



AGENDA for Meeting of the U. T. System Board of Regents

July 8-9, 2009
Board Room, 9th Floor, Ashbel Smith Hall
Austin, Texas

Wednesday, July 8, 2009

- A. CONVENE BOARD OF REGENTS IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION IN ACCORDANCE WITH TEXAS GOVERNMENT CODE, CHAPTER 551 (working lunch) *10:30 a.m.*
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 of individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees including employees covered by Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees**
 - b. **U. T. System: Discussion 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, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for the fiscal year ending August 31, 2010**
 - c. **U. T. Pan American: Discussion of individual personnel matters related to presidential search** *Dr. Prior*
 2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
- U. T. System Board of Regents: Discussion with Counsel on pending legal issues**

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

U. T. Dallas: Discussion and appropriate action regarding the authorization to purchase approximately 10 acres improved with an office building of approximately 93,060 square feet located at 17217 Waterview Parkway, Dallas, Dallas and Collin Counties, Texas, from T/E Waterview Ltd., a Texas limited partnership, for a purchase price not to exceed fair market value as determined by independent appraisals for use as office, educational, and surge space and future programmed campus expansion, and resolution regarding parity debt

President Daniel Ms. Mayne

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

- B. RECONVENE IN OPEN SESSION FOR ACTION ON EXECUTIVE SESSION ITEMS, IF ANY, AND CONSIDER AGENDA ITEMS *1:30 p.m.*

- 1. **U. T. System Board of Regents: Amend Regents’ Rules and Regulations, Rule 31007, Sections 1, 2, and 5.1(b) regarding tenure appointments at U. T. Health Science Center – Tyler** *1:32 p.m.*
Action **1**
President Calhoun Dr. Shine

- 2. **U. T. System: Presentation on the U. T. Systemwide Endowment Compliance Program** *1:35 p.m.*
Report **2**
Dr. Safady

- 3. **U. T. System: Report on highlights of the 81st Texas Legislature, Regular Session** *1:50 p.m.*
Report **21**
Mr. McBee

- 4. **U. T. Dallas: Authorization to establish M.S. and Ph.D. degree programs in Biomedical Engineering with U. T. Arlington and U. T. Southwestern Medical Center – Dallas** *2:05 p.m.*
Action **62**
President Daniel Dr. Prior

- 5. **U. T. El Paso: Request for approval of parking permit fees effective Fall 2009** *2:08 p.m.*
Action **65**
President Natalicio Dr. Prior

- 6. **U. T. Austin: Authorization to purchase two tracts of land located at 1601 East 20th Street and 1600, 1602, 1604, and 1606 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, and consisting of a total of approximately 51,327 square feet, from E-MLK Properties, LLC, a Texas limited liability company, for a purchase price of \$1,662,995 for future programmed campus expansion** *2:10 p.m.*
Action **67**
President Powers Ms. Mayne

- 7. **U. T. El Paso: Reauthorization to purchase real property and improvements located at 3401 North Mesa Street, El Paso, El Paso County, Texas, from Mr. Gene McIntyre, Mr. Tracy McIntyre, and Mr. Michael McIntyre for a purchase price of \$1,197,000 for future programmed development of campus expansion; and resolution regarding parity debt** *2:15 p.m.*
Action **70**
President Natalicio Ms. Mayne

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|----|--|--|-----------|
| 8. | U. T. Health Science Center – Houston: Establishment of a center for research in the field of Alzheimer's disease and other brain disorders and approval to name the center as The George and Cynthia Mitchell Center for Research in Alzheimer's Disease and Related Brain Disorders | 2:20 p.m.
Action
<i>President Kaiser</i>
<i>Dr. Safady</i> | 74 |
| 9. | U. T. System: Status Report on the U. T. System Competitiveness Initiative | 2:30 p.m.
Report
<i>Chancellor Cigarroa</i> | 75 |
| C. | RECESS | 5:00 p.m. | |

Thursday, July 9, 2009

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D.	CONVENE JOINT MEETING: BOARD OF REGENTS AND THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO) BOARD OF DIRECTORS	8:30 a.m. <i>Vice Chairman Foster Chairman Nye</i>	
1.	Introductions UTIMCO Directors; U. T. System and UTIMCO Oversight Staff; External Advisors: Legal, Audit, Investments, Risk Management	8:35 a.m. <i>Chairman Huffines Chairman Nye</i>	76
2.	Annual Briefing on Fiduciary Responsibilities of Directors including discussion of the Master Investment Management Services Agreement (IMSA), Board of Regents' Expectations of UTIMCO Directors, the Code of Ethics, and Bylaws	8:45 a.m. Report <i>Mr. Burgdorf</i>	77
3.	Discussion of U. T. System Financial Resources and Assets Managed by UTIMCO	9:00 a.m. Report <i>Dr. Kelley</i>	83
4.	Reports on UTIMCO Board Operations and Committees Board Officers, Key Employees, Delegation of Authority Standing Committee Reports: <ul style="list-style-type: none">• Audit and Ethics Committee• Risk Committee• Policy Committee• Compensation Committee	9:15 a.m. Report <i>Chairman Nye Chairman Foster Chairman Tate Chairman McHugh Chairman Ferguson</i>	104
5.	Report on Investment Objectives and Performance for UTIMCO Fund Investment Policies Overview: PUF, GEF, PHF, LTF, ITF, STF Performance, Objectives, Policy Portfolios, Benchmarks, Peers, Asset Class Definitions	9:45 a.m. Report <i>Mr. Bruce Myers, Cambridge Associates Mr. Zimmerman</i>	106
6.	Update Regarding Centralization of Operating Funds	10:05 a.m. Report <i>Dr. Kelley</i>	129
7.	Report on UTIMCO Organization and Activities Staffing; Key Investment and Risk Management Personnel; Asset Class Managers; Open Positions	10:15 a.m. Report <i>Mr. Zimmerman</i>	138
8.	Report on UTIMCO FY 2010 Budget and Fees and U. T. System Office of Finance Review Budget Review; U. T. System Office of Finance Review	10:30 a.m. Report <i>Dr. Kelley Mr. Zimmerman</i>	146
E.	BREAK	11:00 a.m.	

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9. **Discussion of U. T. System Funds' Investment Strategy**
Asset Allocation, Downside Risk, Liquidity (and Unfunded
Commitments), Leverage, Use of Derivatives, Report on
Proposed Changes to Delegation of Authority, Liquidity
Policy, and Derivatives Policy

11:15 a.m.
Report
Mr. Zimmerman

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F. ADJOURN JOINT MEETING

12:15 p.m.

1. **U. T. System Board of Regents: Amend Regents' Rules and Regulations, Rule 31007, Sections 1, 2, and 5.1(b) regarding tenure appointments at U. T. Health Science Center – Tyler**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 31007, Sections 1, 2, and 5.1(b) regarding tenure, be amended as set forth below in congressional style to permit seven-year appointments at U. T. Health Science Center – Tyler:

...

Sec. 1 Granting of Tenure. Tenure denotes a status of continuing appointment as a member of the faculty at an institution of The University of Texas System. Academic titles in which faculty members can hold tenure are listed in Rule 31001, Section 2.1 of the Regents' *Rules and Regulations*. Tenure may be granted at the time of appointment to any of such academic ranks, or tenure may be withheld pending satisfactory completion of a probationary period of faculty service. Such tenure status shall not be applicable to the faculty of The University of Texas M. D. Anderson Cancer Center or The University of Texas Health Science Center at Tyler.

Sec. 2 Seven-Year Term Appointment. The University of Texas M. D. Anderson Cancer Center ~~is and~~ The University of Texas Health Science Center at Tyler are authorized to award a seven-year term appointment that will denote a status of continuing appointment at that institution as a member of the faculty for a period of seven years. Only members of the faculty with academic titles of Professor, Associate Professor, or Assistant Professor may be granted a seven-year term appointment. A seven-year term appointment may be granted at the time of appointment to any of such academic rank or may be withheld pending satisfactory completion of a probationary period of faculty service. No institution may adopt or implement a seven-year term appointment policy except The University of Texas M. D. Anderson Cancer Center and The University of Texas Health Science Center at Tyler.

...

Sec. 5 Probationary Service.

...

5.1 Calculation of Service. For purposes of calculating the period of probationary service, an "academic year" shall be the period from September 1 through the following August 31.

...

(b) Each institution with tenured faculty will establish and appropriately communicate a policy for the extension of the maximum probationary period and include the policy in the institutional *Handbook of Operating Procedures* following the standard review and approval process. In the case of ~~the~~ The University of Texas M. D. Anderson Cancer Center or The University of Texas Health Science Center at Tyler, the institution may establish a policy that allows the extension of a term-tenure appointment consistent with these guidelines and the term-tenure policy. Institutional policies are to be consistent with the following guidelines:

.....

BACKGROUND INFORMATION

The proposed amendments relating to tenure of faculty will permit U. T. Health Science Center – Tyler to award seven-year term appointments. Currently, U. T. M. D. Anderson Cancer Center is the only institution that is authorized to offer seven-year term appointments. The option to award the term appointments will allow U. T. Health Science Center – Tyler to compete with other academic medical institutions to recruit highly skilled, experienced faculty members and will expand the institution's opportunities to retain the top scientific talent necessary to effectively consolidate its research enterprise.

If approved, U. T. Health Science Center – Tyler will develop institutional policies regarding the award of the term appointment for inclusion in its *Handbook of Operating Procedures*.

2. U. T. System: Presentation on the U. T. Systemwide Endowment Compliance Program

REPORT

An executive summary of the Endowment Compliance Program activities and reporting for The University of Texas System for the fiscal year ended August 31, 2008, is set forth on Pages 3 - 20.

Board of Regents' Meeting

Endowment Compliance Program

VICE CHANCELLOR FOR EXTERNAL RELATIONS
RANDA SAFADY
JULY 2009



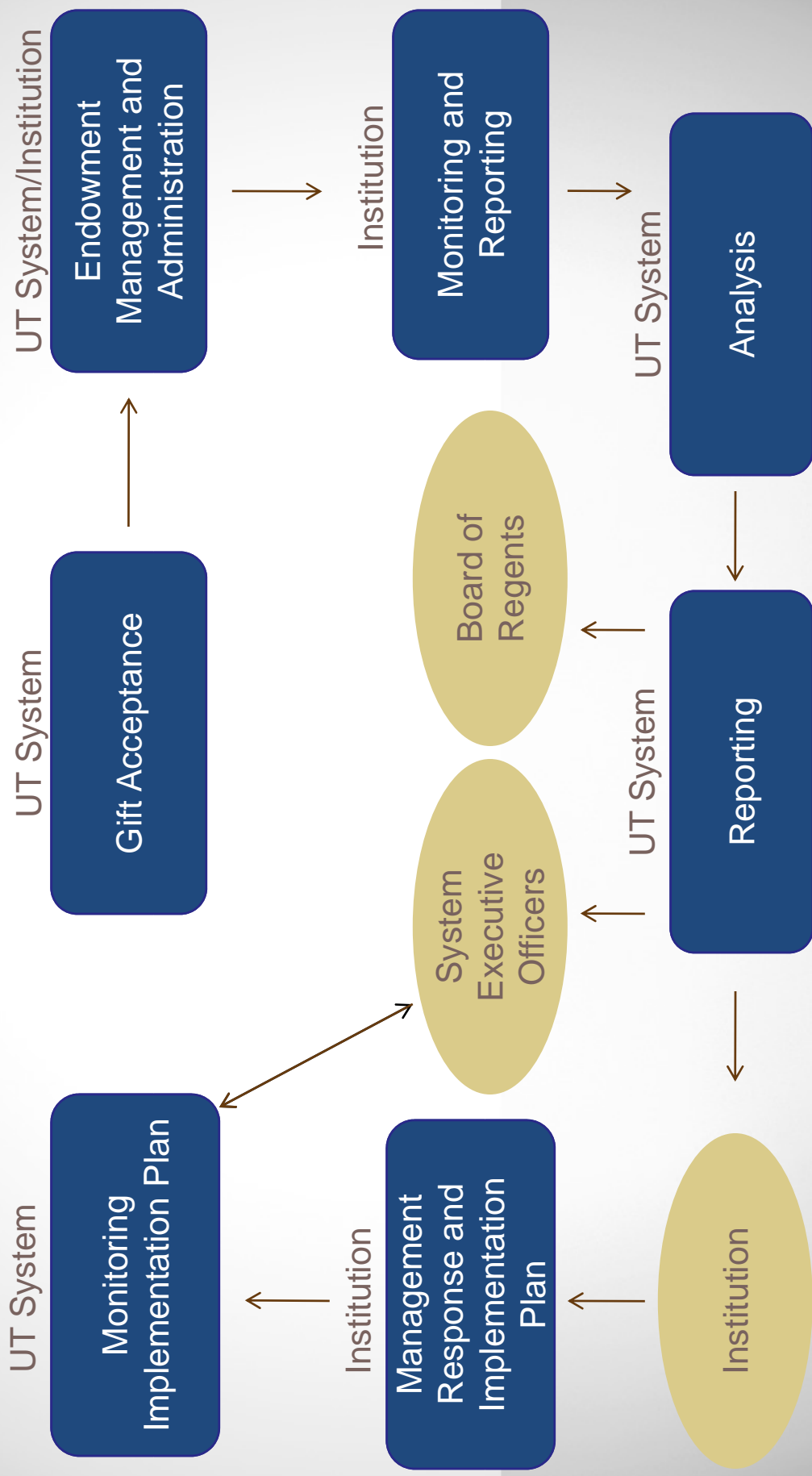
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Program Mission

- Stewardship of the public trust and \$6.4 billion of endowed philanthropic contributions
- Ensure compliance with applicable laws, policies and procedures, and endowment agreements

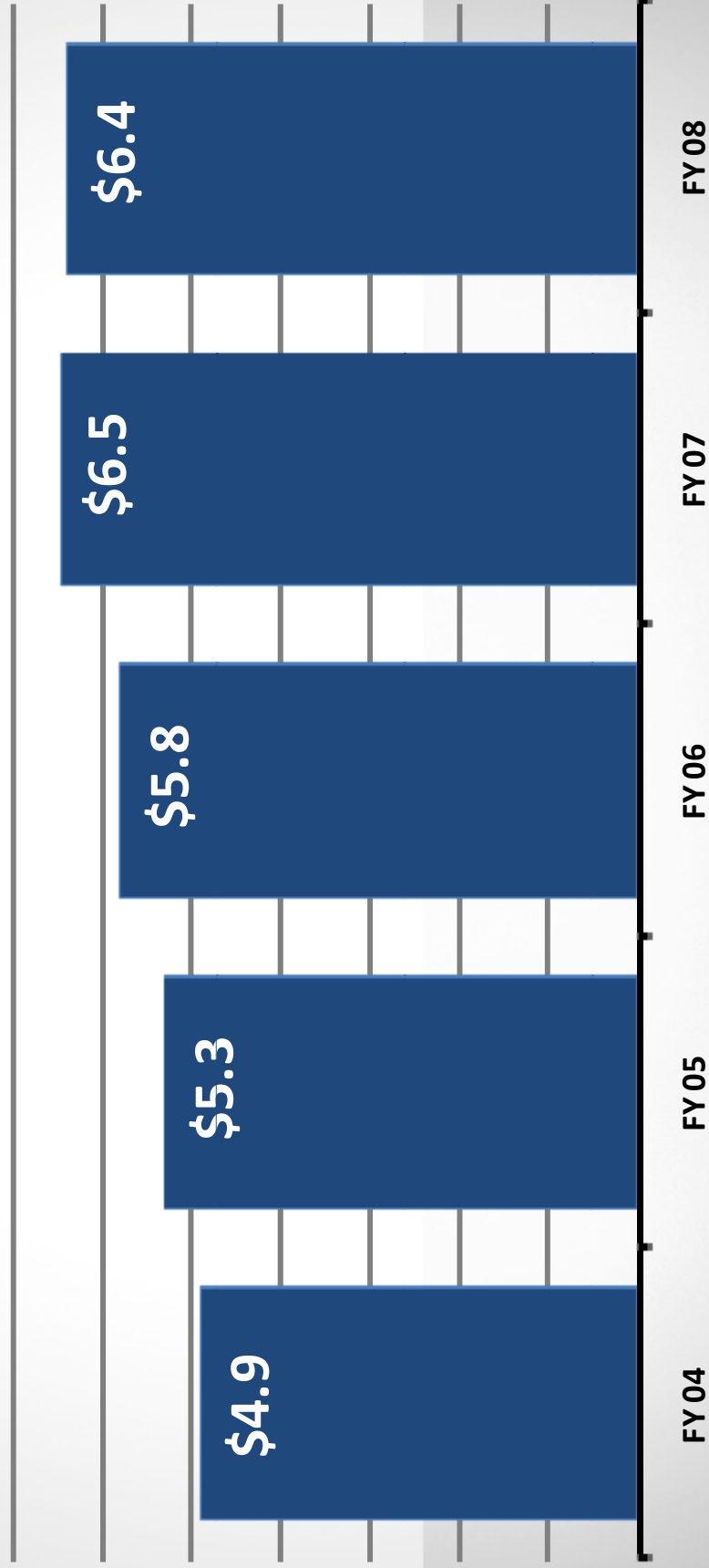


Endowment Compliance Cycle



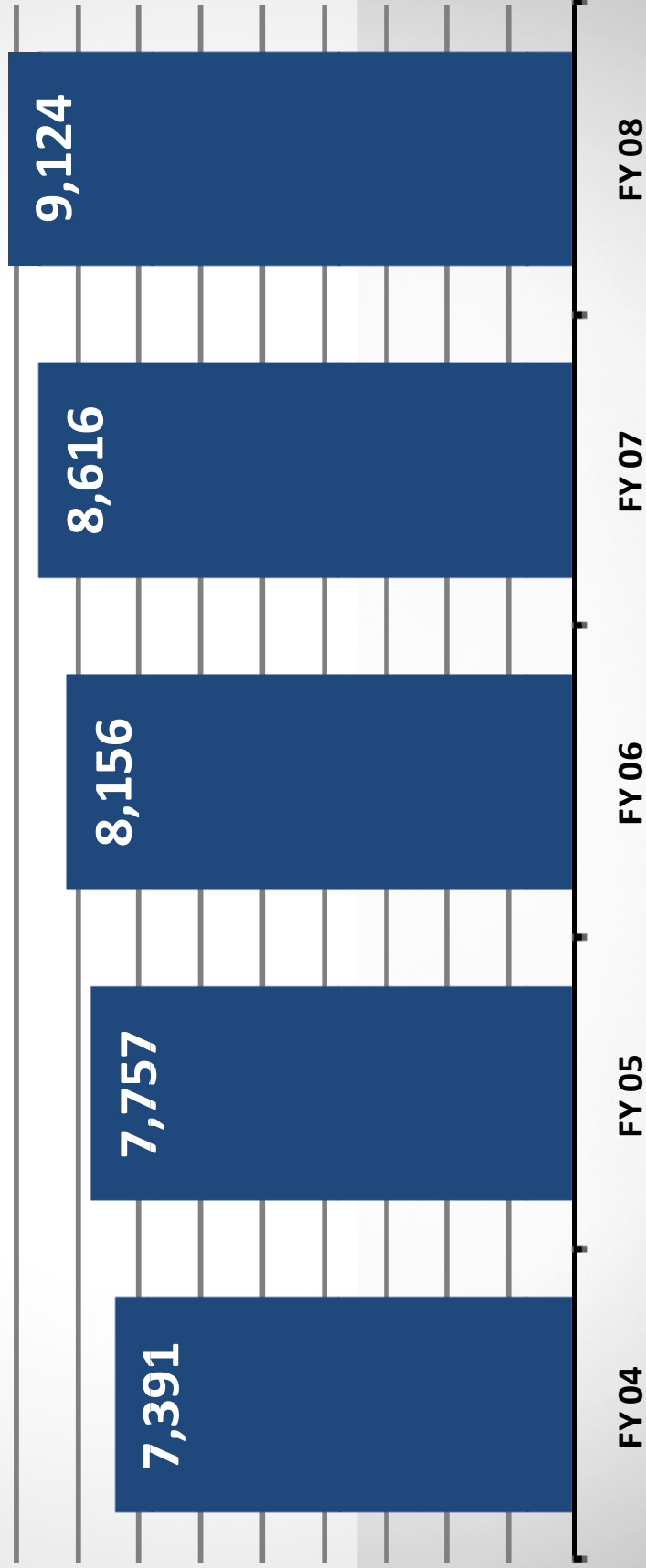
Historical Value

Endowment Market Value (billions)



Scope of the Program

Total Number of Endowments



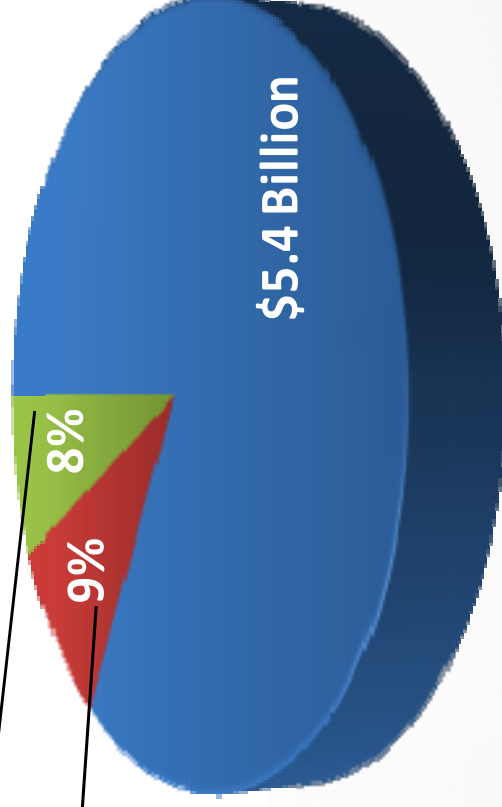
Scope of the Program

2008 Market Value

■ Held By Board ■ Held By Others ■ U.T. Affiliate

\$492.9 Million

\$575.2 Million



Endowments as of August 31, 2008

Institution	Total Endowments	% Increase in Total Over 2007	Market Value of Board-Held Endowments		Market Value of Externally-Held Endowments		Total Market Value	Market Value +/- Over 2007		% Market Value +/- Over 2007
			Total	% Increase in Total Over 2007	Total	% Increase in Total Over 2007		Over 2007	Over 2007	
U.T. Arlington	355	15%	\$60,955,480	15%	\$50,758	6%	\$61,006,238	\$3,307,622	6%	
U.T. Austin	4,548	4%	\$2,758,758,385	4%	\$159,061,824	-3%	\$2,917,820,209	(\$92,956,670)	-3%	
U.T. Brownsville	84	27%	\$7,323,617	27%	\$0	0%	\$7,323,617	(\$3,228)	0%	
U.T. Dallas	157	9%	\$250,605,062	9%	\$1,344,054	-5%	\$251,949,116	(\$13,825,744)	-5%	
U.T. El Paso	515	4%	\$119,929,588	4%	\$450,000	-3%	\$120,379,588	(\$4,075,979)	-3%	
U.T. Pan American	251	6%	\$31,535,158	6%	\$27,888,407	-1%	\$59,423,565	(\$437,170)	-1%	
U.T. Permian Basin	94	1%	\$17,848,239	1%	\$4,581,510	-13%	\$22,429,749	(\$3,487,693)	-13%	
U.T. San Antonio	281	9%	\$54,084,217	9%	\$0	1%	\$54,084,217	\$318,866	1%	
U.T. Tyler	192	5%	\$64,755,582	5%	\$1,821,443	0%	\$66,577,024	(\$212,336)	0%	
U.T. SWMC-Dallas	806	8%	\$762,235,904	8%	\$323,276,109	-4%	\$1,085,512,013	(\$40,447,126)	-4%	
U.T. MB Galveston	640	6%	\$442,746,527	6%	\$534,502,542	-2%	\$977,249,069	(\$20,594,593)	-2%	
U.T. HSC-Houston	381	9%	\$150,848,252	9%	\$1,653,513	-2%	\$152,501,764	(\$3,225,841)	-2%	
U.T. HSC- San Antonio	303	9%	\$159,138,009	9%	\$1,019,452	16%	\$160,157,461	\$22,195,161	16%	
U.T. MDACC	368	6%	\$456,126,611	6%	\$0	20%	\$456,126,611	\$76,517,677	20%	
U.T. HSC-Tyler	40	0%	\$10,471,224	0%	\$0	-1%	\$10,471,224	(\$132,826)	-1%	
U.T. System	103	12%	\$21,712,588	12%	\$6,711,604	-32%*	\$28,424,192	(\$13,076,901)	-32%*	
Multi-Institution	6	0%	\$5,478,181	0%	\$5,799,115	-7%	\$11,277,296	(\$866,718)	-7%	
Total	9,124	6%	\$5,374,552,624	6%	\$1,068,160,331	-1%	\$6,442,712,953	(\$91,003,502)	-1%	

* UT System Administration dissolved one quasi-endowment (Billy Carr PUF Endowment) and transferred \$12+ million corpus back to the PUF.



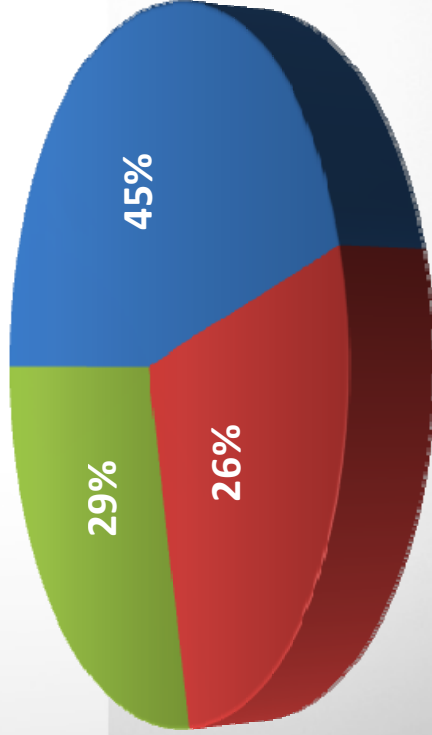
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Board-Held Endowments

- The 8,250 Board of Regents-held endowments as of August 31, 2008 are restricted as follows:

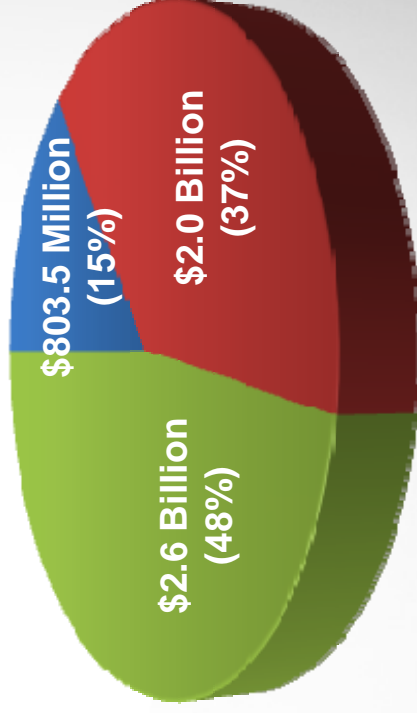
Number of Endowments: 8,250

■ Student Support ■ Academic Positions ■ Program Support/Misc.



Market Value \$5.4 Billion

■ Student Support ■ Academic Positions ■ Program Support/Misc.



Board-Held Endowments: Distributions

<u>Purpose</u>	<u>Distributions</u>
Student Support	\$33 million
Academic Positions	\$81.8 million
Program Support/Misc.	<u>\$87.5 million</u>
Total	\$202.3 million



Primary Risks Monitored

- **Excessive accumulations**
 - Accumulations of endowment's earnings above the standard set by the institution
- **Inappropriate expenditures**
 - Expenditures outside terms of endowment agreement
- **No expenditures**
 - Endowments from which no funds have been expended during the reporting period
- **Unfilled endowed academic positions**
 - Positions without a holder appointed

Excessive Accumulations

- Percent of endowments with excessive accumulations continues to decrease each year
- 40% of endowments were reviewed this reporting period (3,301)
 - 95% of endowments had no excessive accumulations or had justifiable accumulations
 - 5% of endowments, with \$7.5 million in accumulations, had no justification. Institutions are reviewing and implementing action plans.



Inappropriate Expenditures

- During last 2 fiscal years, inappropriate expenditures remain at approximately 1% of total market value of identified endowments
- 38% of endowments were reviewed this reporting period (3,152)
 - Expenditures were appropriate for 98% of those reviewed
 - Inappropriate expenditures, totaling \$393,388, were found in 2% of those reviewed. Action plans have been implemented to address these.



No Expenditures

- Percent of endowments with no expenditures continues to decrease each year
- 40% of endowments were reviewed this reporting period (3,301)
 - 96% of endowments had expenditures or an approved spending plan
 - 4% of endowments, with \$4 million in accumulations, had no expenditures and lacked justification. Institutions are reviewing and implementing action plans.

Unfilled Academic Positions

- Percent of unfilled positions continues to decrease each year
- 100% of positions were reviewed this reporting period (2,201)
 - 86% were filled on 8/31/08
 - 14% unfilled had \$22.4 million in accumulations on 8/31/08
- Average period unfilled – 30 consecutive months
- Institutions are reviewing and implementing action plans



Progress Since Last Report

- U. T. System conducts detailed analysis of institution reports and recommends actions, as needed
- Management response required of each institution
- U. T. System monitors implementation of management response

Funding for the Program

- Board of Regents allows each institution to take an annual fee of 0.08% to 0.2% of the market value of its endowments
- To take more than 0.08%, institutions must submit audited fee assessments and certify their fee expenditures
- In FY 08, \$6.7 million in fees was distributed to support endowment management and administration



Plan for Continuing Improvement

- Continue to increase number of endowments reviewed
- Link report data to analysis
- Further define uniform standards for measurement
- Continue to improve tracking of progress at institutions
- Enhance database to refine reporting and analysis capabilities

Conclusions

- Program is working -- risks are being identified and corrected
- Institutions are diligently monitoring endowments
- Additional baseline data will allow us to determine specific trends
- Analysis provides ability to preempt and reverse any future negative trends
- Questions?

3. **U. T. System: Report on highlights of the 81st Texas Legislature, Regular Session**

REPORT

Vice Chancellor McBee will report on highlights of the 81st Texas Legislature, Regular Session. The highlights are set forth on Pages 22 – 61.

81st Regular Session Highlights

Vice Chancellor Barry McBee

July 2009



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Board of Regents
Meeting
July 8, 2009



Major State Issues as the 81st Regular Session Began

- Property Tax Relief and Reform
- Public Education
- Business Margins Tax Changes
- Transportation
- Insurance
- Criminal Justice
- Condition of State Retirement Systems
- Immigration and Border Issues



The 81st Regular Session Overall

- 7,609 Bills Introduced
- 1,459 Bills Passed
 - 36 bills vetoed
- Major Accomplishments:
 - Public education reforms
 - Initiative for more national research universities
 - State School reforms
 - Windstorm insurance reforms
 - Margins tax exemption for small business
 - Eminent domain constitutional amendment
 - Physician student loan repayment program



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The 81st Regular Session Overall

- Unresolved Issues
 - Sunset bill for Texas Departments of Transportation and Insurance and Texas Racing Commission
 - Bonds for highway construction
 - Voter ID legislation
 - CHIP expansion



How UT System Priorities Fared

- Tuition Flexibility Remains Intact
 - No bill passed
 - SB 1443 by Zaffirini passed Senate but not House
 - HCR 288
 - Adopted on final day
 - Only expresses intent of the House
 - Accepts authorized tuition increases for 2009-2010
 - Endorses cap of 3.45% or \$280 per year increase for 2010-11 through 2013-14
- Top 10% Law Reformed by SB 175 (Shapiro)
 - 75% cap on admissions beginning in fall 2011
 - 10% cap on out-of-state and international undergraduate students
 - Automatic admission for top 10% students who later transfer



How UT System Priorities Fared

- More National Research Universities Stimulated (HB 51 by Branch and HJR 14 by Cortez)
 - Texas Research Incentive Program to provide \$50 million in state matching funds for research focused philanthropy
 - National Research University Fund to sustain emerging research universities that meet established criteria (subject to voter approval in November)
 - \$80 million in performance incentive funding for academic institutions for graduates, especially for at-risk students and those in critical fields
 - Coordinating Board to develop program for funding excellence programs at other 26 institutions
 - Research University Development Fund to formalize Texas Competitive Knowledge Fund



How UT System Priorities Fared

- Tools to Grow Texas Healthcare Workforce Expanded
 - \$16.3 million in additional funding for Graduate Medical Education
 - Nursing Shortage Reduction Program updated (HB 4471 by Kolkhorst)
 - \$30 million for increases in nursing faculty
 - Joint Admission Medical Program expanded (SB 1728 by West)
 - Full funding of \$10.6 million for program, a 100% increase



How UT System Priorities Fared

- Hurricane Ike Relief for UTMB Obtained
 - \$150 million in state funds to match FEMA federal funding for reconstruction
 - \$150 million in Tuition Revenue Bonds authorized for construction of new hospital
 - \$97 million more in General Revenue (GR) for operations in 2010-11
 - \$50 million in Social Service Block Grant funding for construction



How UT System Priorities Fared

- Texas Competitive Knowledge Fund for UT Austin Bolstered
 - \$33 million more in funding
- Bonds for Cancer Prevention and Research Institute of Texas Authorized
 - \$450 million in bonds funded
- Financial Aid Increased
 - \$185.9 million more for TEXAS Grants
 - \$10 million more for Texas Educational Opportunity Grants for community college students



How UT System Priorities Fared

- Insurance Coverage for Clinical Trials Enhanced
 - Insurance will now cover routine patient care expenses for clinical trial participants (SB 39 by Zaffirini)
- Emerging Technology Fund (ETF) Continued
 - \$94 million more for ETF and carryover of more than \$100 million in current funding
- Incentives for Academic Institutions Maintained
 - \$80 million appropriated for general academic institutions' incentives, with criteria in HB 51



UT System Priorities That Failed to Pass

- New Tuition Revenue Bonds or state funding for capital construction
- Dedication of DSH or UPL funds for UTMB
- Efforts to restore Medicaid funding for Graduate Medical Education and to expand residencies
- Health insurance for graduate students and fellows (failed with death of SB 42 on final day of Session)



UT System Priorities That Failed to Pass

- Parity for funding of System employee health insurance costs
- Elimination of duplicative or ineffective higher education reporting requirements
- Legislation to modernize and rationalize state laws governing regents' conflicts of interest

Other Issues that Emerged

- Limitations on and Increased Oversight of UTIMCO
 - Proposed new Pension and Investment Review Board (SB 1548 by Ogden)
 - No final action
 - Proposed reconstitution of UTIMCO Board (SB 2348 by Ogden)
 - No final action
 - Proposed divestment from companies doing business in the Sudan (HB 801 by Guillen)
 - No final action



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Other Issues that Emerged

- Restrictions on Biomedical Research
 - Proposed prohibition on use of state funds for destruction of human embryos
 - Not adopted as part of state budget
 - Proposed prohibition on use of state funds or facilities owned, leased or managed by a state agency for destruction of human embryos (SB 1695 by Ogden)
 - No final action
 - Proposed creation of an annual report by any state agency that funds, supports, or conducts biomedical research (SB 2573 by Ogden)
 - No final action
 - Proposed prohibition on funds awarded by Cancer Prevention and Research Institute of Texas for use on embryonic or fetal stem cell research (SB 1700 by Laubenberg)
 - No final action
 - Interim study on development of research database, to include stem cell research, found in HB 51
 - UT will have significant representation in study



Other Issues that Emerged

- Allowing Concealed Handguns on Campus
 - No final action on proposed bills (HB 1893 by Driver and SB 1164 by Wentworth)
- Changes to Student Health Centers
 - Legislation to mandate billing of insurers (HB 103 by Fred Brown) adopted but vetoed by Governor
- Health Benefits for Domestic Partners
 - No final action on proposed bills (HB 353 by Rodriguez and HB 861 by Naishtat)



General Appropriations Act (SB 1 by Ogden)

- \$182.3 Billion State Budget
 - 2% increase from 08-09 biennium
 - \$87.1 billion in General Revenue (GR)
 - \$12.1 billion in federal stimulus funds through American Recovery and Reinvestment Act
- \$6.7 Billion in Rainy Day Fund (current balance)
 - \$9.1 billion by end of FY2011



Appropriations for Higher Education

- \$12.3 Billion for All Texas Higher Education
 - \$1.3 billion, or 11%, increase from 08-09
- \$4.9 Billion for Academic Institutions
 - \$336.5 million, or 7.3%, increase from 08-09
 - \$107 million, or 7.2%, increase for UT System institutions
- \$2.6 Billion for Health-Related Institutions
 - \$365.2 million, or 16%, increase from 08-09
 - \$225 million, or 13.2%, increase for UT System institutions



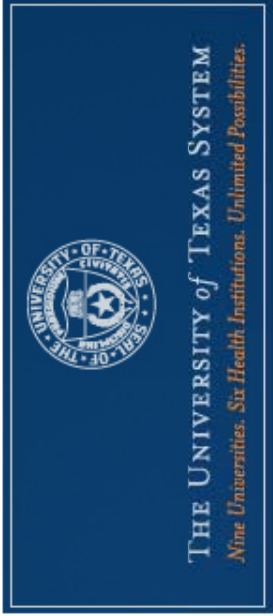
Appropriations for Higher Education

- Financial Aid
 - \$185.9 million in additional funding for TEXAS Grants
 - \$10 million more for Texas Educational Opportunity Grants for community college students
 - \$54 million for Top 10% student scholarships
- Research
 - \$33 million in additional funding for Texas Competitive Knowledge Fund
 - \$94 million in new funding for Emerging Technology Fund, in addition to extension of over \$100 million in current funding
 - \$50 million for Texas Research Initiative Program (TRIP)
 - Shift of \$470 million from Higher Education Fund into new National Research University Fund, subject to voter approval of HJR 14 in November



Appropriations for Higher Education

- Hurricane Relief Funding
 - UTMB
 - \$150 million in state funds to match FEMA funding
 - \$150 million in TRBs for construction of a new hospital, pending increased local contributions for uncompensated care
 - \$97 million more in GR for operations in 2010-11
 - \$50 million in Social Service Block Grant funding from the Texas Health and Human Services Commission for reconstruction
 - \$8 million in supplemental appropriations for uncompensated care related to Hurricane Ike at UT HSC-Houston and MD Anderson Cancer Center
 - \$5.6 million for hurricane related costs at UT Brownsville, UT Pan American, UT HSC Tyler, UT HSC Houston, and MD Anderson Cancer Center



Appropriations for Higher Education

- Health Care Workforce Development
 - Joint Admission Medical Program
 - \$5 million in additional funding
 - Graduate Medical Education
 - Rate increase from \$5,634 to \$6,653 per resident
 - \$16.3 million in new funding, \$10.1 million to UT System institutions
 - \$30 million to increase nursing faculty
 - \$5 million for UT Arlington’s Simulation Learning Facility for nursing education
- \$171.9 million more for Higher Education Group Health Insurance
 - \$44 million more for UT System employee health insurance



Appropriations for Higher Education

- \$123.5 million in additional funds for Correctional Managed Care at UTMB
- \$450 million in bonds authorized for Cancer Research and Prevention Institute of Texas
 - \$391 million dedicated to cancer research grants
 - \$43.5 million dedicated to cancer prevention grants
 - \$35.5 million in debt service for bonds
- \$15.5 million in mission-specific formula funding for UT HSC Tyler & MD Anderson Cancer Center



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Appropriations for Higher Education

General Academic Institutions

2010-11 General Revenue Appropriations (Excluding Tuition Revenue Bond GR Debt Service) (Does Not Include Higher Education Group Insurance Contributions)

Institution	2008-09 Biennium		2010-11 Biennium			Biennial Change		HB 4586 Supplemental Appropriations
	GR Appropriations (less TRB)	GR Appropriations*	GR	Federal Stimulus Special Items	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)	
University of Texas System	1,327,106,915	1,581,406,544	16,382,500	1,440,248,422	113,141,507	8.53%	12,504,888	
Texas A&M University System	981,632,247	1,192,220,231	7,000,000	1,079,272,011	97,639,764	9.95%	8,688,864	
University of Houston System	409,348,373	493,436,989	3,250,000	446,203,840	36,855,467	9.00%	4,245,244	
Midwestern State University	33,584,234	39,861,421	220,000	35,778,436	2,194,202	6.53%	-	
University of North Texas	191,618,246	217,871,278	2,150,000	200,222,802	8,604,556	4.49%	-	
Stephen F. Austin University	78,420,326	91,360,935	-	81,867,773	3,447,447	4.40%	-	
Texas Southern University	105,505,844	122,177,625	-	100,922,012	(4,583,832)	-4.34%	15,950,000	
Texas Tech University System	295,970,589	333,765,176	6,000,000	310,752,534	14,781,945	4.99%	-	
Texas Woman's University	102,897,811	110,637,945	-	101,789,260	(1,108,551)	-1.08%	-	
Texas State University System	331,424,399	404,874,825	7,500,000	372,528,927	41,104,528	12.40%	3,420,785	
	<u>3,857,508,984</u>	<u>4,587,612,969</u>	<u>42,502,500</u>	<u>4,169,586,017</u>	<u>312,077,033</u>	<u>8.09%</u>	<u>44,809,781</u>	

* GR Appropriations include funds from the American Recovery and Reinvestment Act for formula funding.



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Appropriations for Higher Education

State of Texas General Academic Institutions HB 4586 Supplemental General Revenue Appropriations

GR		
Institution	Appropriations	Comments
The University of Texas at Austin	9,902,630	08-09 hold harmless (\$700,000 must be used for Marine Science Institute National Estuarine Research Reserve)
The University of Texas - Pan American	102,258	Damages or disruptions caused by natural disasters during the 08-09 biennium
The University of Texas at Brownville	1,200,000	Damages or disruptions caused by natural disasters during the 08-09 biennium
The University of Texas at Tyler	1,300,000	Faculty salaries and operations at the Palestine campus
Texas A&M University at Galveston	6,200,000	Damages or disruptions caused by natural disasters during the 08-09 biennium
Prairie View A&M University	488,864	Damages or disruptions caused by natural disasters during the 08-09 biennium
Texas A&M International University	2,000,000	Outreach and Enrollment
University of Houston	4,245,244	National Large Wind Turbine Research & Testing Facility
Texas Southern University	3,729,808	TRB appropriation reduced from 08-09 and reappropriated for damages caused by natural disasters
Texas Southern University	2,350,000	Administrative operation expenses
Texas Southern University	9,720,192	Damages or disruptions caused by natural disasters during the 08-09 biennium
Texas Southern University	150,000	Mickey Leland and Barbara Jordan papers preservation and display
Lamar University	2,803,561	Damages or disruptions caused by natural disasters during the 08-09 biennium
Texas State University - San Marcos	617,224	Texas School Safety Center



Appropriations for Higher Education

University of Texas System General Academic Institutions General Appropriations Act Article XII Federal Stimulus Special Items

Institution	Appropriation	Comments
University of Texas at Austin	\$420,000	Law School Clinical Program
University of Texas at Dallas	\$6,000,000	Middle School Brain Years
University of Texas at Dallas	\$462,500	Academic Bridge Program
University of Texas at Dallas	\$5,000,000	Center for Values in Medicine, Science, and Technology
University of Texas at San Antonio	\$4,000,000	Life Sciences Institute
University of Texas at San Antonio	\$500,000	P-16 Council



Appropriations for Higher Education

Health Related Institutions

2010-11 General Revenue Appropriations (Excluding Tuition Revenue Bond GR Debt Service) (Does Not Include Higher Education Group Insurance Contributions)

Institution	2008-09 Biennium		2010-11 Biennium			Biennial Change	
	GR Appropriations (less TRB)	GR Appropriations* (less TRB)	GR Appropriations (less TRB)	Article XII Federal Stimulus Special Items	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)
The University of Texas System	1,594,834,862	1,894,945,176	1,824,574,621	33,000,000	1,824,574,621	229,739,759	14.41%
TAMU System Health Science Center	174,665,955	215,683,003	213,761,384	9,000,000	213,761,384	39,095,429	22.38%
UNT Health Science Center at Fort Worth	96,393,142	125,104,975	108,725,709	-	108,725,709	12,332,567	12.79%
Texas Tech Univ Health Science Center	260,629,243	325,746,161	303,374,345	4,000,000	303,374,345	42,745,102	16.40%
	<u>2,126,523,202</u>	<u>2,561,479,315</u>	<u>2,450,436,059</u>	<u>46,000,000</u>	<u>2,450,436,059</u>	<u>323,912,857</u>	<u>15.23%</u>
						<u>156,187,552</u>	<u>HB 4586 Supplemental Appropriations</u>

* GR Appropriations include funds from the American Recovery and Reinvestment Act for formula funding.



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Appropriations for Higher Education

HB 4586 Supplemental General Revenue Appropriations

GR

Institution	Appropriations	Comments
UT Medical Branch at Galveston	150,000,000	Matching Funds for FEMA qualifying projects (balance may be expended with prior LBB approval)
UT Health Science Center at Houston	1,000,000	Damages and disruptions caused by natural disasters occurring during the 08-09 biennium
UT M.D. Anderson Cancer Center	1,725,995	Damages and disruptions caused by natural disasters occurring during the 08-09 biennium
UT M.D. Anderson Cancer Center	2,000,000	Uncompensated care for Hurricane Ike patients
UT Health Science Center at Tyler	1,461,557	Damages and disruptions caused by natural disasters occurring during the 08-09 biennium
UNT Health Science Center at Fort Worth	2,000,000	Uncompensated care

UTMB also received an appropriation of \$500,000 for group insurance in HB 4586 for the two year period from the effective date of the act. This funding was reduced from Texas Tech HSC's 2009 group insurance appropriation.



Appropriations for Higher Education

University of Texas Health Related Institutions General Appropriations Act Article XII Federal Stimulus Special Items

Institution	Appropriation	Comments
University of Texas Health Science Center-Houston	\$5,000,000	Heart Institute - Adult Stem Cell Program
University of Texas Health Science Center-Houston	\$9,500,000	School of Public Health Expansion
University of Texas Health Science Center-San Antonio	\$4,000,000	Life Sciences Institute
University of Texas Health Science Center-San Antonio	\$6,500,000	Regional Academic Health Center
University of Texas Southwestern Medical Center	\$8,000,000	Institute for Genetic & Molecular Disease



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UT System Appropriations

UT System Academic Institutions

2010-11 General Revenue Appropriations (Excluding Tuition Revenue Bond GR Debt Service) (Does Not Include Higher Education Group Insurance Contributions)

Institution	2008-09 Biennium		2010-11 Biennium			Biennial Change		HB 4586 Supplemental Appropriations
	GR Appropriations (less TRB)	GR Appropriations* (less TRB)	GR Stimulus Special Items	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)		
UT-Arlington**	164,076,944	189,860,102	-	170,430,243	6,353,299	3.87%	-	
UT-Austin	509,043,431	571,661,017	420,000	542,475,208	33,431,777	6.57%	9,902,630	
UT-Dallas	129,959,180	155,146,155	11,462,500	159,022,706	29,063,526	22.36%	-	
UT-El Paso	130,022,575	159,244,244	-	142,189,973	12,167,398	9.36%	-	
UT-Pan American	107,317,741	129,006,898	-	113,840,966	6,523,225	6.08%	102,258	
UT-Brownsville	38,354,270	54,922,857	-	41,830,614	3,476,344	9.06%	1,200,000	
UT-Permian Basin	36,191,893	56,394,193	-	37,320,008	1,128,115	3.12%	-	
UT-San Antonio	164,383,441	203,817,067	4,500,000	183,352,109	18,968,668	11.54%	-	
UT-Tyler	47,757,440	61,354,011	-	49,786,595	2,029,155	4.25%	1,300,000	

* GR Appropriations include funds from the American Recovery and Reinvestment Act for formula funding.

** UT Arlington's appropriation does not include \$5 million to be transferred from THECB for the Regional Nursing Education Center.



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UT System Appropriations

UT System Health Institutions

2010-11 General Revenue Appropriations (Excluding Tuition Revenue Bond GR Debt Service) (Does Not Include Higher Education Group Insurance Contributions)

Institution	2008-09 Biennium		2010-11 Biennium			Biennial Change	
	GR Appropriations (less TRB)	GR Appropriations*	Federal Stimulus Special Items	GR Appropriations (less TRB)	\$ Increase (Decrease)	% Increase (Decrease)	HB 4586 Supplemental Appropriations
UT Southwestern Medical Center at Dallas	271,639,320	304,340,633	8,000,000	287,459,926	15,820,606	5.82%	-
UT Medical Branch at Galveston	444,675,130	566,532,697	-	554,162,359	109,487,229	24.62%	150,000,000
UT Health Science Center at Houston**	261,735,581	310,694,866	14,500,000	297,805,597	36,070,016	13.78%	1,000,000
UT Health Science Center at San Antonio	260,006,702	308,824,503	10,500,000	298,689,334	38,682,632	14.88%	-
UT M.D. Anderson Cancer Center	292,396,379	329,830,055	-	317,157,171	24,760,792	8.47%	3,725,995
UT Health Science Center at Tyler	64,381,750	74,722,422	-	69,300,234	4,918,484	7.64%	1,461,557

* GR Appropriations include funds from the American Recovery and Reinvestment Act for formula funding.

** UTHSC Houston was also appropriated \$6 million through HB 4586 for uncompensated care for the two year period from the effective date of HB 4586.



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Other Academic Affairs Legislation

- Creation of Online University Resumes (SB 174 by Shapiro)
 - Directs Coordinating Board to create and maintain a website detailing costs, financial aid, degrees awarded, class sizes, course evaluations, and admissions for all Texas public universities
- Reforms in Formula Funding for Credit Hours not Toward a Degree (HB 101 by Fred Brown)
 - Prohibits any credit hours earned prior to graduating high school being counted for purposes of the cap on hours to be funded



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Other Academic Affairs Legislation

- Financial Aid
 - Requires a student be enrolled in $\frac{3}{4}$ of a full time course load and make satisfactory progress to be eligible for the Tuition Equalization Grant Program (HB 4476 by Cohen)
 - Distribution of information regarding cost of attending universities and availability of financial aid (SB 1764 by Watson)



Other Academic Affairs Legislation

- Tuition Exemptions
 - Exemption for volunteer firefighters enrolled in fire science courses (HB 2013 by Keffer)
 - Exemption for peace officers enrolled in criminal justice or law enforcement course work (HB 2347 by Thibaut)
 - Exemption for students who have been under the conservatorship of the Department of Family and Protective Services (SB 43 by Zaffirini)
 - Exemption for students enrolled in inter-institutional academic programs (SB 45 by Zaffirini)
 - Exemption for military personnel and their dependents or spouse (SB 93 by Van de Putte)



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Other Academic Affairs Legislation

- Uniform Standards for Publishing on the Internet Cost of Attendance Information, Course Evaluations, and Other Information (HB 2504 by Kolkhorst)
- Coordinating Board Study of Cost Savings Measures and the Use of Electronic Textbooks at Universities (HB 4149 by Rose)
 - Cost savings report due by January 31, 2011
 - Electronic textbook report due by December 1, 2010
- Notice to Students of Amount of Tuition Set Aside for Financial Aid (SB 1304 by Dan Patrick)
- Confidentiality of Persons Filing a Compliance Report, an Exemption from Disclosure for Information Compiled in a Compliance Investigation, and Mandated Meningitis Vaccinations of Students at Universities (HB 4189 by Rose)



Other Health Affairs Legislation

- Modification of Peer Review Process for Cancer Research and Prevention Institute of Texas (HB 1358 by Keffer)
- Reforms to Nursing Workplace, Staffing, and Overtime Requirements (SB 476 by Nelson)
- Legislative Authority for Regents to Create a UT Health Science Center-South Texas (SB 98 by Lucio)
- Tax Exemption for Land Leased by UT HSC Houston from Memorial Hermann Hospital (SB 2442 by Uresti)



Other Health Affairs Legislation

- Expansion of Loan Repayment Program for Physicians Practicing in Underserved Areas (HB 2154 by Edwards)
- Exemption from Public Disclosure of Patient Health and Financial at State Owned Hospitals (HB 2004 by McCall)
- Requirement for Health Related Institutions to Provide in the Appropriations Request the Actual Amount of Uncompensated Care Provided (SB 1 Rider)
- Pilot Program at Employees Retirement System to Study Alternative Payment Methods for Healthcare (HB 4586 by Pitts)



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Other Business Affairs Legislation

- Eminent Domain
 - Constitutional amendment prohibiting use of eminent domain for economic development or enhancement of tax revenues (HJR 14 by Corte)
 - Omnibus eminent domain bill proposing additional limitations did not pass (SB 18 by Estes)
- Compliance
 - Allows anonymous complaints to compliance offices and anonymous participation in compliance investigations (HB 4189 by Rose)
- Campus Construction
 - Increased caps for required Coordinating Board approval of construction, repair, and rehabilitation projects at universities (SB 1796 by Zaffirini)
- Emergency Operations
 - Requires emergency operations plans for universities (SB 2323 by Carona)



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Other Business Affairs Legislation

- Public Disclosure
 - Protects from public disclosure information concerning the specific location of biological toxins and personal identifying information of faculty and employees working with those toxins (SB 1182 by Wentworth)
- Real Estate
 - “Land” under the control of an institution of higher education will be entitled to the same considerations for landmark designation as previously applied only to “buildings” (HB 3632 by Geren)
- University Lands
 - Local underground water conservation district may enforce its rules against any “person”, which under the Code Construction Act includes a government or governmental subdivision or agency (HB 2063 by Callegari)
 - It has been the general opinion that groundwater conservation districts could not enforce their rules against state agencies, including UT System, although lessees from those agencies were subject to the rules



What Lies Ahead in the Next Year

- Special Session to complete unresolved work of Regular Session
- Competition for state matching funds in Texas Research Initiative Program
- November election to establish new National Research University Fund
- Continued scrutiny of tuition increases
- Cost study for formulas for health-related institutions
- Work to create new funding mechanisms for capacity institutions

What Lies Further Ahead

- State economic and budget condition for 2011 Session
 - Structural deficit continues to increase
 - Balance of Rainy Day Fund will grow
 - Need to replace federal stimulus funding used for formula increases and institution exceptional items
- Redistricting in 2011 Session
- Ongoing operational funding for UTMB



What Lies Further Ahead

- Local contributions to uncompensated care at UTMB
 - Condition to payments on \$150 million in TRBs
- Use of flexibility for admissions at UT Austin under SB 175
- 2010 Election Results

4. **U. T. Dallas: Authorization to establish M.S. and Ph.D. degree programs in Biomedical Engineering with U. T. Arlington and U. T. Southwestern Medical Center – Dallas**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Daniel that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

- a. establish M.S. and Ph.D. degree programs in Biomedical Engineering at U. T. Dallas to be offered jointly with U. T. Arlington and U. T. Southwestern Medical Center – Dallas;
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action; and
- c. authorize the Executive Vice Chancellor for Academic Affairs to certify on behalf of the Board of Regents that relevant Coordinating Board criteria for approval by the Commissioner of Higher Education have been met.

BACKGROUND INFORMATION

Program Description

The U. T. Dallas Erik Jonsson School of Engineering and Computer Science seeks approval to supplement the existing Biomedical Engineering M.S. and Ph.D. degree programs currently offered by U. T. Southwestern Medical Center – Dallas and U. T. Arlington. For three decades, U. T. Southwestern and U. T. Arlington have offered joint M.S. and Ph.D. degrees in biomedical engineering. Current enrollment is approximately 150 graduate students, with 90 students in the M.S. program and 60 in the Ph.D. program. The two institutions have proposed that U. T. Dallas join this group and that the degree become a three-way joint graduate degree program in biomedical engineering. This approach is designed to support and encourage interinstitutional cooperation and collaboration.

With the introduction of U. T. Dallas into the joint biomedical engineering degree program, the size of the program will increase significantly especially among students who are seeking the Ph.D. degree. U. T. Dallas, with its strong engineering programs, tradition of graduate education and innovative research, and a long history of collaboration with U. T. Southwestern, is uniquely qualified to build a world-class biomedical engineering graduate program.

The Ph.D. program consists of a minimum of 58 credit hours of course work, plus a minimum of 30 research hours beyond the bachelor's degree level. The total number of credit hours required for the M.S. degree (thesis option) will be 31. Remaining credit hours would be taken from a list of specialized courses either at U. T. Dallas, U. T. Arlington, or U. T. Southwestern.

Need and Student Demand

The past two decades have witnessed rapid expansion of new bioengineering and biomedical engineering programs around the nation. Biomedical engineering is by far the most rapidly growing engineering discipline in terms of student enrollment and degrees granted. For example, from 1999 to 2007 the number of master's degrees granted in biomedical engineering grew by a factor of 2.70, for a nine-year compound annual growth rate of 11.67%. North Texas is home to five Nobel Laureates and 16 National Academy of Sciences members. High-quality academic institutions are generating new discoveries, inventions, patents, and spin-off companies from internationally acclaimed institutions. The combined effect of these area resources and infrastructure will no doubt be a strong magnet to attract graduate students and enhance employment capabilities.

Current industry in the biotechnology and biomedical engineering sectors in North Texas is significant. Local manufacturers of medical devices account for approximately 4,000 local employees. Further, the North Texas area has a growing population base driven by the expansion of high technology businesses within the region. The healthcare-related industries are one of the fastest growing business segments in the region. Service to that segment by institutions of higher education is critical to the continued successful expansion of this new Texas high technology base. Further, the Texas Workforce Commission projects the demand for biomedical engineers to increase by 31% within the next year and average 15% through 2020. U. T. Dallas has conducted surveys of current students and approximately 28 have expressed a serious intent to enter a biomedical engineering program if offered.

Program Quality

Doctoral enrollment and graduation in the Erik Jonsson School has increased dramatically over the past 10 years. In 2006, the school conferred 55 doctoral degrees. The placement rate for Ph.D. students is 100% for both Electrical Engineering and Computer Science. The M.S. and Ph.D. programs requested would significantly enrich the educational opportunities for the Erik Jonsson School of Engineering and Computer Science students at all levels in part by providing a broader, multidisciplinary experience. The envisioned emphasis on modern biotechnologies emphasized in the proposed biomedical engineering programs will complement and build on the strength in these areas in the existing graduate programs in electrical engineering, mechanical engineering, computer science, chemistry, and physics. The addition of biomedical

faculty with expertise in computational modeling will create synergy with the Computer Science Department, in accordance with the recommendations made by a distinguished review panel in a 2007 study of the graduate programs in Computer Science and Software Engineering at U. T. Dallas.

The proposal to join this collaborative program is fully aligned with the recommendations made by the Washington Advisory Group in 2004. In FY 2007, the Erik Jonsson School of Engineering and Computer Science received over \$17 million in external funding, or approximately \$170,000 per tenured or tenure-track faculty member. In the same time period, the existing Electrical Engineering and Computer Science faculty published 125 journal articles, or an average of approximately two journal articles per year per tenured or tenure-track faculty member. It is expected that the average productivity of new tenure-track faculty members will adhere to or exceed these norms.

Cost

The five-year expenditures of the program are anticipated to be \$15,625,000. This includes new costs of \$2,140,000 for five faculty positions over the first five years, \$1,450,000 for 70 teaching/research assistant positions, and \$315,000 for additional staff. Additional costs for equipment, facilities, library and information technology resources, and reallocation expenses of existing administration and faculty equals \$11,720,000. These costs will be met from credit hour formula funding and reallocation of university resources, including formula-generated excellence funds. Other existing resources will be used to fully fund the program. In addition to the \$1,629,000 in-hand grants, it is anticipated that external funds will cover an increasing portion of the program's cost after the initial development period.

5. **U. T. El Paso: Request for approval of parking permit fees effective Fall 2009**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Natalicio that parking permit fees ranging from \$80 to \$700 as set forth on Page 66 for students, faculty, and staff at U. T. El Paso be approved effective Fall 2009.

BACKGROUND INFORMATION

The proposed parking permit fees are within the range authorized by law and are consistent with the statutory requirements under Section 54.505 of the *Texas Education Code*.

U. T. EL PASO

FEEES AND MISCELLANEOUS CHARGES

PARKING PERMIT FEES

Approval is recommended for the following parking permit fees to be effective beginning with the Fall Semester 2009. The proposed fees are consistent with the applicable statutory requirements under Section 54.505 of the *Texas Education Code* and have been administratively approved by the Executive Vice Chancellor for Academic Affairs.

Following Regental approval, the appropriate institutional catalog will be amended to reflect these fees.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>Annual fees:</u>			
<u>Student Permit Classifications</u>			
Residence Halls	75	80	6.67
Perimeter	130	135	3.85
Perimeter Premium	180	185	2.78
Remote	80	85	6.25
Garage – Nest	205	210	2.44
Garage – Premium	255	260	1.96
Motorcycle Perimeter	75	80	6.67
<u>Faculty/Staff Classifications</u>			
Reserved – Campus	650	700	7.69
Inner Campus Orange	310	320	3.23
Inner Campus Red	360	370	2.78
Perimeter	175	185	5.71
Remote	110	120	9.09
Garage – Nest	310	320	3.23
Garage – Premium	360	370	2.78
Motorcycle	75	85	13.33

Prepared by:
U. T. El Paso

July 8, 2009

6. **U. T. Austin: Authorization to purchase two tracts of land located at 1601 East 20th Street and 1600, 1602, 1604, and 1606 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, and consisting of a total of approximately 51,327 square feet, from E-MLK Properties, LLC, a Texas limited liability company, for a purchase price of \$1,662,995, for future programmed campus expansion**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Powers that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Austin, to

- a. purchase two tracts of land located at 1601 East 20th Street and 1600, 1602, 1604, and 1606 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, and consisting of a total of approximately 51,327 square feet, from E-MLK Properties, LLC, a Texas limited liability company, for a purchase price of \$1,662,995, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future programmed campus expansion; 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

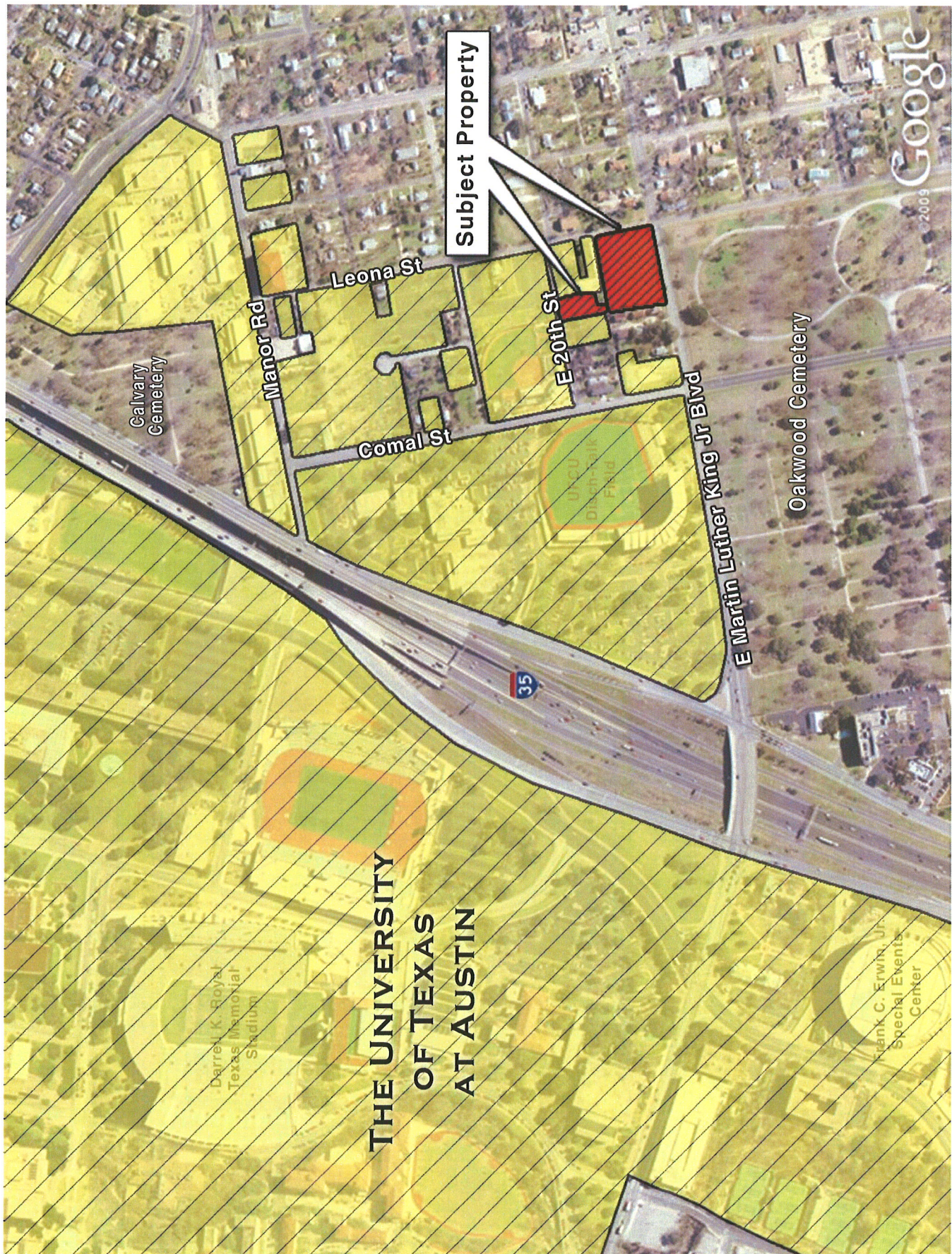
The subject property consists of approximately 51,327 square feet of unimproved land consisting of four contiguous lots at the northwest corner of East Martin Luther King, Jr. Boulevard and Leona Street, and a portion of an adjacent lot located at the intersection of Concho Street and East 20th Street. This property is located within part of the Blackland area east of IH-35 approved for acquisition by the Board of Regents on December 11, 1981, and is also within the Campus Master Plan approved by the Board of Regents on February 10, 2000. Both the lots on East Martin Luther King, Jr. Boulevard and the lot on East 20th Street adjoin portions of U. T. Austin's campus.

The purchase price of \$1,662,995 was calculated based on a unit price of \$32.40 per square foot of actual area of the property as determined by a survey.

The property will be used for future programmed development of campus expansion. Unexpended Plant Funds will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below:

Transaction Summary

Institution:	U. T. Austin
Type of Transaction:	Purchase
Total Area:	Approximately 51,327 square feet
Improvements:	None
Location:	1601 East 20th Street and 1600, 1602, 1604, and 1606 East Martin Luther King, Jr. Boulevard, Austin, Travis County Texas; see map on the following page
Seller:	E-MLK Properties, LLC, a Texas limited liability company
Purchase Price:	\$1,662,995 (\$32.40 per square foot of property as determined by survey)
Appraised Value:	\$1,640,000 (\$32.75 per square foot, based on assumed area of 50,094 square feet) (John M. Coleman, MAI, SRA, The Aegis Group, Inc., May 14, 2009); \$1,750,000 (approximately \$34.00 per square foot) (Walter W. Jenkins, MAI, Integra Realty Resources, May 30, 2009)
Source of Funds:	Unexpended Plant Funds
Intended Use:	Future programmed development of campus expansion



**THE UNIVERSITY
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7. **U. T. El Paso: Reauthorization to purchase real property and improvements located at 3401 North Mesa Street, El Paso, El Paso County, Texas, from Mr. Gene McIntyre, Mr. Tracy McIntyre, and Mr. Michael McIntyre for a purchase price of \$1,197,000 for future programmed development of campus expansion; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, and President Natalicio that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. El Paso, to

- a. purchase real property and improvements located at 3401 North Mesa Street, El Paso, El Paso County, Texas, from Mr. Gene McIntyre, Mr. Tracy McIntyre, and Mr. Michael McIntyre for a purchase price of \$1,197,000, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future programmed development of campus expansion;
- 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; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the RFS Master Resolution) that:
 - parity debt shall be issued to pay the project's costs, including any costs prior to 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 RFS Master Resolution) to satisfy the Annual Debt Service Requirements of the Financing System (as defined in the RFS Master Resolution), and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
 - U. T. El Paso, which is a "Member" as such term is used in the RFS Master Resolution, possesses the financial capacity to satisfy its direct obligation (as defined in the RFS Master Resolution) relating to

the issuance by the U. T. System Board of Regents of parity RFS debt in the aggregate amount not to exceed the purchase price, plus all due diligence expenses and closing costs of the subject property; and

- this action satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

BACKGROUND INFORMATION

U. T. El Paso desires to purchase the subject property and improvements, consisting of an 8,536 square foot one-story commercial building on 57,080 square feet of land for a negotiated purchase price of \$1,197,000. The property is ideally located between North Mesa Street and Sunbowl Drive and is immediately adjacent to U. T. El Paso's campus. It is across the street from the Swimming and Fitness Center and the Helen of Troy Softball Field. The site was listed for potential campus expansion in U. T. El Paso's 2002 Campus Master Plan prepared by Ellerbe Becket. U. T. El Paso is landlocked with few opportunities for property acquisition for future campus expansion.

This acquisition was approved by the Board of Regents on November 16, 2006, and included the use of Permanent University Fund (PUF) debt to fund the acquisition. Subsequent to such approval, one of the sellers opted not to proceed with the transaction. All of the sellers now indicate their willingness to proceed with the transaction.

U. T. El Paso is seeking reauthorization of the purchase because it now proposes to fund the purchase with the use of U. T. System RFS debt, rather than PUF debt as proposed in 2006. The RFS debt will be repaid from institutional funds. Debt service is estimated at approximately \$105,000 annually. The institution's debt service coverage ratio is expected to be at least 1.5 times, and to average 2.5 times during the period from FY 2009 through FY 2014. The terms and conditions of the proposed purchase are specified in the transaction summary below:

Transaction Summary

Institution:	U. T. El Paso
Type of Transaction:	Purchase
Total Area:	Approximately 1.31 acres (57,080 square feet)
Improvements:	One-story building containing approximately 8,536 square feet
Location:	3401 North Mesa Street, El Paso, El Paso County, Texas; see map on Page 73

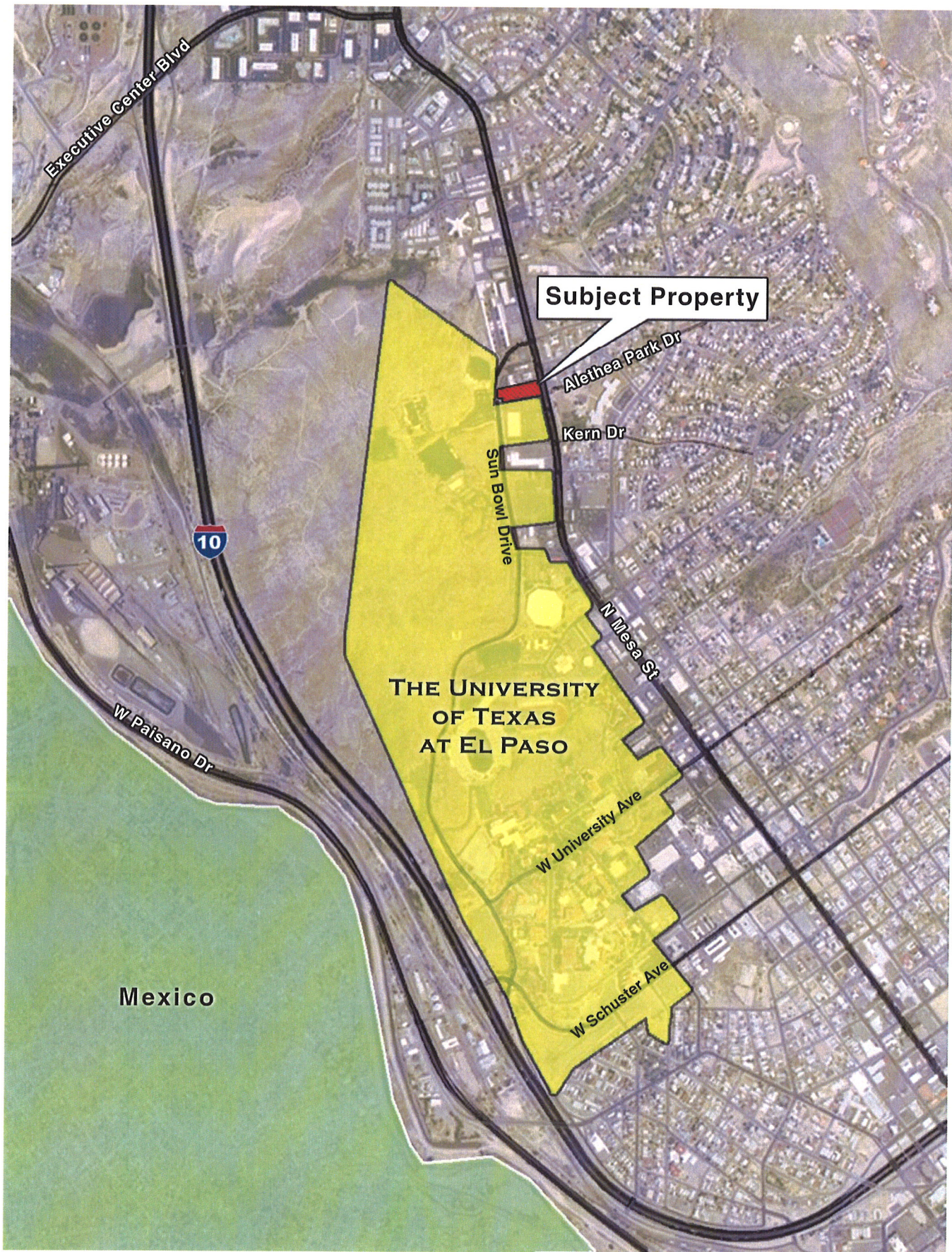
Seller: Messrs. Gene, Tracy, and Michael McIntyre

Purchase Price: \$1,197,000

Appraised Value: \$1,197,000 (Pete Sellers, MAI, Ralph Sellers & Associates, January 6, 2009);
Appraisal from Wilkinson, Pendergrass & Beard, L.P. is pending, with an estimated completion date of June 24, 2009

Source of Funds: Revenue Financing System debt, not to exceed the purchase price and all due diligence and closing costs, to be repaid from institutional funds

Intended Use: Future programmed development of campus expansion



8. **U. T. Health Science Center - Houston: Establishment of a center for research in the field of Alzheimer's Disease and other brain disorders and approval to name the center as The George and Cynthia Mitchell Center for Research in Alzheimer's Disease and Related Brain Disorders**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Kaiser that the U. T. System Board of Regents approve the establishment and naming of the Center for Research in the field of Alzheimer's Disease and other brain disorders as the George and Cynthia Mitchell Center for Research in Alzheimer's Disease and Related Brain Disorders.

BACKGROUND INFORMATION

On May 8, 2009, Mr. George P. Mitchell made a commitment of resources totaling \$2,575,239.50 to U. T. Health Science Center – Houston for the establishment of a center at the Medical School that would provide resources and support researchers in the field of Alzheimer's disease and other brain disorders. The work to be conducted at this newly established center is expected to be transformational and applicable to many disciplines in the area of brain disorder research, impacting the way brain diseases are identified, diagnosed, and treated.

To recognize the importance of this commitment of resources and to honor the generosity of Mr. Mitchell's contribution to U. T. Health Science Center – Houston, the institution is requesting approval to name the center as The George and Cynthia Mitchell Center for Research in Alzheimer's Disease and Related Brain Disorders.

Mr. and Mrs. Mitchell have consistently supported U. T. Health Science Center – Houston since 1994, making gifts to the Medical School, the School of Public Health, the Graduate School of Biomedical Sciences, and the School of Nursing. In addition, the Cynthia and George Mitchell Foundation made a \$1 million gift in 2003 to establish a distinguished chair in Neurosciences. The newly established center will offer the opportunity for collaboration with other healthcare institutions in the Texas Medical Center on research projects in the field of brain disorders.

9. **U. T. System: Status Report on the U. T. System Competitiveness Initiative**

REPORT

Chancellor Cigarroa will make a presentation on the U. T. System competitiveness initiative.

BACKGROUND INFORMATION

The U. T. System Competitiveness Initiative was endorsed by the Board of Regents on August 10, 2006, to significantly enhance global competitiveness in science, technology, engineering, and health. The Initiative was a response to the National Academies' call for action in the report *Rising Above the Gathering Storm* and included the approval of \$2.56 billion for recruitment of world-class faculty, construction of 22 new buildings, and renovations to existing research facilities. The presentation and report will provide indicators of the leadership role that U. T. System has taken to maintain a competitive advantage in science and technology innovation.

July 9, 2009 -- 8:30 a.m. – noon

CONVENE JOINT MEETING

THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
AND

THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)
BOARD OF DIRECTORS

1. U. T. System Board of Regents: Introductions

U. T. System Board Vice Chairman Foster and UTIMCO Board Chairman Nye will introduce:

UTIMCO Directors

Chairman Erle Nye

Vice Chairman J. Philip Ferguson

Vice Chairman for Policy, Chancellor Francisco Cigarroa

Mr. Clint D. Carlson

Mr. Paul Foster

Ms. Janiece Longoria

Ms. Colleen McHugh

Mr. Ardon E. Moore

Mr. Charles W. Tate

Staff and consultants invited to attend include:

U. T. System

Mr. Philip Aldridge, Vice Chancellor for Finance and Business Development

Mr. William Huang, Treasury Manager

Mr. Barry Burgdorf, Vice Chancellor and General Counsel

Mr. James Phillips, Senior Attorney, Office of General Counsel

Ms. Francie Frederick, General Counsel to the Board of Regents

Ms. Karen Rabon, Assistant General Counsel to the Board of Regents

Mr. Charles Chaffin, Chief Audit Executive

Ms. Moshmee Kalamkar, Audit Supervisor

Mr. Anthony de Bruyn, Director of Public Affairs

Texas A&M University System

Mr. Gregory R. Anderson, Associate Vice Chancellor and Treasurer (not expected to attend)

UTIMCO

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer

Ms. Cathy Iberg, President and Deputy Chief Investment Officer

Ms. Cecilia Gonzalez, General Counsel and Chief Compliance Officer

Mr. Lindel Eakman, Managing Director - Private Markets Investments
Mr. Bill Edwards, Managing Director - Information Technology
Ms. Joan Moeller, Managing Director - Accounting, Finance, and Administration
Mr. Ryan Ruebsahm, Director - Marketable Alternative Investments
Mr. Robert Schau, Director - Real Estate Investments
Mr. Mark Shoberg, Director - Private Markets Investments
Mr. Mark Warner, Director - Natural Resources Investments
Mr. Uzi Yoeli, Director - Portfolio Risk Management

UTIMCO Board Advisors and Consultants

Dr. Keith Brown, Advisor to the Chairman, Fayez Sarofim Fellow and Professor of Finance, Red McCombs School of Business, U. T. Austin
Mr. Jerry Turner, Counsel, Andrews Kurth LLP
Mr. Bruce Myers, Investment Consultant, Cambridge Associates LLC

2. **U. T. System Board of Regents: Annual Briefing on Fiduciary Responsibilities of Directors including discussion of the Master Investment Management Services Agreement (IMSA), Board of Regents' Expectations of UTIMCO Directors, Code of Ethics, and Bylaws**

REPORT

Vice Chancellor and General Counsel Barry Burgdorf will provide the annual briefing on fiduciary responsibilities of directors including discussion of the Master Investment Management Services Agreement (IMSA), Board of Regents' Expectations of UTIMCO Directors, the Code of Ethics, and the Bylaws. The Board of Regents' Expectations of UTIMCO Directors follows on Pages 78 - 82 as background information for this discussion.

U. T. System Board of Regents Expectations for Appointees to the UTIMCO BOARD OF DIRECTORS

Overview of UTIMCO

The University of Texas Investment Management Company (“UTIMCO”), a Texas nonprofit corporation qualified as a tax-exempt entity under Section 501(c)(3) of the Internal Revenue Code, was created for the sole purpose of managing the investment of funds under the control and management of the Board of Regents of The University of Texas System pursuant to authorization provided in Section 66.08 of the *Texas Education Code* (the “UTIMCO statute”).

The corporate activities of UTIMCO are managed by its Board of Directors (the “UTIMCO Board”), subject to the Master Investment Management Services Agreement (“IMSA”) between UTIMCO and the Board of Regents, the applicable provisions of the Board of Regents’ *Rules and Regulations*, the UTIMCO statute, UTIMCO’s Articles of Incorporation and Bylaws, and other applicable law.

The Chancellor of the U. T. System serves as the Vice Chairman for Policy.

- The Chancellor is charged by the UTIMCO Bylaws with coordination of responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and to the U. T. System by the Regents’ *Rules* to ensure implementation of UTIMCO’s performance of core investment duties.
- The IMSA between the U. T. System Board of Regents and UTIMCO provides that unless otherwise provided in writing by the U. T. Board, “UTIMCO shall look to the Chancellor to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the foregoing matters, the UTIMCO Board of Directors and the CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The CEO of UTIMCO shall confer with the Chancellor on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.”
- The Regents’ *Rules*, Rule 20101 and Rule 70401 provide additional detail on these duties.

Qualifications and Terms

Pursuant to the UTIMCO statute, the UTIMCO Board consists of nine (9) members. The Chancellor of the U. T. System serves as a Director. The other members of the UTIMCO Board are appointed by the Board of Regents and must include at least three (3) current members of the Board of Regents and at least one person selected by the Board of Regents from a list of candidates with substantial expertise in investments submitted by the Board of Regents of The Texas A&M University System. Pursuant to the UTIMCO bylaws approved by the Board of Regents, the three (3) Regental Directors serve two-year terms that expire on the first day of April of each odd-numbered year, and the external Directors serve three-year staggered terms that expire on the first day of April of the appropriate year. No external Director, other than the

Director recommended by The Texas A&M University System Board of Regents, may serve more than three (3) full three-year terms. Any UTIMCO Director may be removed as a Director by the Board of Regents with or without cause and at any time.

Operations and Resources

The UTIMCO Board has delegated primary responsibility for certain functions to key chartered Board Committees:

1. Audit and Ethics Committee (Appointments approved by the Board of Regents)
2. Compensation Committee
3. Policy Committee
4. Risk Committee

U. T. System Administration staff provide oversight through the Office of Business Affairs, including the Office of Finance; the Office of General Counsel; Internal Audit; the Systemwide Compliance Officer; and the General Counsel to the Board of Regents. UTIMCO Directors also have the benefit of professional independent consultants, including:

1. Investment consultants (Cambridge Associates);
2. Outside legal counsel (Andrews Kurth, LLP);
3. Compensation consultants (Mercer);
4. External auditors (Deloitte & Touche LLP);
5. Dr. Keith Brown, Professor of Finance at U. T. Austin, Advisor to the Chairman of the UTIMCO Board.

Duties and Responsibilities

By statute and charter, as a fiduciary under the IMSA, UTIMCO is dedicated to the sole purpose of investing funds under the management and control of the Board of Regents. In practice, the fiduciary duties of UTIMCO Directors are focused on the fulfillment of the Board of Regents' investment policy directives. As Directors of a nonprofit corporation, UTIMCO Directors' fiduciary duties also include:

1. Duty of care in prudently managing the corporation's investment management and other affairs;
2. Duty of loyalty, requiring the avoidance of conflicts of interest; and
3. Duty to avoid conduct that exceeds the chartered powers of the corporation.

Investment Management Responsibilities: The Board of Regents is the ultimate fiduciary responsible for all matters relating to the investment of the funds under its control, in accordance with the "prudent investor" standard of care established by the *Texas Constitution*, *Texas Education Code*, and other applicable law. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

The Board of Regents delegates to UTIMCO as its fiduciary, under the management of the UTIMCO Board, authority to act for the Board of Regents in the investment of those funds, subject to limitations and restrictions articulated through the IMSA; the Board of Regents' investment policies; and other applicable laws, rules, and agreements. The UTIMCO Board's investment management authority, thus derived, includes the following investment management responsibilities:

- Review of the U. T. Board's current Investment Policies for each Fund at least annually. Such review shall include distribution (spending) guidelines, long-term investment return expectations and expected risk levels, Asset Class and Investment Type allocation targets and ranges, expected returns for each Asset Class and Investment Type and fund, designated performance benchmarks for each Asset Class and Investment Type and such other matters as the U. T. Board or its staff designees may request.
- After UTIMCO completes its assessment, UTIMCO must forward any recommended changes to U. T. System staff for review and appropriate action.
- Oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each Asset Class and Investment Type within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each Asset Class and Investment Type.
- Monitor and report on investment performance for each of the Funds. With respect to all Funds other than the Separately Invested Funds (“SIFs”), such responsibilities shall include the calculation and evaluation of investment returns for each Asset Class and Investment Type and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.
- Develop and implement a risk management system to measure and monitor overall portfolio derivative exposure, risk levels, liquidity, and leverage.
- Monitor and enforce compliance with all investment and other policies and applicable law.
- Monitor termination of external managers in accordance with Delegation of Authority Policy and investment policies.

Some investment management responsibilities delegated to UTIMCO, including but not limited to the following, are expressly subject to Board of Regents approval:

- Analyze and recommend investment strategies for U. T. System funds managed by UTIMCO, including Asset Class and Investment Type allocation targets, ranges, and performance benchmarks for each Asset Class and Investment Type (Exhibit A of the Fund Investment Policy Statements).
- Consider and recommend investments not covered by investment policy statements.
- Select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).
- Select, engage, and evaluate External Auditor(s) for the funds.

- Review and propose amendments to Board of Regents' policies related to the investment management of the U. T. System funds, including (not limited to):
 1. Investment Policy Statements for all U. T. System funds.
 2. Distribution (spending) guidelines, rates, and amounts as required.
 3. Liquidity Policy.
 4. Derivative Policy.

Corporate Governance Responsibilities: The UTIMCO Board manages the activities of the corporation, providing the primary governance and oversight of the CEO and Chief Investment Officer, other professionals employed by UTIMCO, and outside investment managers with whom funds have been invested. Management oversight responsibilities of the UTIMCO Board or UTIMCO Board Committees include the following:

- Monitor actual staffing, operating, and capital expenditures relative to approved budgets.
- Monitor compliance with the Delegation of Authority policy.
- Consider and approve actions outside the authority delegated to the CEO as required.
- Select, engage, and evaluate UTIMCO's outside counsel, custodian(s), external auditor(s) for the corporation, investment consultant(s) and risk consultant(s).
- Ensure compliance with UTIMCO's Code of Ethics, including conflict of interest policies and applicable law.
- Develop and administer a compensation plan, consistent with current regulations for determining reasonable compensation, to attract and retain high caliber investment professionals and support staff. With the exception of changes to the appendices, the Compensation Plan is subject to approval by the Board of Regents.
- Appoint, supervise, evaluate and compensate UTIMCO's CEO.
- Evaluate investment results against incentive compensation plan performance objectives; approve and recommend incentive compensation for UTIMCO's officers and other compensation plan participants.
- Review and approve committee charters.
- Assure establishment and implementation of legally compliant and administratively effective personnel policies.
- Oversee implementation of accounting principles, policies, internal financial controls, and reporting in the spirit of the Sarbanes-Oxley Act.
- Oversee implementation of public disclosures in compliance with the Texas Public Information Act and other applicable law, in collaboration with the Chancellor/Vice Chairman for Policy.

Some corporate management responsibilities of the UTIMCO Board, including but not limited to the following, are expressly subject to approval by the Board of Regents:

- Review and approve the proposed annual UTIMCO operating and capital budgets, including incentive compensation, capital expenditures, and management fee allocations.
- Review, approve, and recommend key governance documents such as the Articles of Incorporation, Bylaws, and Code of Ethics.
- Approval of Performance Incentive Awards that will result in an increase of 5% or more of the total performance incentive awards calculated to the approved Performance Incentive Plan contained in the UTIMCO Compensation Program.

Prohibited Transactions -- Conflicts of Interest

The *UTIMCO Code of Ethics* (“Code”) details, among other things, prohibitions on transactions between UTIMCO and entities controlled by UTIMCO Directors, as required by the UTIMCO statute and supplementing the general requirements under the Texas Non-Profit Corporation Act. Amendments to the Code are expressly subject to Board of Regents’ approval.

The Code prohibits any transaction or agreement between UTIMCO and any investment fund or account managed by a UTIMCO Director as a fiduciary or agent for compensation. The Code prohibits agreements or transactions between UTIMCO and a business entity controlled by a UTIMCO Director or in which a UTIMCO Director owns five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year.

The Code prohibits a UTIMCO Director from investing in the private investments of a business entity in which UTIMCO contemporaneously owns a private investment if after the investment the UTIMCO Director’s investment constitutes a pecuniary interest (i.e., ownership of five percent or more of the fair market value of the assets or of the voting stock or from which the UTIMCO Director received more than five percent of his or her gross income for the preceding calendar year). The Code also prohibits UTIMCO from investing in the private investments of a business entity in which a UTIMCO Director contemporaneously owns a private investment if the UTIMCO Director’s interest constitutes a pecuniary interest. For this purpose, “private investment” means any debt or equity interest that is not publicly traded, including a private investment in a public company.

Application of the Texas Public Information Act

UTIMCO and its officers, directors and employees are subject to the provisions of the Texas Public Information Act. Corporate documents, correspondence, and emails are subject to public inspection and duplication, unless specifically excepted from disclosure under the Act.

Meeting Requirements

UTIMCO Directors are expected to attend all regularly scheduled Board meetings which are typically held approximately every three months. In addition, special Board meetings may be scheduled from time to time with prior notice. The Texas Open Meetings Act applies to the UTIMCO Board, requiring that all deliberations of a quorum of the Board take place in open meetings after advance notice of the meeting is posted as required by the Act. Committee meetings are held as needed to address specific items within the Committee charters.

3. **U. T. System Board of Regents: Discussion of U. T. System financial resources and assets managed by The University of Texas Investment Management Company (UTIMCO)**

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the importance of investment assets in the context of the U. T. System's overall financial resources. The presentation, set forth on Pages 84 - 103, provides an overview of the U. T. System's assets, liabilities, revenues, and expenditures, and the role that UTIMCO-managed assets play in supporting the financial condition of the U. T. System.

Discussion of U. T. System Financial Resources and Assets Managed by UTIMCO



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Joint Meeting of
Board of Regents &
UTIMCO Board
Dr. Scott Kelley
July 9, 2009



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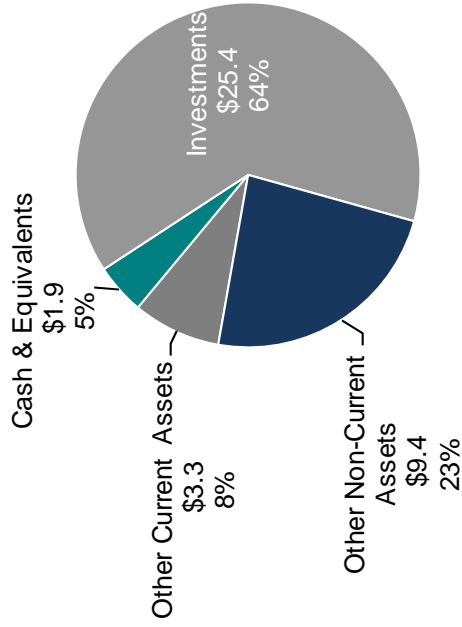
Executive Summary

- The U. T. System is one of three public higher education debt issuers rated AAA/Aaa by the major credit rating agencies
- This rating has been maintained despite rapid growth in debt outstanding and capital expenditures
- The strength of the U. T. System is its balance sheet with \$40.0 billion of assets and \$27.6 billion of net assets as of 8/31/08
- Exclusive of investment income and capital gains, the U. T. System is essentially a break-even operation



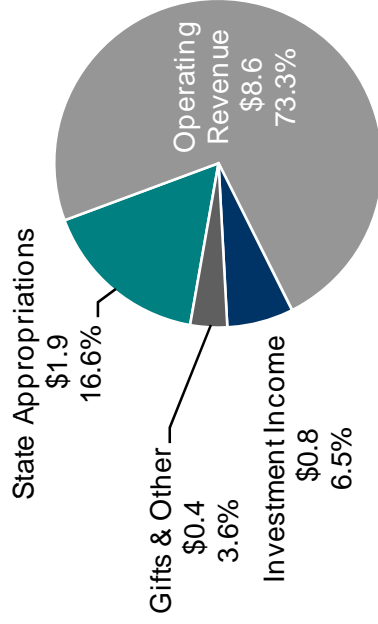
U. T. System Assets and Budgeted Revenue

FYE 2008 Assets: \$40.0 billion

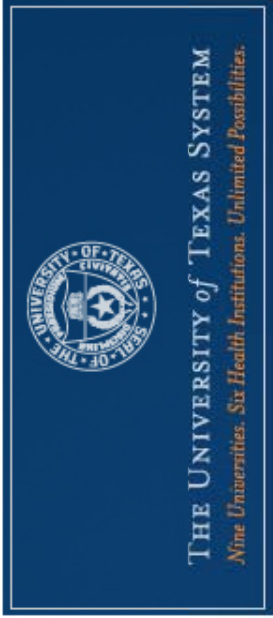


Investments and Cash represent about 64% of U. T. System's total assets and virtually all of its net assets.

FY 2009 Budgeted Revenue: \$11.7 billion



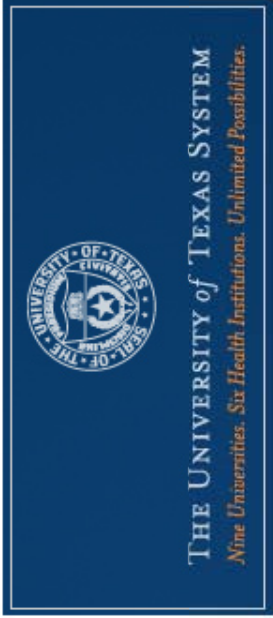
Nevertheless, Investment Income represents about 6.5% of FY 2009 budgeted revenue.



Debt Programs & Ratings

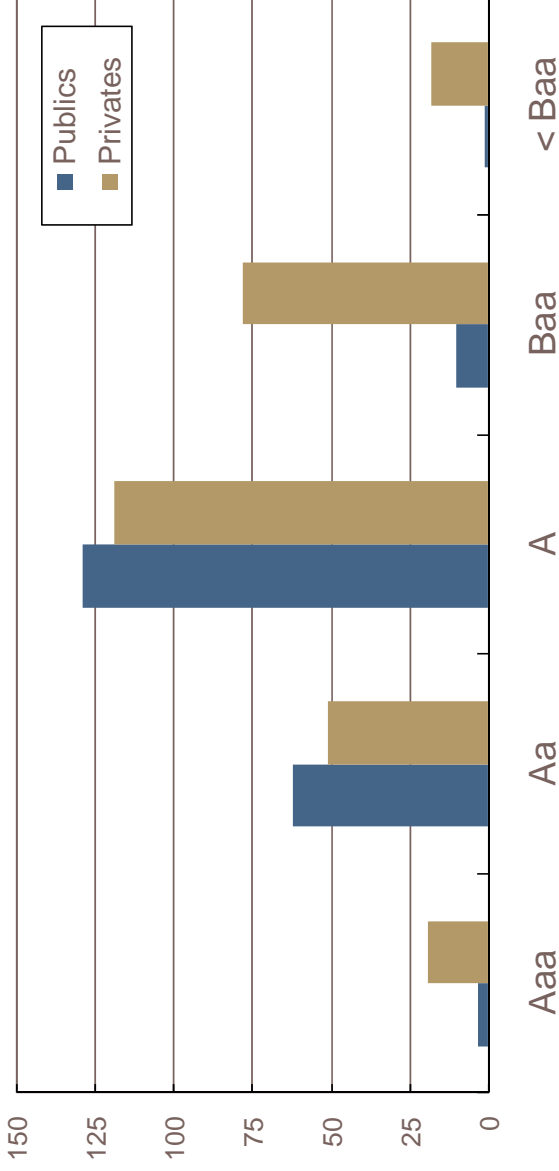
- The RFS debt program is secured by a pledge of all legally available U. T. System revenues and balances.
- The PUF debt program is used to fund educational projects at 13 of the 15 System institutions and System Administration. PUF debt is secured by distributions from the PUF.
- Public ratings on U. T. System RFS and PUF debt are the highest possible:

Debt Ratings:	Moody's	S & P	Fitch
Long-Term	Aaa	AAA	AAA
Short-Term	P-1/MMIG1	A-1+	F1+



Moody's Higher Education Ratings

- Only three public higher education issuers are rated Aaa by Moody's: The U. T. System, the University of Michigan, and the University of Virginia
- 18 private higher education issuers are currently rated Aaa by Moody's: one issuer has been downgraded and another put on watch since the June 2008 report

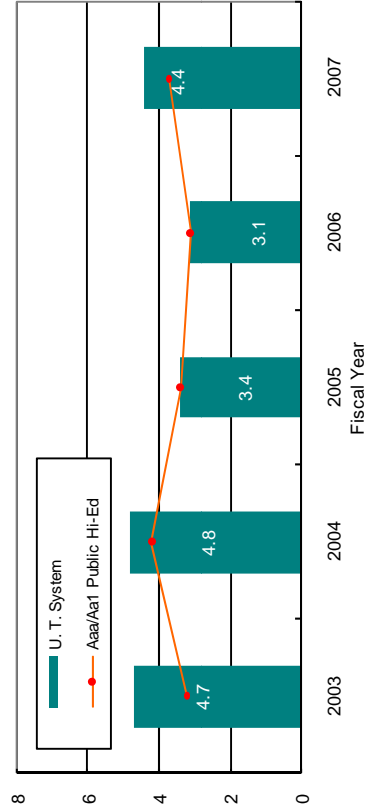


* Moody's FY07 Private College & University Medians (June 2008) and Moody's FY07 Public College & University Medians, (August 2008)

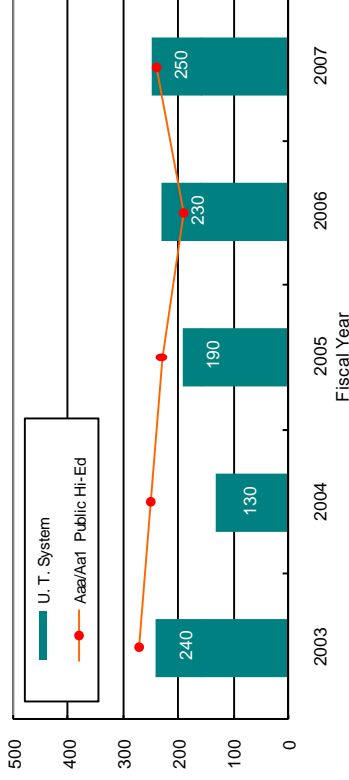


U. T. System's Credit Ratios Versus Peers

Debt Service Coverage (x)



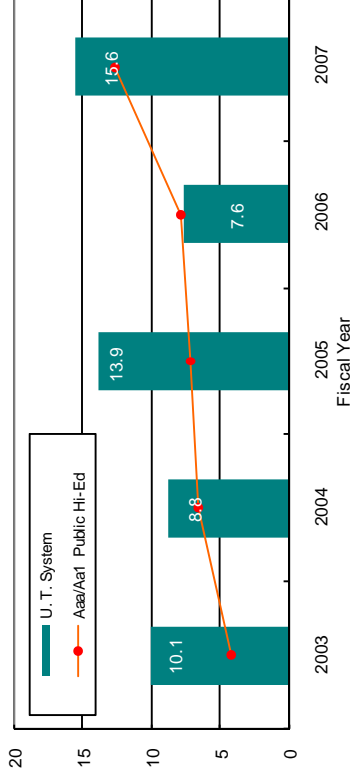
Expendable Resources-to-Debt (%)



Debt Service-to-Operations (%)



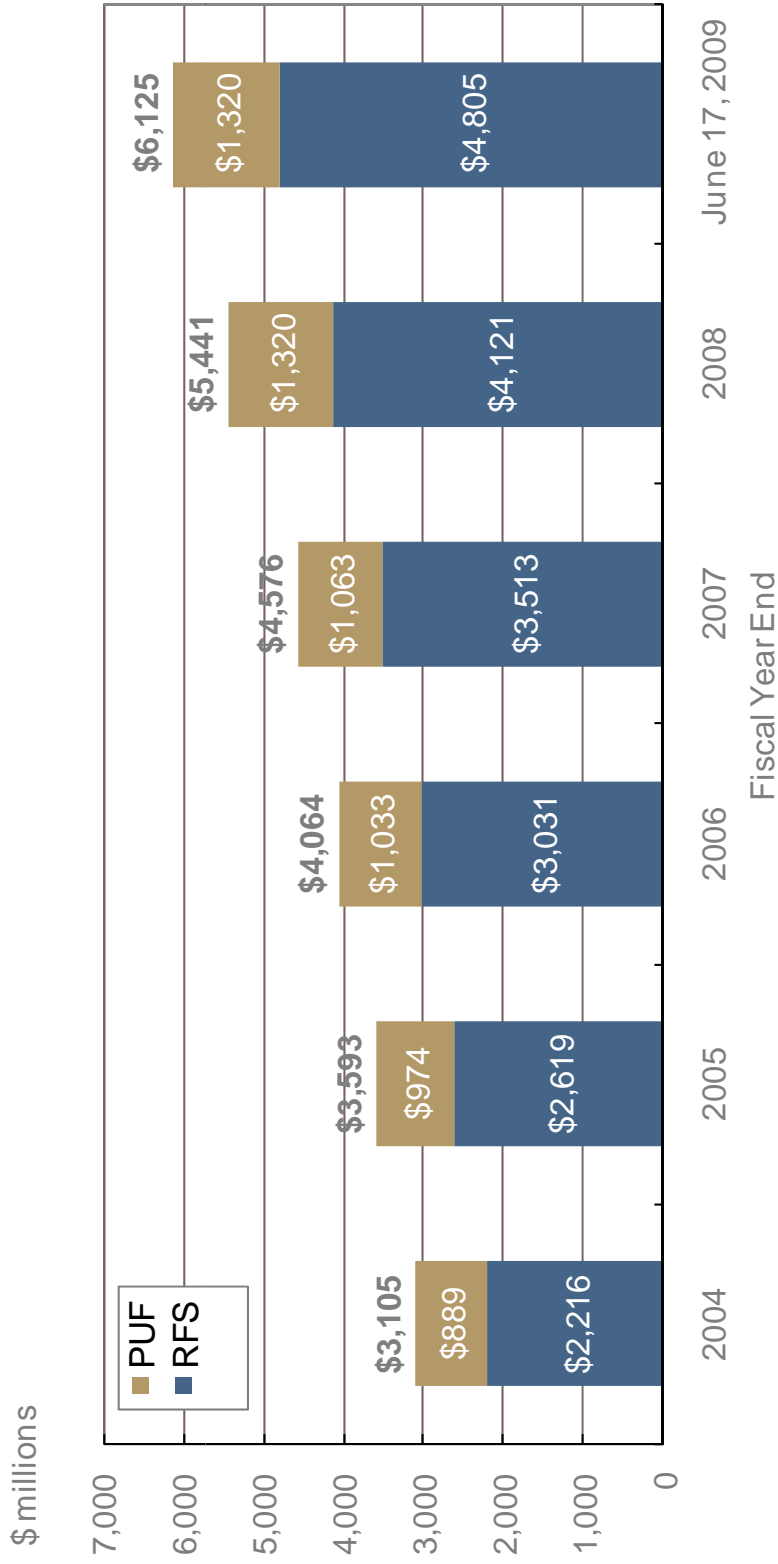
Return on Net Assets (%)





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U. T. System Debt Outstanding

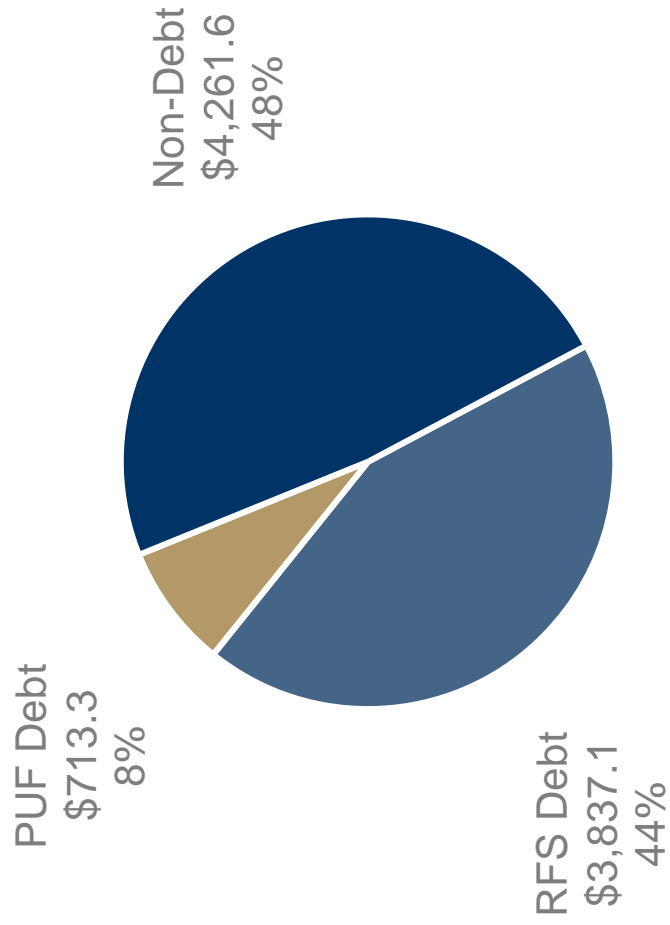




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Capital Improvement Program by Funding Source

\$8.8 billion CIP as of May 2009

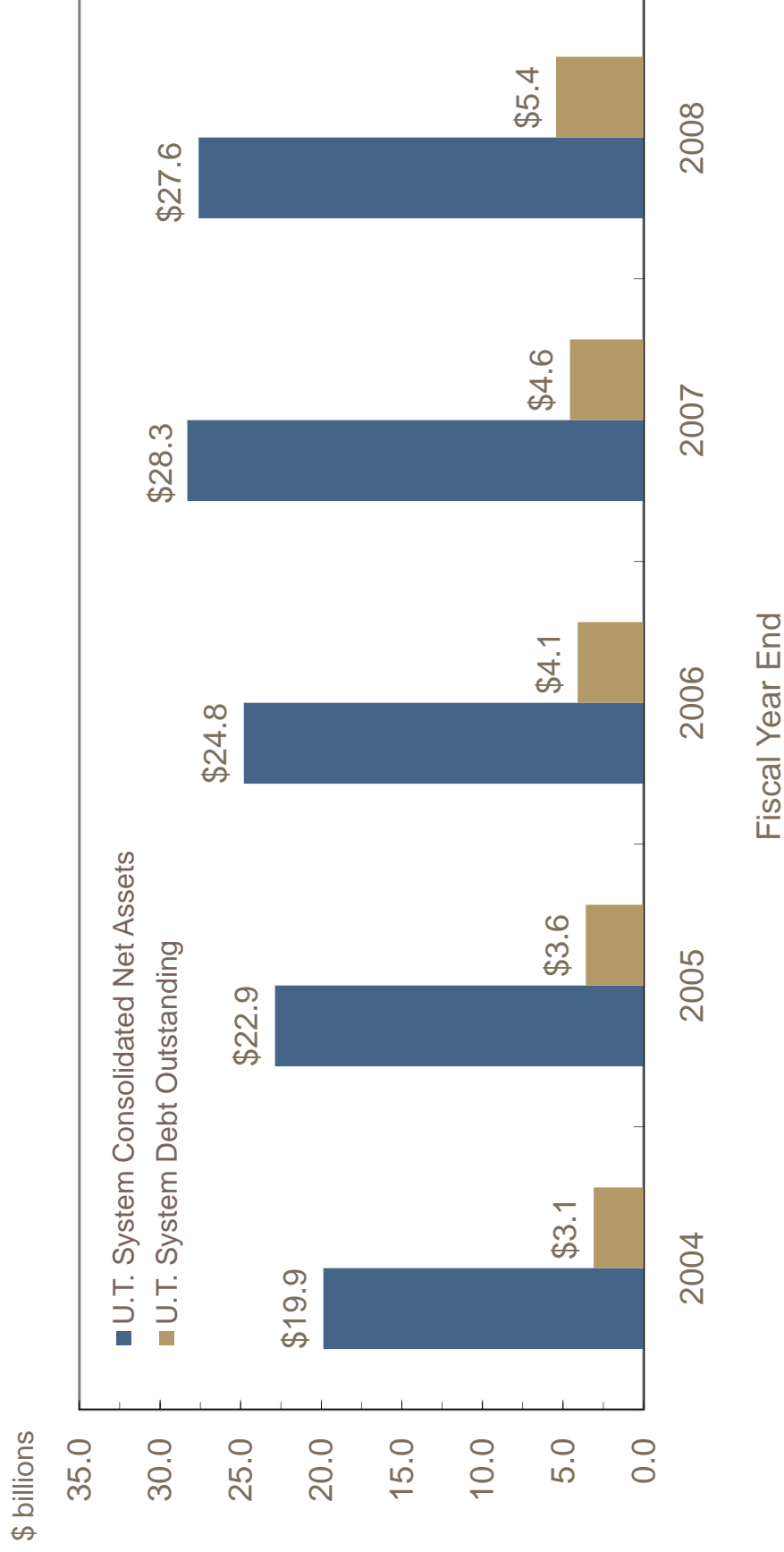




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Strong Growth in System's Net Assets

Growth in Net Assets vs. Debt Outstanding

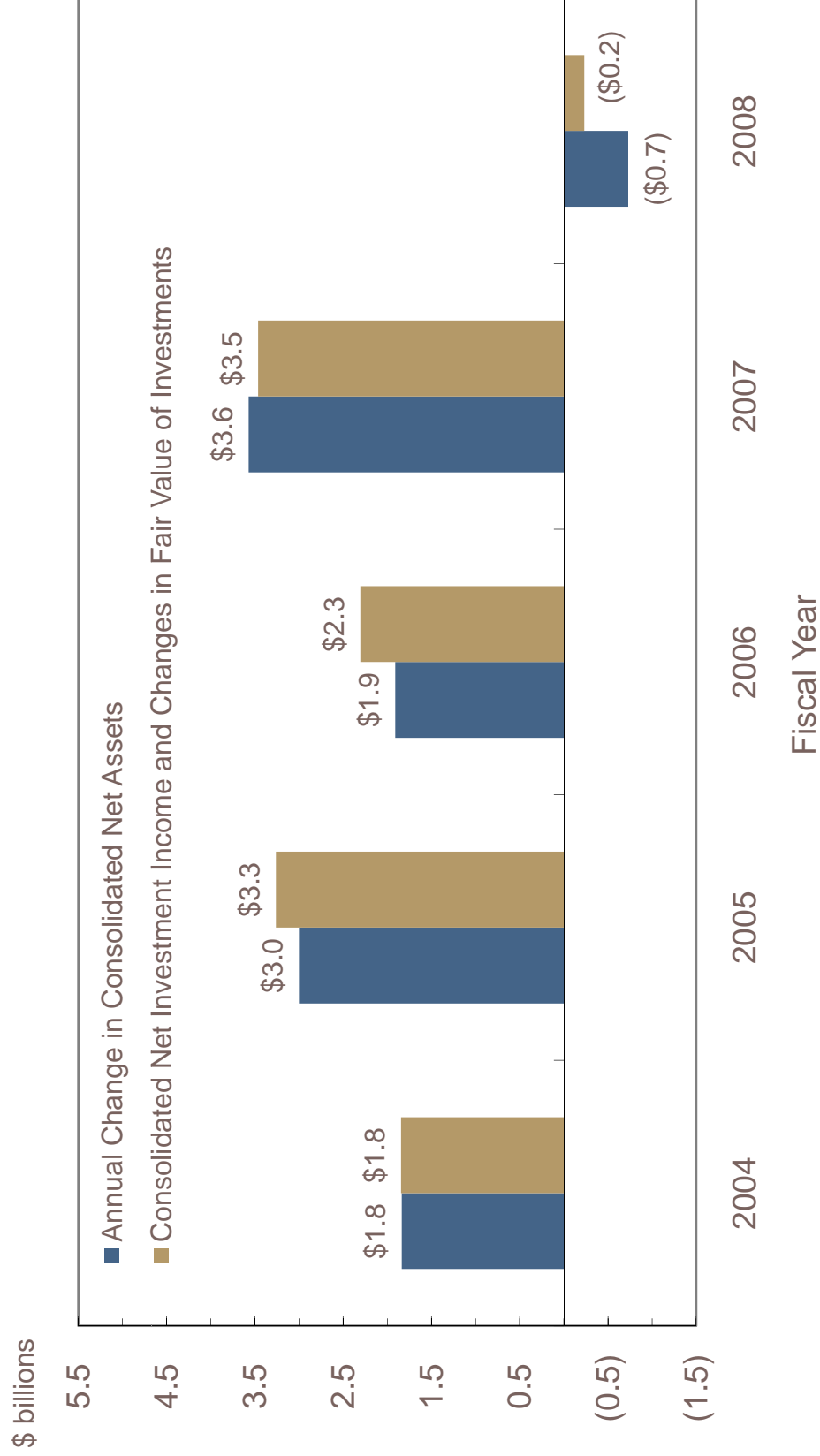




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Net Asset Growth Dependent upon Investment Performance

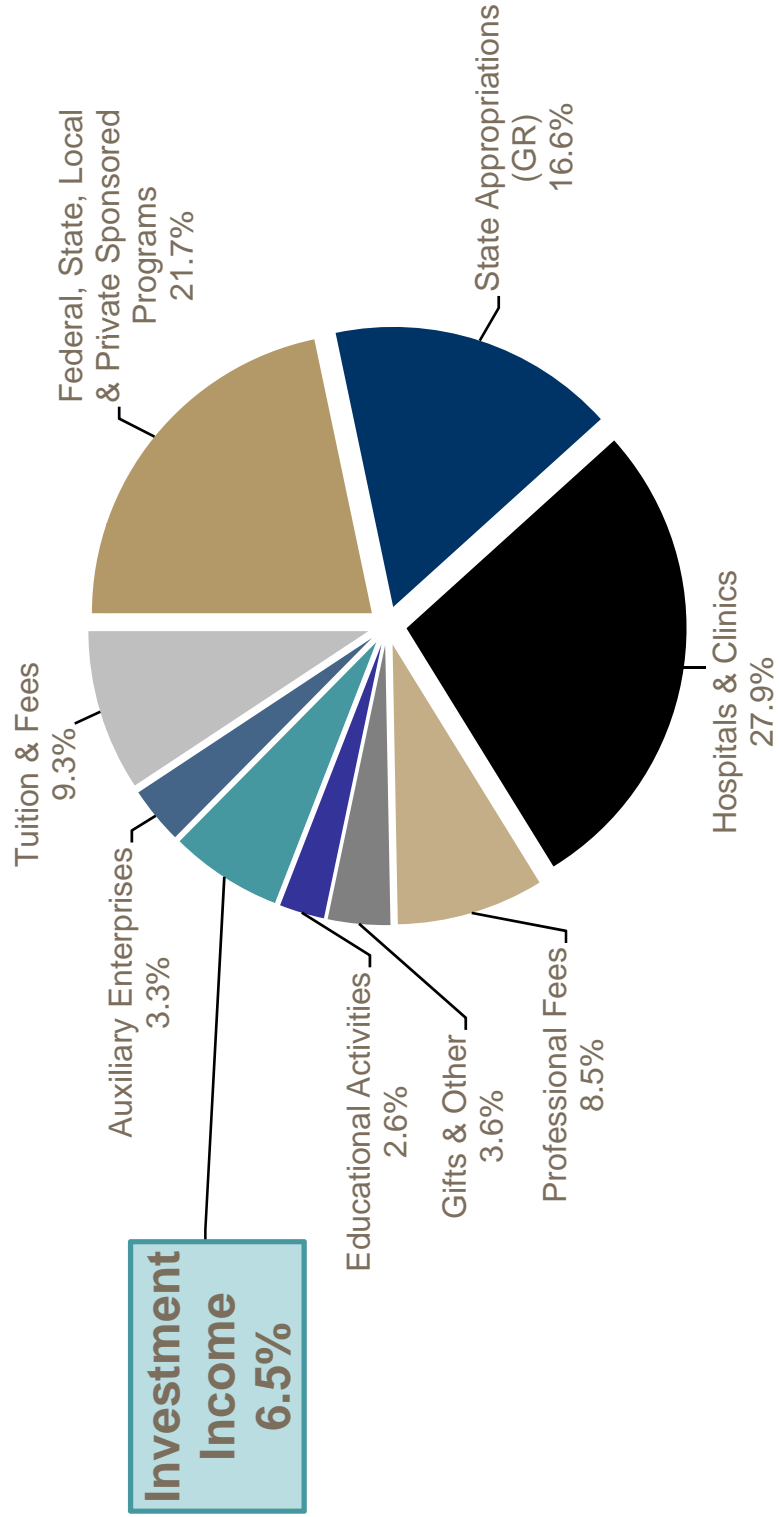
Change in Net Assets versus Contribution from Investment Income and Changes in Fair Value





Investment Income is 6.5% of a Highly Diversified Revenue Base

\$11.7 billion FY 2009 Budgeted Revenue Stream





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UTIMCO's Relationship to U. T. System Debt Programs

1. Liquidity
 - Enables use of variable rate debt and use of synthetic fixed rate debt
2. Investment of Debt Proceeds
 - Institutions benefit from lower net debt service payments
3. PUF Debt Capacity
 - Allows for capital funding program unique to U. T. System
 - Benefits institutions, especially those with less financial flexibility



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Summary of Variable Rate Debt

Program	Program Authorization	Outstanding At 6/17/09	Daily Maximum Put	Weekly Maximum Put	Notice Period
RFS CP, Series A&B*	\$1,250.0	\$861.6	\$100.0	\$500.0	<4 hours
PUF CP, Series A&B*	500.0	0.0	100.0	500.0	<4 hours
RFS Bonds, Series 2001A	20.0	20.0	-	20.0	7 days
RFS Bonds, Series 2007B	337.8	337.8	-	337.8	7 days
RFS Bonds, Series 2008B	685.5	685.5	-	685.5	7 days
PUF Bonds, Series 2008A	400.9	400.9	-	400.9	7 days
	\$3,194.2	\$2,305.8	\$200.0	\$2,444.2	

*Max CP put is \$50 mm daily (\$250 mm weekly) per dealer; System currently has two RFS CP dealers and two PUF CP dealers.

Rating Agency View

“...The System's same-day liquidity totaled over \$4.4 billion as of August 31, 2008, of which 77% represents investments in the Dreyfus Institutional Preferred Money Market Fund (rated Aaa) that are held by multiple funds with the remainder comprised of US Treasuries and Aaa-rated Agencies net of securities on loan that can be liquidated on a same-day basis. Moody's views the concentration of short-term investments as a vulnerability for the System.”

Moody's Moody's Investor Services

Direct Credit Review
Direct Review
17 OCT 2008

New Issue: University of Texas System, TX

MOODY'S ASSIGNS AAMVMO1 RATING TO THE UNIVERSITY OF TEXAS SYSTEM'S \$400.9 MILLION OF PERMANENT UNIVERSITY FUND BONDS, SERIES 2008A

SYSTEM WILL HAVE \$2.3 BILLION OF PUF DEBT OUTSTANDING ALONG WITH \$4.4 BILLION OF REVENUE FINANCING SYSTEM DEBT, INCLUDING SHORT-TERM PROGRAMS AT PUF SIZE

RAISE OF RATING BY THE UNIV. OF TEXAS SYS.

MOODY'S RATING
ISSUE: **PERMANENT UNIVERSITY FUND BONDS, SERIES 2008A**
RATING: **AAMVMO1**
Face Amount: **\$400,906,000**
Expanded Call Date: **10/31/2008**
Rating Description: **Public University Revenue Bonds**

MOODY'S outlook: stable

Opinion:

NEW YORK, Oct 17, 2008 – Moody's Investor Services has assigned an AAMVMO1 rating to The University of Texas System's \$400.9 million of permanent university fund bonds, which are scheduled to be sold in the next possible rate node and the System has indicated a strong intent to raise the PUF to fully hedge the bonds. At this time, we have affirmed the ratings on the System's outstanding debt, as outlined at the end of this report. The outlook on the PUF and RFG long-term debt rating is **stable**.

USE OF PROCEEDS: Bond proceeds will be used to refund all \$400 million of outstanding PUF variable rate notes and to announce of issuance.

LEGAL SECURITY: Lien on the System's interest in the Available University Fund (AUF), which consists primarily of distributions from the Permanent University Fund. The lien securing the PUF bonds is subordinate to the lien securing the System's PUF commercial paper (CP) and federal rate notes, which are accounted for as a liability of the PUF. The AUF has over \$1.3 billion of cash, including the State's deposits for the PUF. To the AUF, \$400 million of the proceeds will be used to purchase the PUF bonds, with the balance of the proceeds to be used to fund other purposes of the System, including the purchase of debt under the System's revenue bond refunding and the purchase of debt under the System's revenue bond refunding.

FINANCIAL SECURITY: The University of Texas System's revenue bond refunding will be secured by the Permanent University Fund (PUF). The University of Texas System revenue bond refunding will be secured by the PUF. The PUF is a trust established to hold the System's PUF debt. The PUF debt is held by the Trust for the Permanent University Fund (TUPUF) and is insured by the Trust for the Permanent University Fund (TUPUF). The TUPUF is a trust established to hold the System's PUF debt. The PUF debt is held by the Trust for the Permanent University Fund (TUPUF) and is insured by the Trust for the Permanent University Fund (TUPUF). The TUPUF is a trust established to hold the System's PUF debt. The PUF debt is held by the Trust for the Permanent University Fund (TUPUF) and is insured by the Trust for the Permanent University Fund (TUPUF).

CREDIT-RATING DEVELOPMENTS: The System's ability to hedge its variable rate debt with PUF debt is an important factor in its credit rating. The System's ability to hedge its variable rate debt with PUF debt is an important factor in its credit rating. The System's ability to hedge its variable rate debt with PUF debt is an important factor in its credit rating. The System's ability to hedge its variable rate debt with PUF debt is an important factor in its credit rating.



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Liquidity Concerns

- The U. T. System manages variable rate debt programs based on the amount of internal liquidity available, not vice versa.
- The vast majority of same-day liquidity is invested with one fund manager (Dreyfus).
- UTIMCO's operating definition of liquidity is different than the credit markets.
- Untimely capital calls and collateral postings will happen.
- Lock-ups, side pockets and settlement-in-kind provisions erode actual liquidity.



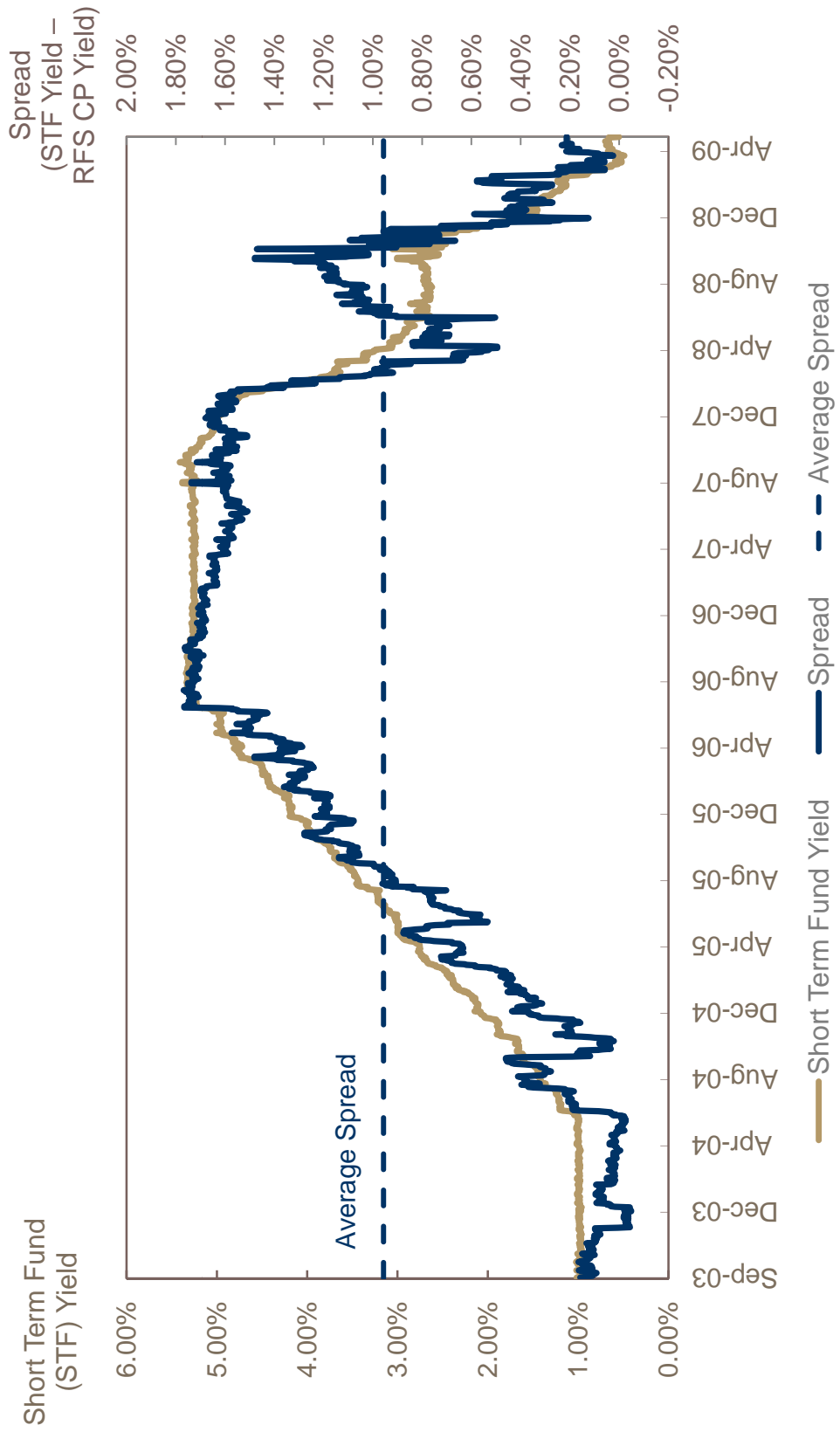
Investment of Debt Proceeds

- All U. T. System cash reserves and all debt proceeds are currently invested in the Dreyfus Institutional Preferred Money Market Fund “Dreyfus.” This investment pool is referred to as the Short Term Fund.
- In addition, all UTIMCO cash reserves are currently invested in Dreyfus.



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The System Earns a Positive Spread on its Debt Proceeds





Permanent University Fund Debt Capacity

- The amount of PUF debt that can be issued by the U. T. System is limited by the Texas Constitution to 20% of the book value of the PUF, or approximately \$1.9 billion as of 3/31/09.
- The amount of PUF debt that can be issued by The Texas A&M University System is limited to 10% of the book value of the PUF.
- The amount of tax-exempt PUF debt that can be issued collectively by the U. T. System and The Texas A&M University System is limited to 20% of the cost value of the PUF.



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Recent Events Have Reduced PUF Debt Capacity

- Challenging capital markets have led to lower PUF market value with actual returns below expected returns
- Forecasted PUF royalty income is reduced due to lower commodity prices
- Declining PUF book value lowers Constitutional PUF debt capacity and limits the amount of PUF debt that can be issued on a tax-exempt basis due to lower PUF arbitrage exemption



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PUF Constitutional Debt Capacity

- Art. VII, Sec. 18 of the Texas Constitution limits the amount of PUF debt that can be issued by the U. T. Board of Regents to an aggregate amount not to exceed 20% of the cost value of PUF investments (exclusive of real estate)

PUF Book Value as of March 31, 2009	\$	9,451,891,174
U. T. Constitutional Debt Limit (20% of PUF Book Value)		1,890,378,235
U. T. PUF Debt Outstanding as of March 31, 2009		(1,319,885,000)
Less: U. T. PUF Debt Approved but Unissued		<u>(550,680,464)</u>
Remaining Constitutional U. T. PUF Debt Capacity	\$	19,812,770

4. **U. T. System Board of Regents: Reports on The University of Texas Investment Management Company (UTIMCO) Board operations and committees**

University of Texas Investment Management Company (UTIMCO or Corporation) Chairman Nye will outline the UTIMCO Board Committee structure. Four Board committees assume primary responsibility for overseeing certain aspects of UTIMCO operations. The chairs of the UTIMCO Board committees will describe the roles of their committees as follows:

Audit and Ethics Committee: Chairman Paul Foster

Risk Committee: Chairman Charles W. Tate

Policy Committee: Chairman Colleen McHugh

Compensation Committee: Chairman J. Phillip Ferguson

REPORT

The purposes of these four committees, as set forth in their respective charters, are outlined below.

Audit and Ethics Committee Charter Purpose:

The primary purpose of the Committee is to assist the UTIMCO Board in monitoring the financial and compliance functions of the Corporation and the investment funds managed on behalf of The University of Texas System Board of Regents (the U. T. Board) to assure the balance, transparency, and integrity of published financial information. Specifically, the Committee is to assist the UTIMCO Board in monitoring:

- The integrity of the financial reporting process, the system of internal controls, the audit process, and the process for monitoring compliance with laws and regulations;
- The independence and performance of the Corporation's Chief Compliance Officer;
- The independence and performance of the Corporation's independent auditors;
- The independence and performance of the independent auditors selected by the U. T. Board to audit the investment funds managed by UTIMCO on their behalf;
- Internal audit functions performed by the U. T. System Audit Office;
- The Corporation's audit policies, ethics programs, and adherence to regulatory requirements; and
- The Corporation's enterprise risk management.

The Committee is responsible for maintaining free and open communication as well as effective working relationships among the Committee members, the Chief Compliance Officer, independent external auditors, U. T. System's internal auditors, and management of the Corporation. To perform his or her role effectively, each Committee member will need to develop and maintain his or her skills and knowledge, including an understanding of the Committee's responsibilities and of the Corporation's activities, operations, and risks.

The Committee will take all appropriate actions to set the overall tone at the Corporation for quality financial reporting, sound risk practices, and ethical behavior.

Risk Committee Charter Purpose:

The primary purpose of the Committee is to provide oversight and monitor:

- Investment risk management and compliance;
- The integrity of risk management procedures and controls;
- The integrity of risk models and modeling processes; and
- Liquidity of the Permanent University Fund (PUF), the General Endowment Fund (GEF), and the Intermediate Term Fund (ITF).

Policy Committee Charter Purpose:

The primary purpose of the Committee is to provide oversight and to monitor:

- The development and amendment of UTIMCO Board Policies and Corporate Documents;
- Recommendations concerning the development and amendment of investment-related policies of the U. T. Board related to the management of funds under the control and management of the U. T. Board; and
- Recommendations concerning the amendment of the Master Investment Management Services Agreement (IMSA), Code of Ethics, and Bylaws.

Compensation Committee Charter Purpose:

The primary purpose of the Committee is to provide oversight of the compensation system for officers and employees of the Corporation. The Committee has the following duties and responsibilities:

- Recommend to the UTIMCO Board the base salary and performance compensation award of the CEO;
- Approve base salaries of all officers (except the CEO) of the Corporation;

- Recommend to the UTIMCO Board the Performance Compensation Plan and any amendments thereto and the eligible employees; and
- Approve the Performance Compensation Plan awards for eligible employees except the CEO.

5. **U. T. System Board of Regents: Report on Investment Objectives and Performance for The University of Texas Investment Management Company (UTIMCO)**

REPORT

Mr. Bruce Myers, Cambridge Associates, will report on the investment objectives and performance of funds managed by The University of Texas Investment Management Company (UTIMCO) including objectives, performance, policy portfolios, benchmark and asset allocation, using materials presented at the meeting. His PowerPoint presentation is set forth on Pages 107 – 123.

Mr. Bruce Zimmerman will report on current UTIMCO performance through the fiscal quarter ending May 31, 2009 using materials on Pages 124 - 128.

Discussion on Investment Objectives and Performance



June 2009

Definitions

- PUF: The Permanent University Fund established by the Texas State Constitution for the benefit of the University of Texas and Texas A&M
- GEF: The General Endowment Fund which is composed of:
 - LTF: The Long Term Fund, the permanent endowment of the University of Texas
 - PHF: The Permanent Health Fund
- STF: The Short Term Fund, a money market fund managed for preservation of principal and liquidity
- ITF: The Intermediate Term Fund, a broadly diversified portfolio designed to produce a return of at least 3% plus the rate of inflation (CPI-U)

Current Investment Objectives

- “The primary objective for each fund [the PUF and the GEF] shall be to preserve the purchasing power of fund assets and annual distributions by earning an average real return over ten-year periods or longer at least equal to the target distribution rate of such funds plus the annual expected expense.”
- “The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark and the median return of the universe of the college and university endowments with assets greater than \$2.5 billion as reported by Cambridge Associates.” [Amended in 2008. Prior to 2008, the benchmark was institutions with assets greater than \$2.5 billion]

PUF Targets, Ranges, and Performance Objectives

As of May 31, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	15.4%	5.6%	8.4%	15.6%	7.0%
Credit-Related Fixed Income	15.2%	7.5%	11.4%	20.0%	3.8%
Real Estate	5.6%	4.5%	7.1%	13.5%	-1.5%
Natural Resources	6.7%	4.8%	8.4%	14.3%	-1.7%
Developed Country Equity	43.7%	41.9%	48.6%	55.0%	-4.9%
Emerging Markets Equity	13.4%	11.9%	16.1%	21.9%	-2.7%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	47.1%	40.0%	46.7%	52.5%	0.4%
Less Correlated & Constrained	30.9%	27.5%	33.0%	37.5%	-2.1%
Private Investments	22.0%	15.9%	20.3%	26.0%	1.7%
TOTAL	100.0%		100.0%		0.0%

GEF Targets, Ranges, and Performance Objectives

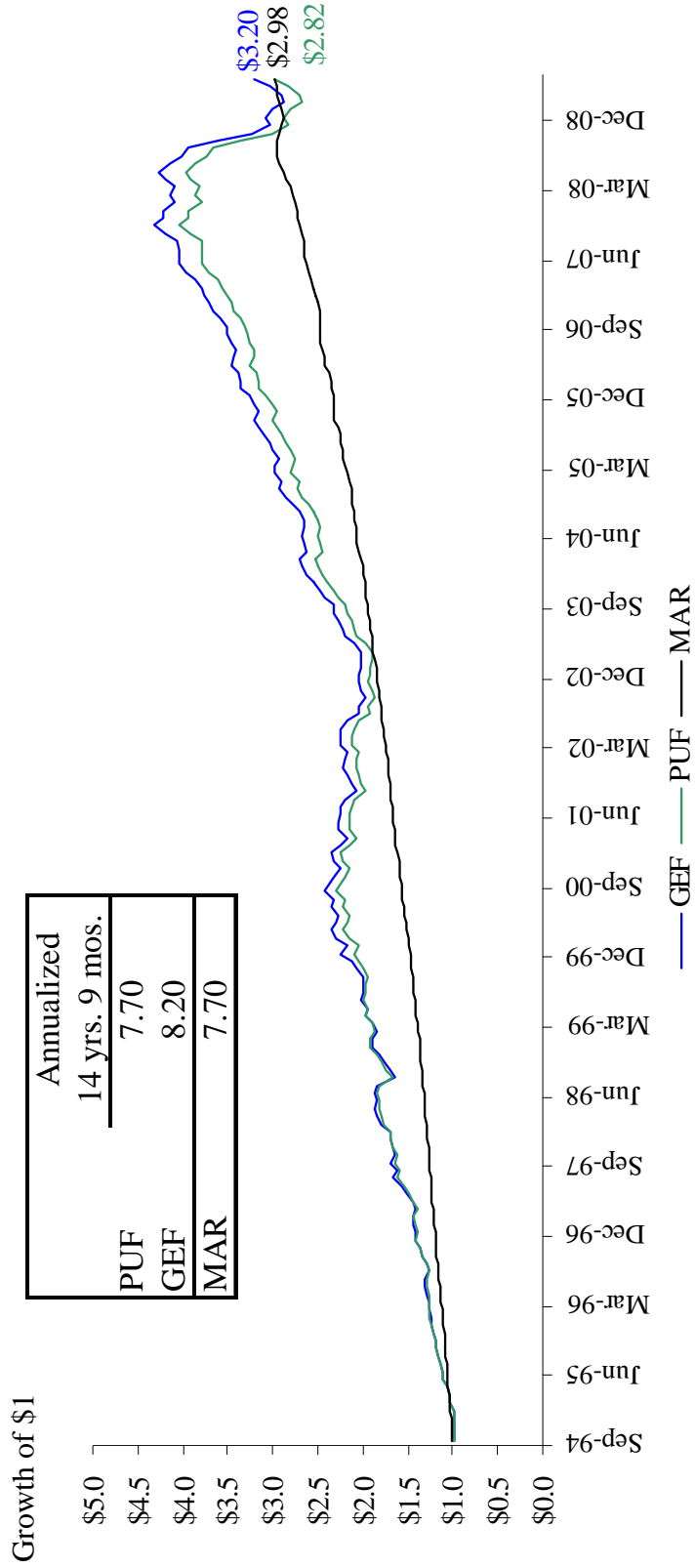
As of May 31, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	13.6%	5.6%	8.4%	15.6%	5.2%
Credit-Related Fixed Income	15.5%	7.5%	11.4%	20.0%	4.1%
Real Estate	5.9%	4.5%	7.1%	13.5%	-1.2%
Natural Resources	6.7%	4.8%	8.4%	14.3%	-1.7%
Developed Country Equity	44.6%	41.9%	48.6%	55.0%	-4.0%
Emerging Markets Equity	13.7%	11.9%	16.1%	21.9%	-2.4%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	46.1%	40.0%	46.7%	52.5%	-0.6%
Less Correlated & Constrained	31.5%	27.5%	33.0%	37.5%	-1.5%
Private Investments	22.4%	15.9%	20.3%	26.0%	2.1%
TOTAL	100.0%		100.0%		0.0%

Performance Summary: PUF & GEF

- The dramatic downturn in 2008 substantially eroded the enhanced purchasing power that had been accumulating in both the PUF and the GEF since 2002. As of May 31, 2009, the annualized return in the PUF had dropped below the minimum acceptable return, while the return of the GEF was still somewhat higher.
- The nearly 15-year performance of the PUF continues to trails its Policy Portfolio, but continues to close the gap with 113 basis points of out-performance versus Benchmark over the twelve-month period ending May 31, 2009. The nearly 15-year performance of the GEF pulled ahead of its Policy Portfolio Benchmark in 2008 and has added another 91 basis points of out-performance in the most recent fiscal year.
- Performance (measured on a rolling five-year basis) relative to college and university peers lags the peer universe prior to 2005. For rolling five year periods ending in 2005, 2006 and 2007 the PUF and GEF modestly outperformed. Returns for the five year period ending in 2008 once again lagged the peer universe, and continues to do so for the partial 4.25 year period ending March 31, 2009.

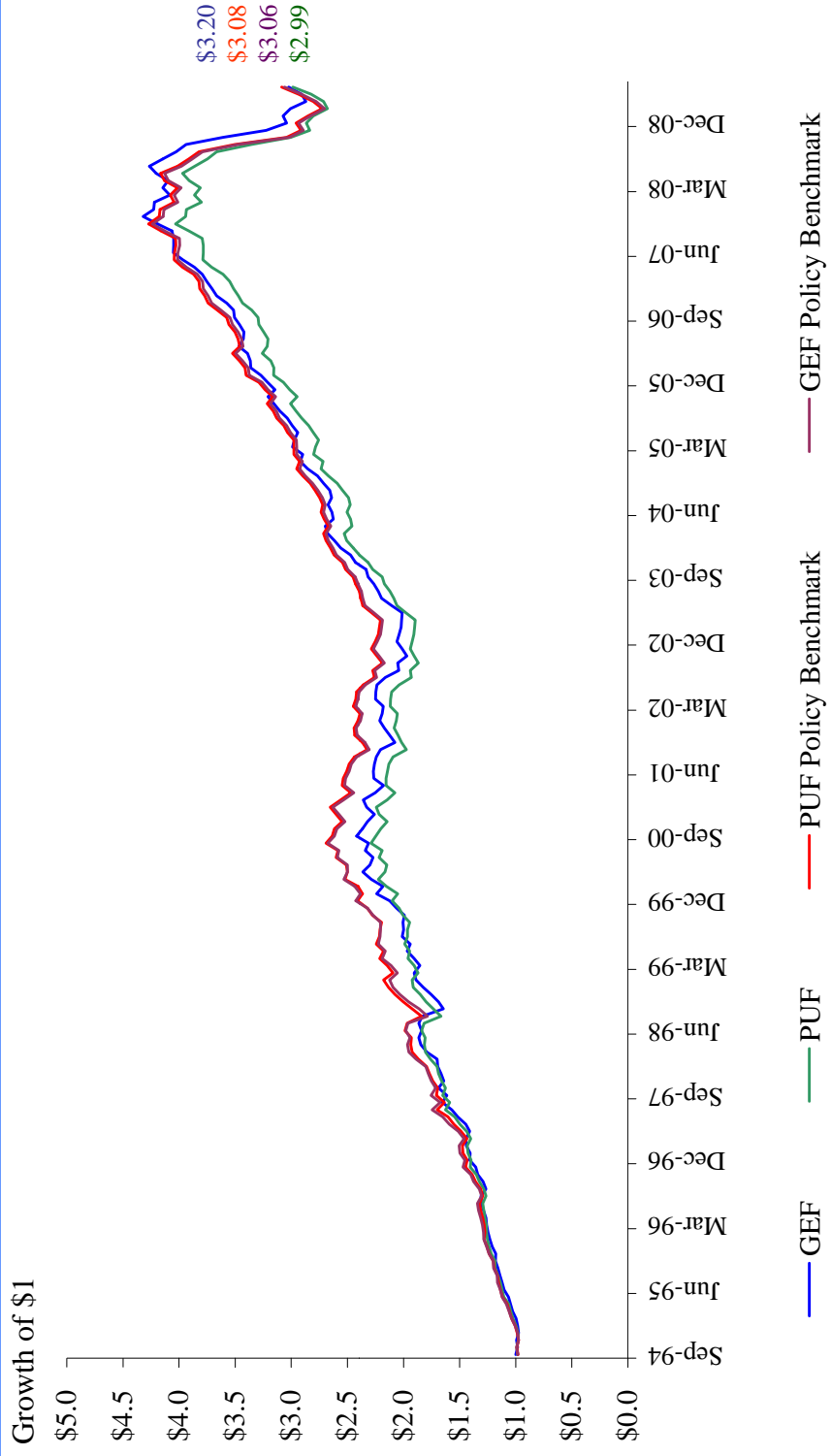
Performance Relative to Minimum Acceptable Return¹



Objective: Preserve the purchasing power of fund assets and annual distributions by earning an average annual return over rolling ten-year periods or longer at least equal to the target distribution rate of such funds plus the annual expected expense.

¹ The “MAR” as defined by the University of Texas System Investment Policy Statement is 5.1% plus an assumed rate of inflation of 3.0%, for a total of 8.1%. This target was derived by adding the current target distribution rate for the endowment (4.75%) to the annual expected expense (0.35%). 5.1% represents a real annual return target; this report de-annualizes that number to a monthly basis and adds monthly CPI-U data to account for inflation.

Performance Relative to Policy Portfolio Benchmark²

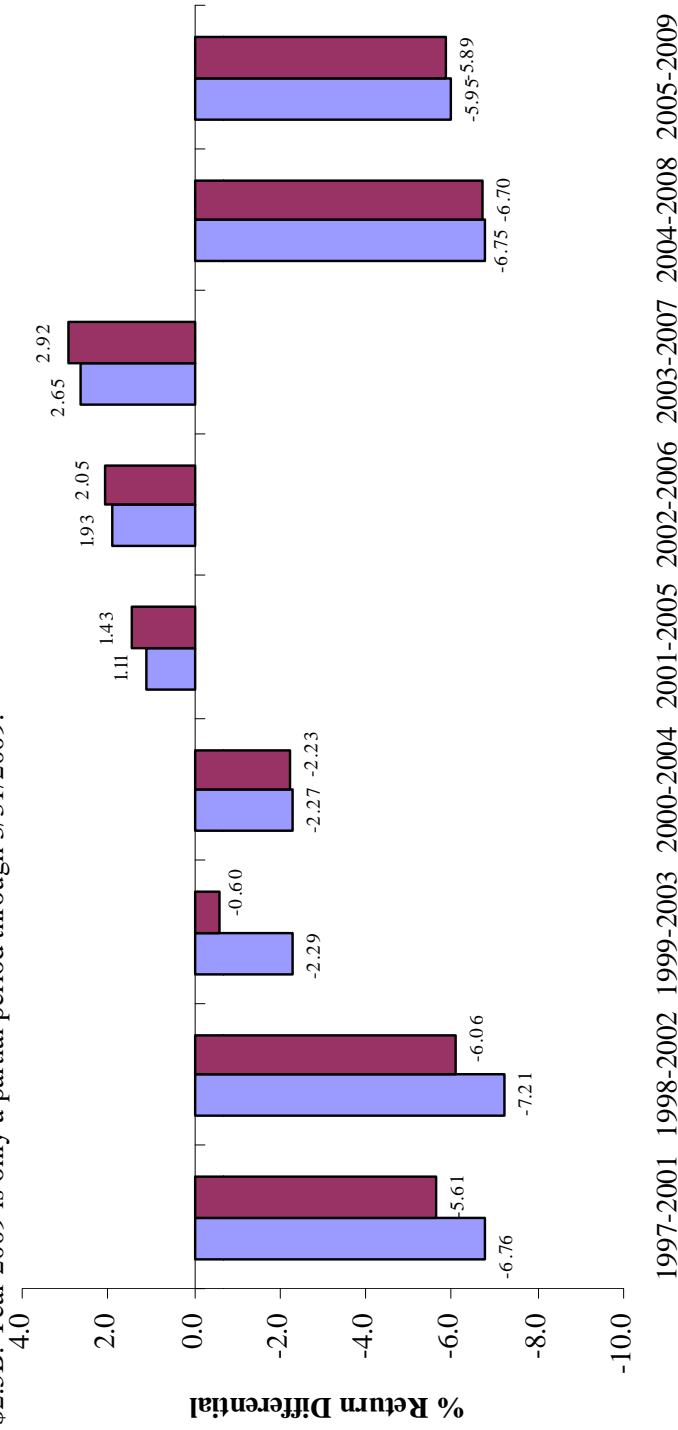


Objective: Generate a fund return in excess of the Policy Portfolio benchmark over rolling five year periods or longer.

² The “Policy Portfolio Benchmarks” are the composition of asset class targets in the asset allocation investment policy statement, changed over time with approval of the BOR. Policy Portfolio performance is the composite performance of benchmarks for the asset class targets. In January of 2004, UTIMCO restated historical policy returns based on newly approved policy targets. The Policy Portfolio presented in the report reflects this restatement.

Five-Year Rolling PUF/GEF AACR Performance Relative to Cambridge Five-Year Rolling AACR Performance for University Endowments > \$2.5 Billion³

PUF/GEF rolling 5-yr. performance relative to the Benchmark (5-yr. rolling AACR for CA University Endowments > \$1B) which is held static at 0.0%, 1997 – 2Q 2008. Beginning 3Q 2008, the Benchmark changed to CA University Endowments > \$2.5B. Year 2009 is only a partial period through 3/31/2009.

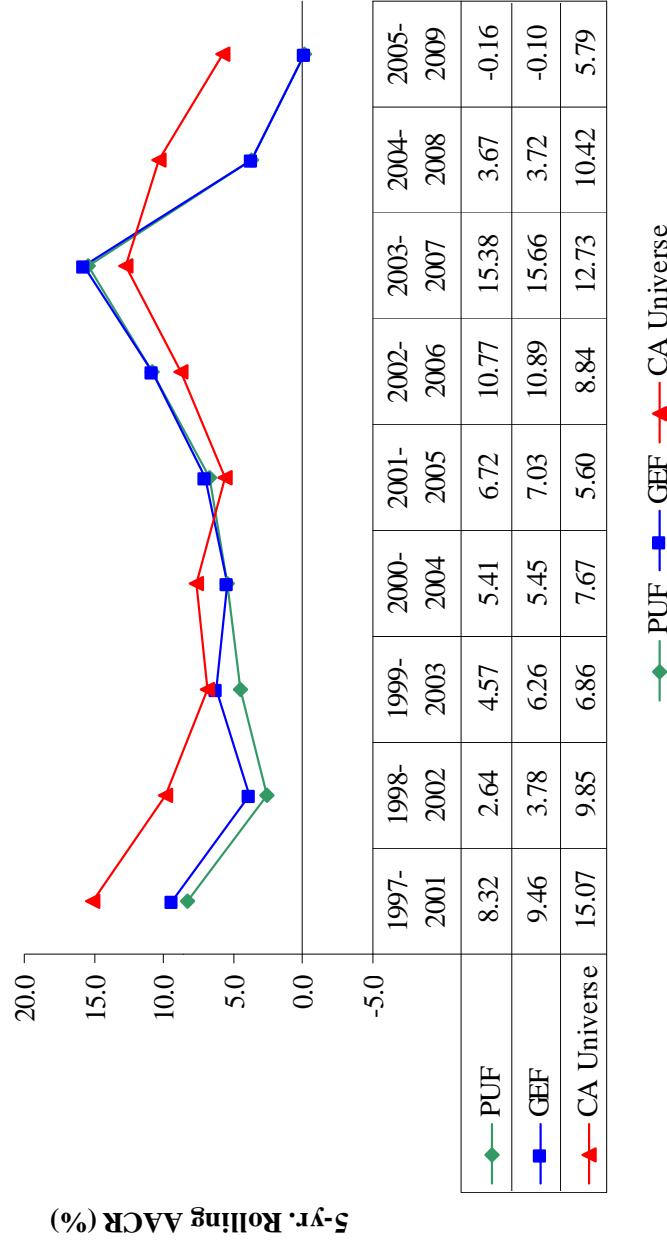


■ PUF ■ GEF

³ The 5-yr. Average Annual Compound Return “AACR” is calculated by first assessing CA College and University Endowments over \$1B at the end of each year 1997-2007 and for the six month period 1/1/2008-6/30/2008. Beginning 7/1/2009, the peer universe changed to CA College and University Endowments over \$2.5B and was used for the second six month period 7/1/2008-12/31/2008, as well as for the three month period 1/1/2009-3/31/2009. The mean return for each yearly universe is then calculated. Institutions that did not report performance, even if they are over \$1B at that time, are not included. The mean returns for each yearly universe are then used to calculate rolling 5-yr. Average Annual Compound Returns. Medians are not used due to reporting complications and non-static universes.

Five-Year Rolling PUF/GEF AACR Performance Compared to Cambridge Five-Year Rolling AACR Performance for University Endowments > \$2.5 Billion⁴

PUF/GEF rolling 5-yr. performance compared to the Benchmark (5-yr. rolling AACR for CA University Endowments > \$2.5B), 3Q 2008 - present. Prior to 3Q 2008, the Benchmark consisted of CA University Endowments > \$1B.

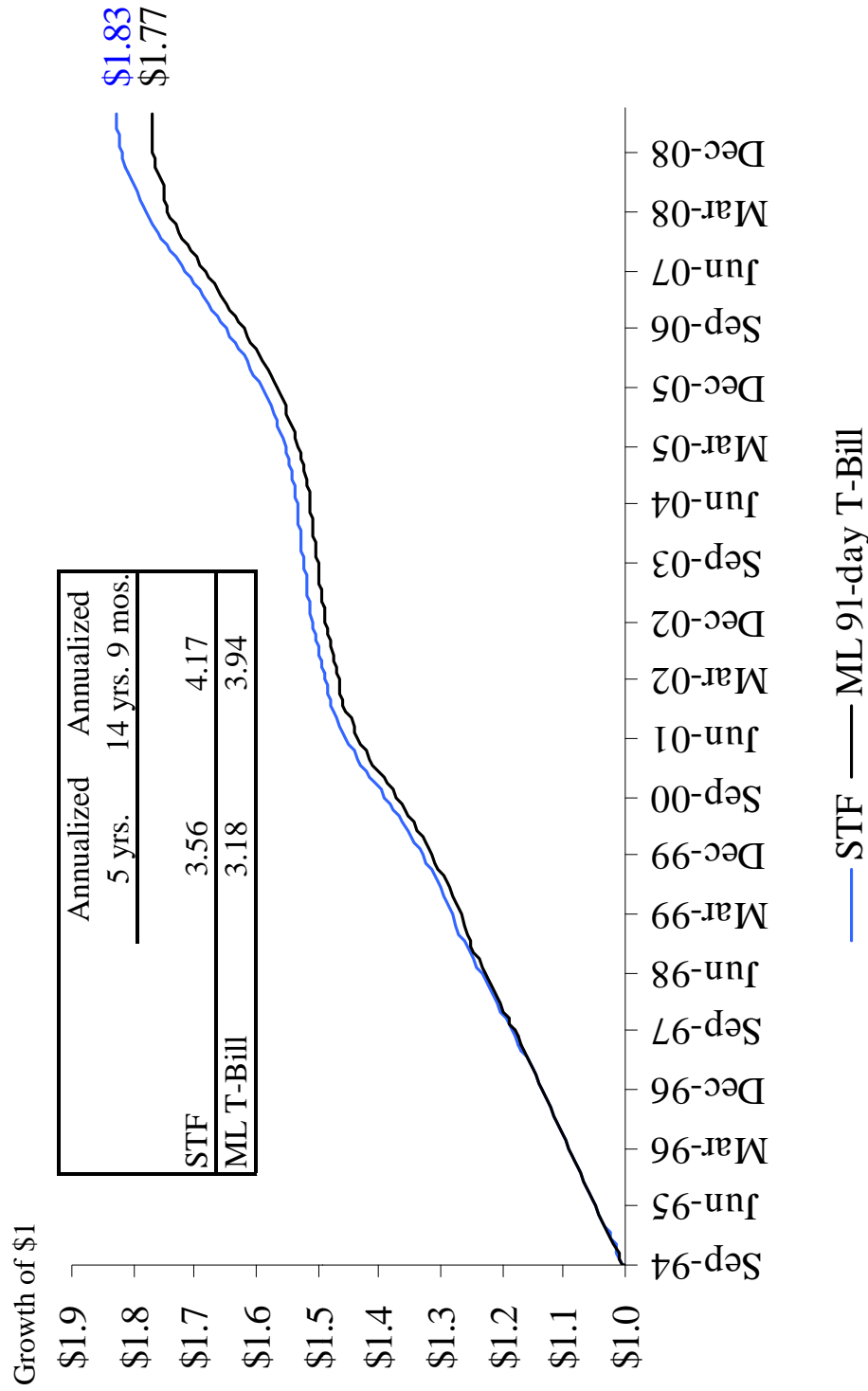


⁴ The 5-yr. Average Annual Compound Return "AACR" is calculated by first assessing CA College and University Endowments over \$1B at the end of each year 1997-2007 and for the six month period 1/1/2008-6/30/2008. Beginning 7/1/2009, the peer universe changed to CA College and University Endowments over \$2.5B and was used for the second six month period 7/1/2008-12/31/2008, as well as for the three month period 1/1/2009-3/31/2009. The mean return for each yearly universe is then calculated. Institutions that did not report performance, even if they are over \$1B at that time, are not included. The mean returns for each yearly universe are then used to calculate rolling 5-yr. Average Annual Compound Returns. Medians are not used due to reporting complications and non-static universes.

Performance Summary: STF and SITF/ITF

- Performance for the STF has modestly exceeded its benchmark.
- Since its inception in 2006, the ITF has met its secondary objective of outperforming its Policy Benchmark. Negative returns for 2008 caused it to not meet its primary objective of earning CPI-U plus 3% for the one-year and since inception periods.
- In the most recent quarter and calendar year-to-date, the ITF has once again been outperforming the primary objective of earning CPI-U plus 3%.

STF Performance Relative to Benchmark



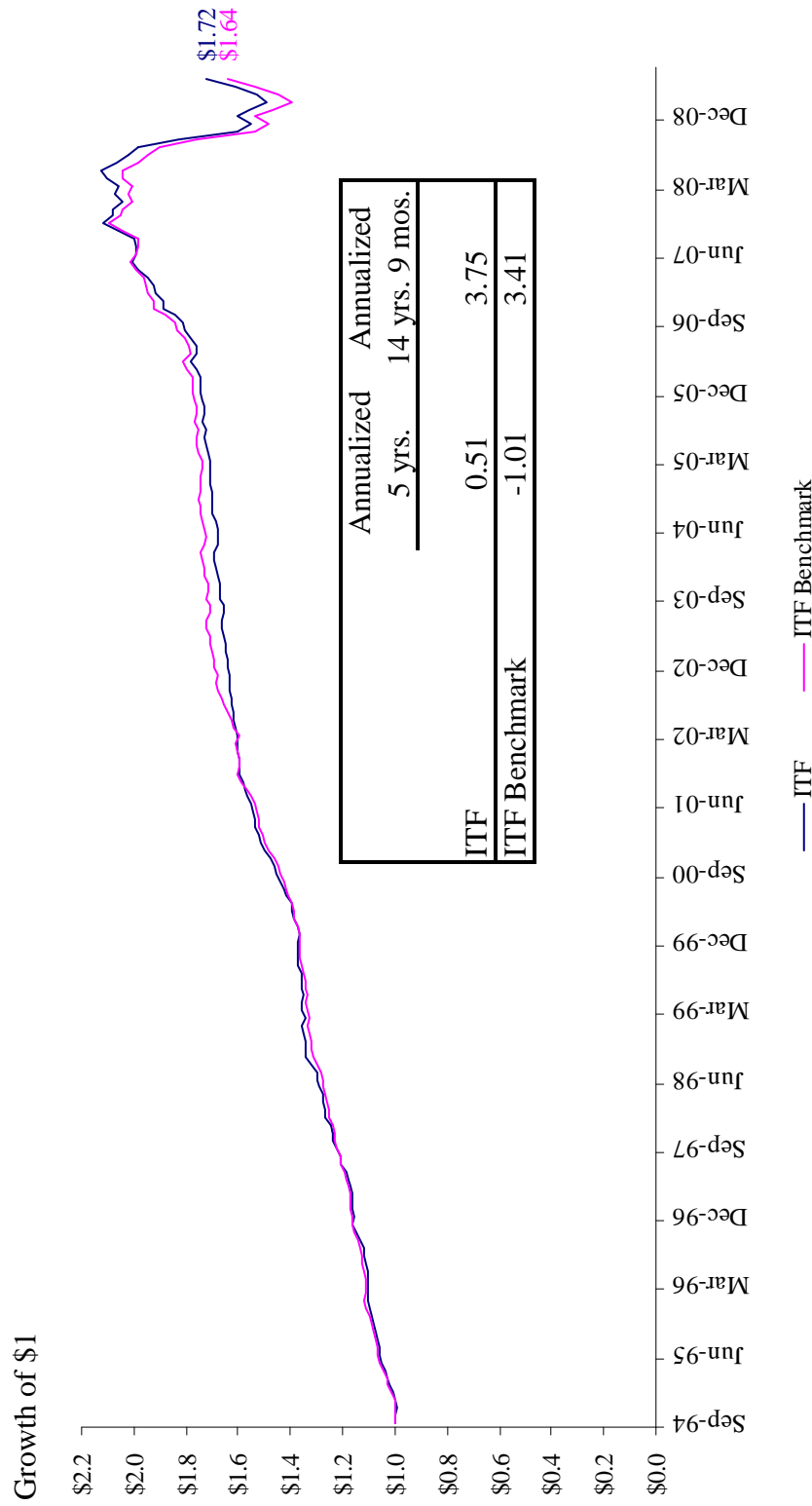
Objective: Maximize current income consistent with the absolute preservation of capital and maintenance of adequate STF liquidity. The STF shall seek to maintain a new asset value of \$1.00.

ITF Targets, Ranges, and Performance Objectives

As of May 31, 2009

Asset Class	May 31, 2009 ACTUAL	May 31, 2009			vs. Target
		Min	Target	Max	
Investment Grade Fixed Income	41.5%	20.0%	37.2%	55.0%	4.3%
Credit-Related Fixed Income	7.1%	0.0%	4.9%	8.8%	2.2%
Real Estate	8.8%	5.0%	10.3%	15.0%	-1.5%
Natural Resources	4.9%	0.0%	7.0%	10.0%	-2.1%
Developed Country Equity	29.8%	20.0%	30.6%	46.3%	-0.8%
Emerging Markets Equity	7.9%	0.0%	10.0%	15.0%	-2.1%
TOTAL	100.0%		100.0%		0.0%
Investment Types					
More Correlated & Constrained	75.3%	70.0%	75.0%	80.0%	0.3%
Less Correlated & Constrained	24.7%	20.0%	25.0%	30.0%	-0.3%
TOTAL	100.0%		100.0%		0.0%

ITF Performance Relative to ITF Benchmark⁵



ITF Primary Objective: Preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%.

⁵ The SITF ended 1/31/2006, and the ITF began 2/1/2006.

ITF Performance Relative to ITF Historical Policy⁶

	Calendar Year			Since Inception
	Three Months	To Date	One Year	
Intermediate Term Fund	15.48	7.19	-18.96	-0.46
ITF Policy Portfolio	17.87	6.87	-19.81	-2.38
CPI-U + 3%	1.51	2.94	1.73	5.30

ITF Primary Objective: Preserve the purchasing power of ITF assets by earning a compound annualized return over rolling three-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%.

ITF Secondary Objective: Generate a return, net of all direct and allocated expenses, in excess of the approved Policy Portfolio benchmark over rolling three-year periods.

⁶The ITF replaced the SITF as of 2/01/2006.

Conclusions About Past Performance

- System funds sustained a dramatic downturn in the most recent fiscal year, with the accumulated purchasing power of both the PUF and the GEF being eroded. Both the PUF and the GEF have participated meaningfully in the market recovery that began in March of this year.
- Both the PUF and the GEF continued to outperform the Policy Portfolio benchmark, while the universe of large educational endowments remains a challenging benchmark.

UTIMCO Performance Summary

May 31, 2009

	Net Asset Value 5/31/2009 (in Millions)	Periods Ended May 31, 2009 (Returns for Periods Longer Than One Year are Annualized)													
		Short Term		Year to Date		Historic Returns			Historic Returns						
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs						
ENDOWMENT FUNDS															
Permanent University Fund	\$ 9,144	5.80	11.49	4.17	(18.54)	(24.75)	(2.40)	3.86	4.39						
General Endowment Fund		5.78	11.42	4.08	(18.78)	(24.97)	(2.26)	3.92	N/A						
Permanent Health Fund	799	5.78	11.40	4.09	(18.75)	(24.92)	(2.30)	3.87	N/A						
Long Term Fund	4,267	5.78	11.40	4.09	(18.75)	(24.92)	(2.30)	3.87	5.08						
Separately Invested Funds	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A						
Total Endowment Funds	14,314														
OPERATING FUNDS															
Short Term Fund	1,498	0.05	0.15	0.34	1.10	1.78	3.92	3.56	3.50						
Intermediate Term Fund	3,365	6.96	15.48	7.19	(13.31)	(18.96)	(0.70)	N/A	N/A						
Total Operating Funds	4,863														
Total Investments	\$ 19,177														
VALUE ADDED															
Permanent University Fund		0.67	(1.69)	(0.09)	0.73	1.13	1.35	1.22	0.85						
General Endowment Fund		0.65	(1.76)	(0.18)	0.49	0.91	1.49	1.28	N/A						
Short Term Fund		0.04	0.07	0.25	0.49	0.66	0.55	0.37	0.22						
Intermediate Term Fund		0.21	(2.39)	0.32	0.58	0.85	1.19	N/A	N/A						
VALUE ADDED (\$ IN MILLIONS)															
Permanent University Fund		58	(137)	(6)	83	138	376	535	N/A						
General Endowment Fund		32	(81)	(9)	31	64	233	309	N/A						
Intermediate Term Fund		7	(70)	10	22	34	192	N/A	N/A						
Total Value Added		97	(288)	(5)	136	236	801	844	N/A						

Footnotes available upon request.

Note: Sourced from UTIMCO

UTIMCO Performance Summary

May 31, 2009

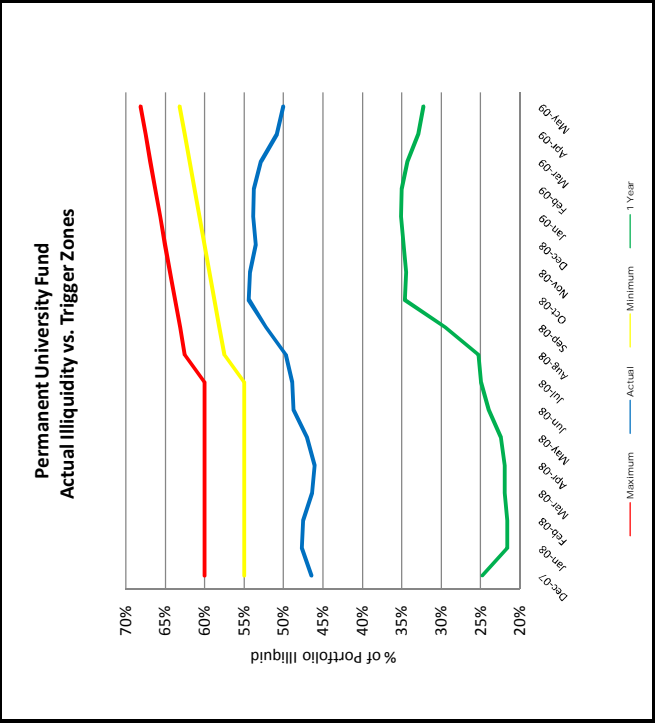
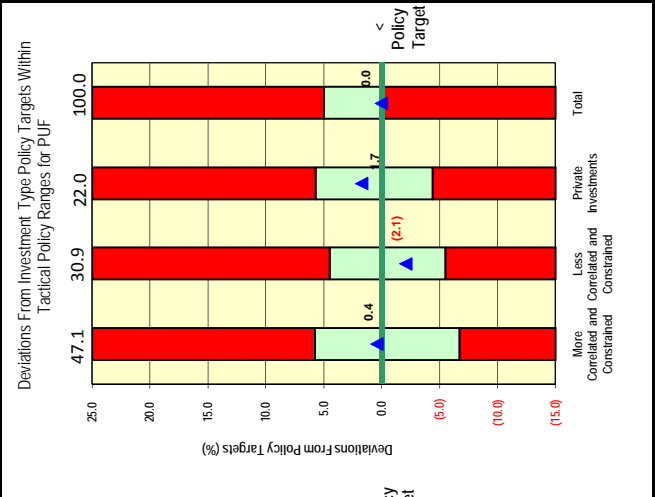
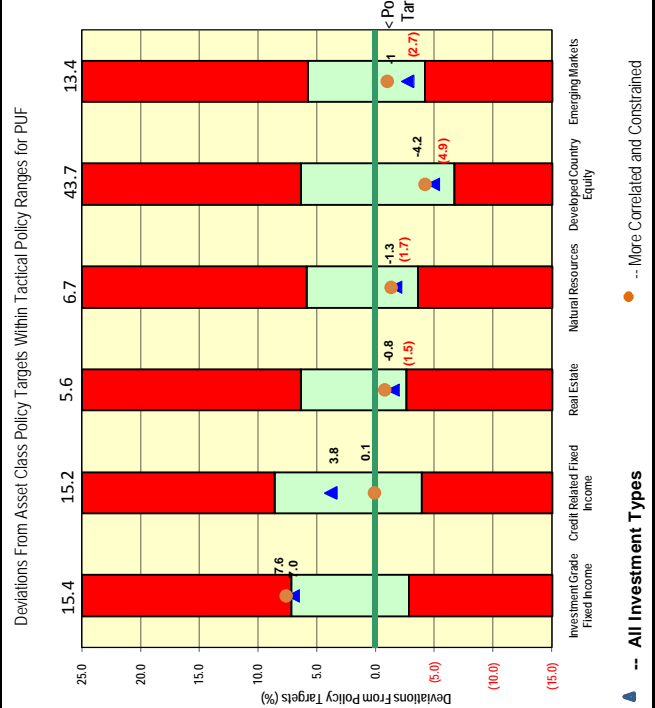
	Net Asset Value 5/31/2009 (in Millions)	Periods Ended May 31, 2009 (Returns for Periods Longer Than One Year are Annualized)																		
		Short Term		Year to Date		Historic Returns			Historic Returns											
		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs	3 Yrs	5 Yrs	10 Yrs								
ENDOWMENT FUNDS																				
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Long Term Fund	4,267	5.78	11.40	4.09	(18.75)	(24.92)	(2.30)	3.87	5.08											
Separately Invested Funds	104	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A											
Total Endowment Funds	14,314																			
OPERATING FUNDS																				
Short Term Fund	1,498	0.05	0.15	0.34	1.10	1.78	3.92	3.56	3.50											
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Total Investments	\$ 19,177																			
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General Endowment Fund		0.65	(1.76)	(0.18)	0.49	0.91	1.49	1.28	N/A											
Short Term Fund		0.04	0.07	0.25	0.49	0.66	0.55	0.37	0.22											
Intermediate Term Fund		0.21	(2.39)	0.32	0.58	0.85	1.99	N/A	N/A											
VALUE ADDED (\$ IN MILLIONS)																				
Permanent University Fund		58	(137)	(6)	83	138	376	535	N/A											
General Endowment Fund		32	(81)	(9)	31	64	233	309	N/A											
Intermediate Term Fund		7	(70)	10	22	34	192	N/A	N/A											
Total Value Added		97	(288)	(5)	136	236	801	844	N/A											

UTIMCO 6/22/2009

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended May 31, 2009
 Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows				
	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009	
Beginning Net Assets	\$ 11,742.8	\$ 8,286.9	\$ 11,359.5	
PUF Lands Receipts	457.7	50.5	285.6	
Investment Return	(339.5)	944.4	(2,082.7)	
Expenses	(52.6)	(5.3)	(20.4)	
Distributions to AUF	(448.9)	(132.7)	(398.2)	
Ending Net Assets	\$ 11,359.5	\$ 9,143.8	\$ 9,143.8	

	Fiscal Year to Date		
	Returns	Value Added	Total
Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection
More Correlated and Constrained:			
Investment Grade	0.13%	0.54%	-0.26%
Credit-Related	-8.42%	-0.21%	0.02%
Real Estate	-31.52%	-0.16%	0.27%
Natural Resources	-34.94%	-0.03%	-0.21%
Developed Country	-28.46%	0.47%	-0.51%
Emerging Markets	-25.66%	0.14%	-0.90%
Total More Correlated and Constrained	-22.29%	-20.19%	-1.59%
Less Correlated and Constrained	-11.22%	-0.03%	1.48%
Private Investments	-19.95%	-0.08%	0.17%
Total	-18.54%	0.64%	0.09%



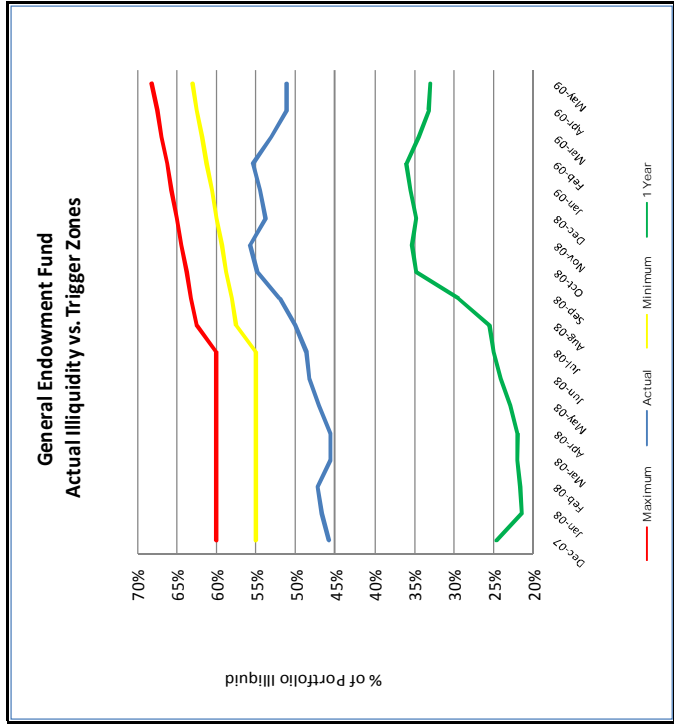
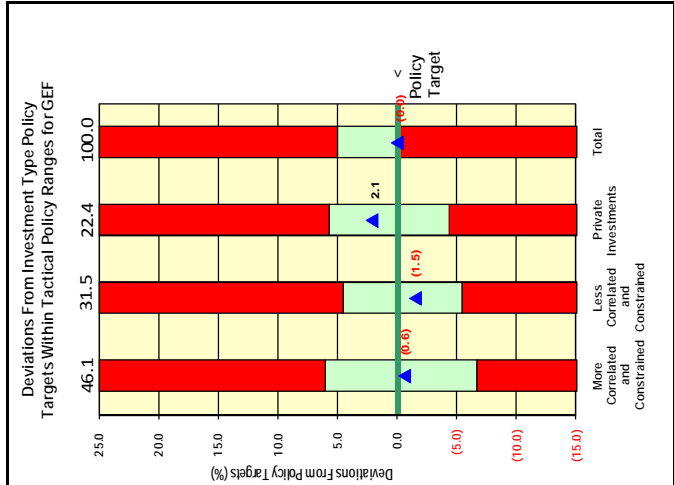
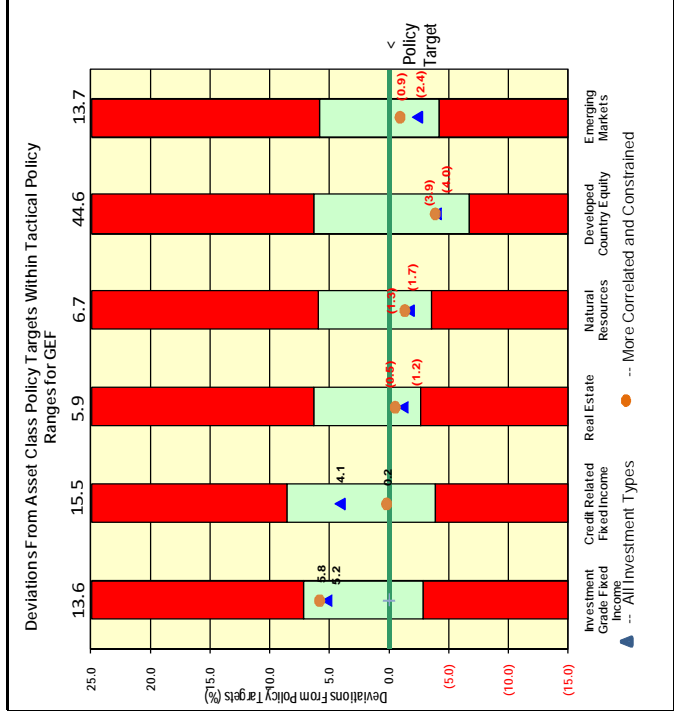
II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended May 31, 2009

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009
Beginning Net Assets (\$ millions)	\$ 6,433.1	\$ 4,557.1	\$ 6,310.4
Contributions	358.6	56.6	161.4
Withdrawals	(20.2)	(4.1)	(6.3)
Distributions	(259.0)	(70.4)	(208.7)
Investment Return	(180.8)	527.4	(1,185.9)
Expenses	(21.3)	(0.4)	(4.7)
Ending Net Assets	\$ 6,310.4	\$ 5,066.2	\$ 5,066.2

	Fiscal Year to Date			
	Returns	Value Added		
	Portfolio	From Asset Allocation	From Security Selection	Total
More Correlated and Constrained:				
Investment Grade	0.12%	0.41%	-0.26%	0.15%
Credit-Related	-8.57%	-0.20%	-0.02%	-0.18%
Real Estate	-31.65%	-0.17%	0.24%	0.07%
Natural Resources	-34.15%	-0.03%	-0.16%	-0.19%
Developed Country	-28.87%	0.44%	-0.59%	-0.15%
Emerging Markets	-25.67%	0.13%	-0.90%	-0.77%
Total More Correlated and Constrained	-22.96%	0.58%	-1.65%	-1.07%
Less Correlated and Constrained	-11.22%	-0.02%	1.50%	1.48%
Private Investments	-19.92%	-0.11%	0.19%	0.08%
Total	-18.78%	0.45%	0.04%	0.49%

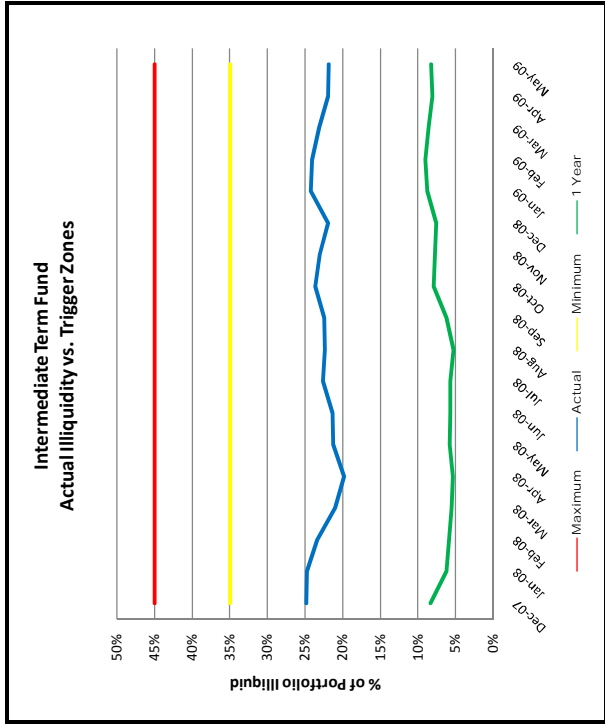
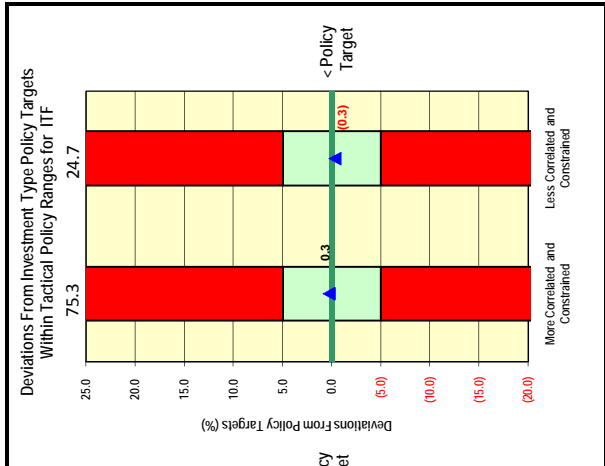
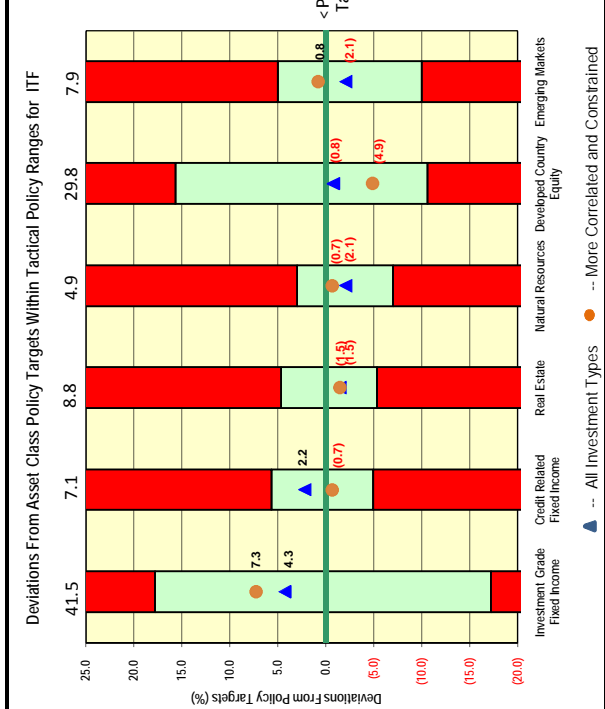


III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended May 31, 2009

Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2008	Quarter Ended May 31, 2009	Fiscal Year Ended August 31, 2009
Beginning Net Assets	\$ 3,720.6	\$ 2,927.0	\$ 3,874.8
Contributions	1,639.1	22.4	238.0
Withdrawals	(1,335.3)	(13.9)	(158.7)
Distributions	(118.6)	(22.8)	(72.4)
Investment Return	(7.5)	454.7	(607.6)
Expenses	(23.5)	(2.2)	(8.9)
Ending Net Assets	\$ 3,874.8	\$ 3,365.2	\$ 3,365.2

	Fiscal Year to Date		
	Returns	Policy Benchmark	Value Added
	Portfolio	From Asset Allocation	From Security Selection
More Correlated and Constrained:			
Investment Grade	1.49%	3.91%	0.33%
Credit-Related	-10.14%	-4.75%	-0.24%
Real Estate	-31.51%	-35.03%	-0.35%
Natural Resources	-31.60%	-30.66%	0.01%
Developed Country	-24.66%	-26.37%	-0.01%
Emerging Markets	-25.84%	-17.65%	0.17%
Total More Correlated and Constrained	-14.11%	-13.45%	-0.09%
Less Correlated and Constrained			
Private Investments	0.00%	0.00%	-0.27%
Total	-13.31%	-13.89%	-0.36%
			0.94%
			1.18%
			0.00%
			0.58%



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at May 31, 2009
 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 02/28/09	6	2,111	2,111	6	54,677	54,677	6	1,853	1,853	6	5,843	5,843	6	64,490	64,490	6	1,607,638	1,607,638	6	1,672,128	1,672,128	6	1,672,128	1,672,128
Increase/(Decrease)	5	(348)	(348)	5	(29,763)	(29,763)	5	(612)	(612)	5	(3,547)	(3,547)	5	(34,265)	(34,265)	5	(110,056)	(110,056)	5	(144,321)	(144,321)	5	(144,321)	(144,321)
Ending value 05/31/09	11	1,763	1,763	11	24,914	24,914	11	1,241	1,241	11	2,296	2,296	11	30,225	30,225	11	1,497,582	1,497,582	11	1,527,807	1,527,807	11	1,527,807	1,527,807
Debt Securities:																								
Beginning value 02/28/09	-	-	265	-	11,356	11,947	-	15,824	15,102	-	-	-	-	27,445	27,318	-	-	-	-	27,445	27,445	-	27,445	27,318
Increase/(Decrease)	-	-	(8)	-	1,064	1,286	-	(18)	544	-	-	-	-	1,046	1,822	-	-	-	-	1,046	1,046	-	1,046	1,822
Ending value 05/31/09	-	-	265	-	12,420	13,233	-	15,806	15,646	-	-	-	-	28,491	29,140	-	-	-	-	28,491	28,491	-	28,491	29,140
Equity Securities:																								
Beginning value 02/28/09	17	3,488	463	17	28,260	18,241	17	19,009	10,467	17	-	-	17	47,749	32,614	17	-	-	17	47,749	47,749	17	47,749	32,614
Increase/(Decrease)	-	(516)	1,036	-	(1,792)	3,415	-	(130)	3,906	-	-	-	-	(886)	7,869	-	-	-	-	(886)	(886)	-	(886)	7,869
Ending value 05/31/09	17	2,972	1,499	17	26,468	21,656	17	18,879	14,373	17	-	-	17	46,863	40,483	17	-	-	17	46,863	46,863	17	46,863	40,483
Other:																								
Beginning value 02/28/09	-	-	370	-	8	8	-	337	134	-	437	437	-	1,152	949	-	-	-	-	1,152	1,152	-	1,152	949
Increase/(Decrease)	-	-	(192)	-	1,647	1,647	-	-	-	-	1,573	1,573	-	3,028	3,028	-	-	-	-	3,028	3,028	-	3,028	3,028
Ending value 05/31/09	-	-	178	-	1,655	1,655	-	337	134	-	2,010	2,010	-	4,180	3,977	-	-	-	-	4,180	4,180	-	4,180	3,977
Total Assets:																								
Beginning value 02/28/09	23	3,494	3,209	23	94,301	84,873	23	37,023	27,556	23	6,280	6,280	23	140,836	125,371	23	1,607,638	1,607,638	23	1,748,474	1,748,474	23	1,733,009	1,733,009
Increase/(Decrease)	5	(511)	496	5	(28,844)	(23,415)	5	(760)	3,838	5	(1,974)	(1,974)	5	(31,077)	(21,546)	5	(110,056)	(110,056)	5	(141,133)	(141,133)	5	(131,602)	(131,602)
Ending value 05/31/09	28	2,983	3,705	28	65,457	61,458	28	36,263	31,394	28	4,306	4,306	28	109,759	103,825	28	1,497,582	1,497,582	28	1,607,341	1,607,341	28	1,601,407	1,601,407

Details of individual assets by account furnished upon request.

6. **U. T. System: Update regarding centralization of operating funds**

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will provide an update on the centralization of U. T. System operating funds, which was implemented on February 1, 2006. The presentation, as set forth on Pages 130 - 137, will provide a brief overview of centralization and detail the value added from centralization through May 31, 2009.

Update on Centralizing of U. T. System Operating Funds



THE UNIVERSITY OF TEXAS SYSTEM
Nine Universities. Six Health Institutions. Unlimited Possibilities.

Joint Meeting of
Board of Regents &
UTIMCO Board
Dr. Scott Kelley
July 9, 2009



THE UNIVERSITY OF TEXAS SYSTEM
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Centralization of U. T. System Operating Funds

- The centralization of operating funds was approved by the U. T. System Board of Regents on July 8, 2005.
- On February 1, 2006, all U. T. System operating funds were consolidated into the Short Term Fund (STF) and the newly created Intermediate Term Fund (ITF).
- By U. T. System policy, U. T. institutions were required to invest 15% in the STF and 85% in the ITF as a target allocation. Effective September 1, 2007, the policy was changed to require a target allocation of 10% in the STF and 90% in the ITF.
- An investment advisory group, consisting of selected campus Chief Business Officers, the EVC for Business Affairs, the UTIMCO CEO and UT System Office of Finance staff was formed and meets periodically to review investment objectives and suggest policy revisions.



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Centralization of U. T. System Operating Funds

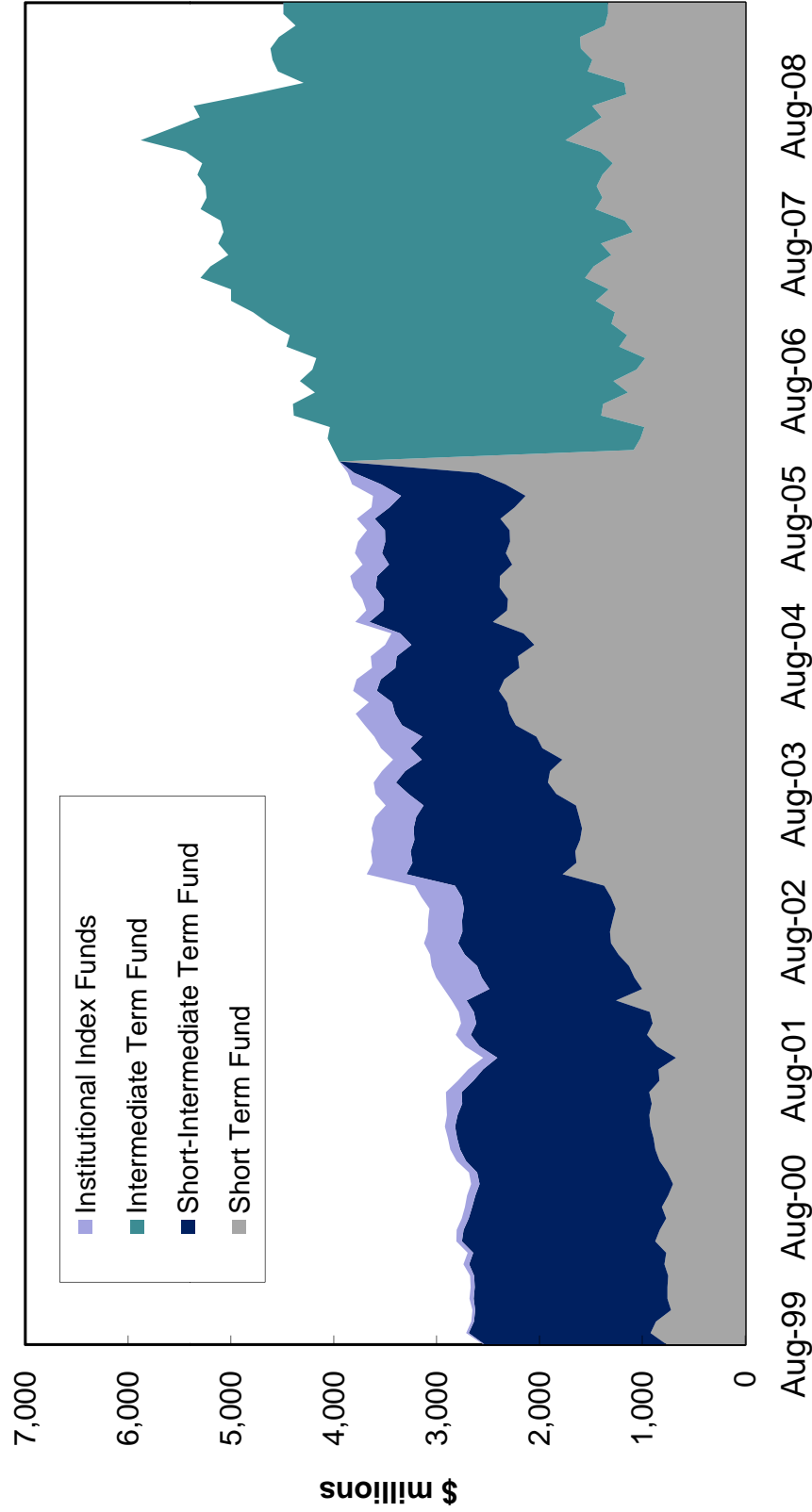
- The purpose of Centralization is to provide for daily institutional liquidity needs in a money market fund (STF) and to pool the remaining assets into a diversified investment fund (ITF) with a longer time horizon and the potential for increased investment returns.
- Centralization also provides an aggregated STF account for the entire U. T. System reducing the cash flow impact of a single institution.
- The target allocation to the STF and ITF was determined using actual historical data and is reviewed periodically to ensure ample liquidity.
- It was anticipated that the ITF would incur greater volatility than a bond fund. The ITF has fixed income, real estate, natural resources, equity and hedge fund investments.



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**U. T. System Operating Funds
have increased 91% from
August 1999 to May 2009**

U. T. System Monthly Operating Balances by Funds



Prepared by the U. T. System Office of Finance



Short Term Fund Liquidity Analysis February 2006 to May 2009

Institution (\$ millions)	Average		Low		High	
	STF Balance	STF Balance	STF Balance	STF Balance	STF Balance	STF Balance
U. T. Arlington	\$ 21.1	13%	\$ (8.3)	-5%	\$ 69.6	34%
U. T. Austin	168.4	17%	61.2	7%	365.0	30%
U. T. Brownsville	7.3	26%	(2.2)	-7%	30.1	82%
U. T. Dallas	16.1	13%	2.2	2%	38.8	27%
U. T. El Paso	13.0	17%	(0.6)	-1%	47.2	53%
U. T. Pan American	9.9	18%	0.8	2%	33.8	42%
U. T. Permian Basin	5.1	43%	(1.8)	-8%	13.8	79%
U. T. San Antonio	24.9	14%	(1.5)	-1%	80.0	45%
U. T. Tyler	5.5	18%	0.2	1%	16.1	39%
U. T. Southwestern Medical Center - Dallas	91.8	14%	12.9	2%	167.1	25%
U. T. Medical Branch - Galveston	96.5	31%	(40.8)	-23%	257.3	72%
U. T. Health Science Center - Houston	40.2	15%	6.4	2%	86.8	34%
U. T. Health Science Center - San Antonio	24.2	12%	4.1	2%	55.4	24%
U. T. M. D. Anderson Cancer Center	123.1	15%	(47.1)	-7%	255.0	28%
U. T. Health Science Center - Tyler	9.2	47%	0.1	0%	20.6	100%
U. T. System (Aggregate) ⁽¹⁾	\$ 1,263.9	27%	\$ 848.1	20%	\$ 1,752.6	36%
U. T. System (excluding debt related funds) ⁽²⁾	\$ 693.7	17%	\$ 287.9	7%	\$ 1,077.8	24%

(1) Institutions must maintain a minimum of \$5 million in the STF at the beginning of each month and have a current financial condition rating of "Watch" or better to invest in the ITF.

(2) All debt proceeds and other debt-related accounts must be invested in the STF pursuant to Board policy.



Operating Funds Performance Through May 2009

	FY 2009 YTD ⁽¹⁾ (9 Months)	Since ITF Inception ⁽¹⁾ (40 Months)
Operating Funds		
Short Term Fund	1.10%	4.00%
Intermediate Term Fund	-13.31%	-0.46%
Benchmarks		
Short Term Fund: 90 Day Treasury Bills Average Yield	0.61%	3.49%
Intermediate Term Fund: Policy Portfolio	-13.84%	-2.37%
Net Return Above Benchmark ⁽²⁾		
Short Term Fund	0.49%	0.55%
Intermediate Term Fund	0.53%	1.81%

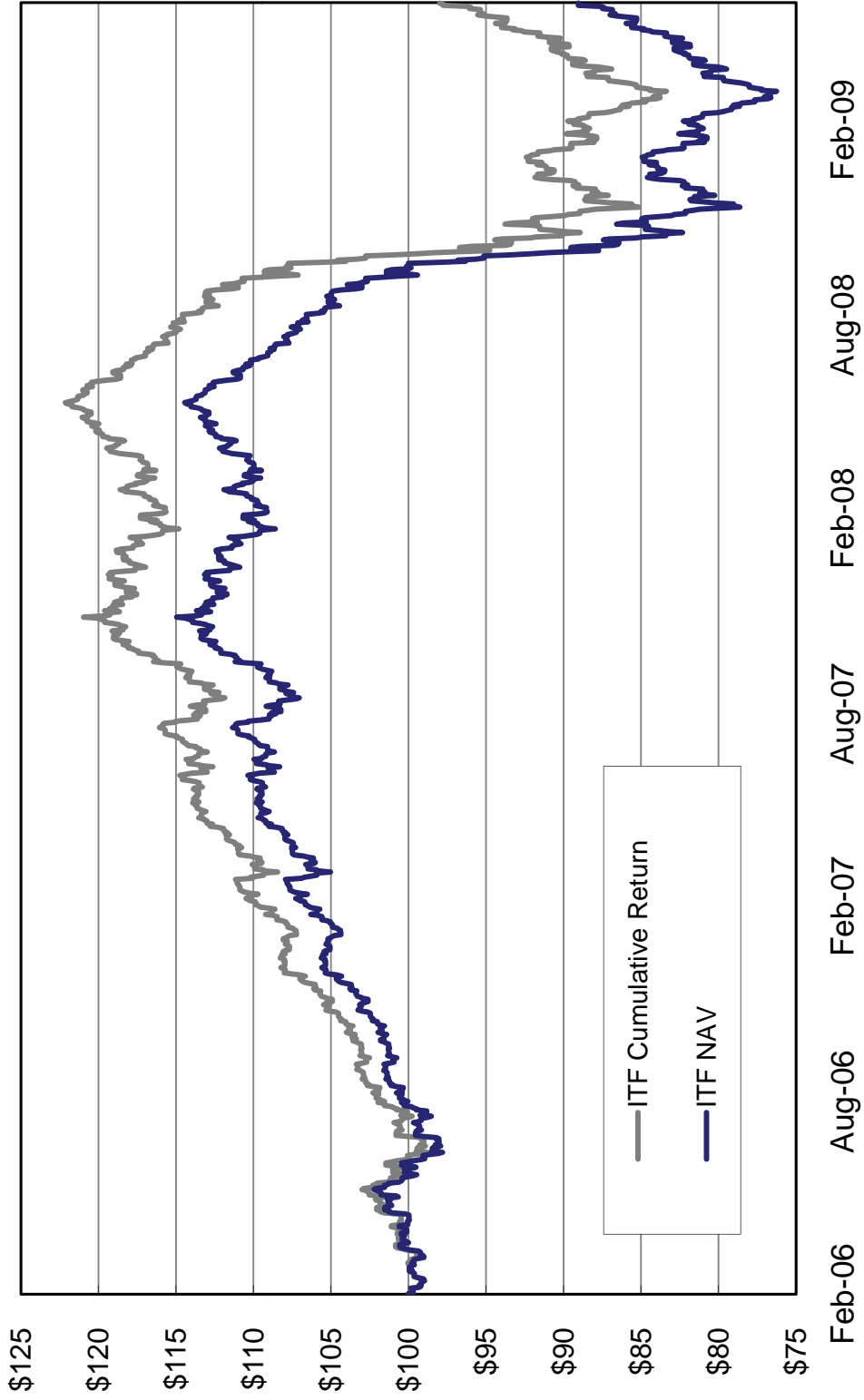
⁽¹⁾ Returns for FY2009 YTD (9 months) are not annualized. Returns since ITF inception (40 months) are annualized.

⁽²⁾ Net Return Above Benchmark is a measure of the difference between actual returns and benchmark or policy portfolio returns for each period shown.



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ITF Net Asset Value (NAV per Unit) and ITF Cumulative Return Through May 2009



Prepared by the U. T. System Office of Finance



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Value Added from Centralization Through May 2009

Institution	FY 2009 YTD (9 Months)	Since ITF Inception (40 Months)
U. T. Arlington	\$ (23,792,560)	\$ (22,588,219)
U. T. Austin	(143,586,176)	(142,522,583)
U. T. Brownsville	(4,444,856)	(3,764,873)
U. T. Dallas	(20,459,194)	(22,861,121)
U. T. El Paso	(8,281,636)	(9,511,310)
U. T. Pan American	(6,791,529)	(7,018,687)
U. T. Permian Basin	(399,426)	(520,630)
U. T. San Antonio	(30,363,168)	(31,230,617)
U. T. Tyler	(4,833,960)	(4,887,458)
U. T. Southwestern Medical Center - Dallas	(81,682,378)	(91,734,637)
U. T. Medical Branch - Galveston	(34,211,640)	(37,530,591)
U. T. Health Science Center - Houston	(45,104,056)	(50,288,861)
U. T. Health Science Center - San Antonio	(35,110,684)	(38,091,183)
U. T. M. D. Anderson Cancer Center	(57,153,113)	(41,164,965)
U. T. Health Science Center - Tyler	(3,614,308)	(4,848,502)
Subtotal Value Added - U.T. System Institutions	\$ (499,828,684)	\$ (508,564,237)
Value Added U. T. System Administration	(35,406,929)	(30,308,067)
Total Value Added ⁽¹⁾	\$ (535,235,613)	\$ (538,872,304)

⁽¹⁾ Value added is the actual dollar return for the operating funds in excess of the proxy returns that would have been earned based on allocations as of August 31, 2005.

7. **U. T. System Board of Regents: Report on The University of Texas Investment Management Company (UTIMCO) organization and activities**

REPORT

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), will report on the UTIMCO organization, investments, control and support and Fiscal Year 2010 priorities using the PowerPoint presentation set forth on Pages 139 - 145.



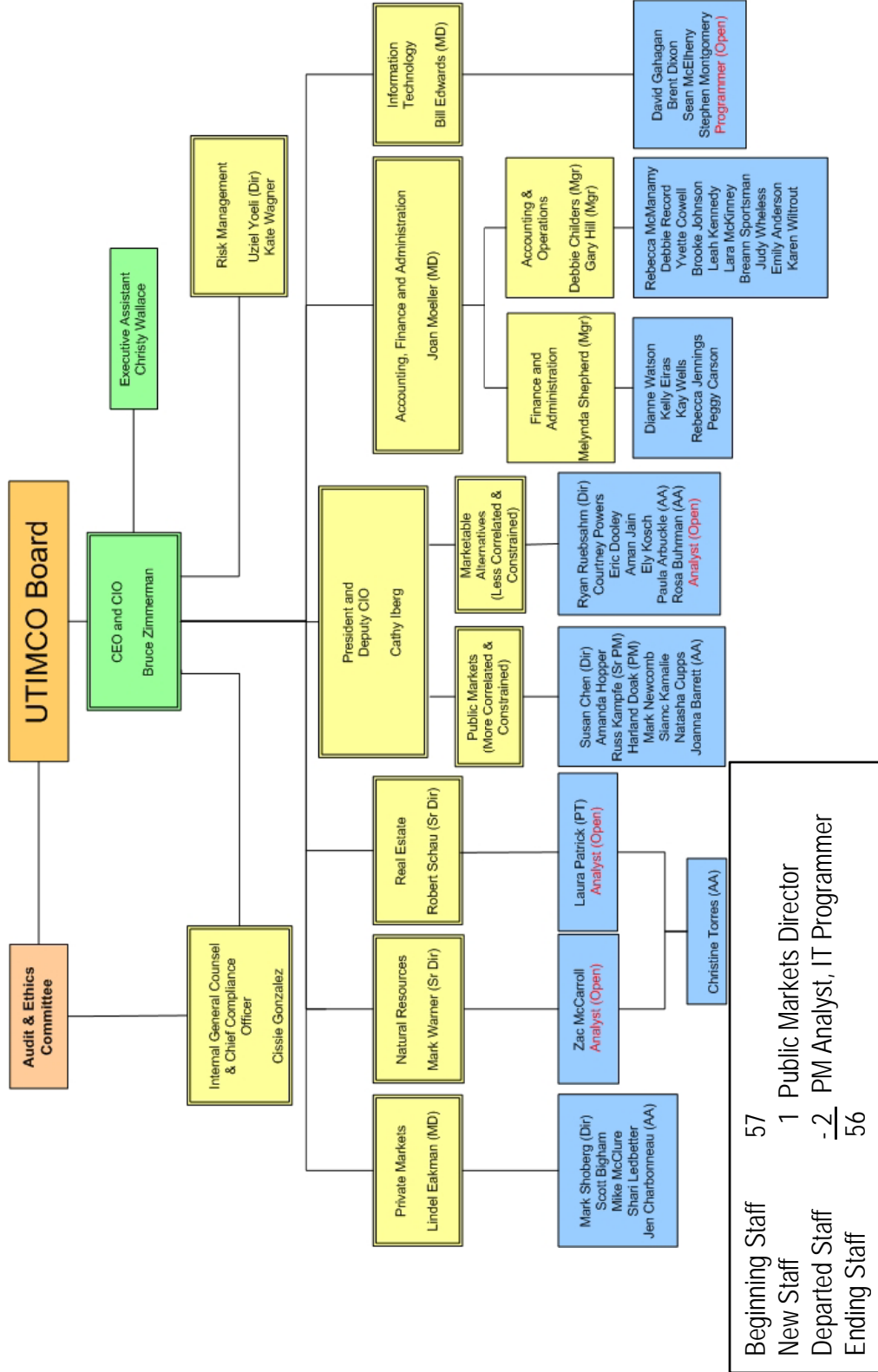
THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

UTIMCO UPDATE

Joint Meeting of
The University of Texas System Board of
Regents and
UTIMCO Board of Directors
July 9, 2009



Organizational Chart





Expenses FY 09

(in thousands)	FY 2009 Forecast	FY 2009 Budget	Favorable/ (Unfavorable) \$	%
SUMMARY				
UTIMCO Personnel	\$11,594	\$12,489	\$895	7%
UTIMCO Other	3,791	4,055	264	7%
Total UTIMCO	15,385	16,544	1,159	7%
Other, Non-Investment Manager	4,997	6,042	1,045	17%
Total Non-Investment Manager	\$20,382	\$22,586	\$2,204	10%
Investment Manager - Invoiced	19,156	44,203	25,047	57%
Total	\$39,538	\$66,789	\$27,251	41%



Investment Activity Summary ⁽¹⁾

- Monitoring Meetings/Calls 977
- Prospective Manager Meetings 1,310
- Manager Due Diligence
 - Initial 493
 - Serious 111

<u>Redemptions</u>		<u>Investments/Commitments</u>	
<u># of Managers</u>	<u>Amount (billions)</u>	<u># of Managers</u>	<u>Amount (billions)</u>
Full 31	\$2.6	New 29	\$2.2
Partial 14	\$1.5	Existing 20	\$1.3

(1) Twelve months ending May 31, 2009



Investment Process

- Investment Committee
- Investment Best Practices
 - Due Diligence Questionnaire
 - Investment Memorandums
 - Background Checks
 - Terms Template
 - Side Letter
- Manager Monitoring and Pipeline System
- Marketable Alternative Reporting
- Factor Analysis: Inflation and Growth



Support and Controls

- Audits
 - Deloitte & Touche LLP: Funds and UTIMCO
 - UT System
 - Internal Fixed Income and Derivatives
 - PUF Controls
 - CEO
 - State: Code of Ethics
- UT System Compliance
 - IT Security
 - Institutional Compliance
- Technology Peer Review
- Manager Back Office Due Diligence
- Other Initiatives
 - ISDAs
 - Derivative Procedures
 - Cash Reserve



FY10 Priorities

- Develop UTIMCO Strategic Plan
- Maintain/Enhance Strong Relations with Constituents
- Tactical Allocation Decisioning and “Tail Risk” Management
- Staff Development, Expense Management and Controls
- Make Great Investments

8. **U. T. System Board of Regents: Report on The University of Texas Investment Management Company (UTIMCO) Fiscal Year 2010 budget and fees, and U. T. System Office of Finance review**

REPORT

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), will discuss the preliminary UTIMCO Annual Budget for Fiscal Year 2010 using the materials on Pages 147 - 153.

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will provide a review of the UTIMCO budget including an analysis of budget trends on Pages 154 - 165.

The UTIMCO Board will seek approval of the budget at the U. T. System Board of Regents' August 2009 meeting.



THE UNIVERSITY OF TEXAS
INVESTMENT MANAGEMENT COMPANY

Budget Review

Joint Meeting of
The University of Texas System Board of
Regents and
UTIMCO Board of Directors
July 9, 2009



UTIMCO Budget Summary

(in thousands)	FY 2009		FY 2009 Forecast		FY 2010 Budget		FY10 Budget v FY09 Forecast	
	Budget	Forecast	Forecast	Budget	Budget	\$	%	
SUMMARY								
UTIMCO Personnel	\$12,489	\$11,594	\$11,594	\$12,018	\$424	4%		
UTIMCO Other	4,055	3,791	3,791	3,959	168	4%		
Total UTIMCO	16,544	15,385	15,385	15,977	592	4%		
Other, Non-Investment Manager	6,042	4,997	4,997	5,437	440	9%		
Total Non-Investment Manager	\$22,586	\$20,382	\$20,382	\$21,414	\$1,032	5%		
Investment Manager - Invoiced	44,203	19,156	19,156	28,747	9,591	50%		
Total	\$66,789	\$39,538	\$39,538	\$50,161	\$10,623	27%		



Salaries

FY09 Forecast	\$6,322
Increase from raises (1.2%)	73
Increase from promotions	22
Increase from open positions (3 Analysts, 1 Programmer)	235
Decrease from eliminated/vacated positions, net	<u>(29)</u>
FY10 Budget	<u>\$6,623</u>



Other Expense Highlights

(in thousands)	FY 2007		FY 2008		FY 2009		FY 2010		FY 10 Budget v	
	Actual	Actual	Actual	Forecast	Forecast	Budget	Budget	FY 09 Forecast	FY 10 Forecast	%
	\$									
Travel	\$177	\$515	\$391	\$594	\$203	52%				
Corporate Legal	567	225	282	150	(132)	-47%				
Online Data Services	610	660	715	800	85	12%				
All Other UTIMCO-Other	2,104	2,547	2,403	2,415	12	0%				
Total	\$3,458	\$3,947	\$3,791	\$3,959	\$168	4%				
Investment-Related Legal	826	1,349	498	678	180	36%				
Consultants	1,289	737	567	745	178	31%				
Custodian	1,532	1,771	1,848	2,009	161	9%				
Printing	178	153	133	-	(133)	-100%				
All Other Non-Investment Manager	1,810	2,202	1,951	2,005	54	3%				
Total	\$5,635	\$6,212	\$4,997	\$5,437	\$440	9%				



Capital Budget

(in thousands)	FY 2007			FY 2008		FY 2009		FY 2010	
	Actual	Actual	Actual	Forecast	Forecast	Budget	Budget	Budget	Budget
Ongoing	\$83	\$158	\$244	\$145					
Build-out	0	327	0	0					
Total	<u>\$83</u>	<u>\$485</u>	<u>\$244</u>	<u>\$145</u>					



Fee Schedule

UTIMCO Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2010

	Fund Name						Separate Funds	Total
	PUF	PHF	LTF	GEF	ITF	STF		
Market Value 2/29/09 (\$ millions)	8,287	727	3,830	PHF LTF	2,927	1,608	125	17,504
				4,557 (2)				
UTIMCO Services	7,846,504	809,630	4,439,641		2,881,350			15,977,125
	49.11%	5.07%	27.79%		18.03%			100.00%
Direct Expenses of the Fund								
External Management Fees	8,868,914	0	0	4,890,119	4,936,109	N/A (1)		18,695,142
External Management Fees - Performance Based	5,287,787	0	0	2,847,099	1,917,466			10,052,352
Other Direct Costs	2,429,392	30,804	36,154	1,691,321	1,249,009			5,436,680
Total Direct Expenses of the Fund	16,586,093	30,804	36,154	9,428,539	8,102,584	0	0	34,184,174
TOTAL	24,432,597	840,434	4,475,795	9,428,539	10,983,934	N/A (1)	0	50,161,299

Percentage of Market Value

UTIMCO Services	0.095%	0.111%	0.116%	0.000%	0.098%	0.000%	0.000%	0.091%
Direct Expenses of the Fund	0.200%	0.004%	0.001%	0.207%	0.277%	0.000%	0.000%	0.195%
TOTAL	0.295%	0.115%	0.117%	0.207%	0.375%	0.000%	0.000%	0.286%

FY 2009 Budgeted Costs	0.279%	0.086%	0.087%	0.218%	0.341%	0.000%	0.000%	0.278%
Change	0.016%	0.029%	0.030%	-0.011%	0.034%	0.000%	0.000%	0.008%
						Cost Differential		
FY 2009 Allocation Ratio	49.170%	5.500%	28.050%	0.000%	17.280%	0.000%	0.000%	0.008%
Change	-0.059%	-0.433%	-0.263%	0.000%	0.754%	0.000%	0.000%	0.008%

(1) Income is net of fees

(2) Pooled Fund for the collective investment of the PHF and LTF



Reserve Analysis

Projected Cash Reserves at August 31, 2009:

Cash	12,361,678
Prepaid Expenses	411,945
Less: Accounts Payable, Accrued Liabilities (Includes bonuses & earnings payable)	<u>(3,620,261)</u>

Expected Cash Reserves at August 31, 2009 -----

\$9,153,362

2010 Proposed Operating Budget 15,977,125
Applicable Percentage 25%

3,994,281

2010 Proposed Capital Expenditures 144,500

144,500

Required Cash Reserves at August 31, 2009

\$4,138,781

Balance Available for Distribution

\$5,014,581

Conclusion: Rebate \$5 Million back to the UT System Investment Funds

Fiscal Year 2010

UTIMCO Budget Review

**The University of Texas System
Office of Finance**

**Prepared by:
William Huang – Treasury Manager
Philip Aldridge – Vice Chancellor for Finance and Business Development**

June 25, 2009

Draft

Based on information provided by UTIMCO staff through June 23, 2009.

Fiscal Year 2010 UTIMCO BUDGET REVIEW

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Fiscal Year 2010 UTIMCO BUDGET REVIEW

I. Executive Summary

This report supports the U. T. System Board of Regents' efforts to determine whether investment management costs for funds under its control are "reasonable and appropriate," as required by the Texas Uniform Prudent Management of Investment Funds Act (UPMIFA).

The report reviews UTIMCO's proposed \$50.2 million FY10 budget. The UTIMCO budget consists of UTIMCO Services (corporate) and Direct Costs to (U. T. System) Funds (third party management and performance fees paid directly by UTIMCO and costs related to custody, consulting, corporate legal, audit, and risk measurement).

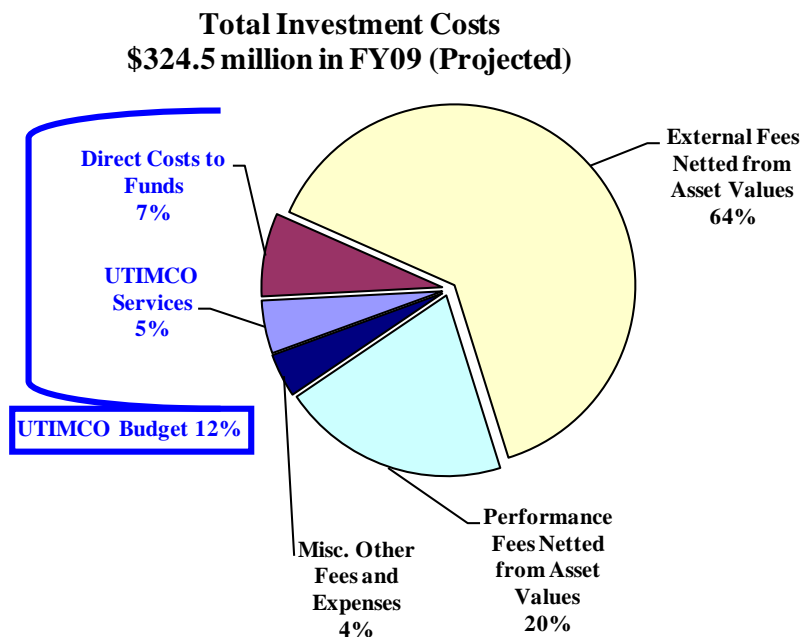
The report also reviews the FY10 budget in the context of Total Investment Costs, which includes external management fees that are paid by the funds and netted from asset values but not included in the UTIMCO budget. The Total Investment Costs for FY09 are projected to be \$324.5 million, inclusive of the UTIMCO Services costs and Direct Costs to Funds.

Highlights:

- **Total Investment Costs FY04-FY09:** Total costs, dominated by external management and performance fees, have increased significantly as a percentage of average assets under management (AUM) from 1.01% in FY04 to 1.53% in FY09 (projected).
- **UTIMCO Budget for FY10:** The FY10 budget is \$50.2 million, a 27% increase from the current projection for FY09 and a 25% decrease from the FY09 budget.
- **Compensation:** Salaries for FY10 are budgeted to increase \$301k (5%) from FY09 projections. About two-thirds of the increase reflects four budgeted open positions for FY10; the balance represents an overall 1.5% average salary increase for existing staff (including promotions). Bonuses for FY10 are budgeted to increase \$31k (1%) from FY09 projections.
- **Travel:** Travel expenses for FY10 are budgeted at \$594k, a 52% increase over FY09 projections but a 26% decrease when compared to the original FY09 budget.
- **Lease Expenses:** Lease expenses have stabilized in recent years and are budgeted at \$979k, a 2% increase from FY09 projections.
- **Audit and Legal:** Audit fees have also stabilized since the change in audit firms in FY08 and are budgeted at \$735k, relatively unchanged from FY09 projections. Direct legal fees are budgeted at \$678k for FY10, an increase of \$180k (36%) over FY09 projections.
- **UTIMCO Reserves:** UTIMCO staff projects UTIMCO's available cash reserves to be \$5.0 million at fiscal year-end 2009. We concur with UTIMCO staff in recommending that \$5.0 million in reserves be distributed back to the funds at this time.

II. Total Investment Costs

UTIMCO's Total Investment Costs include all items in the UTIMCO budget plus external management fees paid directly by the funds and netted from asset values.



Based on FY09 projections, the pie chart shows that UTIMCO Services and Direct Costs to Funds (i.e., UTIMCO's budget) represent only 12% of the \$324.5 million in Total Investment Costs. External Fees and Performance Fees that are netted from asset values for partnerships, hedge funds and mutual funds are not budgeted since they are not paid directly by the funds. These expenses for FY09 are projected to be 84% of total investment costs. Other Fees and Expenses (4% of total costs) include education, endowment compliance and investment oversight expenses.

Table 1 below shows the trend of Total Investment Costs as a percentage of average AUM from 1.01% in FY04 to 1.53% in FY09 (projected).

Table 1
Total Investment Costs Trend FY04-FY09 (\$ millions)

	FY04	FY05	FY06	FY07	FY08	Projected FY09
UTIMCO Services	8.6	10.2	11.3	12.1	13.9	15.4
Direct Costs to Funds	25.5	33.8	52.3	40.1	35.1	24.2
External Fees Netted from Asset Values	62.5	76.5	115.2	164.1	209.7	206.2
Performance Fees Netted from Asset Values	56.9	90.5	81.6	227.3	64.0	66.0
Miscellaneous Other Fees and Expenses	3.0	3.8	4.4	5.0	11.0	12.7
Total Investment Costs	156.6	214.8	264.7	448.4	333.6	324.5
Total % of Average Assets Under Management (AUM) *	1.01%	1.25%	1.37%	2.04%	1.43%	1.53%

* The FY09 value is based on average AUM at fiscal year-end 2008 and May 2009.

III. UTIMCO Budget Analysis and Trends

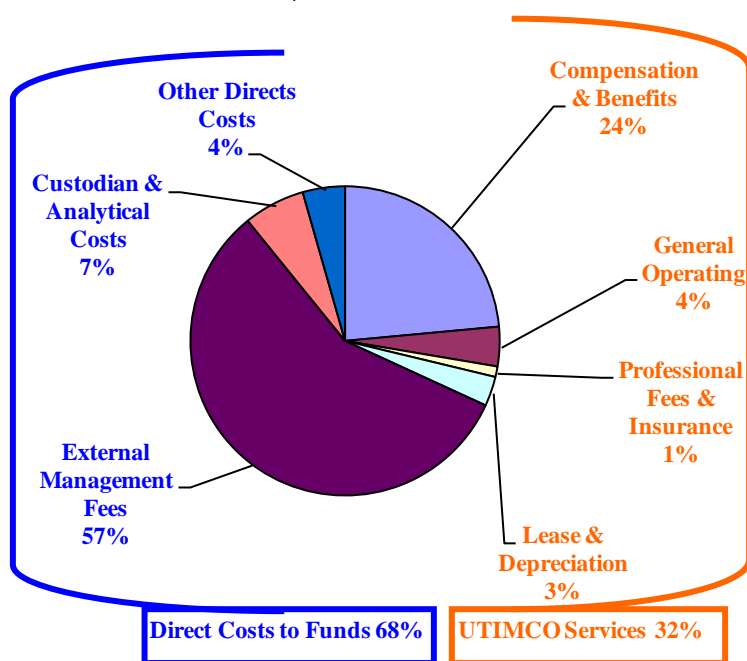
UTIMCO proposes a budget for FY10 of \$50.2 million. Table 2 shows the trend of UTIMCO budgeted costs (UTIMCO Services and Direct Costs to Funds) as a percent of average AUM since FY05, from 0.26% in FY05 to 0.24% in FY10 (budget).

Table 2
UTIMCO Budget Trends FY05-FY10 (\$ millions)

	FY05	FY06	FY07	FY08	Projected FY09	Budget FY10
Average Total Assets Under Management (AUM) *	17,245	19,372	21,965	23,359	21,190	21,190
% Change in AUM	11%	12%	13%	6%	-9%	0%
UTIMCO Services	10.2	11.3	12.1	13.9	15.4	16.0
% Change in UTIMCO Services	16%	11%	7%	15%	11%	4%
UTIMCO Services % of AUM	0.06%	0.06%	0.05%	0.06%	0.07%	0.08%
Direct Costs to Funds	33.8	52.3	40.1	35.1	24.2	34.2
% Change in Direct Costs to Funds	33%	55%	-23%	-12%	-31%	42%
Direct Costs to Funds % of AUM	0.20%	0.27%	0.18%	0.15%	0.11%	0.16%
Total Budgeted Costs	44.0	63.6	52.1	49.0	39.5	50.2
% Change in Total Budgeted Costs	28%	44%	-18%	-6%	-19%	27%
Total Budgeted Costs % of AUM	0.26%	0.33%	0.24%	0.21%	0.19%	0.24%

* The FY09 and FY10 values are based on average AUM at fiscal year-end 2008 and May 2009.

FY 2010 UTIMCO Budget Components
\$50.2 million



The pie chart to the left shows the breakdown of the UTIMCO budget. UTIMCO Services fees represent 32% of the total budget, with Compensation & Benefits being the largest component. Direct Costs to Funds include External Management Fees (including performance fees) paid directly, Custodian & Analytical Costs and Other Direct Costs. External Management Fees represents the largest component of the total budget at 57%. UTIMCO retains external managers for 85% of the \$19.2 billion in operating and endowment funds (as of May 31, 2009). UTIMCO staff manages the remaining 15% of assets and an internal derivatives portfolio.

Table 3 compares the UTIMCO budget for FY09 and FY10. Refer to Exhibits A and B for a detailed budget comparison and budget trend for FY05-FY10.

Table 3
UTIMCO FY09 Forecast and FY10 Budget Overview

	FY09				FY10			
	\$ Budget	\$ Projected	\$ Change vs FY09 Budget	% Change vs FY09 Budget	\$ Budget	\$ Change vs FY09 Projected	% Change vs FY09 Projected	% Change vs FY09 Budget
UTIMCO Services	16,543,709	15,385,395	(1,158,314)	-7.0%	15,977,125	591,730	3.8%	-3.4%
Direct Costs to Funds	50,244,829	24,152,815	(26,092,014)	-51.9%	34,184,174	10,031,359	41.5%	-32.0%
Total Budget	66,788,538	39,538,210	(27,250,328)	-40.8%	50,161,299	10,623,089	26.9%	-24.9%

FY09 Forecast versus FY09 Budget: UTIMCO staff projects FY09 costs will be \$39.5 million, \$27.3 million (41%) below the FY09 budget of \$66.8 million.

- UTIMCO Services corporate expenses are projected to be under budget by \$1.2 million (7%)
 - Salaries, largely driven by unfilled open positions, are expected to be \$534k under budget.
 - Travel expenses are projected to be significantly (\$410k or 51%) under budget as a result of UTIMCO putting in cost controls and making fewer new investments during the fiscal year.
 - Corporate legal expenses are expected to be significantly over budget, a result of additional legal work related to the legislative session and increased discussions about the Compensation Plan.
- Direct Costs to Funds overall are projected to be under budget by \$26.1 million (35%).
 - External management fees are estimated to be \$8.5 million (35%) under budget and performance fees are anticipated to be \$16.6 million (82%) under budget in FY09, primarily due to the negative investment performance experienced during the fiscal year.
 - Consultant Fees are projected to be \$383k (40%) below budget.
 - Legal fees are projected to be \$517k (51%) below budget due to fewer investments being made.
- Capital Expenditures are forecasted at \$244k, mainly for ongoing technology and software upgrades.

FY10 Proposed Budget: The proposed \$50.2 million UTIMCO budget for FY10 is 27% higher than FY09 projected expenses (25% lower than FY09 budget).

- UTIMCO Services for FY10 at \$16.0 million is an increase of 4% over FY09 projected costs, primarily due to increases in personnel-related costs and travel expenses.
- Direct Costs to Funds at \$34.2 million are budgeted to increase 42% over projected costs for FY09, mainly due to increases in external management and consultant fees.
- Capital Expenditures are budgeted at \$145k, primarily for ongoing technology and software upgrades.

IV. UTIMCO Services

For FY10, total personnel-related expenses including employee benefits account for 74% of the UTIMCO Services budget (24% of the total UTIMCO budget). Trends in staffing and total compensation in relation to assets are shown in Table 4 on the next page. Highlights from Table 4 include:

- Staffing has grown 7% (annualized) from FY05 to FY09, while average AUM has increased 5%.
- Staffing is projected at 57 employees for FY09 and budgeted at 60 employees for FY10.
- Average AUM per employee decreased 2% (annualized) from FY05 to FY09.
- Salaries are budgeted to increase 5% in FY10; bonuses increase 1%; and total compensation is budgeted to increase 3%.
- Total compensation has increased 12% (annualized) in aggregate since FY05.
- Total compensation per employee has increased 4% (annualized) since FY05 to \$173k in FY09.

Table 4
UTIMCO Compensation and Headcount FY05-FY10

	FY05	FY06	FY07	FY08	Projected FY09	% Change Since FY05 (annualized)	Budget FY10	% Change From FY09
Employees (as of year end)	43	46	47	58	57	7%	60	5%
Average Total AUM (millions)	17,245	19,372	21,965	23,359	21,190	5%	21,190	0%
Average AUM/Employee (millions)	401	421	467	403	372	-2%	353	-5%
Salaries and Wages	4,203,100	4,492,078	4,908,821	5,377,233	6,421,977	11%	6,722,802	5%
Bonus Compensation	2,094,447	2,164,963	2,082,700	3,016,393	3,451,346	13%	3,482,645	1%
Total Compensation	6,297,547	6,657,040	6,991,521	8,393,626	9,873,323	12%	10,205,447	3%
Total Compensation per Employee	146,455	144,718	148,756	144,718	173,216	4%	170,091	-2%
Bonus as % of Salaries and Wages	50%	48%	42%	56%	54%		52%	
Bonus as % of Total Compensation	33%	33%	30%	36%	35%		34%	

Staffing: In FY09 the budget was based on staffing of 63 employees; actual staffing is projected to be 57 employees at fiscal year-end 2009. The FY10 budget is based on filling certain open positions to bring staffing to 60 employees by fiscal year-end.

Personnel-related Expenses:

- **Salaries and Wages** are projected to be \$6.4 million, \$534k (8%) under budget, in FY09 because of unfilled positions and will increase to \$6.7 million in FY09. About two-thirds of the budgeted increase in salaries of \$301k (5%) reflects open positions; the remaining one-third is for salary increases and promotions for existing staff. Raises for existing staff (including promotions) represent a 1.5% overall salary increase.
- **Bonus Compensation** for FY09 based on performance year-to-date (including deferred bonuses earned in prior years and related income) is forecast at \$3.5 million, 3% under budget. The FY10 budget of \$3.5 million in bonus compensation is 1% higher than projected FY09 bonuses. The proposed FY10 bonus compensation budget is based on Compensation Plan participants earning 70% of the maximum incentive award. The FY10 budget also includes deferred bonuses earned by employees in prior years and funds for a discretionary bonus pool of up to 15% of salaries for employees who are not participants in the Compensation Plan. UTIMCO staff is recommending certain changes to the Compensation Plan that, if approved, will affect the budgeted bonus compensation for FY10 (e.g., thresholds for earning bonuses and the amount of bonus to be deferred).
- **Employee Benefits** are expected to be under budget in FY09 by \$178k (14%). Employee Benefits costs are budgeted to increase 4% to \$1.1 million in FY10, reflecting increased staffing.

General Operating Expenses are forecast to be 20% below budget for FY09 at \$1.8 million, mainly from a reduction in travel expenses due to UTIMCO putting in cost controls and making fewer new investments during the fiscal year. General operating expenses for FY10 are budgeted to increase 18% to \$2.1 million, primarily due to increases in travel, on-line data and contract services. Travel is budgeted at \$594k, an increase of 52% over FY09 projections. The increase in travel expenses reflects a more normalized level of investment due diligence by UTIMCO staff.

Lease Expenses: Table 5 shows that lease expenses have stabilized in recent years since UTIMCO's move in FY06 and addition of lease space in FY08. Operating Expenses (pass through expenses to tenants) have increased significantly in recent years due to rising utilities expenses and ad valorem taxes, and now exceed base rent.

Table 5
UTIMCO Lease Expenses

	FY05	FY06	FY07	FY08	Projected FY09	Budget FY10
Property Lease	362,010	613,560	462,722	499,823	518,373	518,373
Operating Expenses	171,789	83,294	362,755	515,296	515,848	530,000
Parking Expenses	62,362	77,342	94,805	100,007	94,571	95,000
Other Expenses	4,432	5,166	5,671	10,473	5,205	5,700
Amortization (Deferred Rent Credit)	0	(124,076)	(148,891)	(150,679)	(170,344)	(170,344)
Total Lease Expenses (net)	600,593	655,286	777,062	974,920	963,652	978,729

Professional Fees are expected to be \$432k in FY09, 67% higher than budgeted. Increased legal expenses and compensation consultant fees account for a majority of the variance due to the legislative session and increased discussions about the Compensation Plan. Professional Fees for FY10 are budgeted at \$300k, a decrease of 31%. A chart in the Direct Costs to Funds section of this report shows the trend for total legal expenses since FY05.

V. UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY07-FY10 is summarized in Table 6. In FY09, total capital expenditures are forecasted to be \$244k, mainly for ongoing technology and software upgrades. A budget of \$145k is proposed for FY10. The majority of the FY10 budget is for ongoing technology and software upgrades with the rest for ongoing office equipment and fixtures.

Table 6
UTIMCO Capital Expenditures

	FY07	FY08	Projected FY09	Budget FY10
Ongoing: Technology and Software Upgrades	71,271	139,860	224,103	127,000
Ongoing: Office Equipment and Fixtures	11,599	18,498	20,170	17,500
Expansion: Technology and Software Upgrades	0	7,490	0	0
Expansion: Office Equipment and Fixtures	0	152,864	0	0
Expansion: Leasehold Improvements (net)	0	166,453	0	0
Total Capital Expenditures (net)	82,870	485,165	244,273	144,500

VI. Direct Costs to Funds

Direct Costs to Funds for FY09 are projected at \$24.2 million or 52% below a budgeted \$50.2 million. The FY10 budget increases 42% to \$34.2 million from projected FY09 costs.

External Management and Performance Fees paid to external managers continue to remain the highest component of the overall budget. These fees, projected at \$19.2 million in FY09 (57% below budget) and budgeted at \$28.7 million, represent 84% of Direct Costs to Funds budget in FY10 and 57% of total UTIMCO budget. Although UTIMCO staff estimates external management and performance fees in detail using each manager's fee structure and current asset base, these fees are very difficult to forecast and budget due to the uncertainty of individual manager performance.

Custodian and Analytical Costs: Custodian fees for FY09 are projected at \$1.8 million, 7% over budget. The FY10 budgeted amount for these expenses will increase 9% over FY09 levels. Performance measurement expenses paid in FY09 are projected to be 13% below budget at \$439k and are budgeted to decrease 2% to \$429k in FY10.

Risk Measurement: Risk measurement expenses charged to the funds are expected to be 13% under budget at \$422k for FY09 and budgeted to increase 2% to \$432k in FY10.

Auditing expenses in FY09 of \$733k funded external auditors and U. T. System Audit Office fees. Audit expenses are budgeted at \$735k for FY10 nearly unchanged from FY09. Audit expenses have increased overall since FY08 due to a change in external auditors and additional time required to audit valuations of alternative investments.

Legal: The chart below shows the trend in UTIMCO Services (corporate) legal fees and direct legal expenses charged to the funds since FY05. Legal fees paid directly by the funds in FY09 are projected to be \$498k (51% under budget). Direct legal fees are budgeted for FY10 at \$678k, a 36% decrease, reflecting a more normalized level of new investments being made and associated legal review.

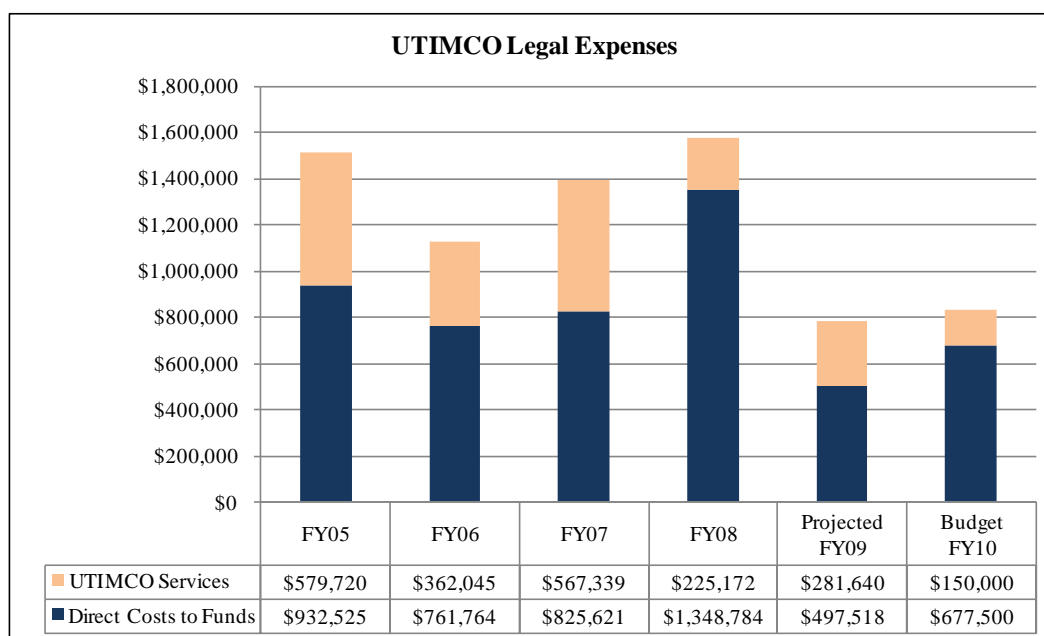


EXHIBIT B

UTIMCO Operating Expenses/Budgets FY05-FY10						
	FY05	FY06	FY07	FY08	FY09	FY10
	Actual	Actual	Actual	Actual	Projected	Budget
UTIMCO Services						
Salaries and Wages + Vacation	4,203,100	4,492,078	4,908,821	5,377,233	6,421,977	6,722,802
Bonus Compensation + Interest	2,094,447	2,164,963	2,082,700	3,016,393	3,451,346	3,482,645
Total Compensation	6,297,547	6,657,040	6,991,521	8,393,626	9,873,323	10,205,447
Total Payroll taxes	313,637	312,023	337,117	394,313	445,966	470,116
403(b) Contributions	304,359	327,724	329,083	404,671	476,754	493,704
Group Health, Dental, AD&D, Life, LTD	315,457	406,756	420,593	510,154	601,605	632,241
Employee Benefits	619,816	734,480	749,676	914,825	1,078,359	1,125,945
On-Line Data & Contract Services	677,346	811,883	840,578	851,499	936,440	1,020,493
Recruiting and Relocation Expenses	35,600	216,927	400,617	108,198	16,865	20,000
Travel	170,069	205,965	176,929	515,494	390,511	593,586
Phone Equipment and Charges	39,340	46,965	43,743	38,400	69,339	77,540
Computer & Office Supplies	68,431	143,372	67,733	140,512	89,091	81,960
Employee Education	21,814	13,728	16,817	20,311	24,316	29,263
Repairs/Maintenance	56,434	85,412	109,592	179,217	184,996	198,844
BOD Meetings	27,552	52,375	49,711	58,615	17,106	18,000
Other Operating Expenses	52,306	106,401	42,205	40,748	29,113	32,511
Total General Operating	1,148,892	1,683,029	1,747,924	1,952,993	1,757,776	2,072,196
Total Lease Expense	600,593	655,286	777,062	974,920	963,652	978,729
Invest., Hiring & Board Consultants	17,500	20,175	25,124	30,000	30,000	30,000
Legal Expenses	579,720	362,045	567,339	225,172	281,640	150,000
Compensation Consultant	33,650	95,920	13,100	146,455	78,900	77,500
Accounting fees	30,135	54,106	38,980	53,414	41,205	42,500
Total Professional Fees	661,005	532,246	644,542	455,041	431,745	300,000
Property/Liability Package	28,797	22,993	18,685	15,100	12,265	15,000
Umbrella Policy	6,720	5,500	5,500	4,977	4,454	4,500
Workers Compensation	17,419	13,109	20,132	17,315	14,319	15,000
Business Auto	469	756	779	811	836	850
Commercial Bonding Policy	28,849	27,752	40,900	39,785	39,114	35,000
Prof., D&O & Emp. Practices Liability	171,959	150,525	164,300	164,300	172,064	180,000
Total Insurance	254,213	220,634	250,295	242,288	243,052	250,350
Depreciation of Equipment	272,836	504,637	564,076	556,450	591,522	574,341
Total UTIMCO Services	10,168,539	11,299,376	12,062,213	13,884,456	15,385,395	15,977,125
Direct Costs to Funds						
External Management Fees	14,217,736	17,815,353	16,413,106	20,767,775	15,440,317	18,695,142
External Mgt. Fees-Performance Fees	14,898,389	29,648,938	18,010,650	8,087,324	3,715,734	10,052,352
External Management Fees	29,116,125	47,464,291	34,423,756	28,855,099	19,156,051	28,747,494
Custodian Fees and Other Direct Costs	1,506,759	1,634,942	1,531,924	1,771,313	1,847,677	2,008,927
Performance Measurement	487,976	484,660	453,612	459,962	439,317	429,374
Analytical Tools	284,050	338,630	644,597	370,497	339,651	348,178
Risk Measurement	267,500	276,000	372,990	491,986	422,083	432,000
Custodian and Analytical Costs	2,546,285	2,734,232	3,003,123	3,093,758	3,048,728	3,218,480
Consultant Fees	900,000	852,000	1,289,394	736,654	567,123	744,500
Auditing	158,309	177,944	204,550	829,938	733,097	735,000
Controls Assessment (Sarbanes-Oxley)	0	97,110	109,750	0	0	0
Printing	132,196	163,790	178,155	152,719	132,932	0
Legal Fees	932,525	761,764	825,621	1,348,784	497,518	677,500
Background Searches & Other	50,805	59,147	24,747	50,512	17,365	61,200
Other Direct Costs Total	2,173,835	2,111,755	2,632,217	3,118,607	1,948,035	2,218,200
Total Direct Costs to Funds	33,836,245	52,310,278	40,059,096	35,067,464	24,152,815	34,184,174
Total Costs	44,004,784	63,609,654	52,121,309	48,951,920	39,538,210	50,161,299

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2009

Projected Cash Reserves at August 31, 2009		
Cash		12,361,678
Prepaid Expenses		411,945
Less: Accounts Payable		(3,620,261)
(Includes bonuses & earnings payable)		
Expected Cash Reserves at August 31, 2009		<u>\$ 9,153,361</u>
FY10 Proposed Operating Budget	15,977,125	
Applicable Percentage	25%	3,994,281
FY10 Proposed Capital Expenditures	144,500	<u>144,500</u>
Required Cash Reserves at August 31, 2009		<u>\$ 4,138,781</u>
Balance Available for Distribution		\$ 5,014,580
Recommended Distribution		\$ 5,000,000

9. **U. T. System Board of Regents: Discussion of U. T. System Funds' Investment Strategy**

REPORT

Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of The University of Texas Investment Management Company (UTIMCO), will report on the investment strategy with respect to asset allocation, downside risk, liquidity (and unfunded commitments), leverage, and use of derivatives, including proposed changes to Delegation of Authority, Liquidity Policy, and the Derivatives Policy.