. T. System staff and meet the criteria for inclusion in the CIP. It has been determined that these projects would best be managed by the Facilities Management personnel who have the experience and capability to manage all aspects of the work.

Debt Service

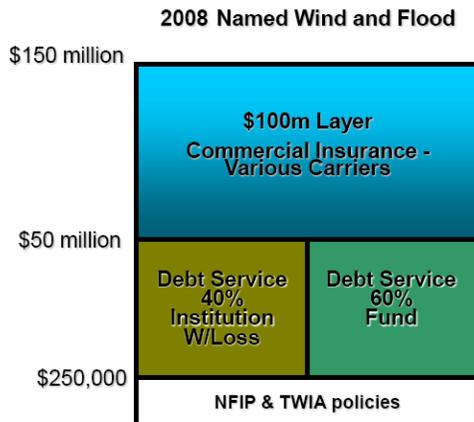
FEMA is expected to reimburse U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer Center for a portion of the emergency capital expenditures related to cleanup and recovery efforts resulting from Hurricane Ike. Out of the total FEMA reimbursement, at least \$50,000,000 is expected to be recovered within 6-12 months. These FEMA funds will be used to retire \$50,000,000 of emergency interim Revenue Financing System debt issued to fund the institutions' recovery efforts. In the event that the \$50,000,000 FEMA reimbursement is not recovered in full and/or delayed, the debt service on the Revenue Financing System debt will be paid by U. T. System's Comprehensive Property Protection Plan (CPPP). Interest expense on the interim financing is not expected to exceed \$2,000,000 per year.

The CPPP is a catastrophic damage self-insurance fund established and maintained by the Office of Risk Management. The CPPP consists of two programs: a Fire and All Other Perils Program and a Named Windstorm and Flood Program, which are subject to the terms, exclusions, limits, and conditions of the commercial insurance policy.

Physical damage caused by Hurricane Ike is covered under the CPPP Named Windstorm and Flood Program. This program includes primary underlying National Flood Insurance Program (NFIP) and Texas Windstorm Insurance Association (TWIA) policies, an institutional deductible within a funded reserve supported by a mechanism to issue up to \$50,000,000 in debt for physical loss, and a process for replenishment of the fund when claims are paid with funded reserves. Commercial insurance including a \$100,000,000 limit for Named Windstorm and Flood was purchased in April 2008. Using a \$50,000,000 Named Windstorm deductible allowed U. T. System to attract primary carriers at reasonably competitive pricing.

In accordance with the CPPP, 60 percent of the debt service on \$50,000,000 of emergency interim Revenue Financing System debt will be paid by the CPPP fund. Annual contributions will continue to be made by all institutions to the CPPP fund. The remaining 40 percent of the debt service will be paid by the CPPP fund using

proportionate contributions from U. T. Medical Branch – Galveston, U. T. Health Science Center – Houston, and U. T. M. D. Anderson Cancer. The CPPP structure for the Named Windstorm and Flood Program is exhibited in the chart below.



(See Item 4 on Page 58 in the Finance and Planning Committee related to authorization to apply for public assistance grants with FEMA and to dispose of salvageable property.)

6. U. T. San Antonio: Athletics Complex - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project (Preliminary Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Athletics Complex - Phase I project at The University of Texas at San Antonio as follows:

- Project No.:** 401-456
- Project Delivery Method:** Construction Manager at Risk
- Substantial Completion Date:** March 2012
- Total Project Cost:**
- | | |
|---------------|-----------------|
| <u>Source</u> | <u>Proposed</u> |
| Grants | \$22,050,000 |
- Investment Metrics:** By 2012:
- Increased reputation of the athletic program
 - Increased student involvement in athletic events
 - Increased overall student satisfaction with the university
 - Greater alumni involvement in attending sport events
 - Increased alumni giving

BACKGROUND INFORMATION

The project will construct a combined soccer and track field stadium plus the utilities, road, and parking infrastructure needed for Phase I of the planned Athletics Complex to be located at the 1604 Campus expansion site on the Hausman Road property. Included in the project scope is the stadium structure, a two-lane road extending from Hausman Road to the edge of the creek bed running through the center of the campus, a 500-space surface parking lot, electric power service to the road and parking area, and city utility connections.

Later phases of the Athletics Complex development will add intercollegiate facilities such as baseball and softball fields, tennis courts, and multipurpose practice fields. A multipurpose team and administration building is also planned for the site.

U. T. San Antonio will collaborate with the City of San Antonio to sponsor athletic competitions. In addition to U. T. San Antonio athletic events, the Complex is expected to host University Interscholastic League (UIL) championships, coach/athlete clinics, National Collegiate Athletics Association (NCAA) and conference tournaments, national youth championships, Senior Games, Para Olympics, Special Olympics, international track and soccer events, and professional exhibition matches.

This proposed project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Approval of design development plans and authorization of expenditure of funding will be presented to the Board for approval at a later date.

7. **U. T. Southwestern Medical Center – Dallas: Paul M. Bass Administrative and Clinical Center Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Podolsky that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the Paul M. Bass Administrative and Clinical Center Renovation project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.: 303-366
Institutionally Managed: Yes No

Project Delivery Method:	Design/Build	
Substantial Completion Date:	May 2010	
Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$22,000,000

- a. approve a total project cost of \$22,000,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Southwestern Medical Center – Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Southwestern Medical Center – Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$22,000,000.

BACKGROUND INFORMATION

Debt Service

The \$22,000,000 in Revenue Financing System debt will be repaid from new rental income and lease savings. Annual debt service on the \$22,000,000 Revenue Financing System debt is expected to be \$1,765,000. The institution's debt service coverage is expected to average 2.5 times over FY 2009-2014.

Project Description

The proposed project will renovate and upgrade the building for office space to allow staff to move out of currently leased space. The Paul M. Bass Administrative and Clinical Center is the building complex recently purchased as the Exchange Park property located between Harry Hines Boulevard and Forrest Park Road. There is one building involved in the remodeling work located in the center of the property. The area to be remodeled is 150,000 gross square feet. The project will address upgrades to the infrastructure, network and telecommunication systems, building and roof structural improvements, and mechanical and electrical system improvements.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Southwestern Medical Center – Dallas Facility Management personnel who have the experience and capability to manage all aspects of the work.

8. **U. T. Arlington: FY 09 High Priority Fire and Life Safety Corrections Phase 2 - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the FY 09 High Priority Fire and Life Safety Corrections Phase 2 project at The University of Texas at Arlington as follows:

Project No.:	301-452				
Institutionally Managed:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
Project Delivery Method:	Competitive Sealed Proposals				
Substantial Completion Date:	February 2010				
Total Project Cost:	<table><tr><td><u>Source</u></td><td><u>Proposed</u></td></tr><tr><td>Permanent University Fund Bond Proceeds</td><td>\$1,400,000</td></tr></table>	<u>Source</u>	<u>Proposed</u>	Permanent University Fund Bond Proceeds	\$1,400,000
<u>Source</u>	<u>Proposed</u>				
Permanent University Fund Bond Proceeds	\$1,400,000				

- a. approve a total project cost of \$1,400,000 with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. appropriate funds; and

- c. authorize U. T. Arlington to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$1,400,000 from PUF Bond Proceeds for the project.

Project Description

The project addresses various fire and life safety deficiencies identified as high priority items including fire protection systems in the Library and Texas Hall Auditorium, means of egress deficiencies in the Physical Education Building, emergency egress lighting systems, fire door retrofits in the Library, Pickard Hall, and Carlisle Hall, and the survey of campus buildings for design of handrail corrections. The major focus for this phase will be the Library. The entire building will ultimately be retrofitted with a sprinkler system with two floors included in this portion of the work. Other specific areas being addressed include handrails and fire doors in certain buildings, and upgrading the fire protection water line on South Oak Street.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Arlington Facility Management personnel who have the experience and capability to manage all aspects of the work.

9. **U. T. Medical Branch – Galveston: FY 09 High Priority Fire and Life Safety Projects - University Hospital Clinics Building - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)**

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the FY 09 High Priority Fire and Life Safety

Projects - University Hospital Clinics Building at The University of Texas Medical Branch at Galveston as follows.

Project No.: 601-454
Institutionally Managed: Yes No
Project Delivery Method: Competitive Sealed Proposals

Substantial Completion Date: May 2009

Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$ 600,000
	Hospital Revenues	\$ 600,000
		<u>\$1,200,000</u>

- a. approve a total project cost of \$1,200,000 with funding of \$600,000 from Permanent University Fund (PUF) Bond Proceeds and \$600,000 from Hospital Revenues;
- b. appropriate funds; and
- c. authorize U. T. Medical Branch – Galveston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$600,000 from PUF Bond Proceeds for the project.

Project Description

The project will address installation of fire sprinklers on all floors of the University Hospital Clinics Building except the ground level and will complete the repairs and renovations needed to upgrade the building to current life safety codes.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Medical Branch – Galveston Facility Management personnel who have the experience and capability to manage all aspects of the work.

10. U. T. Health Science Center – San Antonio: FY 09 High Priority Fire and Life Safety Projects - Amendment of the FY 2008-2013 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

RECOMMENDATION

Dr. Kenneth I. Shine, in his roles as Chancellor ad interim and Executive Vice Chancellor for Health Affairs, concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Cigarroa that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) to include the FY 09 High Priority Fire and Life Safety Projects at The University of Texas Health Science Center at San Antonio as follows:

Project No.: 402-455
Institutionally Managed: Yes No
Project Delivery Method: Competitive Sealed Proposals
Substantial Completion Date: May 2009
Total Project Cost:

<u>Source</u>	<u>Proposed</u>
Permanent University Fund Bond Proceeds	\$1,700,000

- a. approve a total project cost of \$1,700,000 with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. appropriate funds; and
- c. authorize U. T. Health Science Center – San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$1,700,000 from PUF Bond Proceeds for the project.

Project Description

The project will extend the fire sprinkler system in the Auditorium and Basic Science Buildings in the Medical School Building and design a fire alarm and sprinkler system in the Lecture Hall Building.

The proposed repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the President at a later date. It has been determined that this project would best be managed by the U. T. Health Science Center – San Antonio Facility Management personnel who have the experience and capability to manage all aspects of the work.

11. U. T. El Paso: Swimming and Fitness Center - Phase II - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents approve the recommendations for the Swimming and Fitness Center - Phase II project at The University of Texas at El Paso as follows:

Project No.:	201-348	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	September 2010	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$32,000,000
Investment Metrics:	By 2010:	
	<ul style="list-style-type: none"> • Increase student participation in wellness/fitness activities by providing state-of-the-art exercise equipment and recreational facilities • Increased teaching and learning facilities for the Kinesiology and Recreational Sports Departments • Increase in organized fitness class offerings, both credit and non-credit, for students, faculty, and staff 	

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$32,000,000.

BACKGROUND INFORMATION

Debt Service

The \$32,000,000 in Revenue Financing System debt will be repaid from student fees. The 80th Legislature passed House Bill 868 authorizing the student fees, and the bill was subsequently supported by a student referendum approving the fee. Annual debt service on the \$32,000,000 Revenue Financing System debt is expected to be \$2,201,000. The project's debt service coverage is expected to average 2.3 times over FY 2009-2038.

Previous Board Action

On August 23, 2007, the project was included in the Capital Improvement Program (CIP) with a total project cost of \$32,000,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The new addition to be located at the south end of the existing Swimming and Fitness Center will be approximately 87,427 gross square feet. The facility will include a multipurpose gymnasium, an enlarged weight room with cardiovascular exercise areas, two court gymnasiums, expanded locker and dressing facilities, instructional space, and administrative offices for the Recreational Sports Department.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-75 years
- Building Systems: 25-30 years
- Interior Construction: 15-20 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

12. **U. T. Austin: Battle Hall Complex, Renovation - Amendment of the FY 2008-2013 Capital Improvement Program to redefine the project as a study; redesignation of study as the Battle Hall Complex/West Mall Office Building Renovation; approval to decrease the total project cost; approval to revise the funding sources; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Preliminary Board approval)**

RECOMMENDATION

The Chancellor ad interim concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Battle Hall Complex, Renovation project at The University of Texas at Austin as follows:

Project No.: 102-357
Architecturally Significant: Yes No
Project Delivery Method: Construction Manager at Risk
Substantial Completion Date: December 2009

Total Project Cost:	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Gifts	\$15,000,000	
	Unexpended Plant Funds		\$1,000,000
	Revenue Financing System Bond Proceeds		<u>\$1,000,000</u>
			\$2,000,000

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) to redefine the project as a study;
- b. redesignate the study as Battle Hall Complex/West Mall Office Building Renovation;

- c. reduce the total project cost from \$15,000,000 to \$2,000,000;
- d. revise the funding sources from \$15,000,000 from Gifts to \$2,000,000 with funding of \$1,000,000 from Revenue Financing System Bond Proceeds and \$1,000,000 from Unexpended Plant Funds;
- e. appropriate funds and authorize expenditure of funds; and
- f. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$1,000,000.

BACKGROUND INFORMATION

Debt Service

The \$1,000,000 in Revenue Financing System debt will be repaid from Gifts, as received. Annual debt service on the \$1,000,000 Revenue Financing System debt is expected to be \$87,000. The institution's debt service coverage is expected to average 2.4 times over FY 2009-2014.

Previous Board Action

On August 23, 2007, the project was included in the CIP with a total project cost of \$15,000,000 with funding from Gifts.

Project Description

Battle Hall is perhaps the most architecturally significant building on the U. T. Austin campus. Designed in 1911 by renowned Beaux-Arts architect Cass Gilbert of New York, it is the first building on campus to employ the Spanish Renaissance architectural style that defines the character of the U. T. Austin campus. The study will better define the scope of the work for the first major renovation since the existing air conditioning system was installed in 1966. The building does not have a public elevator or accessible restrooms. Several life safety modifications are required to protect the valuable occupants, contents, and architectural fabric of the building.

The scope of the study will include the development of a Historic Structures Report, facilities programming that includes library services upgrades and stack/archive reorganization, facility fire and life safety analysis, and necessary building surveys including building envelope, forensic, hazardous material, topographic, and geotechnical. The study will also include input on requirements for building commissioning and Leadership in Energy and Environmental Design (LEED) certification. An Owner's Project Requirements (OPR) document will also be prepared as part of the study.

13. U. T. System: Report on construction projects completed in 2008

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on the construction projects completed in 2008.



TABLE OF CONTENTS FOR STUDENT, FACULTY, AND STAFF CAMPUS LIFE COMMITTEE

Committee Meeting: 11/12/2008
El Paso, Texas

James D. Dannenbaum, Chairman
John W. Barnhill, Jr.
Printice L. Gary
James R. Huffines
Michael Swindle, Chair, Employee Advisory Council
Mansour El-Kikhia, Chair, Faculty Advisory Council
Aaron Rosas, Chair, Student Advisory Council

	Committee Meeting	Page
Convene	1:00 p.m. <i>Chairman</i> <i>Dannenbaum</i>	
1. U. T. System: Annual Meeting with Officers of U. T. System Employee Advisory Council	1:00 p.m. Report <i>Mr. Swindle</i>	115
2. U. T. System: Update on U. T. System Leadership and Global Initiatives	1:45 p.m. Report <i>Dr. Malandra</i>	116
Adjourn	2:00 p.m.	

1. **U. T. System: Annual Meeting with Officers of U. T. System Employee Advisory Council**

REPORT

Representatives of the U. T. System Employee Advisory Council (EAC) will meet with the Board to discuss the Council's past year activities and plans for the future according to the following agenda. Council members scheduled to attend are:

Chair: Mr. Michael Swindle, U. T. Permian Basin

Vice Chair: Mr. Dennie Clemons, U. T. Health Science Center – Houston

Secretary: Ms. Teresa Garcia, U. T. Pan American

Historian: Mr. Dexter Jones, U. T. Health Science Center – Tyler

Supplemental Materials: EAC Cumulative Chart on Pages 162 - 165 of Volume 2.

AGENDA

1. Introductions
2. The Chairperson's report on the accomplishments of the past year and plans for the new fiscal year and an update of the Compensation, Communication, Professional Development, and Special Projects Subcommittees.

BACKGROUND INFORMATION

The U. T. System Employee Advisory Council was established in August 2000 to provide a vehicle for communication and to facilitate the flow of ideas and information among employees, the Board of Regents, the institutions, and Executive Officers of U. T. System Administration. The U. T. System Employee Advisory Council functions to define, analyze, and make recommendations on employee issues to appropriate groups and individuals.

2. **U. T. System: Update on U. T. System Leadership and Global Initiatives**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will present a progress overview on the U. T. System Leadership Institute and the U. T. System Global Initiative.

Supplemental Materials:

- **Leadership Development Initiative presentation on Pages 166 - 173 of Volume 2**
- **Global initiative presentation on Pages 174 - 181 of Volume 2**
- **Global initiative paper on Pages 182 - 183 of Volume 2**