

Meeting No. 1,142

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

Pages 1 - 342

November 4-5, 2015

Austin, Texas

TABLE OF CONTENTS
THE MINUTES OF THE BOARD OF REGENTS
OF
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MEETING NO. 1,142

	<u>Page No.</u>
<u>November 4, 2015</u>	
I. ATTENDANCE	1
II. AGENDA ITEMS	1
1. U. T. System: Annual Meeting with Officers of the U. T. System Employee Advisory Council	1
III. RECESS TO EXECUTIVE SESSION	3
IV. RECONVENE IN OPEN SESSION	3
U. T. System: Approval to purchase approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard	3
V. RECESS	3
<u>November 5, 2015</u>	
VI. ATTENDANCE	4
VII. AGENDA ITEMS	4
2. U. T. System Board of Regents: Approval of Consent Agenda	4
3. U. T. System: Presentation of Chancellor William H. McRaven’s Strategic Vision and Mission for The University of Texas System	6
4. U. T. System Board of Regents: Authorization for the Chancellor to submit Report Concerning Designated Tuition	133

5.	U. T. System Board of Regents: Amendment of Regents' <i>Rules and Regulations</i> , Rule 10101 (Board Authority and Duties) to add a new Section 3.6 to reference new State law requirements for Board member training	133
6.	U. T. System Board of Regents: Revision of Regents' <i>Rules and Regulations</i> , Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships to add language required by new State law	134
VIII.	STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD	135
A.	REPORT OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE	136
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	136
2.	U. T. System: Report on the external assessment of the U. T. Systemwide Compliance Program (Committee Meeting Only)	136
3.	U. T. System: Annual Report on the Information Security Compliance Program (Committee Meeting Only)	136
4.	U. T. System: Report on the Systemwide internal audit activities, including the FY 2015 Annual Report (Committee Meeting Only)	136
B.	REPORT AND RECOMMENDATIONS OF THE FINANCE AND PLANNING COMMITTEE	137
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	137
2.	U. T. System: Key Financial Indicators Report and Monthly Financial Report (Committee Meeting Only)	137
3.	U. T. System: Approval of an internal lending program	137
4.	U. T. System Board of Regents: Report on activities of the University Lands Advisory Board (Committee Meeting Only)	139

5.	U. T. System: Approval of a Fiscal Year 2016 University Lands operating budget including delegation of authority to enter into a \$3.44 million contract with the Texas Energy Research, Engineering, and Education Institute (EREEL)	139
6.	U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the year and quarter ended August 31, 2015	141
7.	U. T. System Board of Regents: Approval of amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, the Separately Invested Fund, the Liquidity Policy, and the Derivative Investment Policy	147
8.	U. T. System Board of Regents: Approval of the Annual Budget for FY 2016, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)	215
9.	U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program	218
C.	REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE	257
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	257
2.	U. T. System Board of Regents: Approval to create the School of Pharmacy at U. T. El Paso and amendment of the Regents' <i>Rules and Regulations</i> , Rule 40601, Section 1.7 to include the School of Pharmacy	257
3.	U. T. El Paso: Approval to establish a Doctor of Pharmacy degree program	258

4.	U. T. Rio Grande Valley: Approval of provisional Mission Statement	262
D.	REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE	263
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	263
2.	U. T. Health Science Center - San Antonio: Approval to retain the Master of Science in Immunology and Infection degree program	263
3.	U. T. Health Science Center - San Antonio: Approval to establish a Doctorate of Occupational Therapy degree program in the School of Health Professions	265
4.	U. T. Health Science Center - Houston: Approval of change in tuition and fee rates for out-of-state students in the School of Biomedical Informatics online Master of Science degree program in Health Informatics	270
5.	U. T. System: Report and appropriate action on telemedicine across Texas (Committee Meeting Only)	271
E.	REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE	272
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	272
2.	U. T. System: Discussion on the Hybrid Project Delivery Initiative (Committee Meeting Only)	272
3.	U. T. System: Approval of delegation of authority to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects identified for hybrid delivery	272
4.	U. T. Austin: East Campus Parking Garage - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)	272

5.	U. T. M. D. Anderson Cancer Center: Alkek Expansion - Renovations to Existing Facility - Amendment of the FY 2016-2021 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)	274
F.	REPORT OF THE TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE	276
1.	U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration	276
2.	U. T. System: Report and discussion on the progress of the U. T. Horizon Fund (Committee Meeting Only)	276
IX.	APPROVAL OF STANDING COMMITTEE RECOMMENDATIONS	277
X.	RECESS TO EXECUTIVE SESSION	277
XI.	RECONVENE IN OPEN SESSION	277
1a.	U. T. Medical Branch - Galveston: Approval of increase in compensation for Donna K. Sollenberger, Executive Vice President and Chief Executive Officer, Health System (Regents' <i>Rules and Regulations</i> , Rule 20204, regarding compensation for highly compensated employees)	277
1b.	U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees	277
2a.	U. T. Dallas: Approval of proposed negotiated gifts with potential naming features	278
2b.	U. T. Rio Grande Valley: Approval of proposed negotiated gifts with potential naming features	278
2c.	U. T. San Antonio: Approval of proposed negotiated gifts with potential naming features	278

2d.	U. T. Medical Branch - Galveston: Approval of proposed negotiated gifts with potential naming features	278
3a.	U. T. Southwestern Medical Center: Discussion and appropriate action to lease and purchase from Hammes Company, a built-to-suit medical office building and ambulatory surgical center with approximately 250,000 square feet of space on the east side of Dallas North Tollway and north of Lebanon Road, Frisco, Collin County, Texas, for clinical use (Deferred)	278
3b.	U. T. System: Discussion and appropriate action regarding proposed purchase of approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard	279
4a.	U. T. System Board of Regents: Discussion with Counsel on pending legal issues	279
4b.	U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning purchasing and procurement, including implementation of Senate Bill 20	279
4c.	U. T. System Board of Regents: Discussion and appropriate action concerning legal issues related to litigation styled <i>Hall v. McRaven</i>	279
XII.	AGENDA ITEMS (continued)	279
7.	U. T. System Board of Regents: Report and discussion regarding purchasing and procurement policies, including implementation of Senate Bill 20	279
8.	U. T. System Board of Regents: Amendment of Regents' <i>Rules and Regulations</i> , Rule 20901, regarding Procurement of Certain Goods and Services, to add a new Section 1 (Contract Management Handbook) to incorporate new State law requirements	282
XIII.	SCHEDULED MEETING	283
XIV.	ADJOURNMENT	283

MEETING NO. 1,142

WEDNESDAY, NOVEMBER 4, 2015.--The members of the Board of Regents of The University of Texas System convened in Standing Committee meetings on Wednesday, November 4, 2015, from 9:02 a.m. - 2:07 p.m. in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with participation as more specifically referenced in the Committee Minutes.

CONVENE THE BOARD IN OPEN SESSION.--At 2:20 p.m., in accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting of the Board to order in open session with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Cranberg
Regent Hall
Regent Pejovich
Regent Tucker
Regent Drake, Student Regent, nonvoting

AGENDA ITEMS

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

Associate Vice Chancellor Stewart introduced the following officers of The University of Texas System Employee Advisory Council (EAC) who discussed the Council's activities from the past year:

Chair 2015: Ms. Kimberly Coleman, The University of Texas Southwestern Medical Center

Vice Chair and Chair for Fiscal Year 2016: Mr. Ryan Baldwin, The University of Texas at Austin

Secretary: Ms. Karla Crabtree, The University of Texas Health Science Center at Houston

Historian: Mr. Philip Abraham, The University of Texas M. D. Anderson Cancer Center

The EAC was established in August 2000 to provide a vehicle for communication and to facilitate the flow of ideas and information between and among the Board of Regents, U. T. System Administration, and the institutions. The EAC functions to define, analyze, and make recommendations on employee issues to the Board through the Chancellor.

EAC officers presented the following recommendations:

Recommendation No. 1: Employee Enrichment and Return on Investment: Satisfaction, Retention, and Productivity

Review the feasibility of implementing on-demand online learning services in a shared project platform, using the size of the U. T. System to get the best training program at the lowest cost.

Regent Tucker asked what courses were most needed, suggesting that if there were one, two, or three courses most in demand, they could be offered as a pilot project. Secretary Crabtree spoke about demand for training in MicroSoft Office, and Chair Coleman said areas such as leadership, professionalism, and accounting are popular training modules at U. T. Southwestern.

Recommendation No. 2: Employee Wellness

Support and promote wellness activities across the U. T. System.

Recommendation No. 3: Education and Training Process for all Employees regarding Senate Bill 11 and Campus Safety

Associate Vice Chancellor Stewart commented that occasionally a subject arises that needs to be addressed by the EAC since it can affect employees Systemwide. He asked incoming Chair Baldwin to present an additional recommendation related to campus safety. Mr. Baldwin spoke of recent legislation on campus carry enacted by the 84th Legislative Session. He clarified that the EAC is not making a statement for or against Senate Bill 11 (relating to the carrying of handguns on campuses of and associated with institutions of higher education), but is recommending the need for a universal education and training process for all employees to alleviate the fears and misconceptions that are occurring on campuses.

Chancellor McRaven remarked on the good recommendations, and said he will work to make them happen.

RECESS TO EXECUTIVE SESSION.--At 2:38 p.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Section 551.072 to consider the matter listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--The Board reconvened in Open Session at 3:28 p.m. to consider action on the Executive Session item as follows.

U. T. System: Approval to purchase approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard

An additional item related to a proposed purchase of approximately 332 acres of land in Houston, Harris County, Texas, was posted with the Secretary of State for discussion in Executive Session.

Vice Chairman Hicks moved that the Board take the following actions on behalf of The University of Texas System Administration:

- a. authorize the purchase of approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard, for a price not to exceed fair market value as determined by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of one or more tracts as deemed necessary or advisable by the Executive Director of Real Estate, for future programmed development and campus expansion;
- b. appropriate Permanent University Fund Debt Proceeds to fund the purchase price, including any costs prior to the issuance of such debt; and
- c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing actions within the parameters outlined in the Executive Session.

The motion was duly seconded and carried unanimously, with Chairman Foster abstaining from vote.

RECESS.--At 3:33 p.m., the Board recessed to reconvene on November 5, 2015.

THURSDAY, NOVEMBER 5, 2015.--The members of the Board of Regents of The University of Texas System reconvened at 8:38 a.m. on Thursday, November 5, 2015, in the Board Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Foster
Vice Chairman Hicks
Vice Chairman Hildebrand
Regent Aliseda
Regent Beck
Regent Cranberg
Regent Hall
Regent Pejovich
Regent Tucker
Regent Drake, Student Regent, nonvoting

In accordance with a notice being duly posted with the Secretary of State and there being a quorum present, Chairman Foster called the meeting to order in open session.

AGENDA ITEMS

2. U. T. System Board of Regents: Approval of Consent Agenda items

Chairman Foster noted the following related to the Consent Agenda:

- Approval of the Minutes in Item 1 is for August 19-20, September 24, and October 2, 2015.
- Item 2 is the proposed appointment of Regent Beck to The University of Texas Investment Management Company (UTIMCO) Audit and Ethics Committee. Regent Beck will abstain from the vote on this item.
- Item 20 requests changes to The University of Texas at Arlington Admissions criteria.
- For Item 28, the Board is asked to make a finding of public purpose on the lease of space by The University of Texas at Austin to the U.S. Postal Service.

- For Item 48, which pertains to a lease extension for The University of Texas Southwestern Medical Center, note that the total lease income amount has been revised to decrease by \$16,829.
- Item 53 proposes establishment of an infectious disease emergency preparedness facility that will qualify to receive a designation as a National Ebola Treatment Facility at The University of Texas Medical Branch at Galveston.
- Item 57 concerns funding of approximately \$1 billion from the Texas Department of Criminal Justice (TDCJ) for correctional health care at U. T. Medical Branch - Galveston.
- Item 67 relates to a \$40 million contract between U. T. Medical Branch - Galveston and General Electric (GE) for maintenance and repair services on GE diagnostic imaging equipment. Vice Chairmen Hicks and Hildebrand and Regent Beck have holdings in GE and will abstain from discussion and vote on this matter.
- An additional Consent Agenda Item was sent to members of the Board and posted with the Secretary of State to amend the employment contract with Dr. Jeffrey Spath, Chief Executive Director for The University of Texas System Texas Energy Research, Engineering, and Education Institute (EREI), to provide a one-time relocation payment.

In approving the Consent Agenda, the Board is also asked to make a finding, as required by State law, that this proposed amendment is in the best interest of the U. T. System. Appropriate advance notice was provided to the Legislative Budget Board.

The Board then approved the Consent Agenda, which is set forth on Pages 284 - 342.

In approving the Consent Agenda, the Board expressly authorized that any contracts or other documents or instruments approved therein may be executed by the appropriate officials of the respective U. T. System institution involved.

Beginning with this meeting, a revision to the handling of the Board's Consent Agenda was implemented to assign each Consent Agenda Item to an appropriate Board Standing Committee for initial review.

3. U. T. System: Presentation of Chancellor William H. McRaven's Strategic Vision and Mission for The University of Texas System

Chancellor McRaven presented his strategic vision and mission for The University of Texas System 2015-2020. His remarks, as prepared, are set forth on Pages 7 - 29. His presentation, Leading in a Complex World, a Strategic Approach, 2015-2020, is also set forth on Pages 30 - 132.

Chancellor McRaven outlined eight Quantum Leaps for the U. T. System as follows:

1. Texas Prospect Initiative
2. The American Leadership Program
3. Winning the Talent War
4. Enhancing Fairness and Opportunity
5. The U. T. Health Care Enterprise
6. Leading the Brain Health Revolution
7. The U. T. Network for National Security
8. U. T. System Expansion in Houston

Slide 5 on Page 34 included his new draft Mission Statement for the U. T. System as follows:

Mission Statement for the U. T. System

The mission of The University of Texas System is to improve the human condition in Texas, our nation and our world.

The System will use its size, diversity, and quality to advance education, push the bounds of discovery, enhance population health, build stronger communities, and shape public policy for the common good.

Producing high quality human capital with a sense of service and the ability to lead, we will pursue solutions to the problems of our state, our nation and our world. We are a state university system with global impact.

Chancellor McRaven received a standing ovation.

Break.--The Board recessed from 9:27 a.m. to 9:59 a.m.



Chancellor William H. McRaven's Remarks to the Board of Regents,
Nov. 5, 2015
(As prepared)

Thank you Chairman Foster.

Over a year ago, this Board took a gamble and hired me to lead the University of Texas System even though I had no experience in higher education, research or clinical care.

But I think you hired me because for the previous 37 years I have been leading men and women under some of the most challenging conditions in the world.

And, for most of the past 14 years, I have run large and exceptionally complex organizations fighting against a very determined global threat.

What that experience has taught me will—I believe—be of great benefit to the UT System.

First, I learned that today's environment is changing at an incredibly rapid pace. Unlike any time in our history the rate of change is no longer linear—it is exponential.

The enemy I faced in Iraq, Afghanistan, Africa, Asia and across the world adapted quickly to our methods of warfare.

Using technology, social media and global transportation, they presented tactical and operational problems that today's special operations forces had never seen before.

Consequently, my organizations had to adapt to a rapidly changing threat. We had to build a flat chain of command that empowered the leaders below us.

We had to reduce our own bureaucracy so we could make timely decisions.

We had to constantly communicate so everyone understood the commander's intent and the strategic direction in which we were heading.

We had to collaborate in way that had never been done in the history of special operations warfare.

As my old boss General Stan McChrystal has written, we had to build a “Team of Teams” so all of our organizations could derive strength from each other and could work together to be successful.

We had to break away from the hierarchical structure—the command structure—that had defined the American military for hundreds of years.

This concept of a “team of teams”—of a formal and informal network of subject matter experts bound together by a common mission, using technology to partner in ways that seemed inconceivable just years before, brought together through operational incentives, bottom up desire and top down support to solve the most complex problems facing our nation—was probably the single most valuable organizational change in the history of the modern military.

We used our size, our talent and our operational diversity to achieve an unparalleled level of collaboration.

The SEALs were working with the Army Special Forces. The Special Forces were working with the conventional infantry.

The infantry was working with the Naval aviators. The pilots and crews were working with the logisticians.

We were all working with the intelligence and law enforcement communities and the locals on the ground.

And every day we would talk. We would look at a problem, and we were finding solutions at a speed unheard of in the past.

We often looked at our networks as a reflection of Metcalfe’s Law.

Developed by Robert Metcalfe, the law demonstrates how the addition of one single node in a telecommunication network increases the power of that network—not by a factor of one—but each node increases the effect exponentially.

While the law was designed for telecommunications, we found that it applied equally well to human networks—as long as the additional person relayed as much information as they received.

In other words, you had to contribute your ideas—not just listen.

Interestingly enough, I assumed Robert Metcalfe was a historical figure who had likely passed away a hundred years ago—only to find out that Bob Metcalfe is alive and well and working at UT Austin.

But, in addition to using our size, our talent and our diversity to collaborate on difficult issues, we also learned that you had to prioritize your objectives so you didn't waste effort on inconsequential goals.

We had to apply our resources to those priorities and we had to cut away where we were not effective.

We had to constantly innovate to get ahead of the problem. And we had to be sure we never lost sight of our mission and our objectives.

With all this in mind, over the past 10 months we have begun to set the conditions for our future success.

We established direct lines of reporting from the Presidents to the Chancellor so that executive decisions and problems could move rapidly from the campus to the Chancellor—thereby flattening the organization.

We established a Deputy Chancellor position to act as the Chief Operating Officer. He will facilitate the daily actions necessary to run the System effectively.

We now have structured weekly video conferences between the Presidents and my staff as well as numerous other expanded means of collaborating.

We are conducting an extensive review of the UT System policies and the Regents Rules in order to reduce the bureaucracy that stands in the way of agile decision-making.

For the past six months we have been engaged with the campuses in one of the most significant organizational reviews in the history of the System.

Our goal is to ensure that the core competencies of System Administration are properly supporting the campuses we serve.

We have completed an extensive review of our System compliance structure to ensure we can properly execute our oversight responsibilities.

As we prepare to open two new medical schools, we have recognized the changing dynamics between health care and academia and consequently we are building internal management bridges to ensure easy transitions.

We have developed a Central Bank concept to leverage our size in the financial market to get the best and most stable rates for capital investment.

And we are changing the way we do construction management to apply more private sector practices to ensure we get the best rate and the best quality in the best time.

But in order to continue to advance this System and its magnificent academic and health institutions, we must take some bold steps forward while never losing sight of the great work that went before us.

So today, I come prepared to show you how the UT System will use our size, our talent and our diversity to solve the difficult problems that face us.

How a rigorous and disciplined process will help us prioritize our efforts.

How a system of communications and collaboration will drive change, and how the bold steps we intend to take will catapult us into the forefront of higher education, research and health care.

This will be the format I'll cover:

I'll begin with our draft mission statement—one we believe captures the essence of what a great university system should provide the people it serves.

From there I will discuss the Operating Concept—this is HOW we will function as a system in order to achieve our goals.

The Decision Process will provide the details of the HOW—the details of the disciplined approach to our daily, weekly, monthly collaboration—which is absolutely necessary to achieve our goals.

Then we will look at our strategic assessment—both the history and the trend lines that will help guide us toward our future goals.

Finally, based on what we learned from the strategic assessment and what we know from my predecessors' efforts, I will outline some bold initiatives.

Some “Quantum Leaps” in our ability to provide the citizens of Texas the very best in higher education, research and health care.

“Quantum Leaps” that will make us the envy of every system in the Nation.

This draft mission statement reflects what I believe is critical for any state institution of higher learning.

The mission statement clearly recognizes that our responsibility goes well beyond just higher education, research and health care.

We have an obligation to improve all aspects of the lives of our citizens—not just their knowledge base and their health needs, but the impact they have on their families, their communities and our nation.

We have an obligation to search and find answers to *every* question that confronts and confounds our society.

We have an obligation first and foremost to the State of Texas—but in meeting that obligation, we will affect the people of the world.

That is what great university systems do.

The next series of slides will outline our Operating Concept—this is the overarching framework in which the System will conduct its work.

First we will always strive to ensure we are world leaders in our three main areas of focus—education, research and health care.

You will notice a common theme throughout today’s briefing and that is our need to be collaborative—to have this mutually supporting system—where each institution helps reinforce the quality of the other institutions.

At System Administration, here in Austin, my staff and I will provide the strategic direction, oversight and certain core functions necessary to assist each individual institution.

But, equally important, is that we will give the individual institutions the maximum latitude to accomplish their missions.

In this regard, I view myself as a servant leader, helping the institutions achieve their goals.

Collectively—it’s an important word—once again, it denotes collaboration—collectively we will tackle the problems that impede success.

We will accomplish these tasks through a rigorous and disciplined staffing mechanism.

We will identify game-changing ideas and put the resources and talent against those problems and then aggressively pursue solutions—together.

These ideas will be prioritized, funded and then brought to fruition through a deliberate and aggressive process of engagement.

We will be known as a system that produces leaders.

From anthropologists to zoologists—from physicists to business men and women—we will develop citizen-leaders who can contribute in every field of endeavor.

And finally and most importantly—our responsibility is to the State of Texas and the great people we serve.

Now I want to talk about the specific process that we will use to accomplish many of these tasks. It's not as sexy as grand and glorious ideas—but it is essential to achieve our goals.

One of the first things you learn in the military is how to develop and implement a plan.

Every mission requires a detailed plan so you can ensure you have the right resources.

So that you understand the barriers to success.

So that you can measure your progress and so you can communicate with others on the team to ensure everyone is moving in the same direction.

So how does it work? Let me take you through it.

So let's say there is a major initiative that is identified by the academic campuses, or the health institutions, or by the regents, or the System.

We will quickly establish an integrated planning team made up of people from System as well as the campus and we will develop a preliminary action plan related to the issue.

That plan will be briefed to a steering committee, made up of the deputy chancellor, the executive vice chancellors, provosts (and other campus reps as needed), for their review and recommendations.

From there, the idea gets turned into a well defined—let me say that again—a well-defined plan of action and milestones from our strategic and operations team.

After that, it comes to the Chancellor's Roundtable, made up of the institution presidents and me.

We decide yes or no. If the idea gets the green light, but needs resources, we then go to the Regents with a request.

If the Regents provide the resources, I then direct the responsible institution or party to execute the plan.

Now while this is going on, we have a very robust and disciplined rhythm of communications going on at all times.

I have an alternating video teleconference with the presidents every week—academic presidents one week, health institution presidents the next.

Twice a month we have task tracker meetings, to make sure all the projects we're working on are progressing.

I've also, as you know, beefed up my communications with the Regents in a variety of ways.

And finally, all of this, of course, takes place in the context of the legislative cycle.

So at the end of the day, what we have is a disciplined, collaborative process that yields clear priorities, resource and budget alignment, metrics that make sure things stay on track, and a leadership team that is held accountable for execution.

And, very importantly, we have a Chief Operating Officer, in David Daniel, who is going to be running this process day in and day out.

I am confident that—just as it did during my time in the military—the process I laid out is going to help us tackle the complex challenges that will confront us now and in the future.

But I knew coming in that the first thing I needed was a firm grasp of what those current and future challenges are.

Consequently, I commissioned an internal Strategic Assessment, so my vision and plans would be informed by an understanding of the terrain—both as it exists today and as we think it will exist five, ten, twenty years from now.

At the same time, I knew that before we looked ahead, we had to look back.

I don't ever want to lose sight of the fact that as Chancellor of the UT System, I am standing on the shoulders of the great visionaries who came before me.

Chancellors Mark, Cunningham, Burck, Yudof, Shine, and Cigarroa all left their marks.

And they all left their own strategic plans. It would have been foolish of me not to take advantage of their wisdom and expertise.

So as we launch ourselves into the future, we do so—with gratitude and humility—informed and inspired by the great thinkers, and doers, who came before us.

We set out to understand our role as a public university system, our environment, and the impact of the environment on our role.

Under the leadership of Tony Cucolo, a retired two star general in the Army and our new Associate Vice Chancellor for Leadership and Veterans Affairs, we pulled together a Strategic Assessment Team, which gathered and analyzed volumes and volumes of data.

Tony and his team interviewed experts at the Texas Higher Education Coordinating Board, Texas Education Agency and other relevant agencies.

They also spoke with every President and Provost across the UT System.

The work done by the Strategic Assessment Team—combined, again, with the wisdom and insights we carry forward from previous chancellors—has given us a deep understanding of our environment.

Bearing in mind the wisdom of Casey Stengel, who said “never make predictions, especially about the future...”

The trends we have identified have sharpened our focus on where we think we ought to be concentrating our efforts and resources for maximum impact.

So, what is the environment telling us?

The number one thing it's telling us is that the world isn't just changing fast; the rate of change is accelerating rapidly.

Economic interdependence, globalization, urbanization, economic disparity, trends that have been with us for decades are now picking up speed.

The ways we consume and share information, the ways we organize and interact with one another—all these things are changing.

Our concept of diversity is changing. Gender equity is changing.

The point is not that we should chase, or even try to get out in front of all trends.

To the extent we can see around the next corner, that will certainly help.

But, the bigger point is, given the accelerating rate of change we're seeing, we need to build an organization—a System—that is nimble and agile, that can move and change as fast as the world around us.

But we need to do this in a way that honors and is true to the core principles and common threads laid out by all the chancellors who came before me.

Let me spend a couple minutes on what we learned about how our state is doing.

First of all, no surprise here, Texas is growing fast—so fast that in twenty years we're expected to be about half again as big as we are today.

That's 13 million more Texans, many of them wanting a college education; all of them needing health care.

Our fastest-growing group is going to be our seniors, who we think will more than double by 2035.

Obviously, having twice as many folks who are over 65 will drive massive change in the health care arena.

Texans between 25 and 44 years old are going to be growing fast as well.

This group is going to be under pressure, not just to get a degree, but also to stay nimble, in body and mind, if they want to keep up with the ever-changing demands of the marketplace.

Now let's take a look at the younger population.

While the rate of growth is not quite as high, it's interesting and important to note that unlike other large states, our 15 to 19 year old population is growing.

Which means the demand, and the need, for higher education is only going to go up.

As you probably know, Texas is already a minority-majority state. And in twenty years, non-Anglos will represent over 70% of our fellow Texans.

Turning to the economy, it's no secret that over the last decade, the Texas economy has been the envy of the nation.

As you can see, our job growth over the past nine years has dwarfed our nearest rivals.

And even with recent struggles in the oil patch, the employment picture remains good, owing to the diversity of our state's economy.

Unlike twenty years ago, no one sector can sink us today.

Contributing to the economic health of the state is the steady stream of degreed men and women we send out into the workforce.

As we all know, higher education is not only a boon to the macro-economy; it is the absolute key to economic mobility, in Texas and throughout the nation.

The difference in expected lifetime earnings between someone with a bachelor's degree or higher and someone with just a high school diploma, is profound.

The stakes could not be higher.

Yet economic disparity is on the rise

Let's look at what likely awaits those who don't get a degree.

Economic disparity is nothing new, but like so many of today's trends, it is accelerating.

The numbers here are backward-looking, of course, but it seems reasonable to expect that, absent any change, the gap between those with and without degrees is only going to get wider.

Economic disparity, here and everywhere, is directly related to education.

The earnings gap is widening.

High school-only graduates are twice as likely to be unemployed.

The Texas Workforce Commission tells us the strongest job growth is at higher education levels.

And in fact, more and more entry-level jobs actually require a master's degree.

So the glass-half-empty view is: we've got a whole lot of Texans who, if they don't get a degree, are going to remain stuck in the lower rungs of the socioeconomic ladder.

But I prefer to focus on the opportunity in front of us.

The UT System, more than any other institution, has the capability, over the next ten years, to make a profound difference, to change the economic trajectory of millions of our fellow Texans, and for the state as a whole.

But we have a lot of work to do first. And I'll talk about that.

But first, let's shift gears and look at what the Strategic Assessment told us about the health of our state.

Suffice it to say we've got big challenges. And, again, big opportunities.

As you see here, six of the seven leading causes of death in Texas are chronic, largely preventable, diseases.

That's a fancy way of saying we have a lot of Texans, who could be living a lot longer, dying on our watch.

That ought to bother everybody in this room.

Part of the problem is we are an enormous state with not nearly enough doctors.

The doctors we produce tend to stay in Texas, and yet, as you can see, we are near the bottom of the nation when it comes to physicians per capita.

To rank 42nd in the nation in per capita physicians doesn't bode well for the health of our growing population.

And as you can see, at 47th we're practically at the bottom when it comes to primary care doctors per capita.

We also have a shortage of residency slots.

And as concerning as the per-capita numbers are, they actually understate the problem many parts of our state are facing.

The physicians of Texas are predominantly concentrated around large metropolitan areas.

So much so that today, 57% of our physicians practice in just five of our 254 counties.

I find these next couple of numbers to be stunning.

115 Texas counties have five or fewer practicing physicians.

And some counties have no OB/GYNs.

But I should note, it's not just doctors.

Texas is also in serious need of dentists, nurses, pharmacists, and physical therapists as well.

Our large and growing Hispanic population is woefully under-represented in the medical profession in Texas. The physician numbers here are just one example.

Again, seeing the glass half full, I know the opportunity to address this discrepancy is part of why we are all so excited about the new medical school opening next year at UT Rio Grande Valley.

Which is just one of many examples of the chancellors before me—in this case Francisco Cigarroa—understanding where Texas was headed and putting resources and effort where they could make the biggest difference.

So, a quick summary of what the environment is telling us:

Texas is growing fast. The economy is, especially relative to other states, in good shape.

But the rising tide is not lifting all boats. The gap between those at the top and those at the bottom continues to widen. And of course, where somebody falls on that spectrum is strongly correlated to their level of education.

At the same time, it's fair to say that our economic health is outpacing our physical health.

We have too many people dying of diseases that could have been prevented.

And that's a problem that's going to be hard to solve until we get a lot more medical professionals, and more, in particular, in the remote parts of our state where they are desperately needed.

The good news about those elements in red: We can do something about them. And we will.

Before I get to the elements and initiatives that are new, I want to make an important point.

We already have this great Framework for Advancing Excellence, authored by my friend and predecessor Francisco Cigarroa.

These are the nine points of the Framework.

I want everyone to understand that the fact that we are rolling out new initiatives does not mean we are taking our eyes off the ball when it comes to any of these points.

Just the opposite, in fact. My intent is to use the operating concept and the disciplined staffing process to enable us to accelerate progress in these areas.

Let me just mention some of these programs that I know are important to you.

How about Undergraduate Student Access and Success?

Well, everyone in this room knows we have an urgent need to improve our graduation rates, across the board.

The reasons our rates are low are well understood, so I have told the presidents that the time to explain the problem has passed.

It is now time to fix the problem. They are accountable to me, and I am accountable to the Board of Regents. So you can expect to see increased urgency, and increased activity on this front.

Research is and will remain an absolutely fundamental part of who we are at the UT System.

We currently rank second nationally among university systems in federal research spending, and third in industry-sponsored research spending.

Our offices of technology commercialization, on average, file a new patent every two days and launch a new company every nine days.

All across Texas, our researchers are contributing to discoveries that are going to enable us to live longer, healthier, more productive lives than ever before.

And that's to be celebrated. But, you can never rest on your laurels.

Research funding is always at a premium and we must continue to demonstrate that within the UT system we have the finest researchers in the world and both state and federal dollars will be well invested in UT.

With the rapid change in technology, we must stay ahead of the curve if we expect to be agile and effective in today's digital world.

I already mentioned UTRGV, and while I've said it before, I think it bears repeating here that the imminent launch of a new university with a medical school on the southern tip of the United States was the single biggest thing that attracted me to the UT System.

I've been down to the Valley more than any other region, and every time I leave, I can't wait to return.

Even more so, I can't wait to see the transformative effect we are going to have on one of my favorite places in the world.

So you can rest assured, there will be no loss of focus there.

My point is, all of the elements of the framework are still important. So don't think for a second we're going to forget about any of them.

And of course, all around the UT System, great things are happening.

From Public Health to the Performing Arts, Psychology to Cyber Security, Literature to Law, whether we're fighting cancer or unlocking the mysteries of the universe—we lead the state and the world in so many areas of research, education and health care.

But any organization that fails to adapt to the changing environment—will not serve its citizens well.

We must adapt.

Again, my experience in the military may have some value for today's higher education and health care institutions.

In the days of the cold war, the military used a very hierarchical structure—it was a rigid command relationship.

The orders came from the top down and people did as they were told.

If the UT System were to lead in that fashion, little would get done in today's environment because command from the top doesn't engender creativity, boldness or teamwork.

After the fall of the Soviet Union, the military began to understand the value of building tactical and operational teams that were more agile and maneuverable across a dynamic battlefield.

Unfortunately, thousands of years of military tradition made it hard to let go of command from on high.

This command of teams structure was better but still limited collaboration, creativity and agility in the organization.

The terrible tragedy of 9/11 and the ensuing conflict against an unconventional enemy showed us that we needed to adapt again.

On the battlefields of Iraq and Afghanistan, we needed to rely on the intellect, creativity and boldness of every soldier in our service. The threat was dispersed, complex, local, regional and global.

To be effective, we had to force relentless engagement, communication, and collaboration. There was no opting in or out, you were either a zealot or a martyr.

We had to force collaboration until it became muscle memory.

It didn't happen organically. But eventually, people got it. They bought in and as a result we became more nimble, more agile.

We had to build a Team of Teams that would tap into all the expertise we had across the special operations community, the conventional force, our civilian agencies and our allies.

Through this extensive network we found answers to problems more rapidly, we developed solutions more quickly, and we found that everyone in the enterprise could add value.

This is the structure we need to bring to the UT System. And, this is how we will approach some of the tough problems that confront Texas today.

This is how we will make Quantum Leaps in higher education, research and health care.

And one area, frankly, where we need a quantum leap is in the Texas educational pipeline.

Because today, far too few of our state's young people are able to make the leap to higher education.

If we start with 100 8th graders, only 68 will receive a high school diploma.

Of those 68 only 50 will enroll in college.

And of those, only 20 will graduate.

Let's take a look at 4th grade reading levels in Texas.

As you see, nearly half of Hispanic fourth graders are reading at below basic levels, compared to 19 percent of Anglo fourth graders.

This is not a reflection on the intellect of any ethnicity, but it is a reflection on the social conditions under which many of them have to learn.

This is particularly troubling because statistics show that if you are not reading up to level by fourth grade, you're going to be playing catch up the rest of your academic career, which in many cases, won't be very long.

So what are we going to do about it?

Every child entering Pre-K has the prospect for greatness and is a potential-filled prospect for the needs of our future workforce as well.

Working with our campus leadership, civic leaders, the legislature, community colleges, the school districts, and other primary and secondary education constituents we will, once again, use our size and our regional access to actively engage with leaders in pre-K through 12 in way never before envisioned in higher education.

We must remove the perception that exists in some corners of this state that those of us in public education are in different camps, that pre-K through 12, community college, and 4-year college and university professionals are somehow separate.

We must be teammates in the overall effort, support each other's programs, and partner for specific initiatives.

Our Texas Prospect Initiative will begin with four areas of focus:

We will work aggressively to ensure our college preparatory programs, those—dual-credits, early college high schools, math and science academies—meet the standards necessary to ensure their students can enter higher education.

We will develop a program to focus on dramatically improving elementary level literacy through a UT Literacy Institute—a reading version of the highly successful UTeach program, and offer this program first to the largest, urban, Independent School Districts.

We will work diligently to ensure the high school counselors in Texas have the resources they need to provide advice and direction to each potential college student.

And finally, knowing that the quality of education in Texas is only as good as the quality of its teachers, we will put a spotlight on OUR schools of education to ensure we are graduating the best teachers in the nation—creative, critical thinkers who are masters of content and armed with skills relevant to the needs of today’s classrooms.

Texas educates 10% of this country’s schoolchildren. Our future rests with pre-K through 12 education.

We must and we will establish a much closer relationship with our fellow professionals and do our part to strengthen the culture of education across Texas.

I believe that a critical part of any person’s education is teaching them to be a leader.

Remember, we’re not just educating kids; we’re preparing the future leaders of Texas.

It’s hard to pick up a newspaper or a business weekly without reading about a leadership crisis somewhere.

We must build men and women of character and uncompromising integrity, because they are going to lead the schools, towns, cities, businesses, churches, civic groups and for that matter, families of this great state.

A wise man said a leader’s job isn’t to create followers; it’s to create more leaders.

That’s what we intend to do.

We already have a number of marvelous efforts to train our students in leadership. But these only impact a small percentage of the total 217 thousand students that we educate every year.

We must reach everyone. Every single student who comes through our institutions must leave with an understanding of the basics of leadership—they must read about and discuss the great leaders in industry, public service, academia, civil rights and the military.

They must understand how to plan, how to build teams, how to communicate, and above all they must understand the necessity of ethical behavior.

Therefore, over the next several years we will begin to implement a one-hour upper and lower division course that will be required by all students attending a UT institution.

We will leverage the large veteran population, business and civic leaders and a host of others across our system to teach the men and women of our state. But, we will not stop there.

Our senior administrators across the system and across the state and the nation need leadership education as well.

In the future, we will look to build a brick and mortar leadership institute that can provide executive level leadership training to all those who desire to improve the skills necessary to run today's complex organizations.

We will be known nationwide for developing great leaders.

Of course, our leadership in any area depends on one precious resource – talent.

Here I must give credit to the regents, who have shown a willingness to invest in bringing world class scholars, teachers, and researchers to the UT System.

They made the investment because they understood something Larry Faulkner, President Emeritus of UT Austin, said a while back.

He said, “outstanding faculty come to places that have outstanding students, and outstanding students come to places that have outstanding faculty.”

The wisdom of investing in world-class talent is more than apparent.

Our \$100 million investment in STARS has yielded a phenomenal return: more than \$650 million to date.

But the reality is, we operate in an environment every bit as competitive as the private sector, and we can't afford to be complacent.

So our intent is to take our current momentum and double down on it.

So we are going to make an unparalleled investment in pursuit of the next generation of outstanding faculty.

Not just those faculty who have established reputations in the National Academies, but those who have the greatest potential for stardom—for excellence in their field—both rising faculty and post-doctoral candidates.

With the approval of the regents, we will increase the STARS investment and we will recommend a rising stars program that looks to hire clusters of great faculty—as well as an incentive program to retain our best post-doctoral candidates.

There is a war for talent, and we intend to win it

Now I want to talk about an issue that goes hand in hand with attracting the best and the brightest to UT System institutions – fairness and diversity.

This slide makes it very clear that we are not doing the job we ought to be doing in driving equal opportunity and fairness in our hiring and promotion processes.

This is particularly disappointing because education is all about opportunity.

Making sure our faculty and staff reflect the changing look of Texas is not just about fairness. It's also about effectiveness.

We need faculty, administrators, and campus leaders who understand the people they're serving, who come from the same kinds of places.

So we are going to implement a "Rooney Rule" similar to what exists in the NFL for hiring head coaches, except ours will be for higher education and health care.

This so-called, "Rooney Rule" will ensure that qualified women and minorities have an opportunity to be considered for every senior level position from Dean and above.

We will write it into UT policy that no senior position can be filled without allowing a qualified woman or minority candidate to be interviewed all the way to the last round of the process.

While this will not guarantee women or minority hires—nor should it if a candidate is not qualified—it will put more women and minorities in a position for the selection committee to recognize the great talents that may have heretofore gone unnoticed.

Additionally, to ensure fairness in faculty compensation, each institution will submit a plan to me that will close the gender gap in 5 years.

I should note that this is an area where we've already made some good progress. Our gender pay gap is significantly smaller than the national average, but it ought to be zero.

And I'm confident that it will be soon.

This is an opportunity to not only do the right thing, but to show the world that Texas is prepared to lead on every issue that matters.

But we can't lead unless we are at our best. Any fair assessment of the health of our state can only conclude that we are not as healthy as we ought to be.

Compared to other states, we rank very poorly in some very important health categories.

We're in the bottom 20 in, among other things, diabetes, obesity, and pre-term births.

We're in the bottom 10 in youth obesity and adult inactivity.

However, we have unquestionably, some of the finest health care institutions in the nation—and in the world.

I am convinced that there is nothing we can't conquer if we put the power of our institutions—the collective power—to work.

Consequently, we are going to develop a collaborative Health Care Enterprise that will leverage our size and expertise, and connect our regional capabilities to ensure we provide Texas, the nation and the world with the finest health care possible.

In practical terms, this means collaboration among our health institutions along all lines of major health care functions—such as shared clinical information, shared service lines, clinical trials and telehealth.

We will incentivize and, where necessary, drive partnering so that we take full advantage of the phenomenal talent and expertise that exists around the enterprise.

So that every doctor, every patient, every caregiver, knows that the quality care they give and the quality of care they receive is equal, regardless of their status or location.

Let me turn to another area where we intend to scale to our strengths, build a team of teams, and attack a problem that affects millions of people in Texas and around the world.

As you can see in this slide, neurological illnesses and mental disorders inflict a lot of human suffering every year.

And it's getting worse.

Certainly here in Texas, with our senior population being the fastest growing age group, the urgency to address Alzheimer's is clear.

The good news is that there is magnificent work going on in the neurosciences and we are already a big part of it.

We have many excellent programs, spread across of our institutions, focused in some form or fashion on brain health.

So we are going to launch an effort akin to the Manhattan Project to understand, prevent, treat, and cure the diseases of the brain.

The Manhattan Project, as you probably know, was the mother of all collaborative research projects, which resulted in hastening the end of World War II.

The comparison to what we want to achieve in brain health may seem hyperbolic, but it is apt, because the Manhattan Project tapped the greatest scientific minds working at geographically dispersed sites and doing their own unique work, but all contributing and collaborating in pursuit of a common goal.

That's precisely the approach we're going to take.

We will make an unprecedented investment in leveraging and connecting all the cutting edge science ongoing at UT institutions.

Once again, we will drive collaboration, incentivize partnerships and demand scientific and clinical cooperation.

Where possible, we will expand our efforts in brain health so that more talent can be applied against this growing demand.

There is a revolution in Brain Health underway—and UT is going to lead it.

At my Navy retirement ceremony 14 months ago, I said I thought we were in perilous times, that in my 37 years of military service I'd never seen the world in such chaos. Fourteen months later, I believe that even more strongly.

What's more, the national security threats confronting us today are so varied, so complex, and so serious, they are screaming for the brightest available minds to convene and collaborate in search of solutions.

I believe that we at the UT System are uniquely positioned to establish ourselves as national leaders in this space, because scattered among our institutions, we already have great minds thinking and working on our national security problems.

In fact, because of space constraints, the map you're looking at shows only a small subset of the more than 40 centers, institutes, and labs focusing on issues related to our national security.

Important programs that aren't up there include the Cyber Security Research and Education Institute at UT Dallas, the Border Biomedical Research Center at UT El Paso, and the Center for Petroleum Security Research at UT Tyler.

There are many others and the fact that we can't even fit them all on a slide underscores the opportunity we have to take the great work being done all around our system and leverage it into something of international value.

So our intent is to establish the UT Network for National Security, a system-wide alliance that will address the most vexing problems—raise them to national prominence, convene world forums, write, discuss, debate, and present solutions.

We should be leading the commentary on Sunday talk shows, C-SPAN, and in the Think-Tanks that deliberate on tough issues.

It will be a network with much stronger ties to leaders and organizations in Washington and across the international community.

I want world leaders everywhere to ask: What does Texas think?

So, with these Quantum Leaps we will play to our strengths in size, talent and diversity.

We will build the “Team of Teams” necessary to tackle the most difficult problems confronting us.

We will aggressively address the pipeline for student success.

We will give every student the skills necessary to lead in this complex world.

We will fight hard for the finest talent in the academy.

We will drive toward faculty diversity and ensure gender equity.

We will incentivize institutional collaboration throughout our healthcare enterprise to provide the best quality care for our citizens.

We will lead a revolution in brain health and we will be known worldwide for our views on issues that affect the security of our nation.

But there is one more “Quantum Leap” that we must take to elevate our status to the world’s finest university system.

What we know from our strategic assessment—what we know from the efforts of those that have gone before us—is the educational demands of Texans will continue to grow.

Additionally, what I have learned over the past 37 years in the military is that in order to make a system, an organization, as strong as possible means you must tap into all the resources available to you.

Recognizing these two basic points, it seems obvious that the UT System must broaden its access to more of Texas’ brightest students and at the same time take advantage of the incredible talent and expertise that exists in the states most populous and most international city and the 4th largest city in the Nation.

Consequently, we will expand the UT footprint into the city of Houston.

This will not be a University of Texas at Houston, rather it will be an “intellectual hub” for UT—an opportunity for all our campuses to take advantage of the Houston professionals in the fields of medicine, energy, engineering, business, aerospace, health care and the arts.

This effort will be decades in the making but will help drive our System to the very top tier in the nation.

While at the same time allowing us to build partnerships with industry and the other great academic institutions in the area to strengthen the quality of education, research and the economic vitality of all of Texas.

We are completing the acquisition of over 300 acres of real estate off Buffalo Point just 3.5 miles from the Texas Medical Center.

This will be a game changer, in a very positive way, for Houston, for the UT System, and for the state of Texas.

We have an opportunity to create something new and exciting to help make Texas even more competitive on the world stage.

Imagine the research dollars flowing to Texas, and particularly to Houston.

Imagine the impact on generations and generations of Texans who will have greater access to a world-class education.

At the beginning of the new year, I will convene a task force of civic leaders, legislators, academic and health presidents, faculty, students, regents and other constituents to begin planning for the development of this property.

But, here is what is the art of the possible.

Over one hundred years ago, men like Breckenridge, Littlefield and Pease, and the Smith family had an idea, a vision of the future.

70 years ago, men like Monroe D. Anderson and more presently the visionaries at Texas Instrument all believed that their contributions would become something worthwhile.

But not even in their wildest dreams could they have imagined what we have today.

But they were bold. They were risk takers. They knew that if they invested in land and had a dream that somehow, through the hard work, dedication and commitment of those in Texas, their dreams would become reality.

Today, this Board of Regents, this University System will dream big and we will act with unparalleled boldness.

No one knows exactly what the future will hold, but we are betting on the men and women of Texas to shape their future in way never before seen in higher education, research and health care.

And, betting on the people of Texas is always a good idea.

So, these are my eight Quantum Leaps. They are the ideas, the initiatives, the projects that will help guide the UT system into national prominence.

As we go forward, I will bring initiatives to the regents for their consideration.

In closing, every organization can only reach its full potential if it has a strong ethos, a culture of quality and dedication.

The next few slides represent our values as a system and commitment to this great state.

Our priority is to our students and our patients.

We will be unyielding in our drive for success.

We will collaborate, communicate and build this team of teams.

Nothing is more important than our credibility and all our actions will be moral, legal and ethical.

We will exceed all expectation and be the most responsive and dedicated university system in the nation.

But to meet those expectations we must communicate, collaborate and we must build a Team of Teams whose focus is on the people of Texas, and by extension, the world.

We will not only adapt to the changing world, we will lead the change.

To the BOR, thank you for your faith and confidence in me. I look forward to the years ahead and watching this vision unfold.

Thank you very much.

THE UNIVERSITY OF TEXAS SYSTEM

**LEADING IN A
COMPLEX WORLD**

A Strategic Approach, 2015 - 2020

William H. McRaven, Chancellor

U. T. System Board of Regents' Meeting
November 2015

ACTIONS TAKEN THUS FAR

Established direct lines of reporting

Established the Deputy Chancellor position as Chief Operating Officer

Routine leadership communication; expanded means of collaboration

Policy and rule review underway

Directed organizational assessment to align System Administration

Completed a review of compliance structure

Bridging Academic and Health Affairs

Developed the Central Bank Concept

Applying private sector practices to plan, design and construct institutional facilities

OVERVIEW

1. Mission
2. Operating Concept
3. Decision Process
4. Strategic Assessment
5. Quantum Leaps

MISSION

UT SYSTEM MISSION STATEMENT

The mission of The University of Texas System is to improve the human condition in Texas, our nation and our world.

The System will use its size, diversity, and quality to advance education, push the bounds of discovery, enhance population health, build stronger communities, and shape public policy for the common good. Producing high quality human capital with a sense of service and the ability to lead, we will pursue solutions to the problems of our state, our nation and our world.

We are a state university system with global impact.

OPERATING CONCEPT

We will ensure that our **academic** and **health** care enterprises are **world leaders** in higher education, research and health care.

We will accomplish this task by establishing a **mutually supporting system** in climate, culture, and practice, where the strengths of one institution help reinforce the quality and competitiveness of the other members.

OPERATING CONCEPT

The System Administration will assist me in providing the **strategic direction** and **policy oversight** for our member institutions while ensuring that **each institution has the maximum latitude** to accomplish its academic, research and health care goals.

System Administration will add value by **focusing on the core competencies** of finance, development, marketing, construction, state and national level coordination, policy advice and security **to help ease the burden** on the individual institutions.

Collectively, we will orchestrate systemwide progress to **identify the critical components** that encumber student success, high quality research, meaningful discovery, and excellence in patient care. We will then aggressively undertake steps to **eliminate these barriers**.

OPERATING CONCEPT

To facilitate system collaboration and coordination we will build staffing mechanisms to include **rigorous internal communications**, dedicated coordination meetings, and **robust leadership exchanges**.

OPERATING CONCEPT

OPERATING CONCEPT

Additionally, we will work to identify and implement **game-changing ideas** that will propel the University of Texas System into the national and international discussion on all facets of education, research, health care and leadership. These ideas will be **prioritized, funded** and then **brought to fruition** through a deliberate and **aggressive process of engagement.**

OPERATING CONCEPT

We will be known world-wide for developing **leaders** in all fields of endeavor, but we will never forget that **our responsibility** is, first and foremost, to the **people of Texas**.

We are a state system with global influence.

Adapting the System for Greater Complexity and Increasing Rates of Change:

An Agile Decision Process

THE STRATEGIC PLANNING AND DECISION PROCESS

1. Identify the areas of interest
2. Prioritize the programs aligned with those areas
3. Develop an implementation plan
4. Ensure the plan is fiscally sound and appropriately constrained
5. Receive approval from the Board of Regents if resources are required
6. Execute the plan
7. Track and measure progress (eliminate or reduce if the initiative is not performing)
8. Communicate and collaborate throughout the process

PLANNING & EXECUTION PROCESS

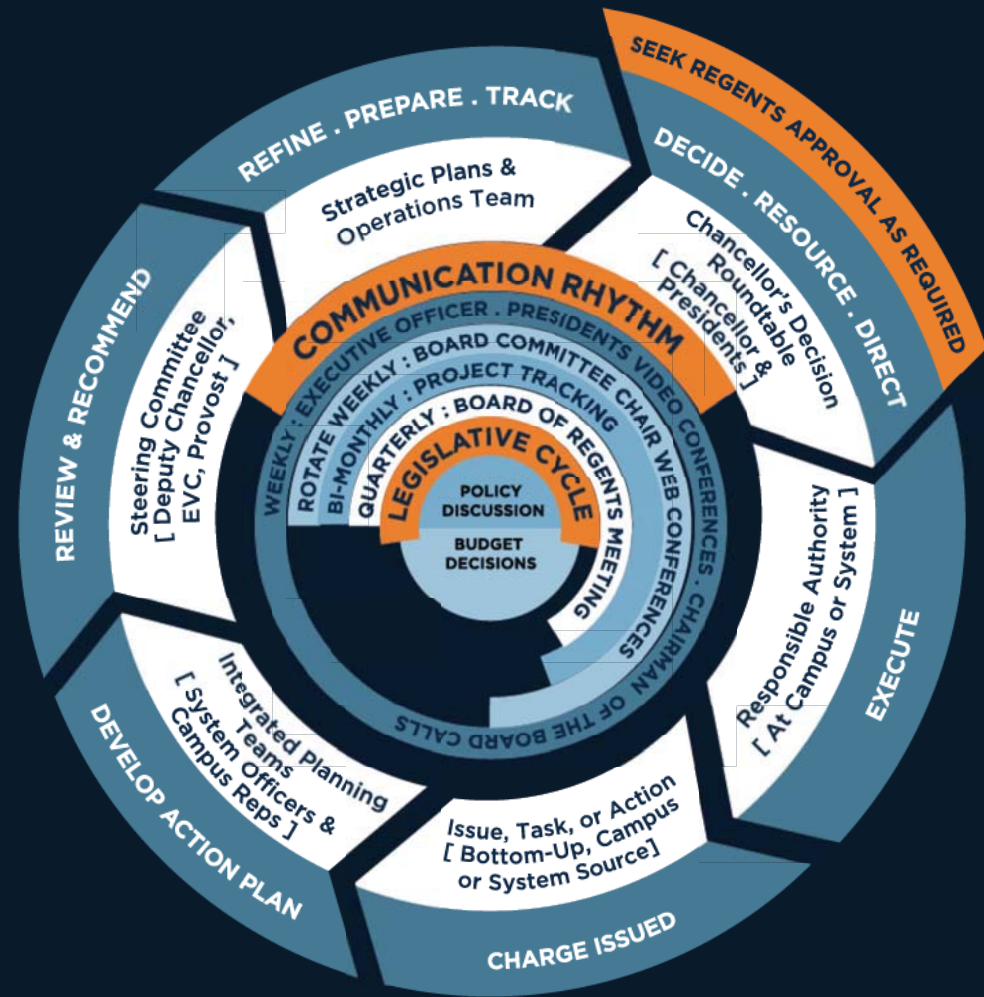
A Disciplined Process

With Prioritized Resource and Budget Alignment

Actions are Tracked and Measured

Accountable Leadership Responsible for Execution

With a Common Operating Picture Achieved Through a *Rhythm of Communication*



STRATEGIC ASSESSMENT

A CHANCELLOR’S DUTY: CHARTING THE COURSE



DR. HANS M. MARK
1984-1992



DR. WILLIAM H. CUNNINGHAM
1992-2000



MR. R. D. BURCK
2000-2002



MR. MARK G. YUDOF
2002-2008



DR. KENNETH I. SHINE
2008-2009



DR. FRANCISCO G. CIGARROA
2009-2015



COMMON THREADS:

Adapting to a changing state and world; enabling Texas to lead the nation in excellence in education, health, and research; being good stewards of resources.

COMMON CHALLENGES:

Global competition; access to growing segments of the population in need; balancing quality and growth; prioritizing resources.



WHAT WE DID

Sought **understanding** first...of our **role** as a public university system, of our **environment**, and of the **impact of the environment** on our role.

WHAT WE DID

Gathered volumes of data on current and trending conditions...**from local to global**...interviewed numerous experts and leaders, including each President and Provost in the System.

WHAT WE DID

Identified aspects of the environment **relevant** to our role and responsibility to Texas; and **decided where to focus our effort** as a System.



UNDERSTANDING OUR ENVIRONMENT

OUR POPULATION GROWS IN SIZE AND DIVERSITY

The population of Texas is projected to increase by 13 million residents during the next 20 years (48% growth).

TEXAS POPULATION
(IN MILLIONS)



IMPORTANT AGE GROUPS TO NOTE

The number of Texans 65 years or older will be the fastest growing age group, more than doubling in 20 years.

TEXAS POPULATION AGE 65+
(IN MILLIONS)



The health care needs of a rapidly growing senior population will increase significantly.

IMPORTANT AGE GROUPS TO NOTE

People aged 25-44 will be the second-fastest growing age group.

TEXAS POPULATION AGE 25-44
(IN MILLIONS)

Skills and education of this demographic must keep pace with an ever-changing workforce to meet demands.



IMPORTANT AGE GROUPS TO NOTE

Among states with the largest 15-19 population, Texas is the only state with a growing 15-19 population.

TEXAS POPULATION AGE 15-19
(IN MILLIONS)



The demand for higher education will remain high.

GROWTH IN DIVERSITY

We are a Minority-Majority State now.
By 2035, Texas will be a 70% Minority-Majority State.

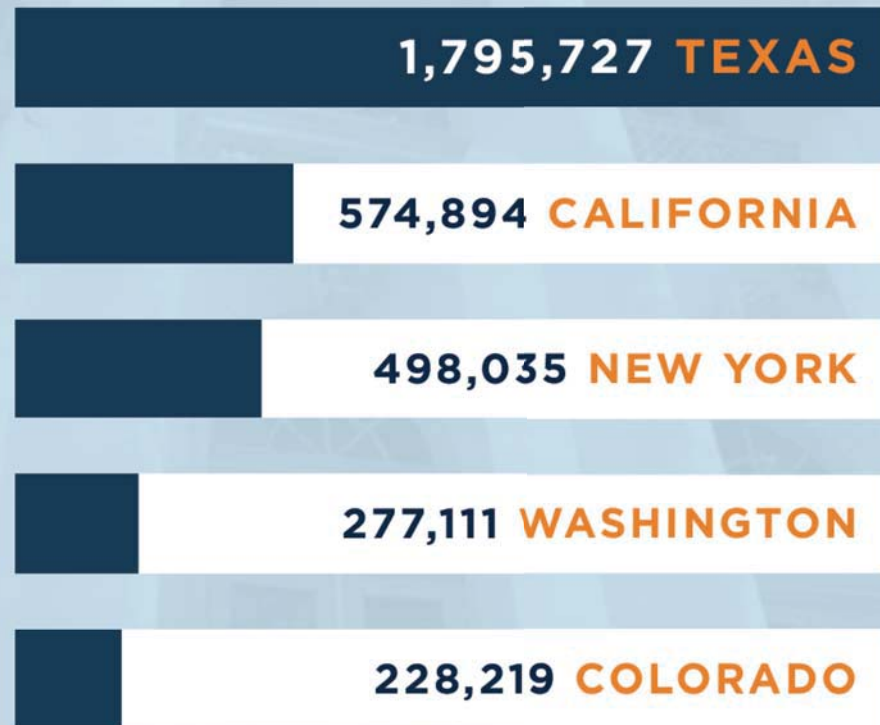
NON-ANGLO SHARE OF TEXAS POPULATION



OUR ECONOMY CONTINUES TO GROW

TEXAS CREATES
MORE JOBS THAN
ANY OTHER STATE
IN THE US

EMPLOYMENT GROWTH, 2005-2014



TEXAS UNEMPLOYMENT RATE

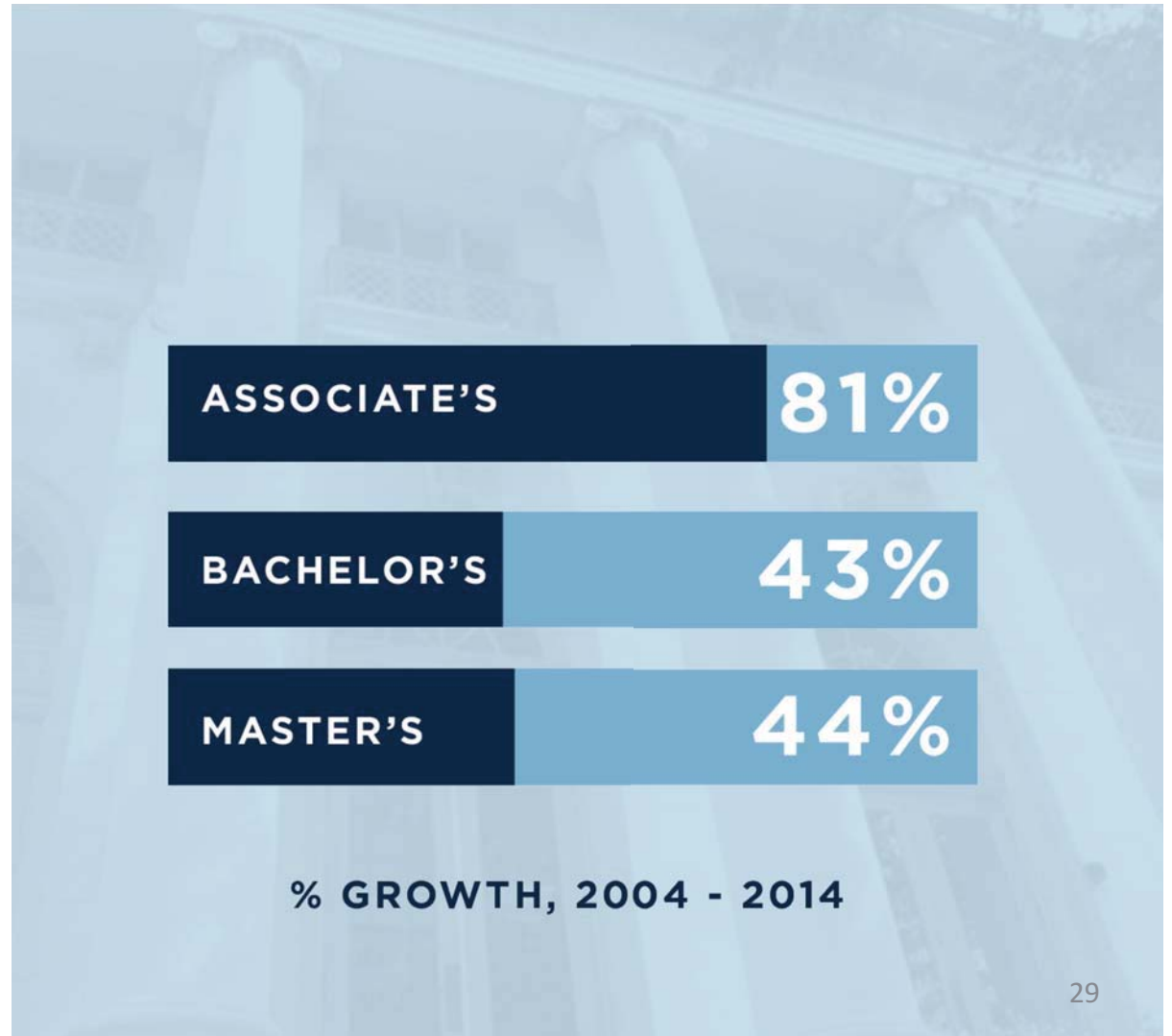


Minutes - 56

THE UNEMPLOYMENT RATE CONTINUES TO DECLINE

GROWTH IN HIGHER EDUCATION ACHIEVEMENT

TEXAS CONTINUES TO INCREASE ITS PRODUCTION OF TALENT

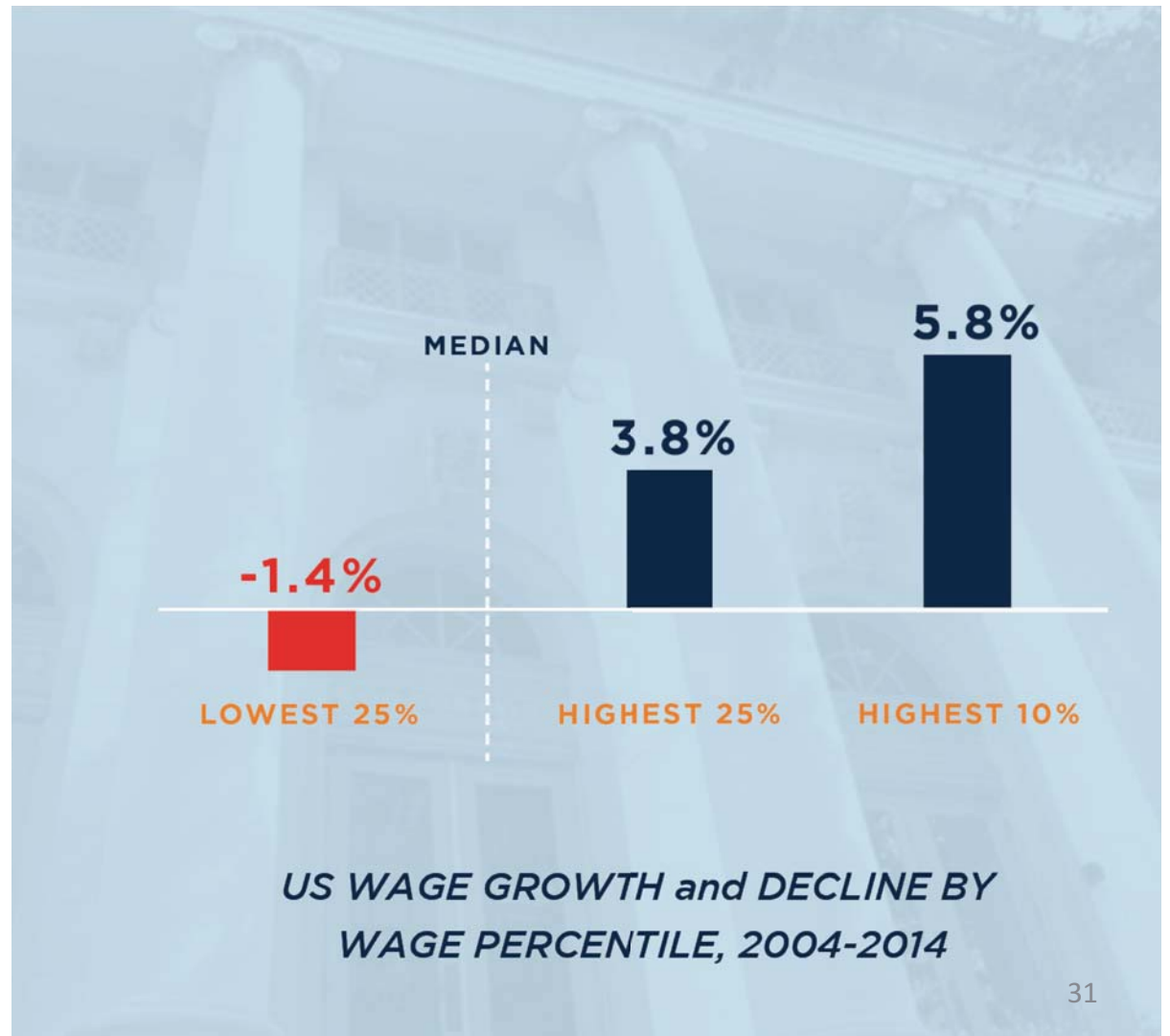


EDUCATION CONTINUES ITS POSITIVE IMPACT ON THE ECONOMY

HIGHER EDUCATION DELIVERS GREATEST EARNINGS TO THE TEXAS LABOR MARKET



YET ECONOMIC DISPARITY IS ON THE RISE



EDUCATION HAS A DIRECT IMPACT ON THE ECONOMY AND ECONOMIC DISPARITY



**THE EARNINGS
GAP BETWEEN
HIGH SCHOOL-ONLY
AND COLLEGE
GRADUATES IS
ACCELERATING**

EDUCATION'S IMPACT ON THE ECONOMY

The infographic features a red apple icon with a white stem and leaf, positioned above a blue horizontal line. Below this, the text reads: "HIGH SCHOOL-ONLY GRADUATES ARE" in dark blue, followed by "2X" in large orange font, and "MORE LIKELY TO BE UNEMPLOYED" in dark blue. The background is a light blue, semi-transparent image of a classical building with columns.

33

EDUCATION'S IMPACT ON THE ECONOMY



**THE TEXAS WORKFORCE
COMMISSION SHOWS
THE STRONGEST GROWTH
IN JOBS AT HIGHER
EDUCATION LEVELS**

EDUCATION'S IMPACT ON THE ECONOMY



**THE NUMBER OF ENTRY
LEVEL JOBS REQUIRING
A MASTER'S DEGREE
IS ON THE RISE**

CHALLENGES TO HEALTH AND WELL-BEING

Texas' human capital is at risk from challenges to our population health.

6 OF THE 7
LEADING CAUSES OF DEATH IN TEXAS ARE CHRONIC DISEASES.



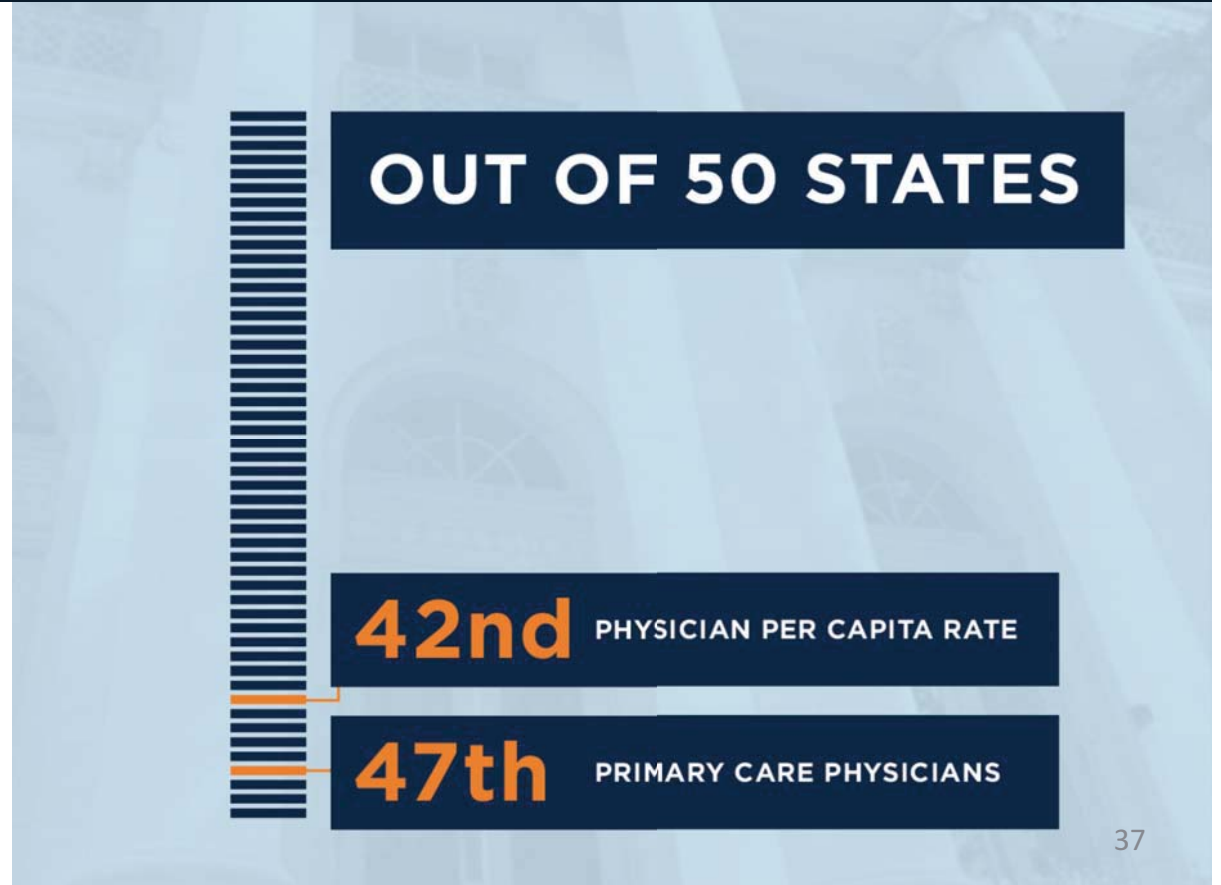
RATE PER 100K POPULATION (AGE ADJUSTED), 2013

PHYSICIAN SHORTAGE AND THEIR DISTRIBUTION EXACERBATES CHALLENGES TO HEALTH, WELL-BEING, AND ACCESS TO CARE

Minutes - 65

LOW PHYSICIAN PER CAPITA RATE

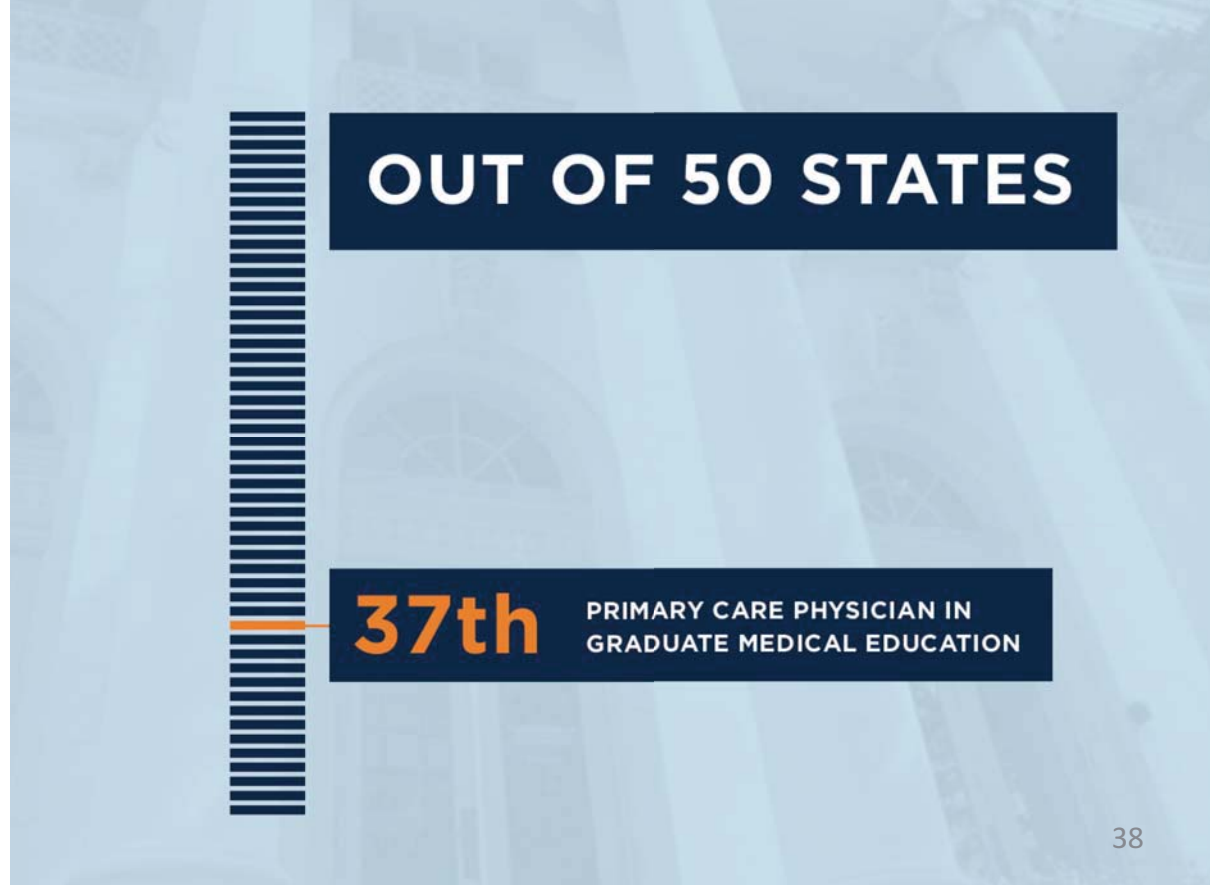
(PER 100,000 MEMBERS OF THE POPULATION)



PHYSICIAN SHORTAGE AND THEIR DISTRIBUTION EXACERBATES CHALLENGES TO HEALTH, WELL-BEING, AND ACCESS TO CARE

Minutes - 66

SHORTAGE OF RESIDENCY SLOTS

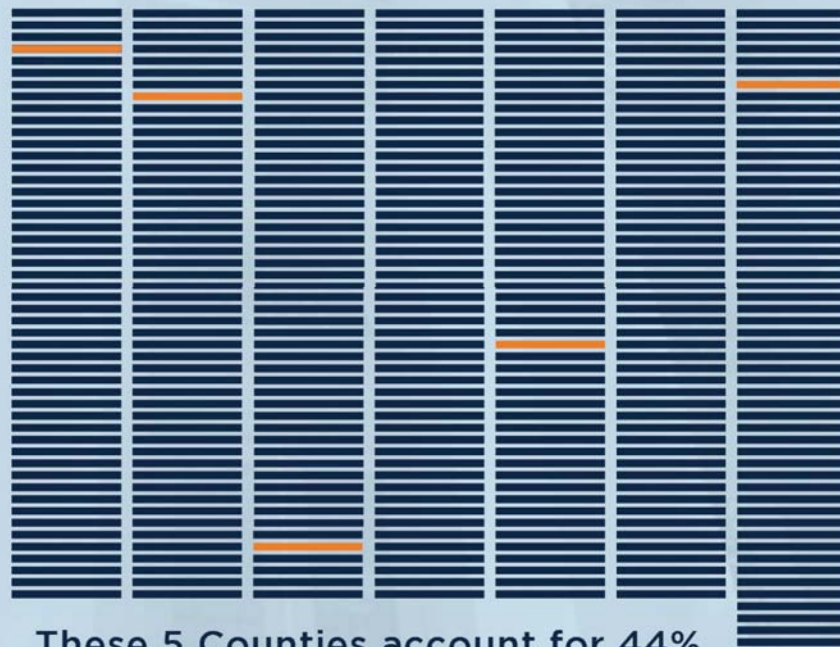


PHYSICIAN SHORTAGE AND THEIR DISTRIBUTION EXACERBATES CHALLENGES TO HEALTH, WELL-BEING, AND ACCESS TO CARE

57%
of physicians

PRACTICE IN ONLY
5
COUNTIES

254 TEXAS COUNTIES



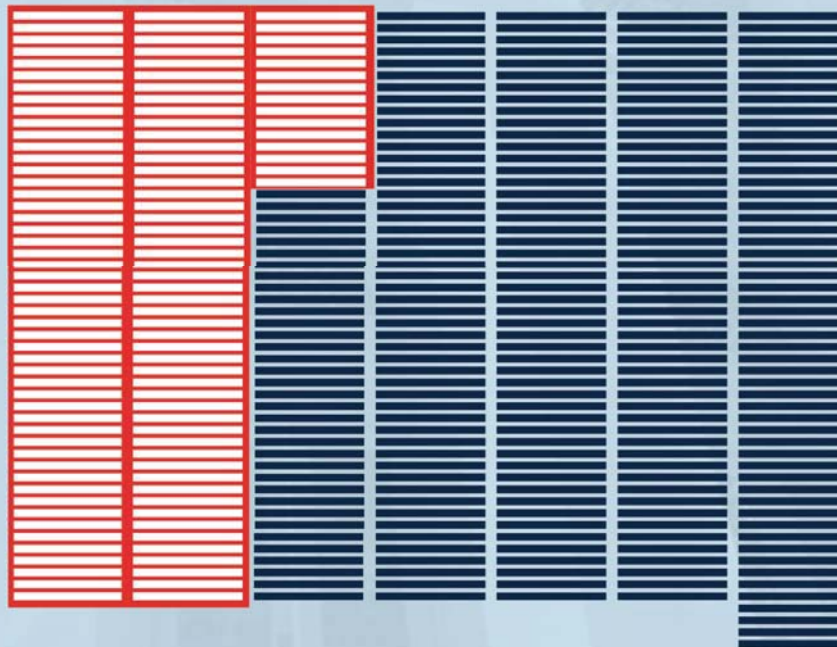
These 5 Counties account for 44%
of the Texas population

PHYSICIAN SHORTAGE AND THEIR DISTRIBUTION EXACERBATES CHALLENGES TO HEALTH, WELL-BEING, AND ACCESS TO CARE

115
COUNTIES

HAVE
5
OR FEWER PHYSICIANS

5 OR FEWER PHYSICIANS

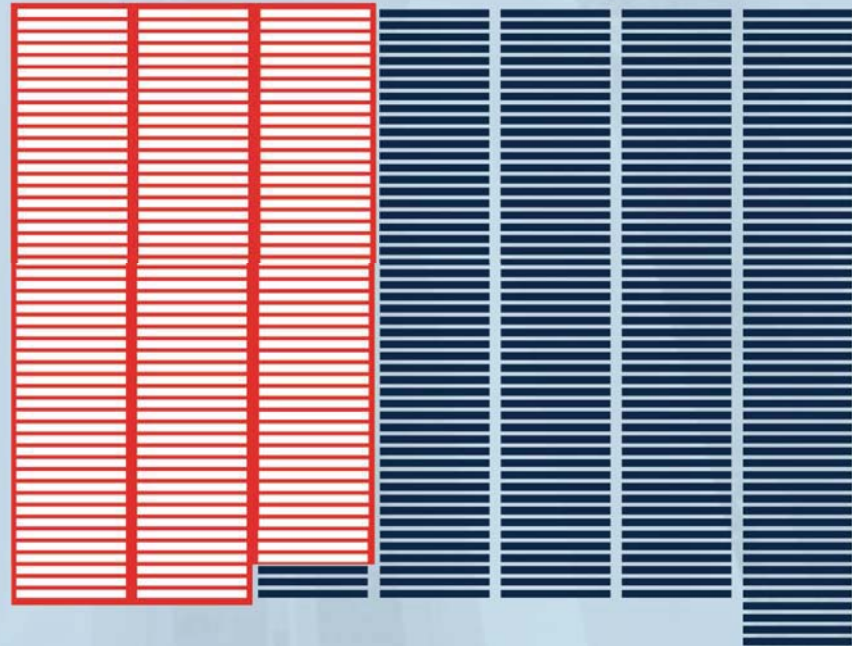


PHYSICIAN SHORTAGE AND THEIR DISTRIBUTION EXACERBATES CHALLENGES TO HEALTH, WELL-BEING, AND ACCESS TO CARE

147
COUNTIES

HAVE
0
OB/GYN

NO OB/GYN



OTHER CHALLENGES TO HEALTH AND WELL-BEING

The health care profession in Texas does not generally reflect the population for which it cares.

Physicians are one example:

HISPANIC SHARE OF POPULATION

40%

A horizontal bar chart with a dark blue background. The bar is filled with orange up to the 40% mark, with the text '40%' written in white on the orange portion.

HISPANIC SHARE OF PHYSICIAN POPULATION

10%

A horizontal bar chart with a dark blue background. The bar is filled with orange up to the 10% mark, with the text '10%' written in white on the orange portion.

SUMMARY OF THE ASSESSMENT



POPULATION GROWTH

RAPID GROWTH
URBAN FOCUS
TRENDING DIVERSITY



ECONOMIC GROWTH

HIGH GROWTH
DIVERSE JOB BASE



ECONOMIC DISPARITY

RISING WAGE
INEQUALITY
EARNINGS DIRECTLY
RELATED TO
EDUCATION LEVEL



HEALTH OUTCOMES

RISING RATES OF
CHRONIC DISEASE
ACCESS IMPACTED BY
SHORTAGE AND
DISTRIBUTION OF
PROFESSIONALS

THE DRIVE FOR EXCELLENCE REMAINS A CONSTANT

ORIGINAL NINE POINTS OF THE FRAMEWORK FOR EXCELLENCE



THE DRIVE FOR EXCELLENCE REMAINS A CONSTANT

UNDERGRADUATE STUDENT ACCESS & SUCCESS

Increase 4-year graduation
rates relative to respective
peers

THE DRIVE FOR EXCELLENCE REMAINS A CONSTANT

RESEARCH

Technology Transfer and
Commercialization &
Augment STARs Funding

UNDERGRADUATE
STUDENT ACCESS
& SUCCESS

MAINTAIN
EXCELLENCE
THE FACULTY
ADMIN. &

PRODUCTIVITY
EFFICIENCY

INFORMATION
TECHNOLOGY
INFRASTRUCTURE
INVESTMENTS

PHILANTHROPY

PH.D. PROGRAMS

HEALTH & MEDICAL
EDUCATION

EXPANDING
EDUCATIONAL &
HEALTH
OPPORTUNITIES IN
SOUTH TX/BIG
GRANDE VALLEY

THE DRIVE FOR EXCELLENCE REMAINS A CONSTANT

INFORMATION TECHNOLOGY INFRASTRUCTURE INVESTMENTS

Increase in computational
power; shared services

UNDERGRADUATE
STUDENT ACCESS
& SUCCESS

MAINTAIN
EXCELLENCE
THE FACULTY
ADMIN.

ACTIVITY
EFFICIENCY

INFORMATION
TECHNOLOGY
INFRASTRUCTURE
INVESTMENTS

PHILANTHROPY

PH.D. PROGRAMS

HEALTH & MEDICAL
EDUCATION

EXPANDING
EDUCATIONAL &
HEALTH
OPPORTUNITIES IN
SOUTH TX/BIG
GRANDE VALLEY

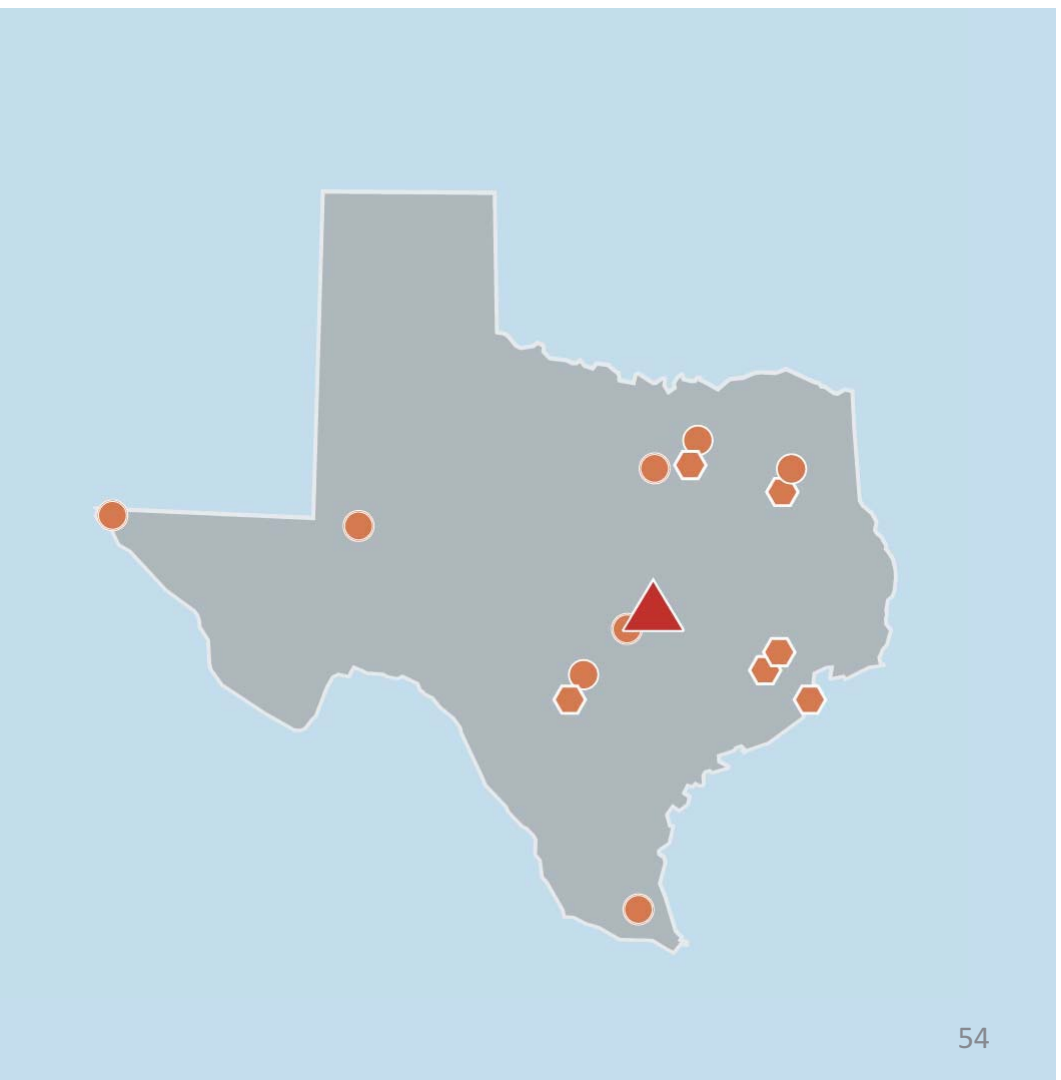
THE DRIVE FOR EXCELLENCE REMAINS A CONSTANT

EXPANDING EDUCATION & HEALTH OPPORTUNITIES IN SOUTH TEXAS

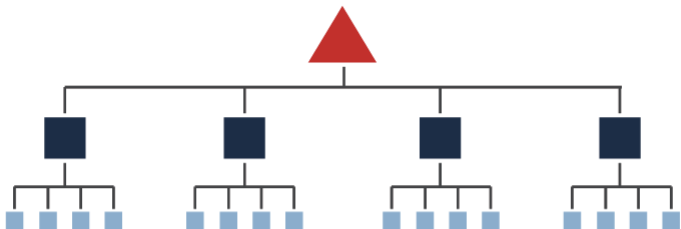
New University in South
Texas, including a medical
school



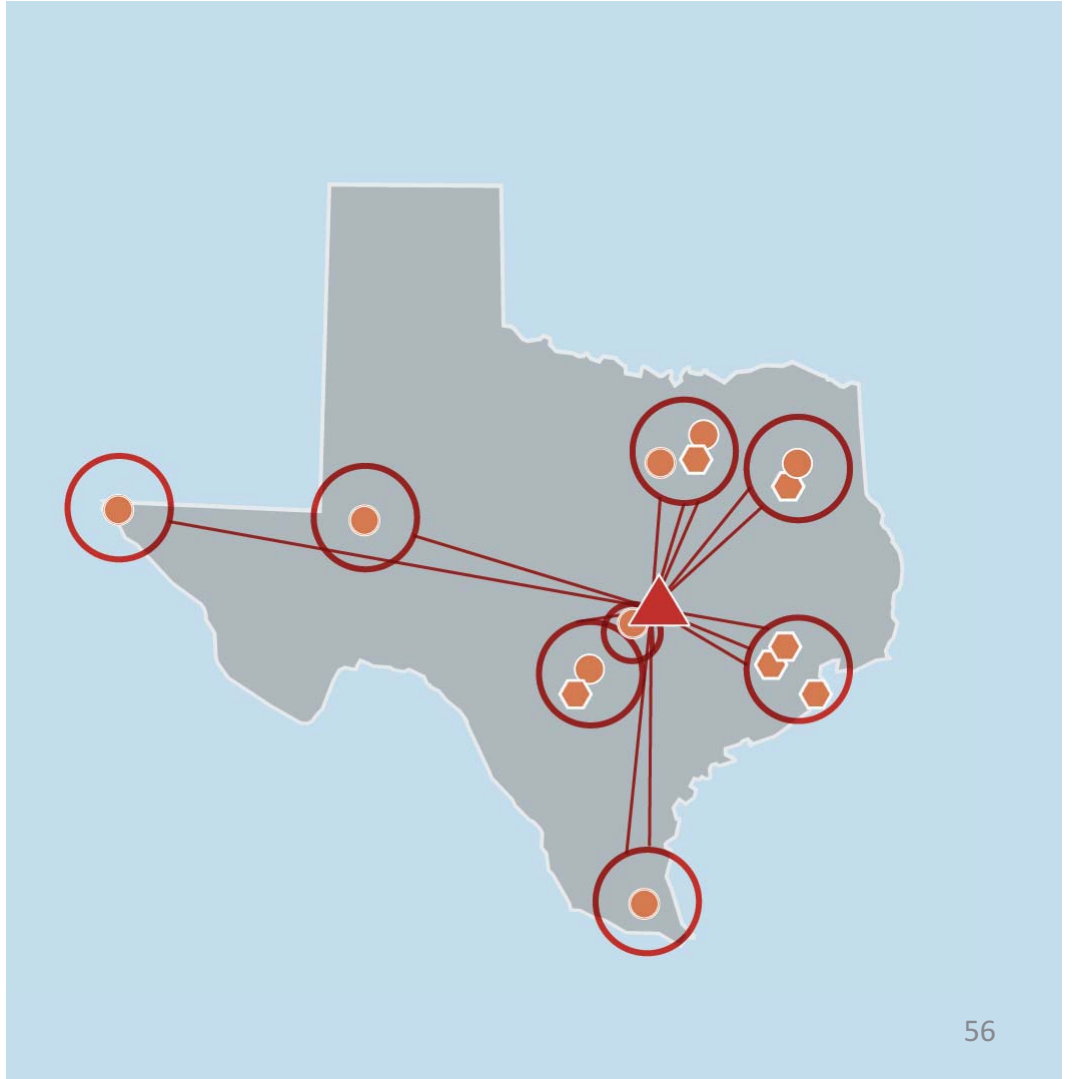
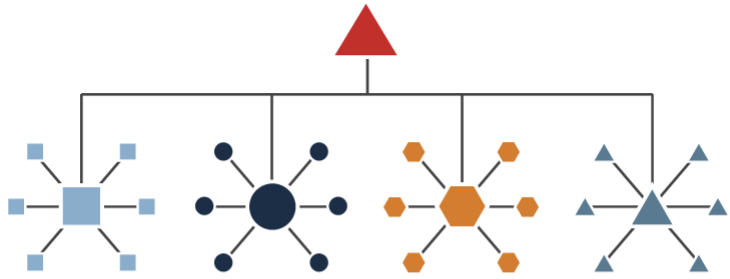
TEAMS THAT SERVE TEXAS WITH EXCELLENCE



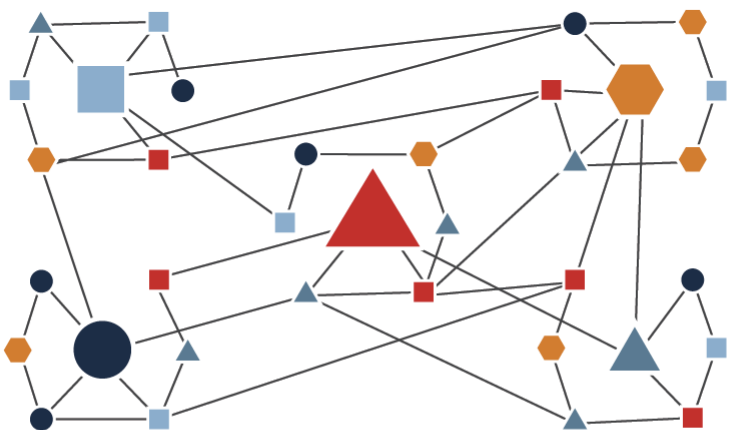
COMMAND



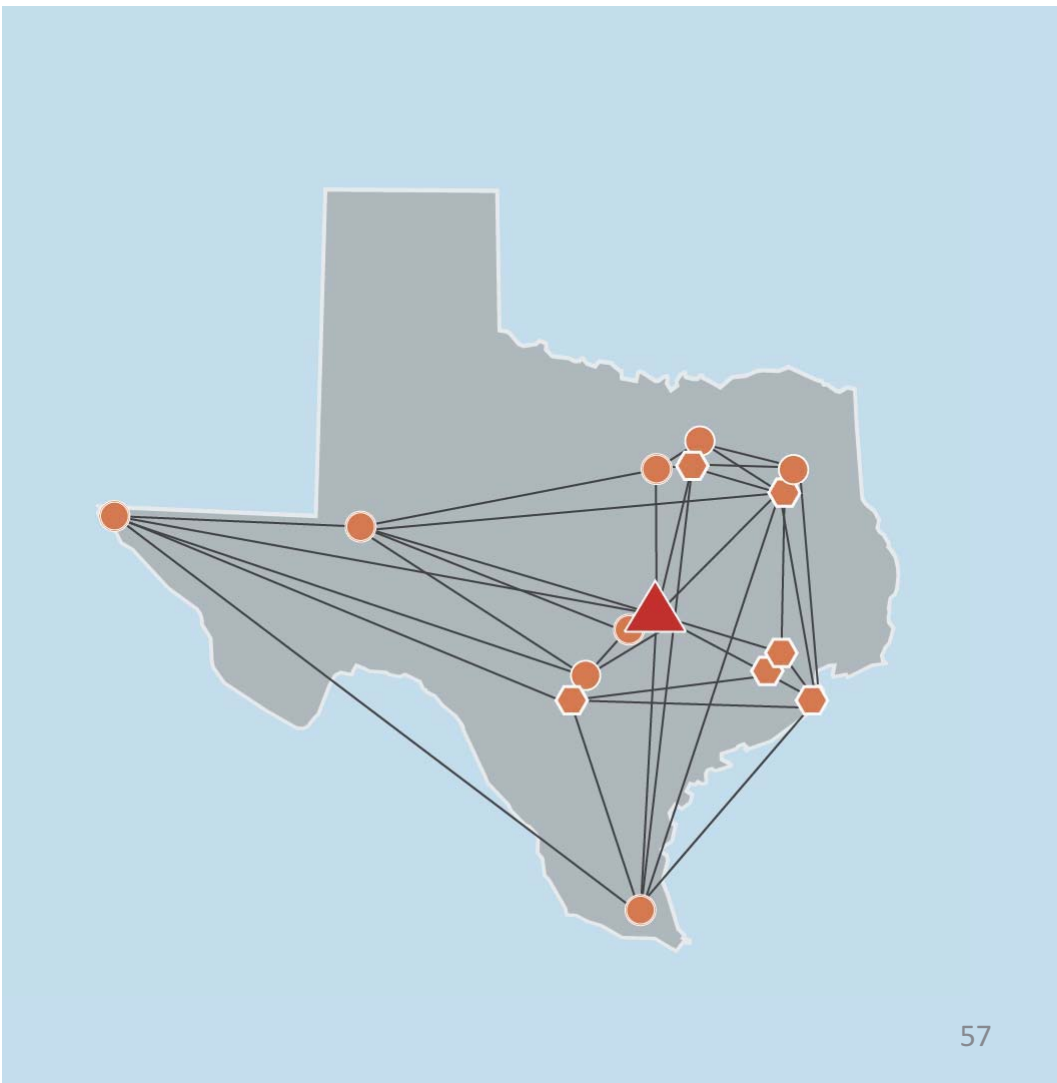
COMMAND OF TEAMS



TEAM OF TEAMS



Minutes - 81



SCALING OUR STRENGTHS TO MAKE QUANTUM LEAPS



CHALLENGES TO THE STUDENT POPULATION

FOR THE CHALLENGES IN THE STUDENT POPULATION

There are issues in the student population. Attrition rates en route to a degree are concerning.

**OUT OF 100
8TH GRADERS...**



OUT OF
100
8TH GRADERS

68

WILL RECEIVE
HIGH SCHOOL
DIPLOMAS



OUT OF
100
8TH GRADERS

50

WILL ENROLL
IN COLLEGE



OUT OF
100
8TH GRADERS

20

WILL GRADUATE
FROM COLLEGE



4TH GRADE READING LEVELS



HISPANIC



ANGLO



THE TEXAS PROSPECT INITIATIVE

We will change higher education's relationship with pre-K through 12 education and engage in a way never done before to maximize opportunities and outcomes.

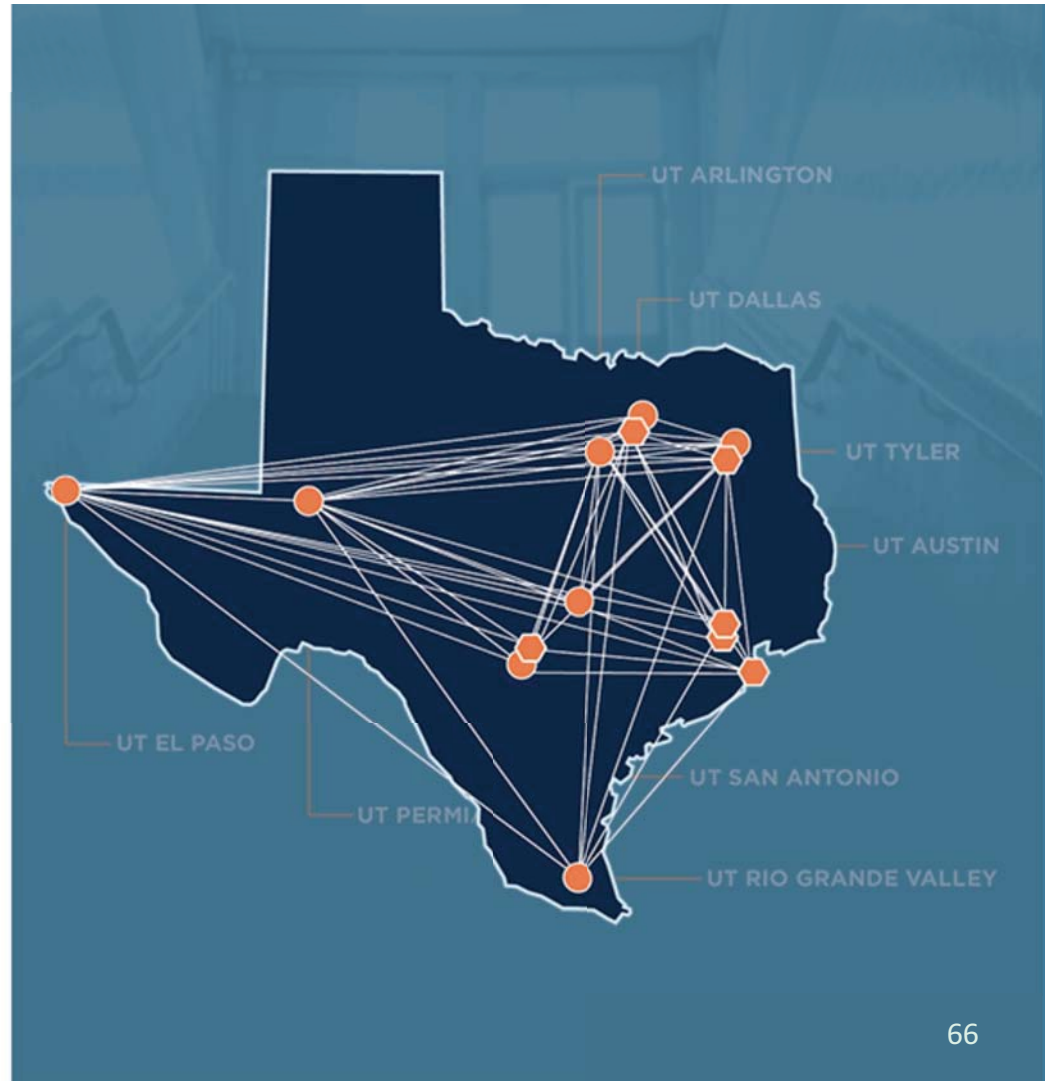




THE TEXAS PROSPECT INITIATIVE

We will change higher education's relationship with pre-K through 12 education and engage in a way never done before to maximize opportunities and outcomes.

Minutes - 90

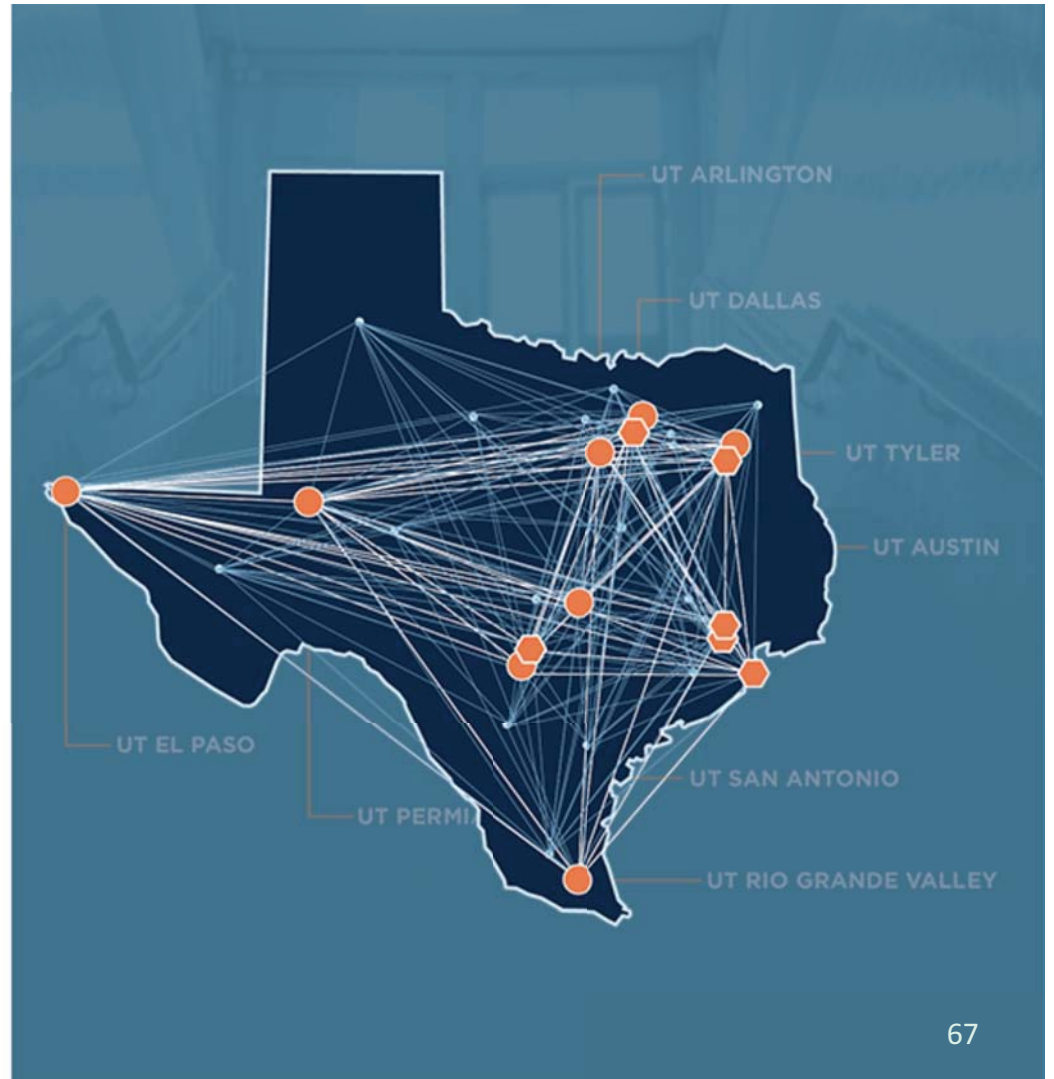




THE TEXAS PROSPECT INITIATIVE

We will change higher education's relationship with pre-K through 12 education and engage in a way never done before to maximize opportunities and outcomes.

Minutes - 91



TO ADDRESS THE NEED FOR LEADERSHIP

TO ADDRESS THE NEED FOR LEADERSHIP

WORLD
EC Forbes / Opin:

NOV --
Forbes / Leadership

MAR 23, 2014 @ 04:48 PM 10,018 VIEWS

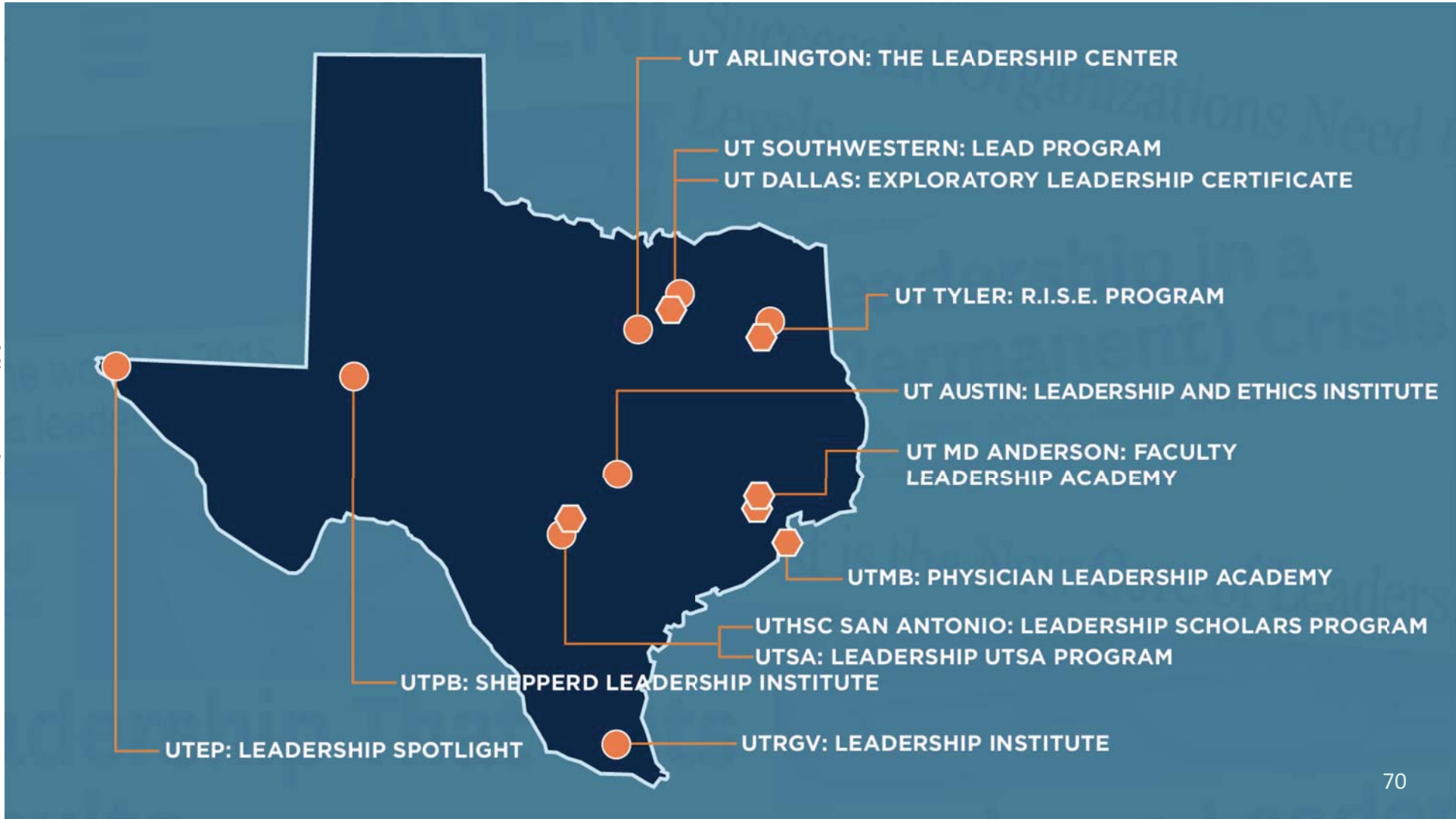
Successful Organizations Need Leaders At All Levels



Roger Trapp, CONTRIBUTOR
I write about management issues, with a special focus on leadership.
[FOLLOW ON FORBES \(101\)](#)
Opinions expressed by Forbes Contributors are their own.

Nov 7 2014

86% consider the world and business in a “leadership crisis.”



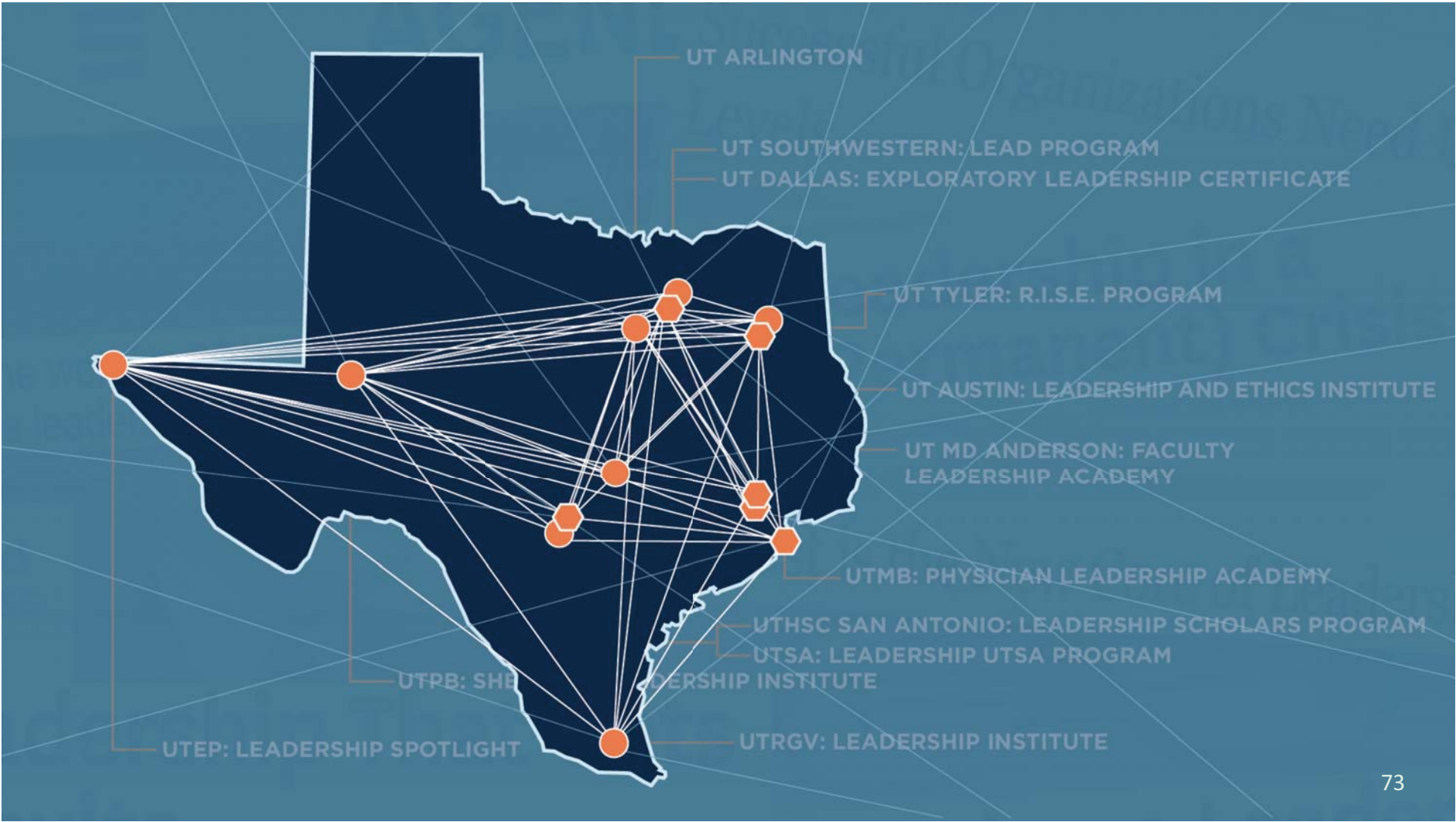


THE AMERICAN LEADERSHIP PROGRAM

We will implement a core curriculum of leadership on every campus in the UT System to build men and women of character and integrity who can lead our state, our nation and our world.



Minutes - 96



TO RECRUIT, DEVELOP, AND RETAIN THE BEST FACULTY



Dr. David Nygren
UT Arlington



Dr. Bob Metcalfe
UT Austin



Dr. Denise Park
UT Dallas



Dr. Ravi Sandhu
UT San Antonio



Dr. Thomas Davis
UT El Paso



Dr. Rena Bizios
UT San Antonio



Dr. James P. Allison
UT MD Anderson



Dr. Bruce Beutler
UT Southwestern

**Outstanding faculty come to places
that have outstanding students and
outstanding students come to places
that have outstanding faculty.**



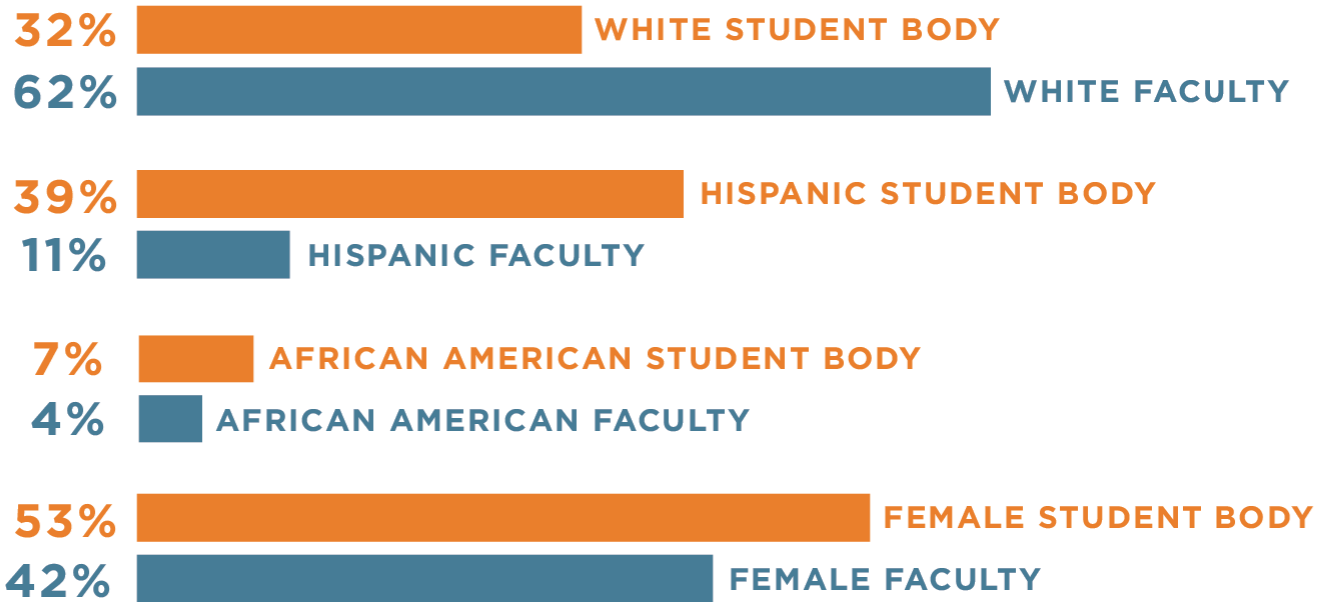
WIN THE TALENT WAR

We will make an unparalleled investment in pursuit of the next generation of outstanding faculty to ensure all our campuses have the world class scholars they need to meet the growing demands of our student population.

**FOR THE CHALLENGES WE
FACE IN DIVERSITY**

THE POPULATION WE TEACH

UT SYSTEM DIVERSITY





THE DRIVE FOR DIVERSITY AND FAIRNESS

We will ensure qualified women and minorities will be considered for senior administrator positions.

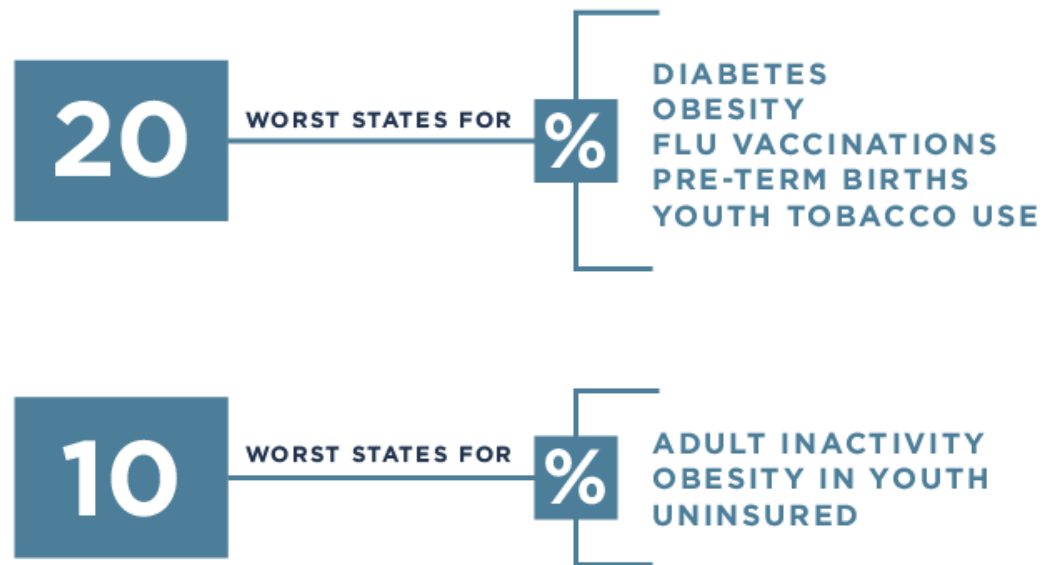
FOR THE HEALTH OF TEXAS

TEXAS RANKS POORLY ACROSS MANY DISEASE CONDITIONS WHERE RISK FACTORS ARE MODIFIABLE.

Minutes - 105

**TEXAS
MUST BE
HEALTHIER**

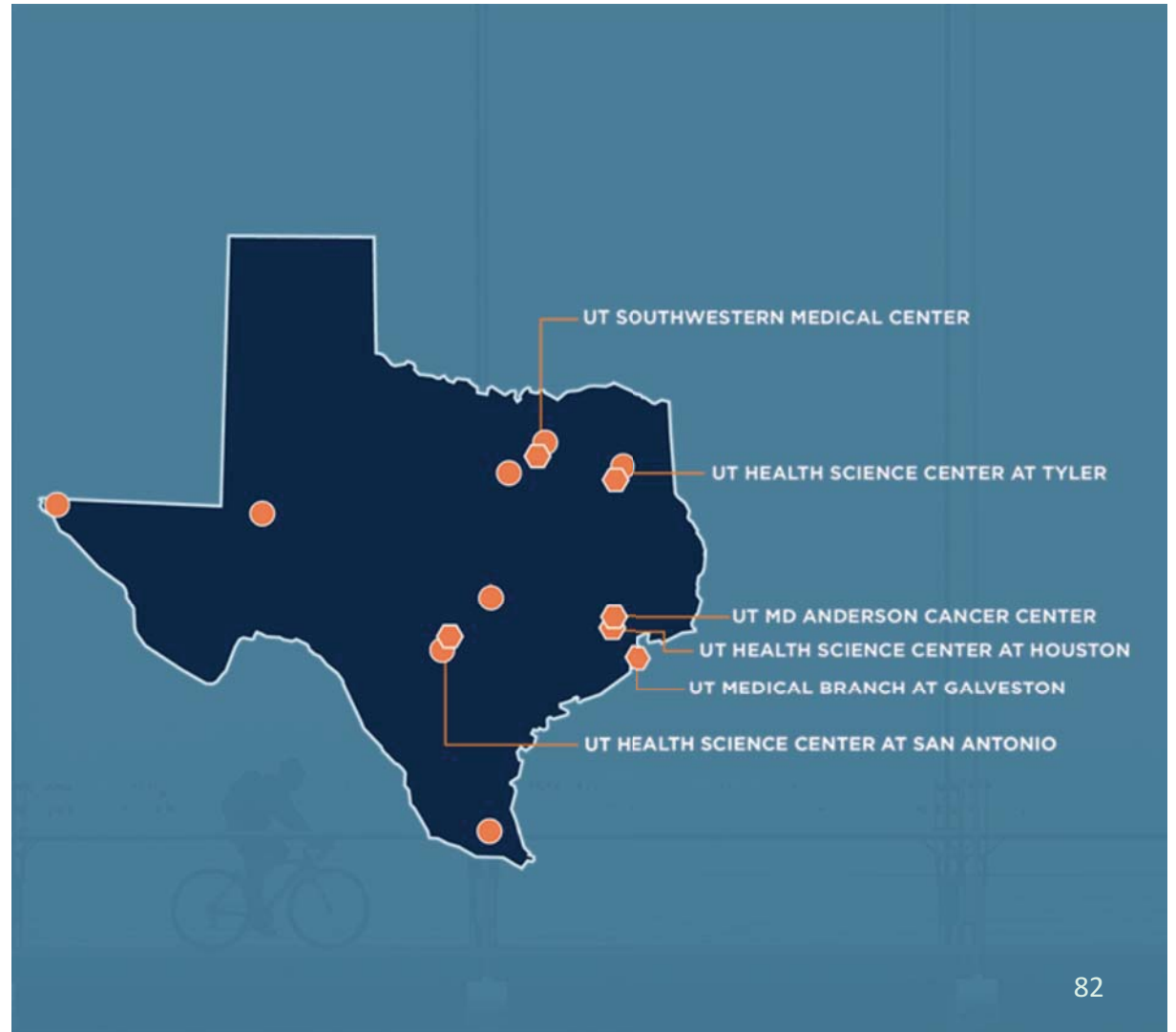
TEXAS IS AMONG THE





THE UT HEALTH CARE ENTERPRISE

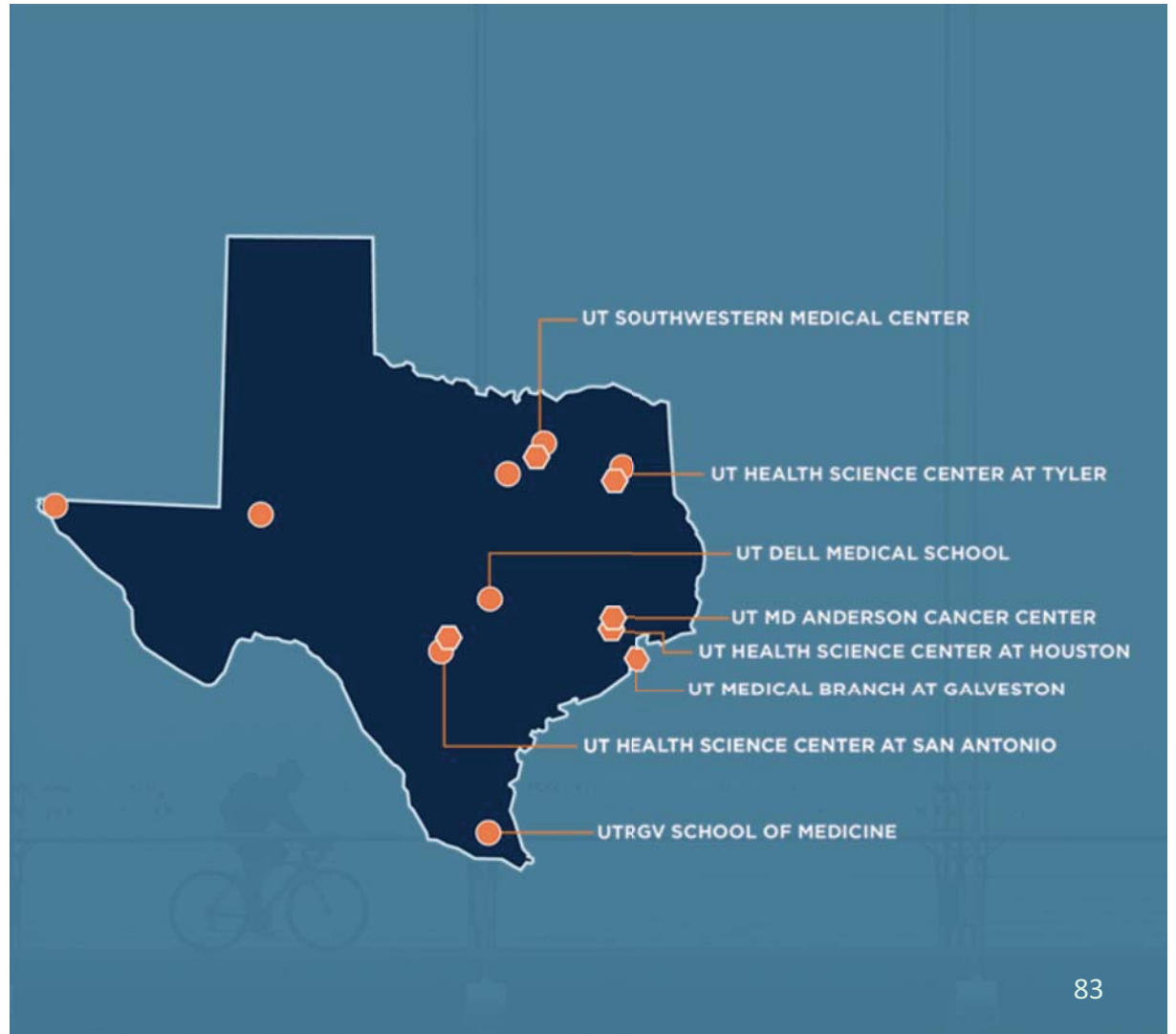
We will develop a collaborative health care enterprise that will leverage our size, our expertise, and connect our regional capabilities to ensure we provide Texas, the nation and the world with the finest health care possible.





THE UT HEALTH CARE ENTERPRISE

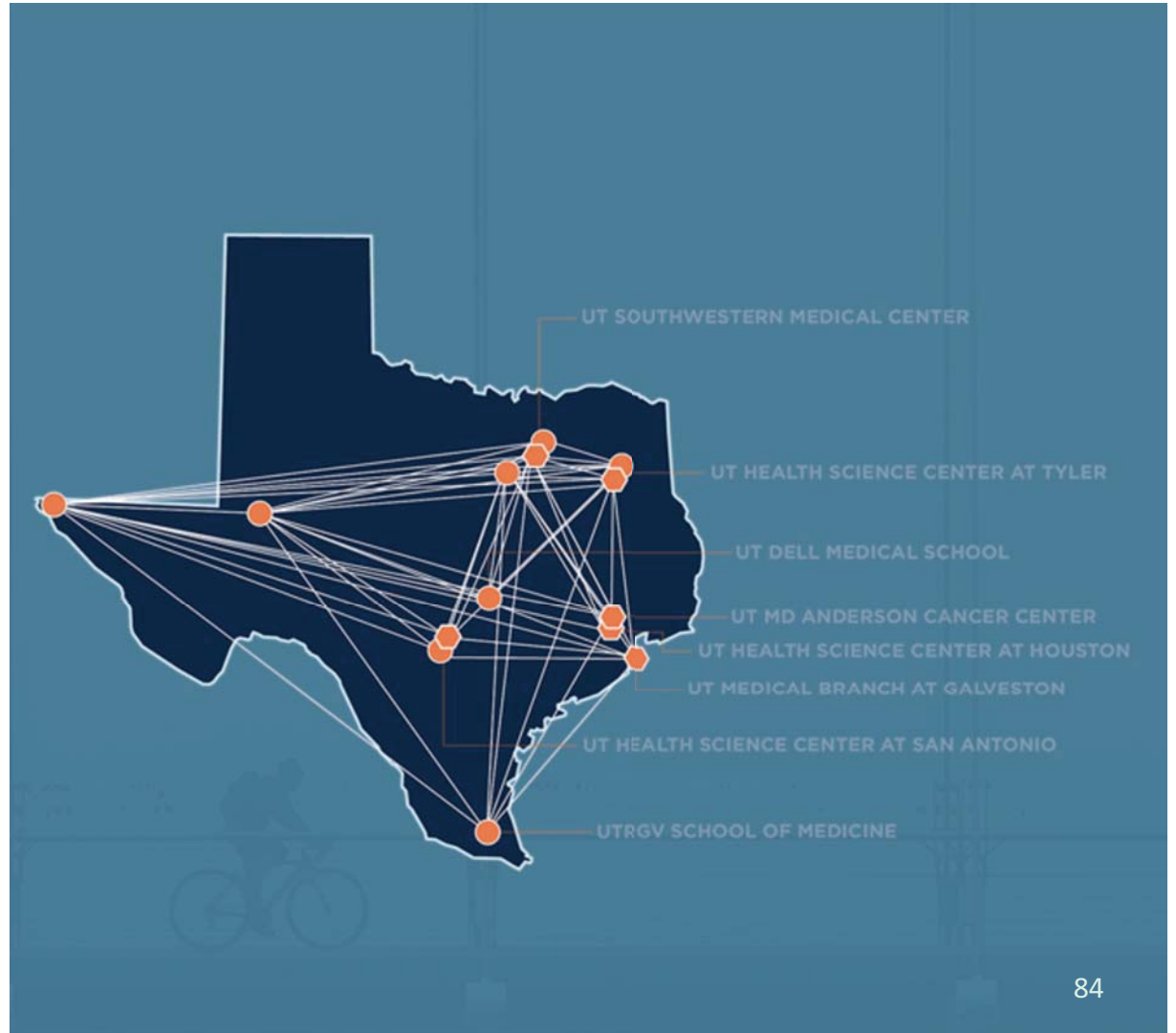
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THE UT HEALTH CARE ENTERPRISE

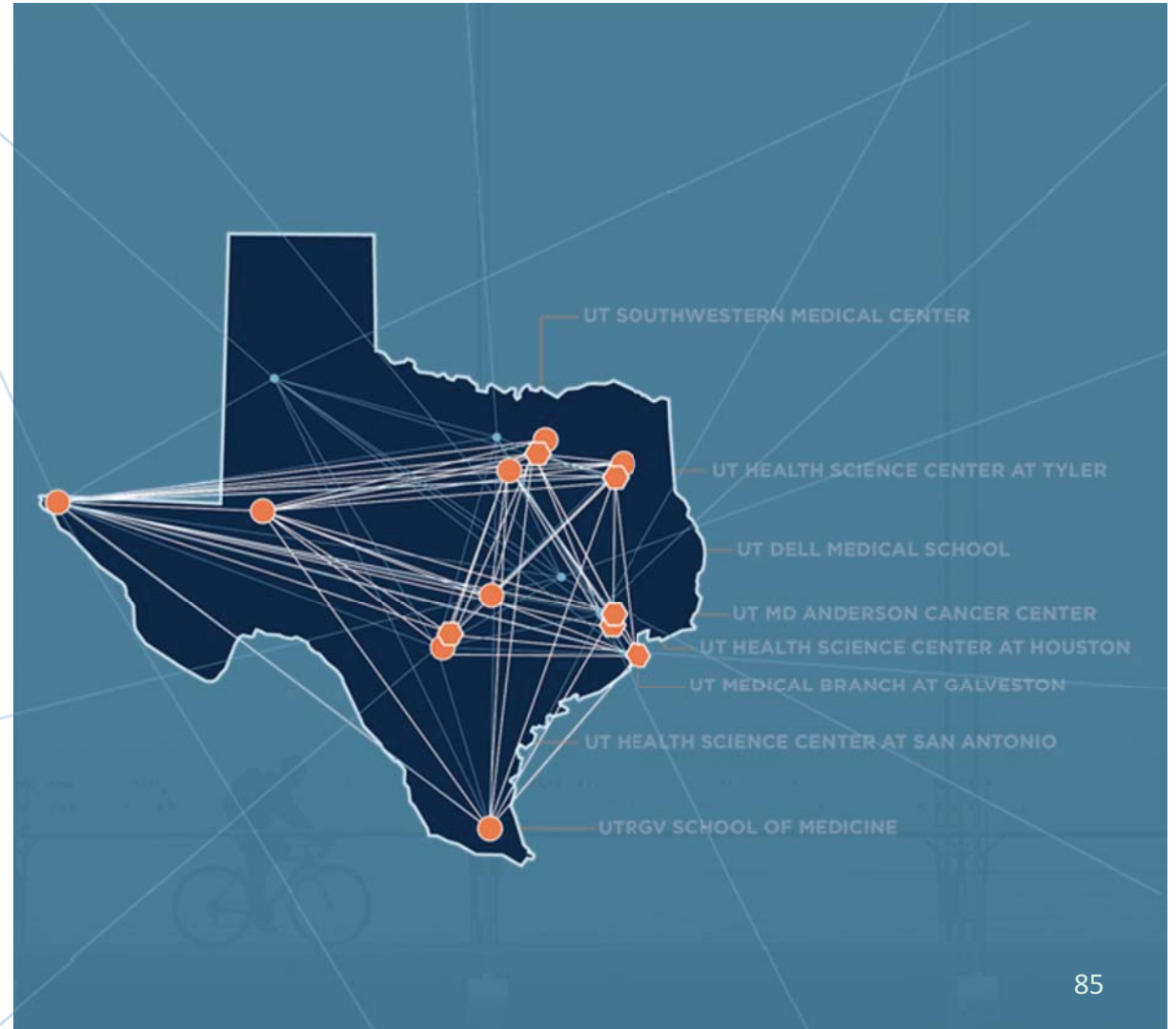
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THE UT HEALTH CARE ENTERPRISE

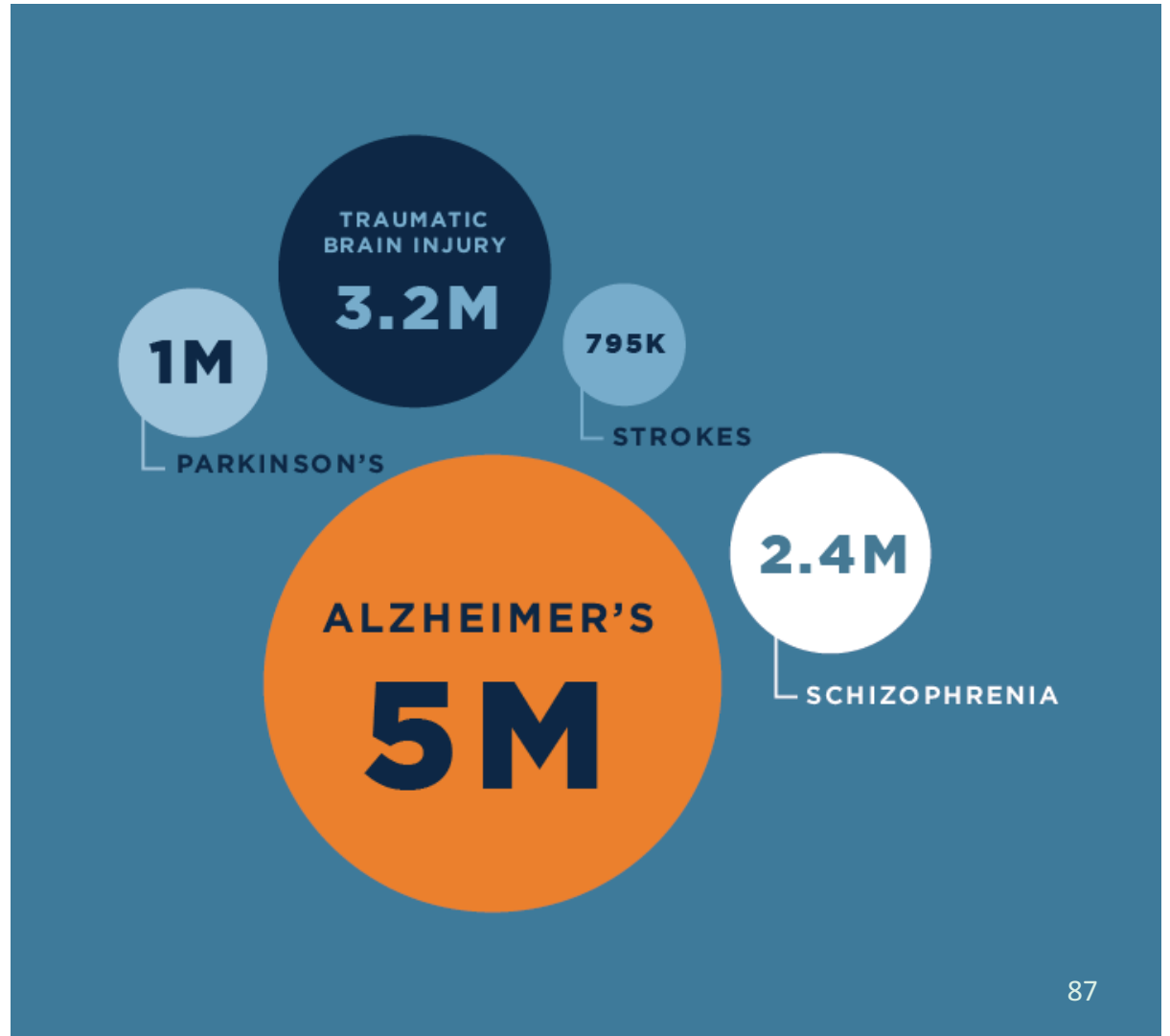
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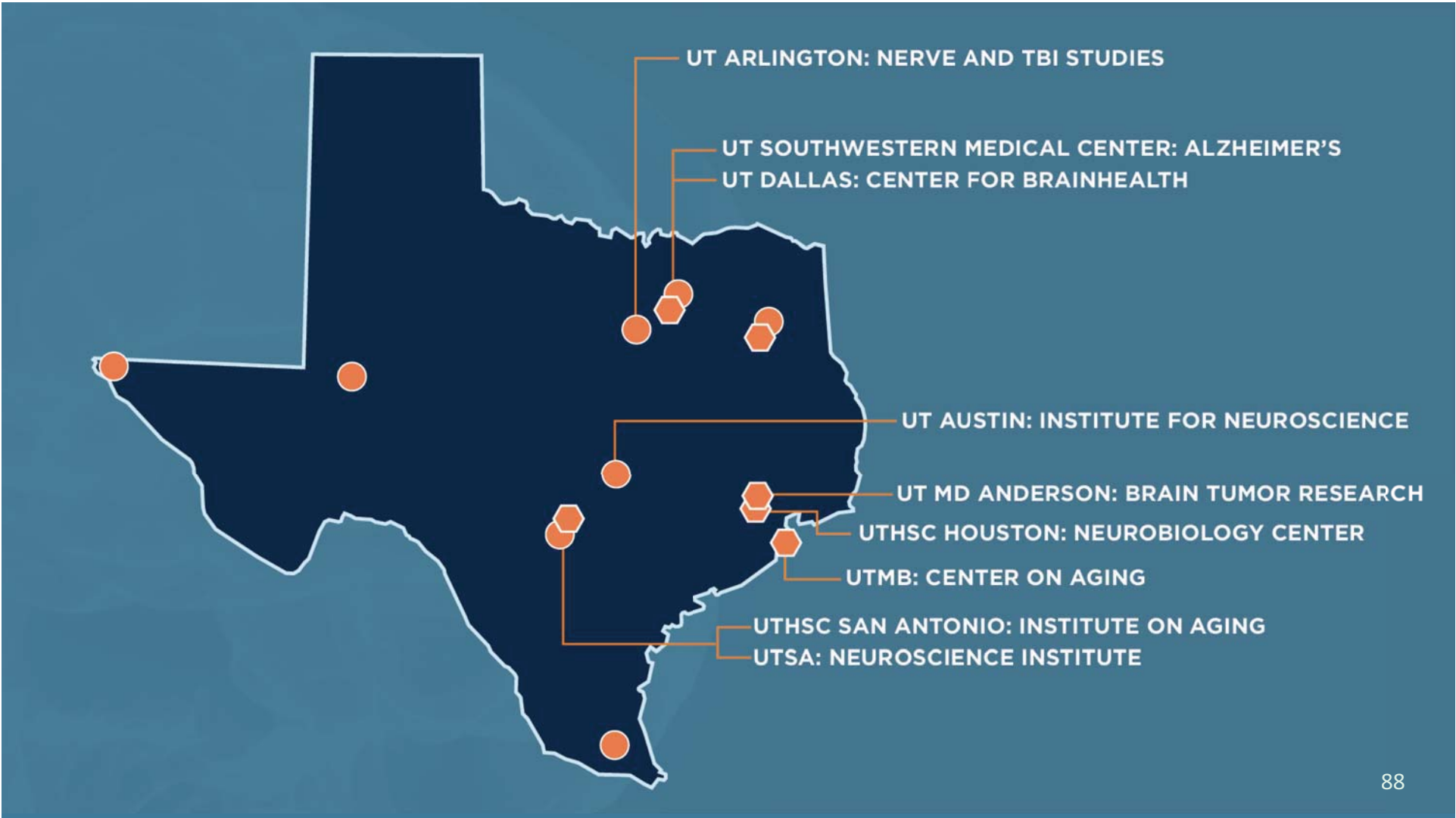


FOR THE CHALLENGES IN BRAIN HEALTH

HUMAN COST

In America, neurological illnesses and mental disorders inflict inordinate human suffering every year.

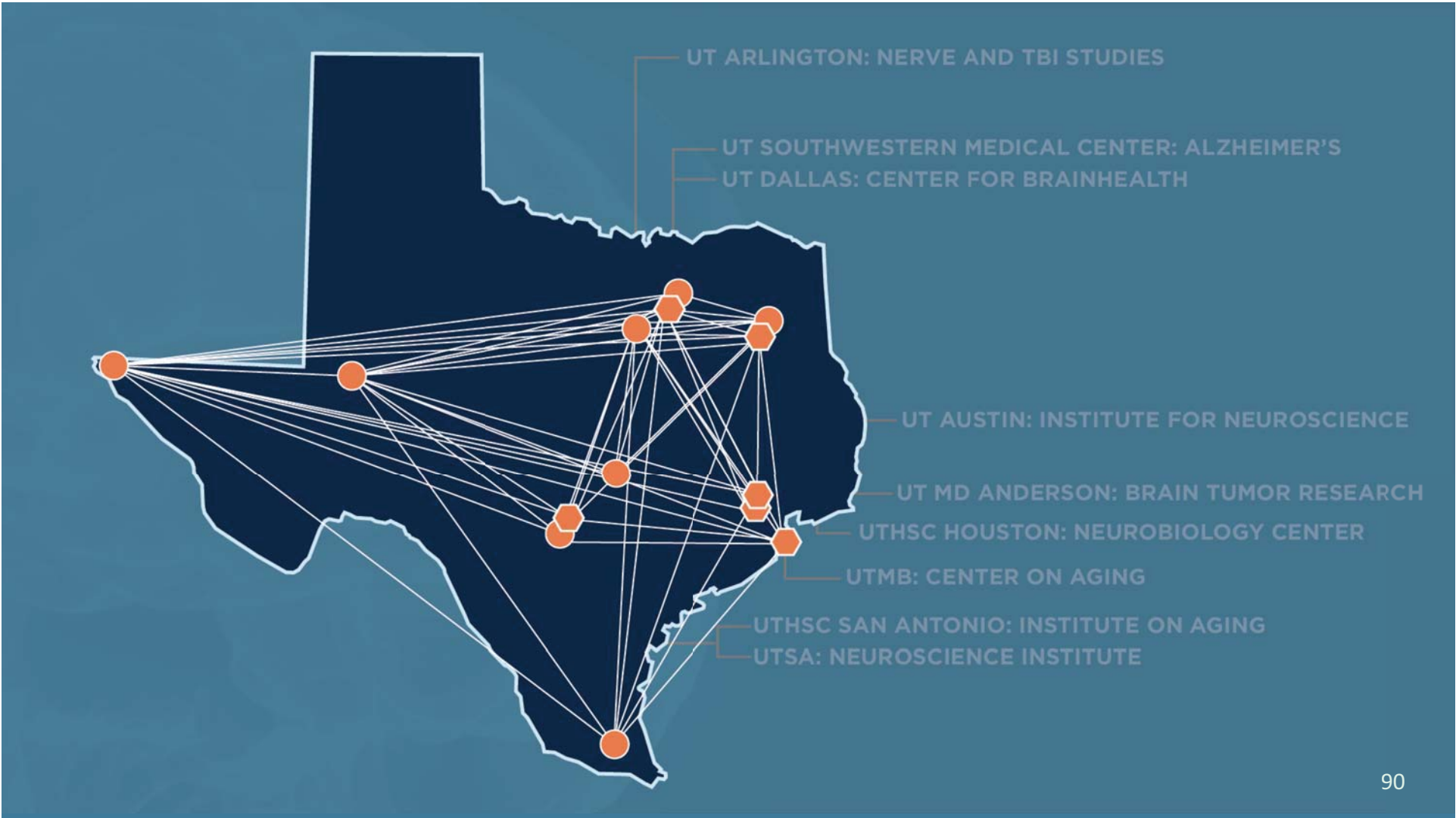




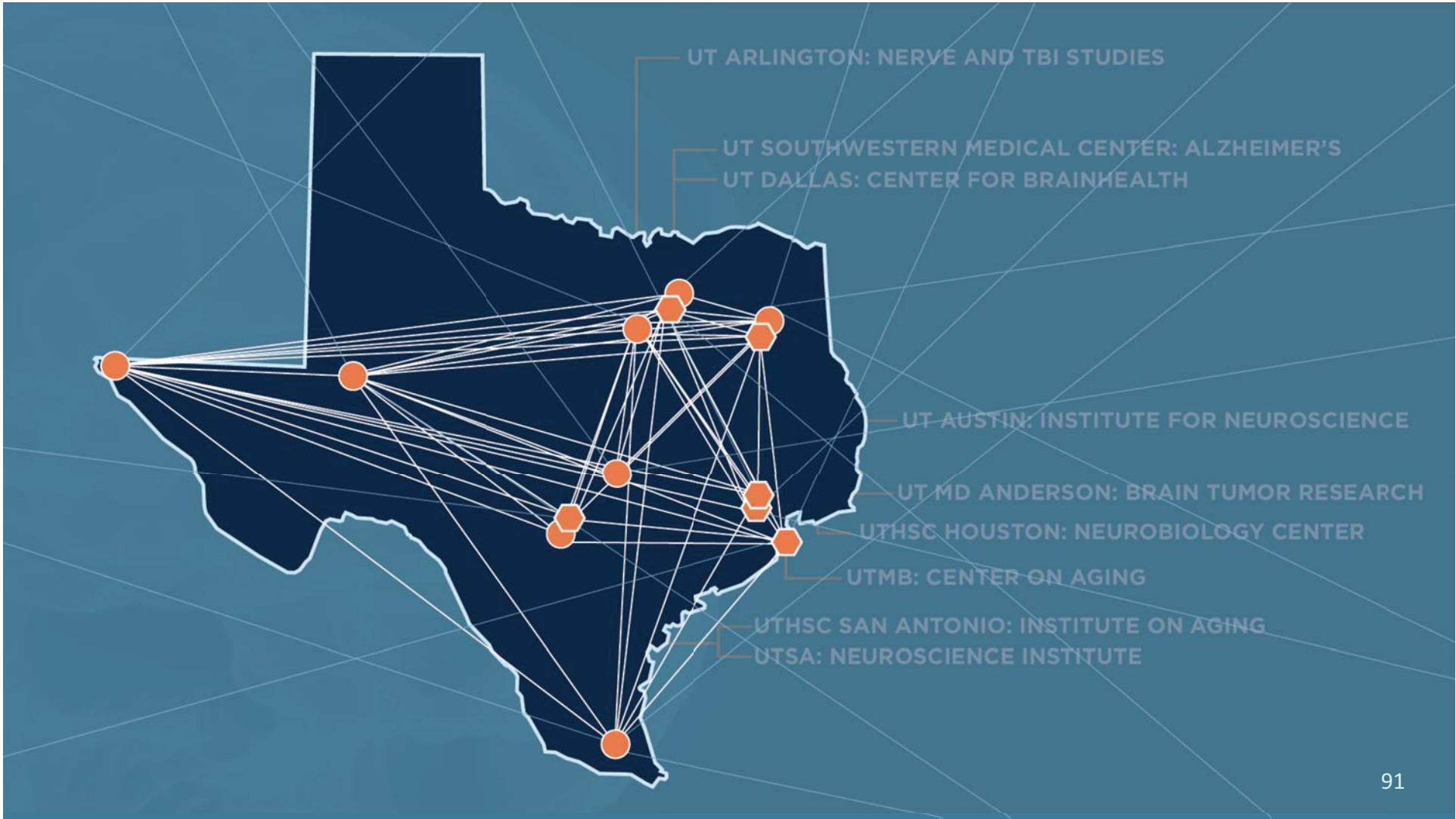


A REVOLUTION IN BRAIN HEALTH

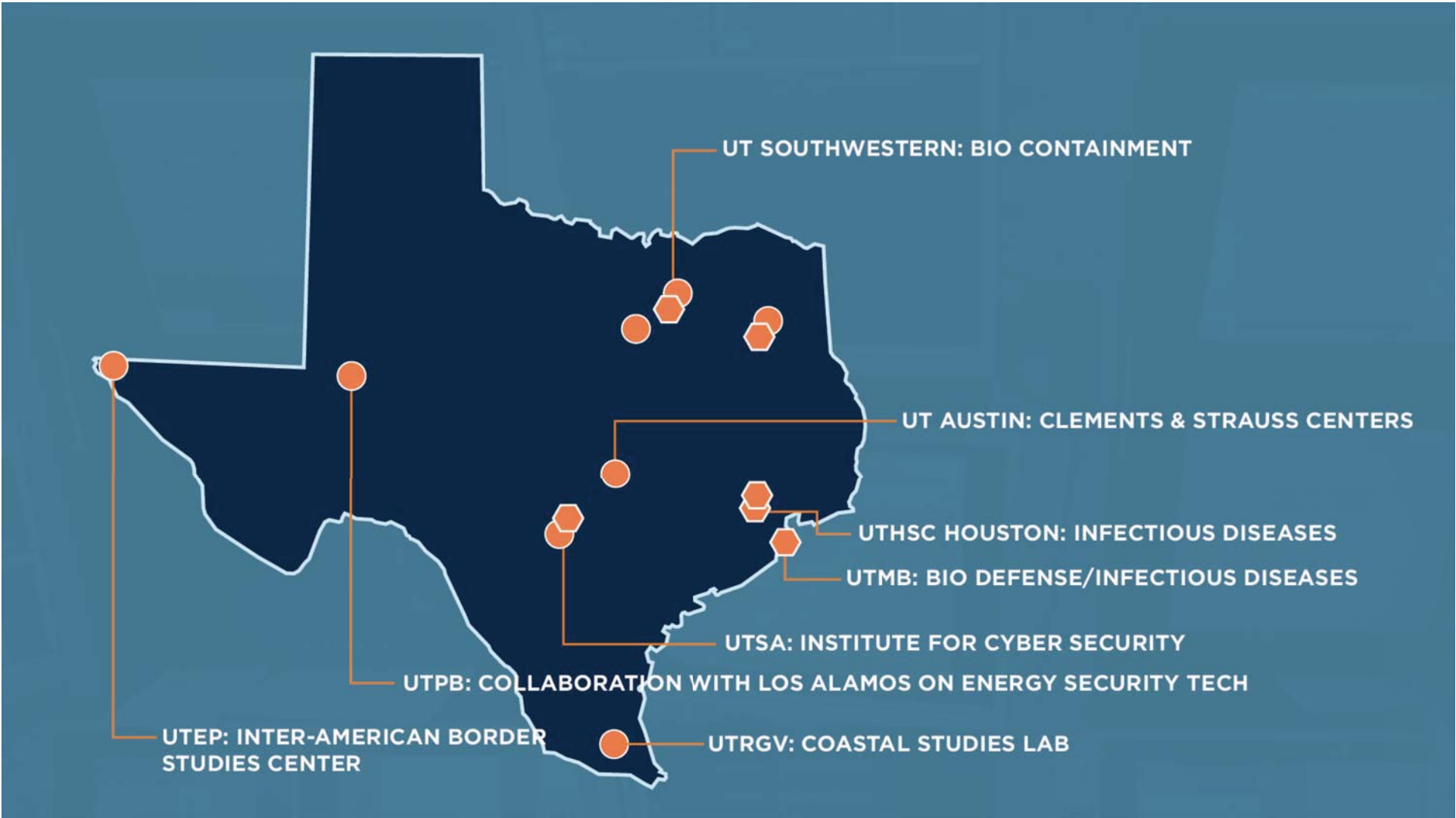
We will undertake an effort similar to the scale of the Manhattan Project to understand, prevent, treat, and cure the diseases of the brain.



Minutes - 114



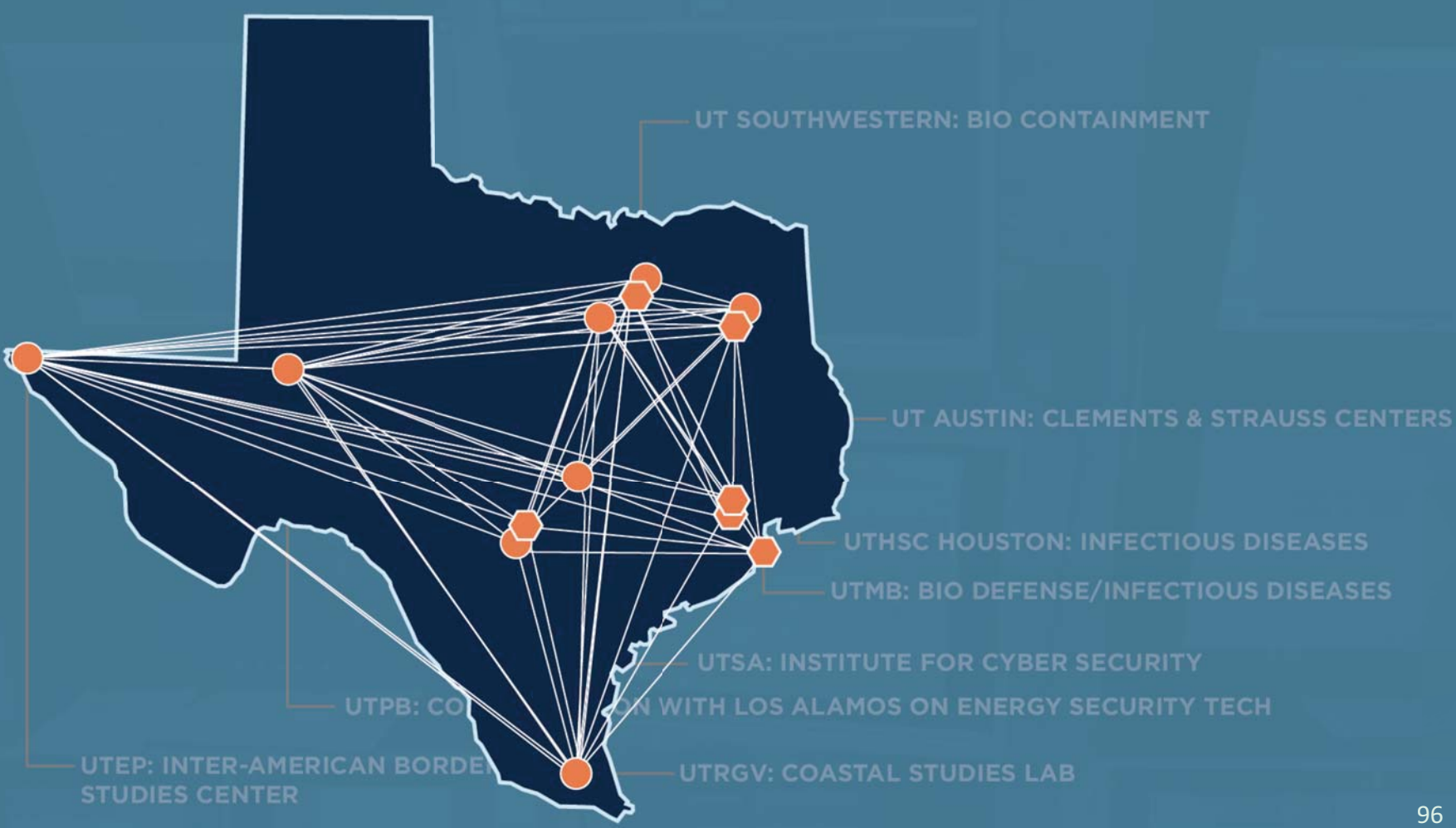
SECURITY CHALLENGES FACING THE NATION





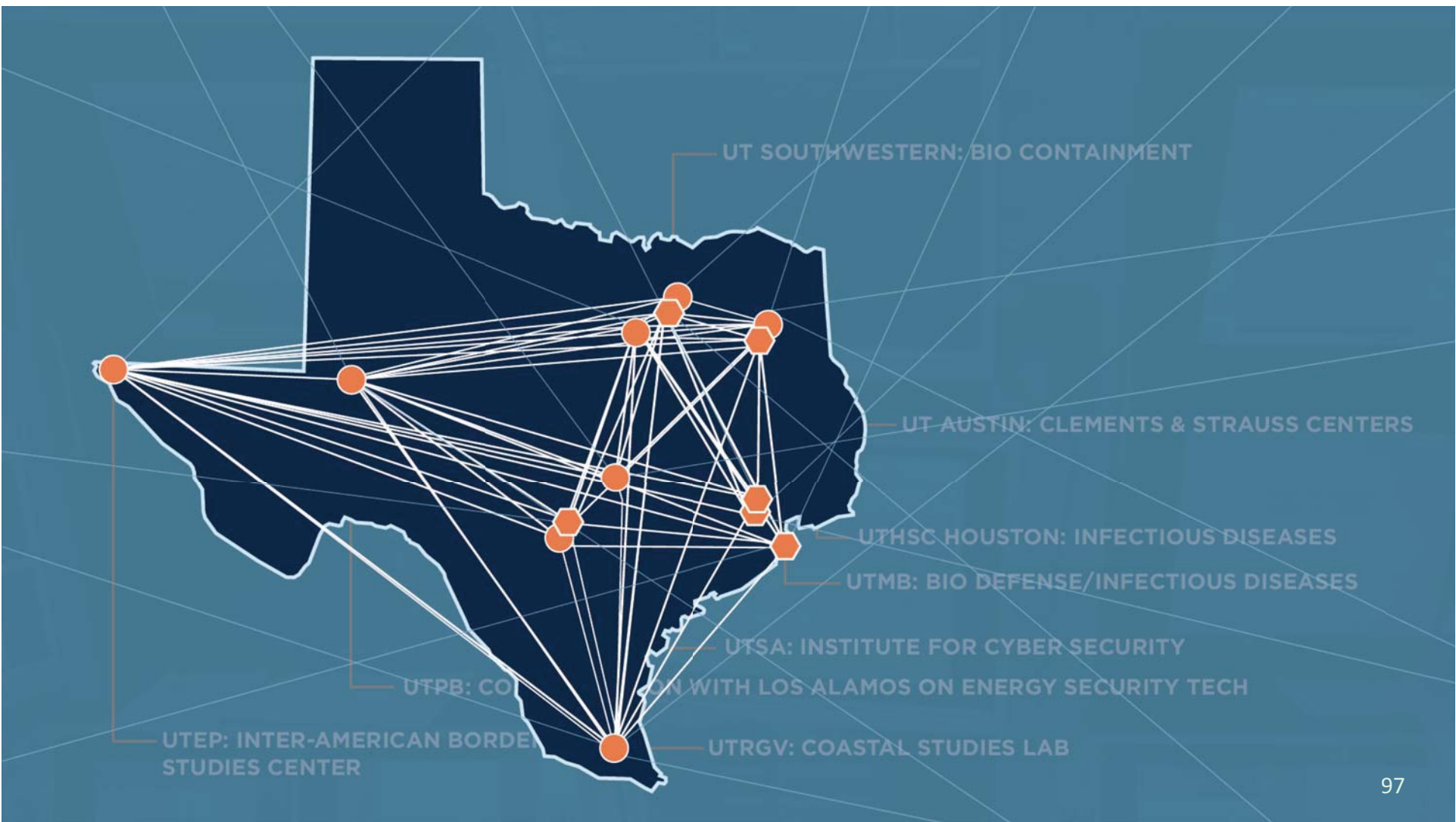
THE UT NETWORK FOR NATIONAL SECURITY

We will establish a Systemwide alliance of national security experts drawn from more than 40 centers and institutes to elevate Texas to a national authority on issues of critical importance facing the world today.



Minutes - 119

Minutes - 120



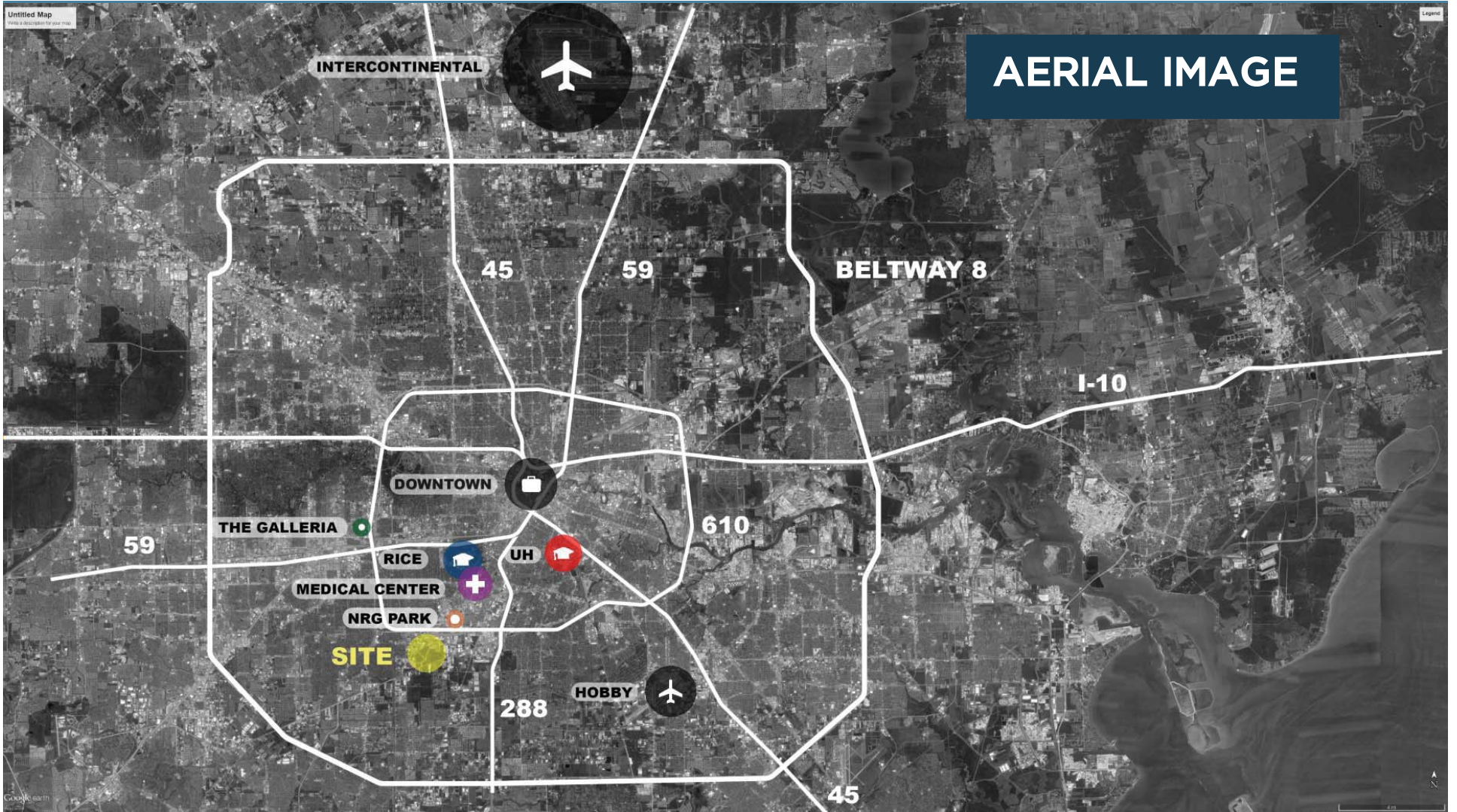
TO MEET THE NEEDS OF TEXAS

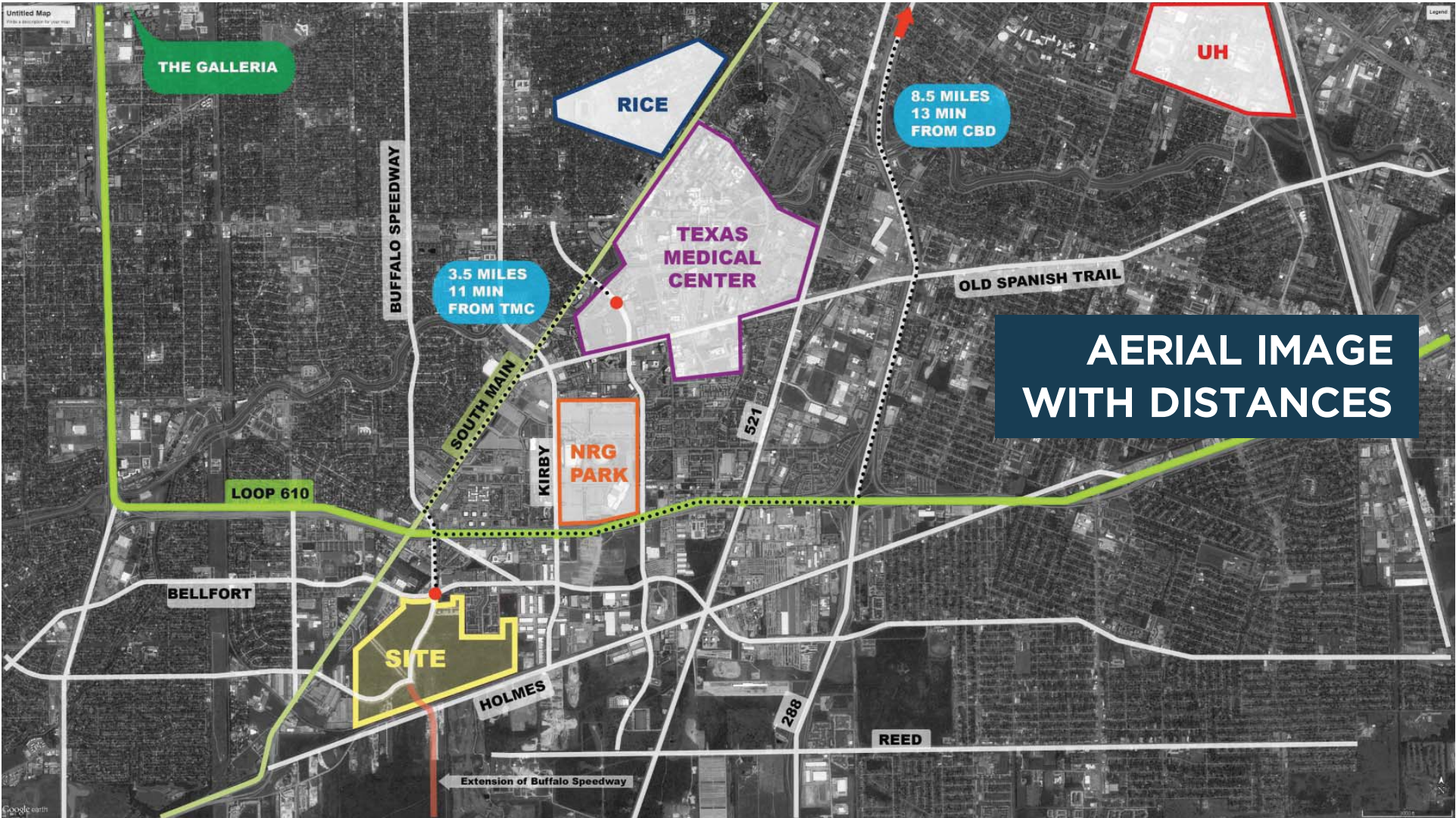


EXPAND THE SCALE OF OUR STRENGTH

We will broaden our footprint in the city of Houston to take advantage of its size, strength of institutions, and talent of the professionals in science, business, health care and the arts.

Minutes - 123





Minutes - 124



CONCEPT RENDER ONLY



SUMMARY

ETHOS

We build and sustain Texas' finest institutions of higher education and health care.

Our priority is to the students and the patients in our care.

We are unyielding in our drive to advance student success, innovation and the well-being of the citizens of Texas.

We communicate in all directions and with the utmost transparency, so that the members of the System and those outside the organization see and understand all that we are doing.

We build trust through our actions — personal and professional; our credibility is our greatest asset.

Our actions are moral, legal and ethical and we hold ourselves accountable when we fail to achieve this standard.

**We will be known as the most innovative,
responsive and dedicated public university
system in the nation.**

4. U. T. System Board of Regents: Authorization for the Chancellor to submit Report Concerning Designated Tuition

The Board granted authority to the Chancellor to submit on its behalf the "Report Concerning Designated Tuition" as required by the current General Appropriations Act, House Bill 1, Article III, Section 49 to the Lieutenant Governor, Speaker of the House, Chair of the Senate Finance Committee, Chair of the House Appropriations Committee, and members of the Legislative Oversight Committee on Higher Education.

A Report Concerning Designated Tuition is to be filed not later than January 1, 2016, by the governing board of each public institution of higher education that charges students designated tuition under Section 54.0513, *Texas Education Code*. The Report identifies the amount of designated tuition collected, the purposes for which it was spent, the amount spent for each purpose, the amounts set aside for resident undergraduate and graduate student assistance as required by Sections 56.011 and 56.012, *Texas Education Code*, and how those amounts are allocated among various types of student assistance.

Completion of the Report requires certain financial information contained in the pending annual financial report, which will not be completed until December 1, 2015. Upon completion of the Report, a copy will be provided to members of the Board.

5. U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 10101 (Board Authority and Duties) to add a new Section 3.6 to reference new State law requirements for Board member training

The Board amended Regents' *Rules and Regulations*, Rule 10101, regarding Board Authority and Duties, to add a new Section 3.6 to reference new State law requirements for Board member training as set forth below:

Sec. 3 Duties and Responsibilities of Each Regent.

. . .

Sec. 3.6 Each member of the Board must attend an intensive short orientation course as required by *Texas Education Code* Section 61.0841 developed by the Texas Higher Education Coordinating Board, and training sponsored or coordinated by the Office of the Governor on the first opportunity after taking the oath of office. No member of the Board appointed on or after January 1, 2016, may vote on a budgetary or personnel matter until the intensive short course is completed.

Recent amendments to Section 61.084 of the *Texas Education Code*, effective on January 1, 2016, require each Regent to attend a short orientation course developed by the Texas Higher Education Coordinating Board. The Coordinating Board's course is to include:

- Best practices relating to excellence, transparency, accountability, and efficiency in the governing structure and organization of general academic teaching institutions and university systems;
- Best practices relating to the manner in which governing boards and administrators develop and implement major policy decisions;
- Matters relating to excellence, transparency, accountability, and efficiency in governance and administration; and
- Ethics, conflicts of interests, and the proper role of a board member in the governing structure of general academic teaching institutions and university systems.

The law also requires each Regent to attend the Office of the Governor's training course for newly appointed State officers and prohibits Regents appointed on or after the effective date from voting on a budgetary or personnel matter until the intensive short orientation course has been completed.

Training provided in The University of Texas System's current Board member orientation, in place since 2013, also tracks the requirements set forth in the law.

6. U. T. System Board of Regents: Revision of Regents' *Rules and Regulations*, Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships to add language required by new State law

The Board approved amendments to Regents' *Rules and Regulations*, Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships, to read as set forth below to add language required by new State law:

- Sec. 2 Adoption of Policies. Each U. T. System institution and U. T. System Administration shall adopt policies and procedures prohibiting sexual harassment, sexual misconduct, other inappropriate sexual conduct, and regarding consensual relationships in substantial compliance with the Office of General Counsel model policies and procedures. Each institution's policy must include definitions of prohibited behavior, sanctions for violations, and the protocol for reporting and responding to reports of assault. Each institution must review the policy each biennium and submit changes to the Board for approval.

Sec. 3 Publication of Policies. The institution's policies and procedures must be published through the institution's website on a web page dedicated solely to the policy through the institution's website and in the institution's *Handbook of Operating Procedures* after review and approval by the appropriate Executive Vice Chancellor and the Board.

Section 51.9363 of the *Texas Education Code* was added during the 2015 Legislative Session to require public higher education institutions to adopt, promote, and review individual policies on campus sexual assault. The new law also outlines certain requirements to be included in the policy. Additionally, the law requires a separate web page for the policy, accessible through the institution's website. Currently, all institutions are in compliance with this provision.

Each University of Texas System institution's policy currently meets the new statutory language, and each was recently updated to meet federal guidance based on Title IX. The law also requires Board approval for all policies and future changes to policies. These policies will be presented to the Board for review and approval at a future meeting.

STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD.--
At 9:58 a.m., Chairman Foster announced the Board would hear the reports and recommendations of the Standing Committees, which are set forth on Pages 136 - 342.

REPORT OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE
(Page 136).--Committee Chairman Hildebrand stated there were no items from the Audit, Compliance, and Management Review Committee to report in open session.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Report on the external assessment of the U. T. Systemwide Compliance Program

This item was for consideration only by the Committee (see Committee Minutes).

3. U. T. System: Annual Report on the Information Security Compliance Program

This item was for consideration only by the Committee (see Committee Minutes).

4. U. T. System: Report on the Systemwide internal audit activities, including the FY 2015 Annual Report

This item was for consideration only by the Committee (see Committee Minutes).

REPORT AND RECOMMENDATIONS OF THE FINANCE AND PLANNING COMMITTEE (Pages 137 - 256).--Committee Chairman Hicks reported that the Finance and Planning Committee met in open session to consider the matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Finance and Planning Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Key Financial Indicators Report and Monthly Financial Report

This item was for consideration only by the Committee (see Committee Minutes).

3. U. T. System: Approval of an internal lending program

The Board

- a. approved an internal lending program through the establishment of a central bank within The University of Texas System. Lending rates and terms will be established by the Executive Vice Chancellor for Business Affairs and the U. T. System Office of Finance and will be updated annually in connection with the U. T. System budget process;
- b. approved an initial capitalization of the central bank through a transfer of all balances held in the U. T. System Office of Finance Swap Reserves with a market value estimated at approximately \$23.4 million as of October 1, 2015; and
- c. approved a policy that allows the Board to share in a portion of the funds generated through the internal lending program. The sharing will occur only when revenue generated by the central bank exceeds amounts needed to maintain a sufficient interest rate buffer, to fund external debt costs, and to provide necessary liquidity as determined by the Executive Vice Chancellor for Business Affairs. Any funds retained centrally will be used exclusively for strategic initiatives that benefit the U. T. System institutions and all expenditures for strategic initiatives will require approval of the Board of Regents.

Currently, interest rate risk associated with capital projects financed with Revenue Financing System (RFS) debt is borne by U. T. System institutions as the institution's borrowing cost is not known until the project is permanently financed with long-term debt.

To reduce this interest rate volatility, many other leading research universities utilize a central bank structure for the purpose of better managing risks within the debt portfolio to minimize the cost of capital while still providing long-term fixed internal loans to individual institutions and their respective projects. The creation of a centralized structure for debt management decisions is expected to result in better control of institutional risks, to standardize loan rates to U. T. System institutions, and to reduce the interest cost volatility for individual projects. By utilizing a portfolio approach, the central bank will be able to utilize certain debt structures that could effectively reduce the cost of capital, such as floating rate debt, that an individual project or institution would traditionally avoid. The central bank will involve projects financed through RFS debt and will not involve projects financed with Tuition Revenue Bond (TRB) or Permanent University Fund (PUF) debt.

In addition to providing a more efficient platform to better manage risks, the central bank is expected to generate funding that can be invested strategically across U. T. System institutions. To the extent asset returns in the central bank exceed external debt costs, these funds will be invested strategically in U. T. System institutions, although a certain amount of reserves will be needed to provide an appropriate interest rate buffer and to meet external debt service requirements. Due to the need to develop adequate reserves, strategic funding through the central bank is not expected before Fiscal Year 2018. The size of the interest rate buffer is expected to change over time and will be periodically determined by the Office of Business Affairs by taking into account a range of future borrowing costs and investment returns to effectively minimize any potential changes to the long-term loan rate charged to the institutions. A portion of the initial capitalization may be utilized for strategic purposes prior to Fiscal Year 2018, subject to recommendation by the Chancellor and the Executive Vice Chancellor for Business Affairs and approval by the Board of Regents.

All projects previously financed with long-term RFS bonds will be adjusted to be cash-flow neutral, although small changes due to rounding are anticipated. Future projects will be financed through the central bank at a long-term loan rate, initially 4.50%, which is expected to be stable over time. Capital equipment and interim financing of capital projects will continue to be financed at variable short-term rates, initially as the average interest rate on the U. T. System's outstanding commercial paper notes plus 0.75%. For projects that cannot be financed on a tax-exempt basis, an additional loan premium will be added to the long-term loan rate, initially at 0.75%. In accordance with Chapter 54 of the *Texas Education Code*, the payment of principal and interest on loans originated through the central bank are financing costs of the underlying capital projects. Although not currently anticipated, any adjustments to the loan rates will be considered annually in connection with the U. T. System's annual budget process with any changes that are implemented applying to all outstanding loans.

Funds held in the central bank for liquidity purposes or to serve as an interest rate buffer will be invested in funds managed by The University of Texas Investment Management Company (UTIMCO).

4. U. T. System Board of Regents: Report on activities of the University Lands Advisory Board

This item was for consideration only by the Committee (see Committee Minutes).

5. U. T. System: Approval of a Fiscal Year 2016 University Lands operating budget including delegation of authority to enter into a \$3.44 million contract with the Texas Energy Research, Engineering, and Education Institute (EREEI)

The Board approved the University Lands operating budget for Fiscal Year 2016 as shown on the following page.

The Board also delegated authority to the Chief Executive Officer - University Lands to enter into a \$3.4 million contract with the Texas Energy Research, Engineering, and Education Institute (EREEI) ("Texas Oil & Gas Institute" or "TOGI") for comprehensive petroleum engineering, geological, and geophysical analysis services, following review of the contract by The University of Texas System Office of General Counsel.

The University Lands Advisory Board (ULAB) was established by the Board of Regents on May 15, 2014, and was charged with providing advice on the strategic direction for University Lands. Over the past 18 months, ULAB has advised the Board on the hiring of a new Chief Executive Officer - University Lands (UL-CEO), whose employment began on March 23, 2015. Since that time, ULAB and the UL-CEO have been working on a strategic direction for University Lands.

The Fiscal Year 2016 budget cycle occurred early in the discussions of the strategic direction for University Lands and the University Lands budget numbers approved by the Board of Regents on August 20, 2015 (Item 10 on approval of the U. T. System Operating Budget), were placeholders subject to change after the beginning of the new fiscal year. The updated operating budget includes a \$3.4 million contract with the "Texas Oil & Gas Institute" for comprehensive petroleum engineering, geological, and geophysical analysis services required to assist the University Lands Geoscience and Engineering Team in performing a detailed study of 20% of the University Lands Resource Base during 2015-2016. "TOGI" will also assist in developing a more streamlined and comprehensive data management process for subsurface evaluation and may evaluate opportunities to enhance production operations through assisting in studies of methane emissions and environmental best practices.

UNIVERSITY LANDS OPERATING BUDGET
FISCAL YEAR ENDING 8/31/2016

	Description	FY2016 APPROVED BUDGET	FY 2016 <u>PROPOSED</u> BUDGET	ADDITIONAL BUDGET REQUIRED
Houston Office - Maintenance & Operations (M&O):				
1	Leased Office Space (\$30/sq ft)	\$200,000	\$360,000	\$160,000
2	Building Operating Expense (\$13/sq ft)	\$58,500	\$156,000	\$97,500
3	Computers, Supplies, Internet, etc.	\$44,700	\$80,000	\$35,300
4	Miscellaneous Labor/Services	\$20,000	\$75,000	\$55,000
5	Technology Allocation	\$30,000	\$66,000	\$36,000
6	Travel	\$50,000	\$80,000	\$30,000
Total Operations (Houston)		\$403,200	\$817,000	\$413,800
Houston Office - Startup Costs:				
7	Furniture & Fixtures	\$0	\$150,000	\$0
8	Facility Enhancements	\$0	\$240,000	\$0
9	Network Infrastructure	\$0	\$375,000	\$0
10	Video Conferencing	\$0	\$250,000	\$0
11	Land Management System	\$0	\$300,000	\$0
12	Reservoir/Geologic System	\$0	\$1,000,000	\$0
Total Startup Costs (Houston)		\$1,600,000	\$2,315,000	\$715,000
TOTAL M&O		\$2,003,200	\$3,132,000	\$1,128,800
ADMIN & PROFESSIONAL SALARIES		\$1,350,000	\$1,720,000	\$370,000
CLASSIFIED PERSONNEL		\$222,000	\$432,000	\$210,000
BENEFITS		\$503,040	\$688,640	\$185,600
TOTAL BUDGET - HOUSTON OFFICE		\$4,078,240	\$5,972,640	\$1,894,400
Midland Office - M&O:				
Total M&O, Travel & Capital Equipment		\$1,158,128	\$1,158,128	\$0
ADMIN & PROFESSIONAL SALARIES		\$989,035	\$1,489,035	\$500,000
CLASSIFIED PERSONNEL		\$2,977,502	\$2,977,502	\$0
BENEFITS		\$1,269,292	\$1,429,292	\$160,000
WAGES		\$20,000	\$20,000	\$0
OPPORTUNE MAINTENANCE		\$200,000	\$200,000	\$0
TOTAL BUDGET - MIDLAND OFFICE		\$6,613,957	\$7,273,957	\$660,000
TOTAL BUDGET (MIDLAND & HOUSTON)		\$10,692,197	\$13,246,597	\$2,554,400
OTHER BUDGET ITEMS:				
UL LAND PROJECTS		\$2,769,800	\$2,769,800	\$0
UL RESEARCH PROJECTS		\$109,425	\$109,425	\$0
UL SPECIAL PROJECTS		\$2,700,000	\$2,700,000	\$0
UL ARIS/OPPORTUNE		\$1,000,000	\$1,300,000	\$300,000
"TEXAS OIL & GAS INSTITUTE"		\$0	\$3,440,000	\$3,440,000
TOTAL OTHER BUDGET ITEMS		\$6,579,225	\$10,319,225	\$3,740,000
TOTAL BUDGET		\$17,271,422	\$23,565,822	\$6,294,400

6. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the year and quarter ended August 31, 2015

The University of Texas Investment Management Company (UTIMCO) Performance Summary Report at August 31, 2015 is set forth on Page 142.

The Investment Reports for the fiscal year and quarter ended August 31, 2015, are set forth on Pages 143 - 146.

Item I on Page 143 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was .43%. The PUF's net asset value increased by \$125 million since the beginning of the year to \$17,490 million. The increase was due to \$807 million PUF Lands receipts, plus a net investment return of \$82 million, less the annual distribution to the Available University Fund (AUF) of \$764 million.

Item II on Page 144 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was 1.08%. The GEF's net asset value decreased by \$88 million during the fiscal year to \$8,237 million.

Item III on Page 145 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the fiscal year was negative 3.28% versus its composite benchmark return of 5.11%. The net asset value increased during the fiscal year to \$7,037 million due to net contributions of \$821 million, less net investment return of \$239 million and distributions of \$210 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 146 presents book and market values of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus and Fidelity money market fund, increased by \$102 million to \$2,133 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$21 million versus \$20 million at the beginning of the period; equities: \$267 million versus \$281 million at the beginning of the period; and other investments: \$6 million versus \$1 million at the beginning of the period.

UTIMCO Performance Summary

August 31, 2015

	Net Asset Value 8/31/2015 (in Millions)	Periods Ended August 31, 2015 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year to Date		Historic Returns			
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs
ENDOWMENT FUNDS									
Permanent University Fund	\$ 17,490	(0.87%)	(2.79%)	0.43%	1.78%	0.43%	7.94%	8.27%	6.13%
Permanent Health Fund	1,076								
Long Term Fund	7,161								
General Endowment Fund	<u>25,727</u>	(0.80%)	(2.80%)	1.08%	1.81%	1.08%	8.12%	8.41%	6.24%
Separately Invested Funds	<u>367</u>								
Total Endowment Funds	<u>26,094</u>								
OPERATING FUNDS									
Intermediate Term Fund	7,037	(2.37%)	(4.10%)	(3.28%)	(1.75%)	(3.28%)	3.92%	5.16%	N/A
Short Term Fund and Debt Proceeds Fund	<u>2,059</u>								
Total Operating Funds	<u>9,096</u>								
Total Assets Under Management	<u>\$ 35,190</u>								

Footnote available upon request.

UTIMCO 10/5/2015

Minutes - 142

November 5, 2015 Meeting of the U. T. System Board of Regents – Finance and Planning Committee

I. PERMANENT UNIVERSITY FUND
Investment Reports for Periods Ended August 31, 2015

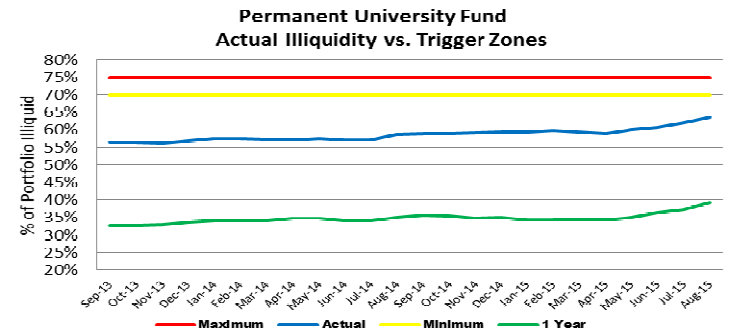
Prepared in accordance with *Texas Education Code Sec. 51.0032*

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	6.1%	6.5%	-5.16%	-6.44%	0.03%	0.05%	0.08%
Credit-Related	0.1%	0.0%	-6.24%	-4.66%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.5%	-8.63%	-4.78%	-0.02%	-0.11%	-0.13%
Natural Resources	6.3%	7.5%	-30.36%	-25.03%	0.03%	-0.51%	-0.48%
Developed Country	13.8%	14.0%	4.96%	-4.13%	0.04%	1.27%	1.31%
Emerging Markets	<u>9.4%</u>	<u>9.5%</u>	<u>-16.92%</u>	<u>-22.95%</u>	<u>-0.06%</u>	<u>0.68%</u>	<u>0.62%</u>
Total More Correlated and Constrained	38.0%	40.0%	-9.94%	-13.15%	0.02%	1.38%	1.40%
Less Correlated and Constrained	29.9%	30.0%	3.04%	1.47%	0.06%	0.42%	0.48%
Private Investments	<u>32.1%</u>	<u>30.0%</u>	<u>13.44%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>0.43%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

n/a - not available

Summary of Capital Flows

(\$ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	\$14,853	\$18,200	\$17,365
PUF Lands Receipts	1,129	175	807
Investment Return (Net of Expenses)	2,260	(503)	82
Distributions to AUF	(877)	(382)	(764)
Ending Net Assets	<u>\$17,365</u>	<u>\$17,490</u>	<u>\$17,490</u>



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended August 31, 2015

Prepared in accordance with *Texas Education Code Sec. 51.0032*

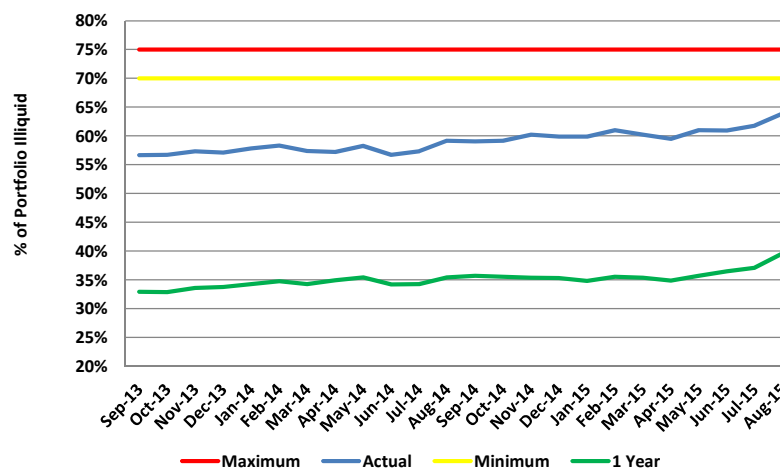
	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	5.8%	6.5%	-4.09%	-6.44%	0.08%	0.11%	0.19%
Credit-Related	0.1%	0.0%	-6.24%	-4.66%	0.00%	0.00%	0.00%
Real Estate	2.4%	2.5%	-8.61%	-4.78%	-0.02%	-0.11%	-0.13%
Natural Resources	6.4%	7.5%	-30.38%	-25.03%	0.06%	-0.52%	-0.46%
Developed Country	13.8%	14.0%	4.87%	-4.13%	0.06%	1.24%	1.30%
Emerging Markets	<u>9.3%</u>	<u>9.5%</u>	<u>-12.53%</u>	<u>-22.95%</u>	<u>-0.07%</u>	<u>1.20%</u>	<u>1.13%</u>
Total More Correlated and Constrained	37.8%	40.0%	-8.47%	-13.15%	0.11%	1.92%	2.03%
Less Correlated and Constrained	29.9%	30.0%	3.04%	1.47%	0.03%	0.46%	0.49%
Private Investments	<u>32.3%</u>	<u>30.0%</u>	<u>13.44%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>
Total	<u>100.0%</u>	<u>100.0%</u>	<u>1.08%</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>	<u>n/a</u>

n/a - not available

Summary of Capital Flows

(\$ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	\$7,396	\$8,531	\$8,325
Contributions	225	44	230
Withdrawals	(13)	(31)	(43)
Distributions	(371)	(74)	(366)
Investment Return (Net of Expenses)	<u>1,088</u>	<u>(233)</u>	<u>91</u>
Ending Net Assets	<u>\$8,325</u>	<u>\$8,237</u>	<u>\$8,237</u>

General Endowment Fund Actual Illiquidity vs. Trigger Zones



III. INTERMEDIATE TERM FUND Investment Reports for Periods Ended August 31, 2015

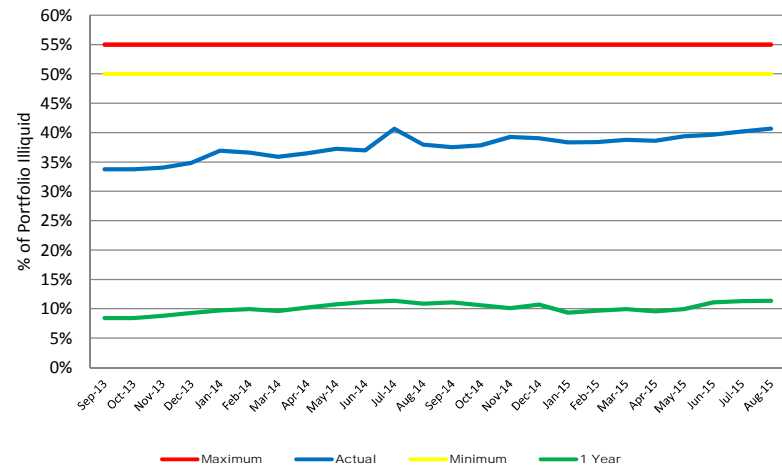
Prepared in accordance with *Texas Education Code Sec. 51.0032*

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	30.7%	30.0%	-5.80%	-6.44%	0.02%	0.15%	0.17%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.7%	3.0%	-8.60%	-4.78%	-0.01%	-0.13%	-0.14%
Natural Resources	5.9%	7.0%	-30.12%	-25.03%	0.08%	-0.43%	-0.35%
Developed Country	8.8%	9.0%	5.07%	-4.13%	0.00%	0.84%	0.84%
Emerging Markets	<u>5.4%</u>	<u>6.0%</u>	<u>-12.52%</u>	<u>-22.95%</u>	<u>-0.01%</u>	<u>0.70%</u>	<u>0.69%</u>
Total More Correlated and Constrained	53.5%	55.0%	-8.15%	-10.26%	0.08%	1.13%	1.21%
Less Correlated and Constrained	46.5%	45.0%	3.02%	1.47%	0.00%	0.62%	0.62%
Private Investments	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Total	<u>100.0%</u>	<u>100.0%</u>	<u>-3.28%</u>	<u>-5.11%</u>	<u>0.08%</u>	<u>1.75%</u>	<u>1.83%</u>

Summary of Capital Flows

(\$ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	\$5,520	\$7,196	\$6,665
Contributions	2,111	357	1,448
Withdrawals	(1,391)	(164)	(627)
Distributions	(186)	(55)	(210)
Investment Return (Net of Expenses)	<u>611</u>	<u>(297)</u>	<u>(239)</u>
Ending Net Assets	<u>\$6,665</u>	<u>\$7,037</u>	<u>\$7,037</u>

Intermediate Term Fund Actual Illiquidity vs. Trigger Zones



IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at August 31, 2015
 Report prepared in accordance with *Texas Education Code Sec. 51.0032*

ASSET TYPES	(\$ thousands)															
	FUND TYPE															
	CURRENT PURPOSE DESIGNATED		RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (DEBT PROCEEDS AND (SHORT TERM FUND))		TOTAL	
	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Cash & Equivalents:																
Beginning value 05/31/15	-	-	5,494	5,494	45,977	45,977	1,233	1,233	737	737	53,441	53,441	1,977,230	1,977,230	2,030,671	2,030,671
Increase/(Decrease)	-	-	(3,960)	(3,960)	22,319	22,319	833	833	1,045	1,045	20,237	20,237	82,156	82,156	102,393	102,393
Ending value 08/31/15	-	-	1,534	1,534	68,296	68,296	2,066	2,066	1,782	1,782	73,678	73,678	2,059,386	2,059,386	2,133,064	2,133,064
Debt Securities:																
Beginning value 05/31/15	-	-	11	12	11,304	11,661	7,928	7,898	-	-	19,243	19,571	-	-	19,243	19,571
Increase/(Decrease)	-	-	-	(1)	64	(103)	1,172	1,064	-	-	1,236	960	-	-	1,236	960
Ending value 08/31/15	-	-	11	11	11,368	11,558	9,100	8,962	-	-	20,479	20,531	-	-	20,479	20,531
Equity Securities:																
Beginning value 05/31/15	254,273	215,147	1,335	1,327	41,889	51,906	12,538	13,043	-	-	310,035	281,423	-	-	310,035	281,423
Increase/(Decrease)	110	(10,711)	(1,124)	(1,120)	68	(2,369)	303	(635)	-	-	(643)	(14,835)	-	-	(643)	(14,835)
Ending value 08/31/15	254,383	204,436	211	207	41,957	49,537	12,841	12,408	-	-	309,392	266,588	-	-	309,392	266,588
Other:																
Beginning value 05/31/15	-	-	89	89	599	599	572	114	-	-	1,260	802	-	-	1,260	802
Increase/(Decrease)	-	-	5,564	5,564	(564)	(564)	(2)	(3)	572	572	5,570	5,569	-	-	5,570	5,569
Ending value 08/31/15	-	-	5,653	5,653	35	35	570	111	572	572	6,830	6,371	-	-	6,830	6,371
Total Assets:																
Beginning value 05/31/15	254,273	215,147	6,929	6,922	99,769	110,143	22,271	22,288	737	737	383,979	355,237	1,977,230	1,977,230	2,361,209	2,332,467
Increase/(Decrease)	110	(10,711)	480	483	21,887	19,283	2,306	1,259	1,617	1,617	26,400	11,931	82,156	82,156	108,556	94,087
Ending value 08/31/15	254,383	204,436	7,409	7,405	121,656	129,426	24,577	23,547	2,354	2,354	410,379	367,168	2,059,386	2,059,386	2,469,765	2,426,554

Details of individual assets by account furnished upon request.

7. U. T. System Board of Regents: Approval of amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, the Separately Invested Fund, the Liquidity Policy, and the Derivative Investment Policy

Upon recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board approved amendments to the following Investment Policy Statements, including asset allocation, as set forth on the referenced pages, effective December 1, 2015. Amendments to the Liquidity Policy and the Derivative Investment Policy, as set forth on the referenced pages, were effective November 5, 2015.

As approved by the Finance and Planning Committee on November 4, 2015, language in the Investment Policy Statements concerning the primary investment objective was clarified to maximize returns within an allowed risk profile without regard to the distribution rate (see Committee Minutes for the full discussion). [The modified sentence is shown as an example of the changes on Page 151 of the Permanent University Fund (PUF) Statement.]

- a. Permanent University Fund (PUF) (see Pages 149 - 159)
- b. General Endowment Fund (GEF) (see Pages 160 - 169)
- c. Permanent Health Fund (PHF) (see Pages 170 - 178)
- d. Long Term Fund (LTF) (see Pages 179 - 187)
- e. Intermediate Term Fund (ITF) (see Pages 188 - 197)
- f. Separately Invested Fund (SIF) (see Pages 198 - 204)
- g. Liquidity Policy (see Pages 205 - 208)
- h. Derivative Investment Policy (see Pages 209 - 214)

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

The changes to the Investment Policy Statements, the Liquidity Policy, and the Derivative Investment Policy were approved by the UTIMCO Board on October 15, 2015, and are described below.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF were amended to reflect the current Fiscal Year End and the revised Investment Type Targets and Ranges. The Expected Annual Real Return (Benchmark) target was also revised. Amendments were made to adjust the one-year downside volatility based on the change in the Expected Annual Real Return (Benchmark) target and to delete a footnote related to the Expected Annual Return (Benchmark). The Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, and LTF were also amended to set forth the Target Distribution Rates for the respective Fund as determined by the Board of Regents.

Additionally, the PUF, GEF, PHF, LTF, and ITF Investment Policy Statements were amended to clarify the investment objectives, including that the target distribution rate is to be determined by the Board of Regents. Language was added to clarify that concentration limits in Investment Guidelines are limited to More Correlated and Constrained Investments, and the timing for the valuation of assets was changed to be consistent with current practice. All references to risk terminology related to “risk” and “downside deviation” was changed to “downside volatility” to be more specific, and other minor editorial changes were made.

The PUF Investment Policy Statement was changed to delete a quotation from the Texas Constitution and to clarify the timing of distribution payments from the PUF to the Available University Fund (AUF). The ITF Investment Policy Statement was changed to clarify that investment returns are net of all investment-related expenses and to add language related to additional expenses charged to the ITF. The Investment Grade Fixed Income section was deleted in the SIF Investment Policy Statement to be consistent with other Investment Policy Statements, and the Liquidity Policy was changed to clarify language in the Liquidity Policy Profile.

The Derivative Investment Policy changed the reference to "downside deviation and risk" to "downside volatility" to be more specific. Language was added to allow for limited use of agreements developed by the International Swaps and Derivatives Association, Inc. (ISDA) in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Exhibit B of the Derivative Investment Policy was changed to clarify that limited-loss derivatives are allowed on individual stocks.

Finally, the Short Term Fund Investment Policy Statement was reviewed but no changes were recommended.

THE UNIVERSITY OF TEXAS SYSTEM PERMANENT UNIVERSITY FUND INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the “PUF”) is a public endowment contributing to the support of eligible institutions of The University of Texas System and The Texas A&M University System as provided in Article VII, Section 18 of the *Texas Constitution*.

PUF Organization

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

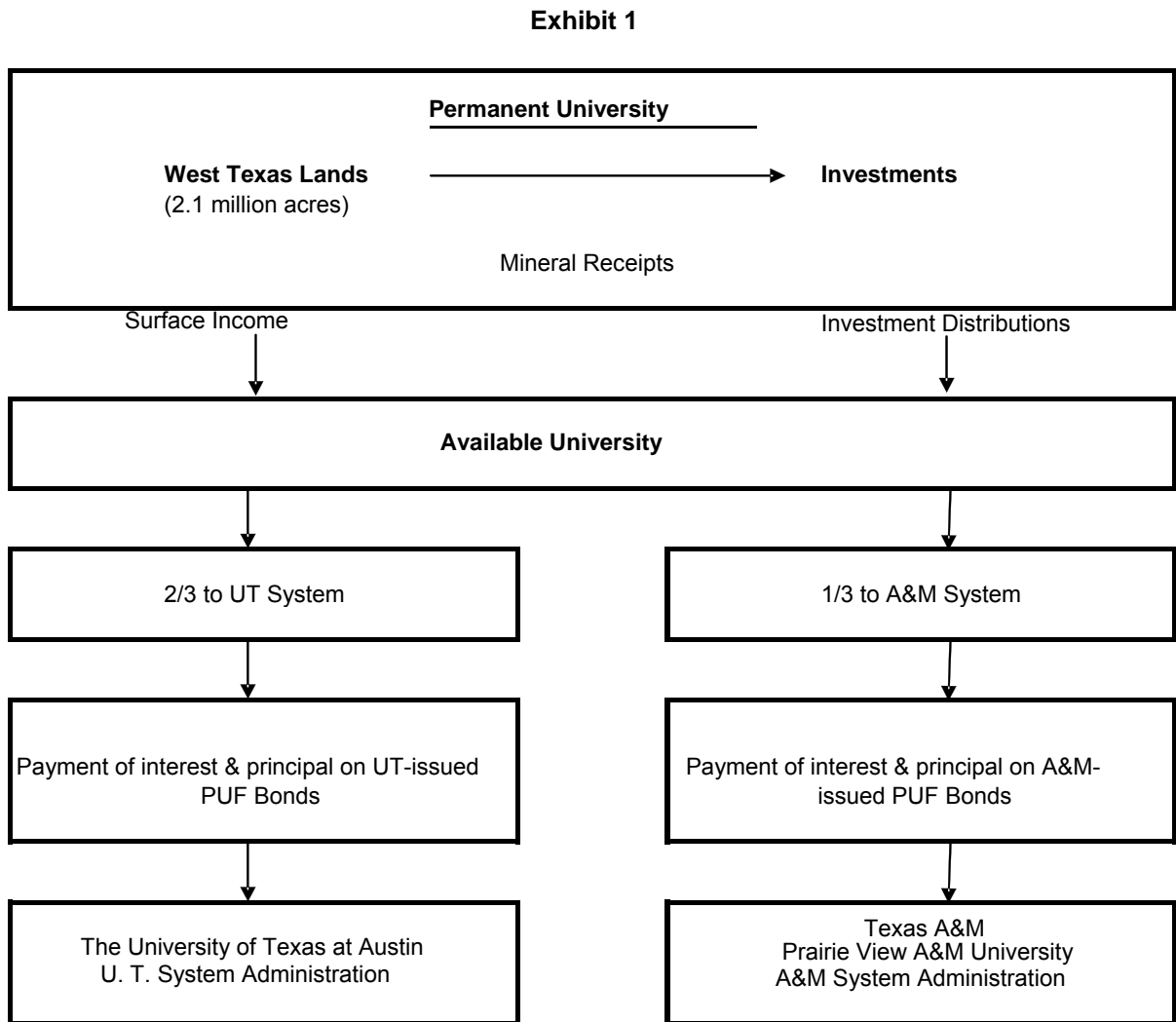
The 2.1 million acres comprising the PUF Lands produce two streams of income: a) mineral income, primarily in the form of oil and gas royalties and b) surface income, primarily from surface leases and easements. Under the Texas Constitution, mineral income, as a non-renewable source of income, remains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

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

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the “Board of Regents”) and the Texas A&M University System Board of Regents (the “TAMUS Board”) to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System’s interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

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

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



PUF Management

Article VII, Section 11b of the *Texas Constitution* assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the

purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

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

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

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

PUF Administration

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

PUF Investment Objectives

The PUF and the General Endowment Fund (the “GEF”) are managed similarly for efficient investment purposes. **The primary investment objective of the PUF shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate.** Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund.

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO’s risk model. Liquidity of the PUF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

PUF return, Asset Class and Investment Type allocations, and downside volatility targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Class or Investment Type or the Portfolio Projected Downside Volatility move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PUF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

PUF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments, including real and nominal across all maturities, US and non-US, that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments (“MCC”) – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities and are less likely to entail lock-ups.

Less Correlated & Constrained Investments (“LCC”) – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities and may entail lock-ups.

Private Investments (“PI”) – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

The investment performance of the PUF will be measured by the PUF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PUF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to reflect PUF’s Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of PUF value.

MCC Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

MCC Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification

code and supplemented by other reliable data sources) at cost.

- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

PUF Distributions

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

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

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

Annually, the Board of Regents will approve a distribution amount to the AUF pursuant to Regents' Rule 80303, Section 2.2.

Following approval of the distribution amount, distributions from the PUF to the AUF will be made at the discretion of UTIMCO management in consultation with the U. T. System Office of Finance and The Texas A&M University System Office of Treasury Services.

PUF Accounting

The fiscal year of the PUF shall begin on September 1st and end on August 31st. Market value of the PUF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material. The

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

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PUF net assets. Valuation of PUF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PUF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

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

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Securities Lending

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

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

Investor Responsibility

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a

manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the interest of the U. T. System and the A&M System, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be December 1, 2015.

Permanent University Fund Investment Policy Statement (continued)

EXHIBIT A
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DECEMBER 1, 2015

POLICY PORTFOLIO	FYE 2016		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	3.00%	8.75%	25.00%
Credit-Related Fixed Income	0.00%	7.75%	30.00%
Real Estate	0.00%	8.50%	12.50%
Natural Resources	5.00%	15.00%	25.00%
Developed Country Equity	30.00%	45.00%	60.00%
Emerging Markets Equity	8.00%	15.00%	25.00%
<u>Investment Types</u>			
More Correlated & Constrained	30.00%	40.00%	60.00%
Less Correlated & Constrained	25.00%	29.00%	37.50%
Private Investments	20.00%	31.00%	40.00%

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




POLICY BENCHMARK (reset monthly)	FYE 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	29.0%
Custom Cambridge Fund of Funds Benchmark	31.0%

POLICY/TARGET RETURN/RISKS	FYE 2016
Expected Annual Real Return (Benchmark)	3.9%
One Year Downside Volatility	10.0%
<u>Risk Bounds</u>	
Lower: 1 Year Downside Volatility	75.0%
Upper: 1 Year Downside Volatility	115.0%

EXHIBIT A
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2016

FYE 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (6.50%)	2.25%	0.00%	8.75%
	Credit-Related	0.00%	4.25%	3.50%	7.75%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.50%)	0.50%	5.50%	8.50%
	Natural Resources	33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.50%)	0.00%	7.50%	15.00%
Equity	Developed Country	MSCI World Index with Net Dividends (14.00%)	20.00%	11.00%	45.00%
	Emerging Markets	MSCI EM Index with Net Dividends (9.50%)	2.00%	3.50%	15.00%
Total		40.00%	29.00%	31.00%	100.00%

 Hedge Fund Research Indices Fund of Funds Composite Index
 Custom Cambridge Fund of Funds Benchmark
 Custom Cambridge Fund of Funds Benchmark

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

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

Purpose

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

GEF Organization

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

GEF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the GEF.

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

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

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

GEF Administration

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

Funds Eligible to Purchase GEF Units

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

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

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

GEF Investment Objectives

The GEF and the PUF are managed similarly for efficient investment purposes. The primary investment objective of the GEF shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses.

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO’s risk model. Liquidity of the

GEF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

GEF return, Asset Class and Investment Type allocations, and downside volatility targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Classes or Investment Types or the Portfolio Projected Downside Volatility move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the GEF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

GEF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources

including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments (“MCC”) – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments (“LCC”) – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

Private Investments (“PI”) – Mandates that invest primarily in non-public securities and typically entail capital commitments, calls and distributions.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

The investment performance of the GEF will be measured by the GEF’s custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the GEF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices weighted to

reflect GEF's Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of GEF assets in such investments.
- No securities may be purchased or held which jeopardize the GEF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The GEF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of GEF value.

MCC Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

MCC Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

GEF Accounting

The fiscal year of the GEF shall begin on September 1st and end on August 31st. Market value of the GEF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The GEF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all GEF net assets and the net asset value per unit of the GEF. Valuation of GEF assets shall be based on the books and records of the custodian for the valuation date. The final determination of GEF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets as approved by the UTIMCO Board and then in effect.

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

Compliance

Compliance with this Policy will be monitored by UTIMCO’s Chief Compliance Officer, UTIMCO’s Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit &

Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of GEF Units

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

Redemption of GEF Units

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

Securities Lending

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

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

Investor Responsibility

As a shareholder, the GEF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the GEF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the GEF solely in the interest of GEF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not

invest the GEF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be December 1, 2015.

General Endowment Fund Investment Policy Statement (continued)

EXHIBIT A
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DECEMBER 1, 2015

POLICY PORTFOLIO	FYE 2016		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	3.00%	8.75%	25.00%
Credit-Related Fixed Income	0.00%	7.75%	30.00%
Real Estate	0.00%	8.50%	12.50%
Natural Resources	5.00%	15.00%	25.00%
Developed Country Equity	30.00%	45.00%	60.00%
Emerging Markets Equity	8.00%	15.00%	25.00%
<u>Investment Types</u>			
More Correlated & Constrained	30.00%	40.00%	60.00%
Less Correlated & Constrained	25.00%	29.00%	37.50%
Private Investments	20.00%	31.00%	40.00%

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

POLICY BENCHMARK (reset monthly)	FYE 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	29.0%
Custom Cambridge Fund of Funds Benchmark	31.0%



POLICY/TARGET RETURN/RISKS	FYE 2016
Expected Annual Real Return (Benchmark)	3.9%
One Year Downside Volatility	10.0%
<u>Risk Bounds</u>	
Lower: 1 Year Downside Volatility	75.0%
Upper: 1 Year Downside Volatility	115.0%

EXHIBIT A
(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2016

FYE 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (6.50%)	2.25%	0.00%	8.75%
	Credit-Related	0.00%	4.25%	3.50%	7.75%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.50%)	0.50%	5.50%	8.50%
	Natural Resources	33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.50%)	0.00%	7.50%	15.00%
Equity	Developed Country	MSCI World Index with Net Dividends (14.00%)	20.00%	11.00%	45.00%
	Emerging Markets	MSCI EM Index with Net Dividends (9.50%)	2.00%	3.50%	15.00%
Total		40.00%	29.00%	31.00%	100.00%

 Hedge Fund Research Indices Fund of Funds Composite Index
 Custom Cambridge Fund of Funds Benchmark

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

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

Purpose

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

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

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

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

PHF Organization

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

PHF Management

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

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Chapter 63 of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the PHF.

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

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

changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

PHF Administration

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

Funds Eligible to Purchase PHF Units

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

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

PHF Investment Objectives

The primary investment objective shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund. The PHF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

PHF assets shall be allocated among the following investments:

- A. Cash and Cash Equivalents - Cash and Cash Equivalents has the same meaning as given to the term "Cash" in the Liquidity Policy.
- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps

to rebalance the Cash and Cash Equivalents positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the PHF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the PHF will be measured by the PHF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The PHF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

PHF Distributions

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

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

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

The Board of Regents will designate a per unit distribution amount annually.

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

PHF Accounting

The fiscal year of the PHF shall begin on September 1st and end on August 31st. Market value of the PHF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The PHF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all PHF net assets and the net asset value per unit of the PHF. Valuation of PHF assets shall be based on the books and records of the custodian for the valuation date. The final determination of PHF net assets for a month end close shall normally be completed within eight business days but determination may be longer under certain circumstances.

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

Compliance

Compliance with this Policy will be monitored by UTIMCO’s Chief Compliance Officer. UTIMCO’s Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO’s compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO’s Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO’s Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of PHF Units

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

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

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than \$10 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be December 1, 2015.

EXHIBIT A

PHF ASSET ALLOCATION

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
 EFFECTIVE DATE SEPTEMBER 1, 2008**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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

*3 trading days or less

*Permanent Health Fund Investment Policy Statement (continued)***EXHIBIT B - GENERAL ENDOWMENT FUND****ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES****EFFECTIVE DECEMBER 1, 2015**

POLICY PORTFOLIO	FYE 2016		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.00%	8.75%	25.00%
Credit-Related Fixed Income	0.00%	7.75%	30.00%
Real Estate	0.00%	8.50%	12.50%
Natural Resources	5.00%	15.00%	25.00%
Developed Country Equity	30.00%	45.00%	60.00%
Emerging Markets Equity	8.00%	15.00%	25.00%
Investment Types			
More Correlated & Constrained	30.00%	40.00%	60.00%
Less Correlated & Constrained	25.00%	29.00%	37.50%
Private Investments	20.00%	31.00%	40.00%

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



POLICY BENCHMARK (reset monthly)	FYE 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	29.0%
Custom Cambridge Fund of Funds Benchmark	31.0%

POLICY/TARGET RETURN/RISKS	FYE 2016
Expected Annual Real Return (Benchmark)	3.9%
One Year Downside Volatility	10.0%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.0%
Upper: 1 Year Downside Volatility	115.0%

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2016

FYE 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (6.50%)	2.25%	0.00%	8.75%
	Credit-Related	0.00%	4.25%	3.50%	7.75%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.50%)	0.50%	5.50%	8.50%
	Natural Resources	33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.50%)	0.00%	7.50%	15.00%
Equity	Developed Country	MSCI World Index with Net Dividends (14.00%)	20.00%	11.00%	45.00%
	Emerging Markets	MSCI EM Index with Net Dividends (9.50%)	2.00%	3.50%	15.00%
Total		40.00%	29.00%	31.00%	100.00%

 Hedge Fund Research Indices Fund of Funds Composite Index
 Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM LONG TERM FUND INVESTMENT POLICY STATEMENT

Purpose

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

LTF Organization

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

LTF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the "PUF") in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the LTF.

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

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

LTF Administration

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

Funds Eligible to Purchase LTF Units

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

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

LTF Investment Objectives

The primary investment objective shall be to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate. Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund. The LTF’s success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

LTF assets shall be allocated among the following investments.

- A. Cash and Cash Equivalents – Cash and Cash Equivalents has the same meaning as given to the term “Cash” in the Liquidity Policy.

- B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

In the event that actual Cash and Cash Equivalents positions move outside the range indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy range in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the LTF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive immediate remedial action.

Performance Measurement

The investment performance of the LTF will be measured by the LTF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated Policy Benchmarks of the PHF, as indicated in Exhibits A and B (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

The LTF must be invested at all times in strict compliance with applicable law. Investment guidelines for the U. T. System GEF shall be as stated in the GEF Investment Policy Statement.

LTF Distributions

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

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

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

Generally, pursuant to the Uniform Prudent Management of Institutional Funds Act, Chapter 163, *Texas Property Code*, as amended, (“Act”), subject to the intent of a donor in a gift instrument, the Board of Regents may appropriate for expenditure or accumulate so much of the LTF as it determines is prudent for the uses, benefits, purposes, and duration for which the LTF is established. Notwithstanding the preceding sentence, the Board of Regents may not appropriate for expenditure in any year an amount greater than nine percent (9%) of the LTF, calculated on the basis of market values determined at least quarterly and averaged over a period of not less than three years immediately preceding the year in which the appropriation for expenditure was made.

The Board of Regents will annually approve a per unit distribution amount.

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

LTF Accounting

The fiscal year of the LTF shall begin on September 1st and end on August 31st. Market value of the LTF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The LTF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all LTF net assets and the net asset value per unit of the LTF. Valuation of LTF assets shall be based on the books and records of the custodian for the valuation date. The final determination of LTF net assets for a month end close shall normally be completed within eight business days but determination may be longer under certain circumstances.

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

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the non-compliant activity within this Policy.

Purchase of LTF Units

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

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

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than \$25 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than \$25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

As a shareholder, the LTF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a

manner consistent with the unique role and mission of higher education as well as for the economic benefit of the LTF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the LTF solely in the interest of LTF unit holders, in compliance with the Proxy Voting Policy then in effect, and shall not invest the LTF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be December 1, 2015.

EXHIBIT A

LTF ASSET ALLOCATION

**POLICY TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE SEPTEMBER 1, 2008**

	Neutral Allocation	Range	Benchmark Return
GEF Commingled Fund	100.0%	95% - 100%	Endowment Policy Portfolio
Cash and Cash Equivalents	0.0%	-1% - 5%	90 day T-Bills
Unencumbered Cash			
Temporary Cash Imbalance*			
Net non-trading receivable			

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

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
 ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
 EFFECTIVE DECEMBER 1, 2015

POLICY PORTFOLIO	FYE 2016		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.00%	8.75%	25.00%
Credit-Related Fixed Income	0.00%	7.75%	30.00%
Real Estate	0.00%	8.50%	12.50%
Natural Resources	5.00%	15.00%	25.00%
Developed Country Equity	30.00%	45.00%	60.00%
Emerging Markets Equity	8.00%	15.00%	25.00%
Investment Types			
More Correlated & Constrained	30.00%	40.00%	60.00%
Less Correlated & Constrained	25.00%	29.00%	37.50%
Private Investments	20.00%	31.00%	40.00%

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


POLICY BENCHMARK (reset monthly)	FYE 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	29.0%
Custom Cambridge Fund of Funds Benchmark	31.0%

POLICY/TARGET RETURN/RISKS	FYE 2016
Expected Annual Real Return (Benchmark)	3.9%
One Year Downside Volatility	10.0%
Risk Bounds	
Lower: 1 Year Downside Volatility	75.0%
Upper: 1 Year Downside Volatility	115.0%

EXHIBIT B
 (continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2016

FYE 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (6.50%)	2.25%	0.00%	8.75%
	Credit-Related	0.00%	4.25%	3.50%	7.75%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (2.50%)	0.50%	5.50%	8.50%
	Natural Resources	33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.50%)	0.00%	7.50%	15.00%
Equity	Developed Country	MSCI World Index with Net Dividends (14.00%)	20.00%	11.00%	45.00%
	Emerging Markets	MSCI EM Index with Net Dividends (9.50%)	2.00%	3.50%	15.00%
Total		40.00%	29.00%	31.00%	100.00%

 Hedge Fund Research Indices Fund of Funds Composite Index
 Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

Purpose and Structure

The University of Texas System Intermediate Term Fund (the “ITF”) was established by the Board of Regents of The University of Texas System (the “Board of Regents”) as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by U. T. System institutions and U. T. System Administration.

ITF Organization

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

ITF Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the “PUF”) in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the ITF.

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

Pursuant to an Investment Management Services Agreement between the Board of Regents and The University of Texas Investment Management Company (“UTIMCO”), the ITF shall be managed by UTIMCO, which shall a) recommend investment policy for the ITF, b) recommend specific Asset Class and Investment

Intermediate Term Fund Investment Policy Statement (continued)

Type allocation targets, ranges, and performance benchmarks consistent with ITF objectives, and c) monitor ITF performance against ITF objectives. UTIMCO shall invest the ITF assets in conformity with this Policy Statement. All changes to this Policy Statement or the exhibits to this Policy Statement, including changes to Asset Class and Investment Type allocation targets, ranges and performance benchmarks, are subject to approval by the Board of Regents.

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

ITF Administration

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

Funds Eligible to Purchase ITF Units

No account shall be eligible to purchase units of the ITF unless it is under the sole control, with full discretion as to investments, by the Board of Regents. Any account whose governing instrument contains provisions which conflict with this Policy Statement, whether initially or as a result of amendments to either document, shall not be eligible to purchase or hold units of the ITF.

ITF Investment Objectives

The ITF consists of intermediate and long-term funds held by the U. T. System Board of Regents, as a fiduciary, for the benefit of U. T. System institutions, U. T. System Administration, and other affiliated funds. ITF assets are pooled for efficient investment purposes and managed by UTIMCO over the intermediate to longer term.

The primary investment objective of the ITF is to maximize investment returns within the risk parameters specified in this Policy Statement without regard to the distribution rate.

The secondary investment objective is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling five-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3% and to generate average annual returns net of all investment-related expenses, in excess of the approved Policy Portfolio over rolling five-year periods. Investment returns are expressed net of all

Intermediate Term Fund Investment Policy Statement (continued)

investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund.

Investments must be within the Asset Class and Investment Type ranges, prudently diversified, and within the approved Policy Downside Volatility Bounds, as defined in Exhibit A, and measured at least monthly by UTIMCO's risk model. Liquidity of the ITF will be governed by the Liquidity Policy, overseen by the Risk Committee of the UTIMCO Board.

ITF return, Asset Class and Investment Type allocations, and downside volatility targets are subject to adjustment from time to time by the Board of Regents.

Asset Class and Investment Type Allocation and Policy

Asset Class and Investment Type allocation is the primary determinant of the volatility of investment return and, subject to the Asset Class and Investment Type allocation ranges specified in Exhibit A, is the responsibility of UTIMCO. The Asset Class and Investment Type allocation is designed to accommodate the intermediate investment horizon of the ITF assets with enhanced returns at moderate managed risk levels. UTIMCO is responsible for measuring actual Asset Class and Investment Type allocation at least monthly (incorporating the impact of derivative positions covered under the Derivative Investment Policy), and for reporting the actual portfolio Asset Class and Investment Type allocation to the UTIMCO Board and the Board of Regents at least quarterly. While specific Asset Class and Investment Type allocation positions may be changed within the ranges specified in Exhibit A based on the economic and investment outlook from time to time, the range limits cannot be intentionally breached without prior approval of the Board of Regents.

In the event that actual portfolio positions in Asset Class or Investment Type or the Projected Downside Volatility move outside the ranges indicated in Exhibit A due to market forces that shift relative valuations, UTIMCO staff will immediately report this situation to the UTIMCO Board Chairman and take steps to rebalance portfolio positions back within the policy ranges in an orderly manner as soon as practicable. Extenuating circumstances that could cause immediate rebalancing to be irrational and detrimental to the interest of the ITF asset values could warrant requesting approval of the UTIMCO Board Chairman to waive remedial action.

ITF assets shall be allocated among the following broad Asset Classes and Investment Types based upon their individual return/risk characteristics and relationships to other Asset Classes and Investment Types:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities,

Intermediate Term Fund Investment Policy Statement (continued)

including real and nominal, US and non-US, that are rated investment grade, including Cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI Emerging Markets Index qualification status (either through financial or qualitative measures).

Investment Types:

More Correlated & Constrained Investments (“MCC”) – Mandates that exhibit higher levels of beta exposure to the underlying assets being traded, tend to be in a single Asset Class, have lower levels of short exposure and leverage, have more underlying security transparency, are more likely to be in publicly traded securities, and are less likely to entail lock-ups.

Less Correlated & Constrained Investments (“LCC”) – Mandates that exhibit lower levels of beta exposure to the underlying assets being traded, may be across Asset Classes, may have higher levels of short exposure and leverage, may not have underlying security transparency, are more likely to be in publicly traded securities, and may entail lock-ups.

All mandates will be categorized at inception and on an ongoing basis by Asset Class and Investment Type according to the Mandate Categorization Procedures as approved by the UTIMCO Board and then in effect.

Performance Measurement

Intermediate Term Fund Investment Policy Statement (continued)

The investment performance of the ITF will be measured by the ITF's custodian, an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, compared against the stated Policy Benchmarks of the ITF, as indicated in Exhibit A (incorporating the impact of internal derivative positions) and reported to the UTIMCO Board and the Board of Regents at least quarterly. The Policy Portfolio benchmark will be maintained by UTIMCO and will be comprised of a blend of Asset Class and Investment Type indices reported by the independent custodian and weighted to reflect ITF's approved Asset Class and Investment Type allocation policy targets as defined in Exhibit A. Monthly performance data and net asset values will be available on the UTIMCO website within a reasonable time after each month end.

Investment Guidelines

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

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of ITF assets in such investments.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 50 basis points of ITF value.

Intermediate Term Fund Investment Policy Statement (continued)

MCC Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

MCC Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

ITF Accounting

The fiscal year of the ITF shall begin on September 1st and end on August 31st. Market value of the ITF shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or state statutes, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material. The ITF’s financial statements shall be audited each year by an independent accounting firm selected by the Board of Regents.

Valuation of ITF Assets

As of the close of business on the last business day of each month, UTIMCO shall determine the fair market value of all ITF net assets and the net asset value per unit of the ITF. The final determination of ITF net assets for a month end close shall normally be completed within seven business days but determination may be longer under certain circumstances. Valuation of ITF assets shall be based on the books and records of the custodian for the valuation date.

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

Intermediate Term Fund Investment Policy Statement (continued)

Compliance

Compliance with this Policy will be monitored by UTIMCO's Chief Compliance Officer. UTIMCO's Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO's compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO's Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO's Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

ITF Distributions

The ITF shall provide monthly distributions to the unit holders. The Board of Regents will approve an annual distribution amount. Distributions from the ITF to the unit holders shall be made monthly on the first business day of each month. To calculate the monthly distribution, the distribution rate (% divided by 12) will be multiplied by each unit holder's account, determined as follows:

- Net asset value of each unit holder's account on the last business day of the second prior month;
- Plus value of each unit holder's net purchase/redemption amount on the first business day of the prior month;
- Less the distribution amount paid to each unit holder's account on the first business day of the prior month.

Purchase and Redemption of ITF Units

The ITF participants may purchase units on the first business day of each month upon payment of cash or reinvestment of distributions to the ITF, at the net asset value per unit of the ITF as of the prior month ending valuation date. Such purchase commitments are binding. The ITF participants may redeem ITF units on a monthly basis. The unit redemption shall be paid in cash as soon as practicable after the month end valuation date of the ITF. Redemptions from the ITF shall be at the market price per unit determined at the time of the redemption. Such redemption commitments are binding.

Participants of the ITF are required to provide notification of purchases and redemptions based on specific notification requirements as set forth in The University of Texas System Allocation Policy for Non-Endowment Funds.

Securities Lending

The ITF may participate in a securities lending contract with a bank or non-bank security lending agent for purposes of realizing additional income. Loans of securities by the ITF shall be collateralized by cash, letters of credit, or securities

Intermediate Term Fund Investment Policy Statement (continued)

issued or guaranteed by the U.S. Government or its agencies. The collateral will equal at least 100% of the current market value of the loaned securities. The contract shall state acceptable collateral for securities loaned, duties of the borrower, delivery of loaned securities and collateral, acceptable investment of collateral and indemnification provisions. The contract may include other provisions as appropriate.

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be December 1, 2015.

Intermediate Term Fund Investment Policy Statement (continued)

EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE DECEMBER 1, 2015

POLICY PORTFOLIO	FYE 2016		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	20.0%	34.5%	50.0%
Credit-Related Fixed Income	0.0%	7.5%	12.0%
Real Estate	0.0%	4.0%	10.0%
Natural Resources	2.5%	7.0%	20.0%
Developed Country Equity	20.0%	38.0%	50.0%
Emerging Markets Equity	2.5%	9.0%	17.5%
<u>Investment Types</u>			
More Correlated & Constrained	45.0%	55.0%	65.0%
Less Correlated & Constrained	35.0%	45.0%	55.0%

*The total Asset Class & Investment Type exposure, including the amount of derivatives exposure not collateralized by Cash, may not exceed 100% of the Asset Class & Investment Type exposures excluding the amount of derivatives exposure not collateralized by Cash.

POLICY BENCHMARK (reset monthly)	FYE 2016
Barclays Capital Global Aggregate Index	30.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	3.0%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.0%
MSCI World Index with net dividends	9.0%
MSCI Emerging Markets with net dividends	6.0%
Hedge Fund Research Indices Fund of Funds Composite Index	45.0%

POLICY/TARGET RETURN/RISKS	FYE 2016
Expected Annual Real Return (Benchmark)	2.4%
One Year Downside Volatility	6.1%
Risk Bounds	
Lower: 1 Year Downside Volatility	70.0%
Upper: 1 Year Downside Volatility	115.0%

EXHIBIT A - INTERMEDIATE TERM FUND


(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2016

FYE 2016		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (30.0%)	4.5%	34.5%
	Credit-Related	(0.0%)	7.5%	7.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index Net TRI USD (3.0%)	1.0%	4.0%
	Natural Resources	33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU) (7.0%)	0.0%	7.0%
Equity	Developed Country	MSCI World Index with Net Dividends (9.0%)	29.0%	38.0%
	Emerging Markets	MSCI EM Index with Net Dividends (6.0%)	3.0%	9.0%
Total		55.0%	45.0%	100.0%

 Hedge Fund Research
Indices Fund of Funds
Composite Index

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

THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT

Purpose

The Separately Invested Funds (the “Accounts”) include the Endowment, Trust, Debt Proceeds, and Other Accounts established in the name of the Board of Regents of The University of Texas System (the “Board of Regents”), and are Accounts which are not solely invested in one of the pooled investment vehicles. These Accounts are not invested in the pooled investment vehicle because: a) they are charitable trusts; b) of investment restrictions incorporated into the trust/endowment document; c) of the inability to sell the gifted investment asset; d) they are assets being migrated upon liquidation into a pooled investment vehicle; e) they are debt proceeds with a short-intermediate investment horizon; or f) they are assets held by The University of Texas Investment Management Company (“UTIMCO”) at the request of a University of Texas System institution for which UTIMCO does not have investment discretion (for example, tech stock). This policy covers the Accounts collectively. However, specific guidelines are applied to each individual account. Specific Account restrictions may not fall within the guidelines established in this policy.

Investment Management

Article VII, Section 11b of the Texas Constitution authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the Permanent University Fund (the “PUF”) in any kind of investment and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment. Pursuant to Section 51.0031(c) of the *Texas Education Code*, the Board of Regents has elected the PUF prudent investor standard to govern its management of the Accounts.

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management of each trust or endowment. The restrictions set forth in this policy and in any separate writing applicable to the Debt Proceeds Accounts and the Other Accounts will apply to the management of those Accounts.

Separately Invested Funds Investment Policy Statement (continued)

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

UTIMCO may select and terminate unaffiliated investment managers subject to any limitations stated herein. Managers shall be monitored for performance and adherence to investment disciplines.

Accounts Administration

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

Investment Objectives

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

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

Debt Proceeds Accounts – The primary investment objective shall be safety of principal and maintenance of adequate liquidity sufficient to meet the spend-out schedules of each Account, as provided by the U. T. System Office of Finance. Debt Proceeds Accounts, other than investments in cash as defined in the Liquidity Policy, will be invested in U.S. government obligations, including obligations of an agency or

Separately Invested Funds Investment Policy Statement (continued)

instrumentality of the United States, taking into consideration the spending needs of the Accounts.

Other Accounts – These are all accounts which are not Endowment Accounts, Trust Accounts, or Debt Proceeds Accounts that hold assets not invested in one of the pooled investment vehicles. These accounts include agency funds, institution current purpose accounts, and tech stock accounts.

Asset Class Allocation

Asset Class allocation is the primary determinant of the volatility of investment return and subject to the Asset Class allocation ranges specified herein, is the responsibility of UTIMCO. Specific Asset Class allocation positions may be changed from time to time based on the economic and investment outlook.

Unless otherwise restricted herein, the Accounts' assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated investment grade, including cash as defined in the Liquidity Policy.

Credit-Related Fixed Income – Credit-Related Fixed Income represents ownership of fixed income instruments across all maturities, including real and nominal, US and non-US, that are rated below investment grade.

Natural Resources - Natural Resources represents ownership directly or in securities, the value of which are directly or indirectly tied to natural resources including, but not limited to, energy, metals and minerals, agriculture, livestock, and timber.

Real Estate - Real Estate represents primarily equity ownership in real property including public and private securities.

Developed Country Equity – Developed Country Equity represents ownership in companies domiciled in developed countries as defined by the composition of the MSCI World Index.

Emerging Markets Equity – Emerging Markets Equity represents ownership in companies domiciled in emerging economies as defined by the composition of the MSCI Emerging Markets Index. In addition, such definition will also include those companies domiciled in economies that have yet to reach MSCI

Separately Invested Funds Investment Policy Statement (continued)

Emerging Markets Index qualification status (either through financial or qualitative measures).

In addition, life insurance and variable annuities may be acceptable investments.

Asset Class Allocation Policy

The Asset Class allocation policy and ranges for the Endowment and Trust Accounts are dependent on the terms and conditions of the applicable trust/endowment or trust document. The Asset Class allocation policy and ranges for the Debt Proceeds and Other Accounts will be determined by the terms and conditions of any applicable documents. If possible, the Accounts' assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Accounts.

The Board of Regents delegates authority to UTIMCO to establish specific Asset Class allocation targets and ranges for each Account. UTIMCO may establish specific Asset Class allocation targets and ranges for or within the Asset Classes listed above as well as the specific performance benchmarks for each Asset Class.

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of SIF assets in such investments.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.

Separately Invested Funds Investment Policy Statement (continued)

- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

The Account may utilize derivatives only in accordance with the Derivative Investment Policy.

Investment Grade and Credit-Related Fixed Income

Not more than 5% of the market value of fixed income securities may be invested in corporate and municipal bonds of a single issuer.

Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

The provisions concerning investment in Investment Grade Fixed Income, Credit-Related Fixed Income, and Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity shall not apply to Accounts when expressly prohibited by the terms and conditions of the applicable trust/endowment, trust or other controlling document. To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

Distributions

Distributions of income or amounts from the Accounts shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts.

Separately Invested Funds Investment Policy Statement (continued)

Accounting

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles (“GAAP”), Governmental Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by UTIMCO’s Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be “other than temporarily impaired” as defined by GAAP shall be written off and reported to UTIMCO’s Chief Investment Officer and the UTIMCO Board when material.

Valuation of Assets

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but determination may be longer under certain circumstances.

Compliance

Compliance with this Policy will be monitored by UTIMCO’s Chief Compliance Officer. UTIMCO’s Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO’s compliance with this Policy. All material instances of noncompliance, as determined by UTIMCO’s Chief Compliance Officer and the Chair of the UTIMCO Audit & Ethics Committee, will require an action plan proposed by UTIMCO’s Chief Executive Officer and approved by the Chairman of the UTIMCO Board with timelines for bringing the noncompliant activity within this Policy.

Securities Lending

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

Separately Invested Funds Investment Policy Statement (continued)

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be December 1, 2015.

The University of Texas Investment Management Company Liquidity Policy

Effective Date of Policy: November 5, 2015

Date Approved by U. T. System Board of Regents: November 5, 2015

Date Approved by UTIMCO Board: October 15, 2015

Original Effective Date of Policy: August 7, 2003

Supersedes: Liquidity Policy dated August 21, 2014

Purpose:

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

Objective:

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

Scope:

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

Definition of Liquidity Risk:

“Liquidity risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions.

Definition of Cash:

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

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAM by Standard & Poor’s or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds rated AAAM by Standard & Poor’s Corporation or the equivalent by a NRSRO,
- the Custodian’s late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody’s Investor Service, Inc. (P1 or P2) or Standard & Poor’s Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and

**The University of Texas Investment Management Company
Liquidity Policy**

- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

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

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- **Cash:** Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.
- **Liquid (Weekly):** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.
- **Liquid (Quarterly):** Investments that could be converted to Cash within a period of 90 days or less in an orderly market at a discount of 10% or less.
- **Liquid (Annual):** Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

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

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

Liquidity Policy Profile:

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

Liquidity above trigger zone:	<u>FY 14+</u> 30.0%
Liquidity within trigger zone:	25.0%-30.0%
Liquidity below trigger zone:	<25.0%

The permitted maximum for **illiquid** investments is 75% of the total portfolio for the Endowment Funds. Investments for the Endowment Funds that maintain liquidity above the trigger zone do not require any action by the Risk

**The University of Texas Investment Management Company
Liquidity Policy**

Committee. Any **illiquid** investments made in the 70% to 75% trigger zone require prior approval by the Risk Committee. No investment may be made for the Endowment Funds which would cause illiquidity to be greater than 75%.

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

Liquidity above trigger zone:	<u>FY 14+</u> 50%
Liquidity within trigger zone:	45%-50%
Liquidity below trigger zone:	<45%

The permitted maximum for **illiquid** investments is 55% of the total portfolio for the ITF. Investments for the ITF that maintain liquidity above the trigger zone do not require any action by the Risk Committee. Any **illiquid** investments made in the 50% to 55% trigger zone require prior approval by the Risk Committee. No investment may be made for the ITF which would cause illiquidity to be greater than 55%.

Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

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

Unfunded Commitment as a percent of total invested assets:	<u>FY 14+</u> 30.0%
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No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

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

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the

**The University of Texas Investment Management Company
Liquidity Policy**

process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

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

The University of Texas Investment Management Company Derivative Investment Policy

Effective Date of Policy: November 5, 2015

Date Approved by U. T. System Board of Regents: November 5, 2015

Date Approved by UTIMCO Board: October 15, 2015

Supersedes: Derivative Investment Policy approved August 21, 2014

Purpose:

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both Exchange Traded Derivatives and Over the Counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, such as mortgage backed securities, structured notes (including participation notes), convertible bonds, exchange traded funds (ETFs), and Bona Fide Spot Foreign Exchange Transactions. Derivatives may be purchased through a national or international exchange or through an OTC direct arrangement with a Counterparty. Refer to the attached Exhibit A for a glossary of terms. If it is unclear whether a particular financial instrument meets the definition of Derivative Investment, the Risk Manager and Chief Compliance Officer, in consultation with the Chief Investment

The University of Texas Investment Management Company Derivative Investment Policy

Officer, will determine whether the financial instrument is a Derivative Investment. The Chief Investment Officer will report such determinations to the Chairman of the Risk Committee.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash Market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash Market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash Market securities;
- To hedge and control risks; or
- To facilitate transition trading.

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding the foregoing, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a Risk Committee meeting is warranted before engaging in the Derivative Investment.

Risk and Investment Policy Controls:

Following the implementation of any Derivative Investment, the Funds' projected downside volatility bounds, and projected exposure to Asset Class and Investment Type, must be within the permissible ranges as set forth in the Funds' Investment Policy Statements.

Documentation and Controls:

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and Counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of (i) internally managed Derivative Investments and (ii) externally managed accounts operating under Agency Agreements that permit derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

Leverage: Leverage is inherent in many derivatives. In Cash Markets, in most cases, the cash outlay is equal to the market exposure acquired. By contrast, Derivative Investments offer the possibility of establishing – for the same cash outlay – substantially larger market exposure. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

The University of Texas Investment Management Company Derivative Investment Policy

Counterparty Risks: Rigorous Counterparty selection criteria and netting agreements shall be required to minimize Counterparty risk for Over the Counter (OTC) derivatives. Any Counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives, with the exception of Bona Fide Spot Foreign Exchange Transactions, must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In limited circumstances, the August 2012 DF Protocol Agreement, as published on August 13, 2012 (the "August Protocol Agreement") and the 2002 ISDA Master Agreement with a Schedule (an "ISDA March 2013 DF Protocol Master Agreement"), developed in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed under Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act, may be used in place of an ISDA Netting Agreement or on a temporary basis until an ISDA Netting Agreement with the Counterparty has been executed. In the event a Counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements. The net market value, net of collateral postings, of all OTC derivatives for any individual Counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

The University of Texas Investment Management Company Derivative Investment Policy

Derivative Investment Policy Exhibit A Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Bona Fide Spot Foreign Exchange Transaction – Generally, a foreign exchange transaction that settles via an actual delivery of the relevant currencies within two business days (T+2). In addition, an agreement, contract or transaction for the purchase or sale of an amount of foreign currency equal to the price of a foreign security with respect to which (i) the security and related foreign currency transactions are executed contemporaneously in order to effect delivery by the relevant securities settlement deadline and (ii) actual delivery of the foreign security and foreign currency occurs by such deadline (such transaction, a “Securities Conversion Transaction”). For Securities Conversion Transactions, the Commodity Futures Trading Commission (CFTC) will consider the relevant foreign exchange spot market settlement deadline to be the same as the securities settlement deadline.

Cash Market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a Futures Contract, Forward Contract, swap, and all forms of options.

Exchange Traded Derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 Futures Contracts and Goldman Sachs Commodities Index Futures Contracts.

Forward Contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward Contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures Contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted “Master Agreements,” a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each Counterparty. These netting agreements require that exposures between counterparties will be “netted” so that payables and receivables under all existing derivatives between two Counterparties are offset in determining the net exposure between the two Counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors’ investment in the entity.

The University of Texas Investment Management Company Derivative Investment Policy

Long Exposure to an Asset Class – The Net Asset Value of the Asset Class and Investment Type as defined in the Funds' Investment Policy Statement.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the Counter (OTC) derivatives - A derivative which results from direct negotiation between a buyer and a Counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and Forward Contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash Market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

**The University of Texas Investment Management Company
Derivative Investment Policy**

**Derivative Investment Policy Exhibit B
Delegated Derivative Investments**

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally Futures Contracts and swaps on a passive index, Basket or commodity.
2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash market equivalent being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced cash market equivalent be within a certain range and may also include the selling of put options.
3. Derivative Investments that reduce Long Exposure to an Asset Class or hedge against risk, and limit maximum loss to the premium paid for the Derivative Investment, i.e., purchase options. The aggregate prorated annual premium of all Derivative Investments under this provision shall be as set forth in the respective Fund's Investment Policy Statement.
4. Futures Contracts and Forward Contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.
5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors, or individual stock(s) swaps within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling Futures Contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.
6. Derivative Investments used to gain Long Exposure to an Asset Class and limit maximum loss to the premium paid for the Derivative Investment.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

8. U. T. System Board of Regents: Approval of the Annual Budget for FY 2016, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)

Upon recommendation of The University of Texas Investment Management Company (UTIMCO) Board of Directors, the Board approved the Annual Budget for the year ending August 31, 2016, as set forth on Page 216, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth on Page 217.

The Total Budgeted Costs consist of \$31.5 million for UTIMCO services (23.9% increase over FY 2015 budget) and \$8.5 million (14.5% increase from FY 2015 budget) for external non-investment manager services such as custodial, legal, audit, and consulting services. These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. The Total Budgeted Costs were approved by the UTIMCO Board on October 15, 2015.

The Annual Fee and Allocation Schedule shows the allocation of the budgeted expenses among University of Texas System funds in total. UTIMCO expenses are 8.7 basis points of forecasted assets under management at August 31, 2016. The fees are to be paid quarterly.

The capital expenditures budget totaling \$1.6 million is included in the total Annual Budget.

UTIMCO projects that there will be no cash reserves available to be distributed back to the U. T. System funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO.

UTIMCO ANNUAL BUDGET

\$ in thousands	FY 2015	FY 2016	FY 2016 Budget v FY 2015 Budget	
	Budget	Budget	\$	%
Salaries, Benefits & Taxes	\$11,944	\$14,186	\$2,242	18.8%
Incentive Compensation	8,518	10,441	1,923	22.6%
Total Compensation	20,462	24,627	4,165	20.4%
Other Expenses	4,966	6,883	1,917	38.6%
Total UTIMCO	<u>\$25,428</u>	<u>\$31,510</u>	<u>\$6,082</u>	<u>23.9%</u>
Other Investment-related Expenses Charged to the Funds	\$7,422	\$8,502	\$1,080	14.6%

Prepared by: UTIMCO
Date: October 15, 2015

UTIMCO Management Fee and Direct Budgeted Investment Expenses
Annual Fee and Allocation Schedule
For the fiscal year ending August 31, 2016

<u>Proposed Budget</u>	<u>Fund Name</u>						<u>Separate Funds</u>	<u>Debt Proceeds</u>	<u>Total</u>
	PUF	PHF	LTF	GEF	ITF	STF			
Forecasted Market Value 8/31/16 (\$ millions)	18,188	1,097	7,490	PHF LTF 8,587	7,165	1,774	367	285	36,366
<u>UTIMCO Management Fee</u>									
Dollars (thousands)	16,913	1,290	8,663		4,644				31,510
Basis Points	9.3	11.8	11.6	0	6.5	0	0	0	8.7
<u>Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund</u>									
Dollars (thousands)	3,924	25	26	2,214	2,313				8,502
Basis Points	2.2	0.2	0.0	2.6	3.2	0	0	0	2.3

9. U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program

Upon recommendation of The University of Texas Investment Management Company Board of Directors (UTIMCO Board), the Board (U. T. System Board) approved the amended and restated UTIMCO Compensation Program (Plan) effective September 1, 2015, as set forth on the following pages. The Plan was approved by the UTIMCO Board on October 15, 2015, and amends and restates the UTIMCO Compensation Program that was approved by the U. T. System Board on May 15, 2014 (Prior Plan).

The Plan consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret the Plan, may from time to time adopt such rules and regulations that it may deem necessary to carry out the Plan, and may also amend the Plan. The UTIMCO Board last made editorial amendments to the Plan not requiring U. T. System Board approval on July 29, 2014.

The changes were as follows:

- a. Section 1 was changed to reflect a new effective date of September 1, 2015;
- b. Sections 3, 5.5(c) and (e), and 5.12(d) were changed to remove the language related to the increasing of performance incentive awards in the Extraordinary Circumstance of outperformance by 20% or more;
- c. Sections 5.2(b), 5.8(b) and (c) and 8.3 was changed to eliminate Asset Class/Investment Type as a Quantitative Performance Goal. Appendices C and D was updated to reflect the removal of the Asset Class/Investment Type Quantitative Performance Goal;
- d. Sections 5.4(b) and 5.8(c) [renumbered 5.8(b)(2)] was changed to remove Asset Class/Investment Type as a Quantitative Performance Goal and add it as a Qualitative Performance Goal. Investment staff portfolio performance will be measured against a universe of funds as determined annually by the UTIMCO Compensation Committee;
- e. Sections 5.5(c) and 5.12(c) was changed to remove the language related to decreasing performance incentive awards when net returns during a performance period are below negative 5.01%;
- f. Section 5.8(b)(3) was changed related to the calculation of the level of attainment of the qualitative portion of an individual's performance goals;
- g. Language in Section 5.9(e) applicable to the change in Plan year end from June 30 to August 31 was removed since it is no longer relevant;

- h. Appendix A, Performance Incentive Award Methodology was updated to incorporate the Plan design changes;
- i. Appendix C, Eligible Positions, Weightings, Incentive Award Opportunities and Percentage of Award Deferred was revised for the Performance Periods beginning after August 31, 2015;
- j. Appendix D, Table 2 was revised for the Performance Periods beginning September 1, 2013;
- k. Appendix E, Table 3 of Eligible positions was revised for the Performance Periods beginning after September 1, 2015; and
- l. Other miscellaneous nonsubstantive and editorial changes were made as shown in the Agenda materials.



UTIMCO COMPENSATION PROGRAM

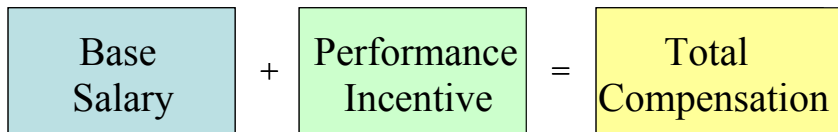
**Amended and Restated
Effective September 1, 2015**

TABLE OF CONTENTS

1. Compensation Program Structure and Effective Date	1
2. Compensation Program Objectives	1
3. Total Compensation Program Philosophy	2
4. Base Salary Administration	2
4.1 Salary Structure	2
4.2 Salary Adjustments	3
5. Performance Incentive Plan	3
5.1 Purpose of the Performance Incentive Plan	3
5.2 Performance Period	3
5.3 Eligibility and Participation	4
5.4 Performance Goals	5
5.5 Incentive Award Opportunity Levels and Performance Incentive Awards	7
5.6 Form and Timing of Payouts of Performance Incentive Awards	8
5.7 Nonvested Deferred Awards	9
5.8 Performance Measurement Standards	10
5.9 Modifications of Measurement Period for Measuring Entity and Asset Class/Investment Type Performance	11
5.10 Termination Provisions	13
5.11 Eligibility for Retirement	14
5.12 Extraordinary Circumstances	16
5.13 Recovery of Performance Incentive Awards	17
6. Compensation Program Authority and Responsibility	18
6.1 Board as Plan Administrator	18
6.2 Powers of Board	18
7. Compensation Program Interpretation	18
7.1 Board Discretion	18
7.2 Duration, Amendment, and Termination	19
7.3 Recordkeeping and Reporting	19
7.4 Continued Employment	19
7.5 Non-transferability of Awards	19
7.6 Unfunded Liability	20
7.7 Compliance with State and Federal Law	20
7.8 Federal, State, and Local Tax and Other Deductions	20
7.9 Prior Plan	20
8. Definition of Terms	22
Appendix A	A-1
Appendix B	B-1
Appendix C	C-1
Appendix D	D-1
Appendix E	E-1

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

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



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

Effective Date: Except as provided in Section 7.9, this document, with an “Effective Date” of September 1, 2015, supersedes the UTIMCO Compensation Program that was effective September 1, 2013.

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO’s Compensation Program serves a number of objectives:

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

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY¹

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

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

- Base salaries are targeted at the market median (e.g., 50th percentile).
- Target total compensation (salary plus target Incentive Award Opportunity) is positioned at the market median.
- Maximum total compensation (salary plus maximum Incentive Award Opportunity) is targeted at the market 75th percentile if individual performance is outstanding.

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

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

- (a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility.
- (b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee.

¹ This explanation of UTIMCO's "Total Compensation Program Philosophy" is not intended to modify any of the substantive provisions of this document.

In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. *Salary Adjustments*

- (a) The base salary of the CEO is determined by the Board. The base salary of the Chief Compliance Officer (“CCO”) will be determined by the Compensation Committee based on the joint recommendation of the Audit and Ethics Committee and the CEO and the base salaries of the other key investment and operations employees are determined by the Compensation Committee. Base salaries will be set within the salary range for each employment position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills, and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position.
- (b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Compensation Committee or, in the case of the CEO, at the discretion of the Board. Base salary adjustments, if any, will be determined based on each individual employee's experience, education, knowledge, skills, and performance; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE INCENTIVE PLAN

5.1. *Purpose of the Performance Incentive Plan*

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

5.2. *Performance Period*

- (a) For purposes of the Performance Incentive Plan, the “Performance Period” begins on September 1 of each year and ends the following August 31.
- (b) Except as otherwise provided under Sections 5.8 and 5.9, performance for each year in the historical performance period will be measured between September 1 and the following August 31 of the applicable year for gauging achievement of the Entity Performance Goal.

5.3. *Eligibility and Participation*

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

preceding notwithstanding, except as provided below, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period; provided however, that the Board may select an employee to participate in the Performance Incentive Plan during the last six months of the Performance Period when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board in which event participation of the employee in the Performance Incentive Plan will begin on the participation date selected by the Board for the employee but not earlier than the employee's date of hire (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

- (c) An employee will cease to be a Participant in the Performance Incentive Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of Termination of such employee's employment with UTIMCO for any reason (including Voluntary Termination and Involuntary Termination, death, and Disability); (iii) the date of termination of the Performance Incentive Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position (or fails to designate the employee's employment position as an Eligible Position with respect to a Performance Period); or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.
- (d) Except as provided in Sections 5.10(b) and (c), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Incentive Awards under the Performance Incentive Plan for that Performance Period.

5.4. Performance Goals

- (a) Within the first 60 days of each Performance Period, except as provided below, the CEO will recommend goals ("Performance Goals") for each Participant (other than the Performance Goals for the CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted later during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance Period. The CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). If the position of the CCO is determined to be an Eligible Position and the employee in the Eligible Position has been designated by the Compensation Committee as a Participant in the Performance Incentive Plan for the Performance Period, the

Performance Goals of the employee holding the position of CCO will be determined jointly by the Audit and Ethics Committee and the CEO. References to the CCO hereafter assume that the position of CCO has been determined to be an Eligible Position and the employee holding the position of CCO has been determined to be a Participant in the Performance Incentive Plan for the Performance Period. If the position of CCO has not been determined to be an Eligible Position for the Performance Period the provisions hereafter specific to the CCO have no force and effect.

- (b) There are two categories of Performance Goals:
- (1) Entity Performance (measured as described in Section 5.8(a))
 - (2) Qualitative Performance (measured as described in Section 5.8(b))

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

- Asset Class/Investment Type Performance
 - Leadership
 - Implementation of operational goals
 - Management of key strategic projects
 - Effective utilization of human and financial resources
 - UTIMCO investment performance relative to the Peer Group
- (c) The CEO's Performance Goals will be determined and approved by the Board.
- (d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. The Audit and Ethics Committee and the CEO will jointly recommend to the Compensation Committee the weightings of the Performance Goals for the CCO. For each Performance Period, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period when necessary to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified

weighting for a Performance Goal for an Eligible Position, the Compensation Committee, may adjust the weightings (up or down) for any Participant for a Performance Period when it considers the identified weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in the respective Eligible Position, his or her prior work experience, or other factors as deemed appropriate by the Compensation Committee; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. The weightings for the Performance Goals for each Performance Period are subject to approval by the Board.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

- (a) At the beginning of each Performance Period, each Eligible Position is assigned an “Incentive Award Opportunity” for each Performance Goal for the Participants in that Eligible Position. The Audit and Ethics Committee and CEO will jointly recommend the Incentive Award Opportunity for the CCO to the Compensation Committee. Each Incentive Award Opportunity is determined by the Compensation Committee (and subject to approval by the Board) and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.
- (b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period when necessary to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.
- (c) Actual “Performance Incentive Awards” are the amounts that are actually awarded to Participants for the respective Performance Period. Actual Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.
- (d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant’s level of achievement of his or her Performance Goals. The Compensation Committee may seek and rely on the independent confirmation of the level of Performance Goal achievement from an external

investment consultant to evaluate Entity Performance and Asset Class/Investment Type Performance. The CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Audit and Ethics Committee and the CEO will jointly determine the CCO's level of achievement relative to the CCO's Performance Goals. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

- (e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance and Qualitative Performance Goals and each Participant's Incentive Award Opportunity. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.
- (f) Within 120 days following the end of a Performance Period, and after review by the external auditor, the Compensation Committee will review all Performance Incentive Award calculations, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Incentive Awards.
- (g) Following the approval of a Performance Incentive Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Incentive Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Except as provided in Sections 5.11, 5.12, and 5.13, approved Performance Incentive Awards will be paid as follows:

- (a) Subject to the Applicable Deferral Percentage of an Eligible Position as documented in Table 1, which is attached as Appendix C, the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 120 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the Performance Period ends, and
- (b) An amount of the Performance Incentive Award for an Eligible Position equal to the Applicable Deferral Percentage set forth on Table 1 will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7

and paid in accordance with that Section. Table 1 will be revised, as necessary, for each Performance Period to set forth any Applicable Deferral Percentage for each Eligible Position as soon as administratively practicable after approval of the deferral percentages by the Board for such Performance Period and such revised Table 1 will be attached as Appendix C.

5.7. *Nonvested Deferred Awards*

- (a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant whose Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13 on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).
- (b) Unless a Participant's Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:
 - (1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one third of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
 - (2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award

Account for that Performance Period will be vested and paid to the Participant.

- (3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.
- (4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid on a date selected in the discretion of UTIMCO after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

- (1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 80%) and the Intermediate Term Fund (weighted at 20%).
- (2) The performance of the Total Endowment Assets ("TEA") is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark).
- (3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the ITF Policy Portfolio Return (ITF benchmark).
- (4) Performance standards related to the TEA and ITF for each Performance Period beginning after August 31, 2013, will be updated as necessary and set forth on a revised table for each such Performance Period in Appendix D as soon as administratively practicable after such standards are determined. Performance of the TEA and ITF is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the TEA and ITF.
- (5) Except as provided in Section 5.9, performance of the Total Endowment Assets (based on the TEA benchmark) and the Intermediate Fund (based on the ITF benchmark) will be measured based on a three-year rolling historical performance of each such fund.

(b) Qualitative Performance

- (1) The level of a Participant's Qualitative Performance will be measured by the CEO (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold, target, or maximum) of the Participant's Qualitative Performance Goals for the Performance Period.
- (2) For purposes of determining the level of attainment of a Participant's Qualitative Performance Goal for the Performance Period related to Asset Class/Investment Type Performance, except as provided in Sections 5.8 and 5.9, as a starting point, Asset Class/Investment Type Performance will be based on three-year rolling historical performance measured between September 1 and the following August 31 of the applicable year relative to top quartile performance of a universe of peer funds as determined annually by the Compensation Committee.
- (3) For purposes of determining the level of attainment of each Participant's Qualitative Performance Goals for the Performance Period, the Participant will receive 0% (threshold level) if he or she fails to complete any of his or her Qualitative Performance Goals for that Performance Period, target level if he or she successfully completes 50% of his or her Qualitative Performance Goals for that Performance Period, and the maximum level if he or she successfully completes 100% of his or her Qualitative Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).
- (4) In determining the percentage of successful completion of a Participant's Qualitative Performance Goals, the CEO, and in the case of the CCO, the Audit and Ethics Committee (in the initial determination) and the Compensation Committee (in its review of the attained levels for approval) need not make such determination based solely on the number of Qualitative Performance Goals successfully completed but may take into account the varying degrees of importance of the Qualitative Performance Goals, changes in the Participant's employment duties occurring after the Qualitative Performance Goals are determined for the Performance Period, and any other facts and circumstances determined by the CEO, and in the case of the CCO, the Audit and Ethics Committee, or Compensation Committee (as applicable) to be appropriate for consideration in evaluation of the level of achievement of the Participant's Qualitative Performance Goals for the Performance Period.

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

- (a) Although generally Entity Performance and most Asset Class/Investment Type Performance are measured based on three-year rolling historical performance, newly hired Participants will be phased into the Performance Incentive Plan so that Entity Performance and Asset Class/Investment Type Performance are measured over a period of time consistent with each Participant's tenure at UTIMCO. This provision ensures that a Participant is measured and rewarded over a period of time consistent with the period during which he or she influenced the performance of the entity or a particular asset class and investment type. In the Performance Period in which a Participant begins participation in the Performance Incentive Plan, the Entity Performance and Asset Class/Investment Type Performance will be based on one full year of historical performance (i.e., the performance for the Performance Period during which the Participant commenced Performance Incentive Plan participation). During a Participant's second year of Performance Incentive Plan participation, the Entity Performance and Asset Class/Investment Type Performance will be based on two full years of historical performance. In the third year of a Participant's Performance Incentive Plan participation and beyond, the Entity and Asset Class/Investment Type Performance will be based on the three full years of rolling historical performance.
- (b) For purposes of measuring Entity and Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized for any specific asset class and investment type (or subset of an asset class and investment type) until that asset class and investment type (or subset of that asset class and investment type) has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years (full and partial) of historical performance of that asset class and investment type (or subset of that asset class and investment type) while part of the Performance Incentive Plan will be used as the measurement period.
- (c) For purposes of measuring Entity and Asset Class/Investment Type Performance of an asset class and investment type (or subset of an asset class and investment type) that is removed from the Performance Incentive Plan prior to completion of the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed asset class and investment type (or subset of an asset class and investment type), but instead the actual number of full months that the removed asset class and investment type was part of the Performance Incentive Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.
- (d) For purposes of measuring Asset Class/Investment Type Performance for a particular Participant of an asset class and investment type (or subset of an asset class and investment type) that is removed from or added to the Participant's responsibility during the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be

utilized for that removed or added asset class and investment type (or subset of an asset class and investment type), but instead the actual number of full months that the removed or added asset class and investment type was part of the Participant's responsibility during the then in-progress three-year historical performance cycle will be used as the measurement period for evaluating the Asset Class/Investment Type Performance with respect to such Participant.

5.10. Termination Provisions

- (a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of Termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will forfeit any Nonvested Deferred Awards at such Participant's Voluntary Termination or Involuntary Termination for Cause. Further, upon Involuntary Termination for reasons other than Cause, the amount in the Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs.
- (b) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).
- (c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which Termination occurs, in lieu of any other Performance Incentive Award under the Performance Incentive Plan, will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with

Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.

- (d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).
- (e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

5.11. Eligibility for Retirement

A participant is eligible for retirement on the last day of the month in which the sum of the Participant's age and years of service, including months of age and months of service credit, equals or exceeds the number 75.

In the case of any Participant who is eligible for retirement, any Performance Incentive Award to which the Participant becomes entitled, as well as any remaining Nonvested Deferred Award, will vest immediately and be includible in the Participant's gross income for Federal income tax purposes in the calendar year in which vesting occurs without regard to when payment is made to the Participant. The vested Performance Incentive Award and any remaining Nonvested Deferred Award will be paid to the participant on a date selected by UTIMCO and in no event later than the last day of the calendar year unless the Participant has agreed to a Voluntary Deferral of all or a portion of his Performance Incentive Award that would otherwise have been deferred had the Participant not been eligible for retirement ("Amount Voluntarily Deferred"). If the Participant has agreed to a Voluntary Deferral of such amount of his Performance Incentive Award,

- (a) the Amount Voluntarily Deferred (1) will be credited to a hypothetical account established in the Participant's name on UTIMCO's books ("Amount Voluntarily Deferred Account") and (2) will be credited (or debited) monthly with an amount equal to the Net Returns for the month multiplied by the balance in the Participant's Amount Voluntarily Deferred Account as of the last day of the month, provided that when the Amount Voluntarily Deferred is initially credited to the Participant's Amount Voluntarily Deferred Account, the Participant's Amount Voluntarily Deferred Account will be credited (or debited) with Net Returns for the month of the initial credit, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Participant's Amount Voluntarily Deferred Account;
- (b) except as provided in clause (c) below, the amount credited to the Participant's Amount Voluntarily Deferred Account shall be paid to the Participant only on the following dates and in the following amounts:
 - (1) On the first anniversary of the last day of the Performance Period for which the Amount Voluntarily Deferred was earned, one third of the amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.
 - (2) On the second anniversary of the end of the Performance Period for which the Amount Voluntarily Deferred was earned, one half of the amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.
 - (3) On the third anniversary of the end of the Performance Period for which the Amount Voluntarily Deferred was earned, the remaining amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.
 - (4) Amount Voluntarily Deferred Accounts payable under the above paragraphs of this Section 5.11(b) will be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the applicable portion of such Amount Voluntarily Deferred Account becomes due and payable; and
- (c) any net credits or debits to the Participant's Amount Voluntarily Deferred Account pursuant to clause (a)(2) above will be includible in the Participant's gross income and taxable to the Participant as ordinary income for Federal income tax purposes, and will be subject to Federal employment taxes and wage withholding during the year in which such amounts are paid pursuant to clauses (a) or (b) above.

5.12. Extraordinary Circumstances

Notwithstanding anything in this Plan to the contrary, the timing and amount of Performance Incentive Awards of each Participant holding an Eligible Position listed on Table 3, which is attached as Appendix E (each, an “Affected Participant”), are subject to automatic adjustment as follows:

- (a) If the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are negative at the end of such Performance Period, (i) an amount otherwise equal to the Paid Performance Incentive Award attributable to such Performance Period for each Affected Participant will be treated as an “Extraordinary Nonvested Deferral Award” for such Affected Participant that is subject to forfeiture in the same manner and for the same reasons as Nonvested Deferral Awards pursuant to Section 5.10(a), (ii) a separate hypothetical account for such Affected Participant will be established on UTIMCO’s books (“Extraordinary Nonvested Deferral Award Account”), which will be (1) credited with such Affected Participant’s Extraordinary Nonvested Deferral Award and (2) credited (or debited) monthly with Net Returns of the Total Endowment Assets on the same dates and in the same manner as applies to Nonvested Deferral Award Accounts pursuant to Section 5.7(a), and (iii) unless such Affected Participant’s Extraordinary Nonvested Deferral Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Affected Participant will become vested in, and entitled to payment of, the amount of his or her Extraordinary Nonvested Deferral Award Account on the first anniversary of the last day of such Performance Period; provided that upon the death, Disability or Involuntary Termination of an Affected Participant for reasons other than Cause, the amount in the Extraordinary Nonvested Deferral Award Account of such Affected Participant will vest immediately and be paid (to the Affected Participant or, in the case of death, to the estate or designated beneficiaries of the deceased Affected Participant) on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs; provided, further, that nothing in this clause (a) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant nor shall it affect the vesting and payment of Performance Incentive Awards to a Participant that has satisfied the requirements for Eligibility for Retirement;

- (b) If the Net Returns of the Total Endowment Assets since the end of the Performance Period for which Performance Incentive Awards are being determined are a negative 10.00% or below (measured as of the most recent month-end for which performance data are available) on the date the Board approves the Performance Incentive Award for an Affected Participant, an amount otherwise equal to such Affected Participant’s Paid Performance Incentive Award attributable to such Performance Period will also be treated as an “Extraordinary Nonvested Deferral Award” for such Affected Participant that is subject to clause (a) above; provided that nothing in this clause (b) shall affect the vesting and payment of Nonvested Deferral Awards

to any Affected Participant nor shall it affect the vesting and payment of Performance Incentive Awards to a Participant that has satisfied the requirements for Eligibility for Retirement; and

- (c) Table 3, which is attached as Appendix E, will be revised, as necessary, for each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to clauses (a) and (b) above as soon as administratively practicable after approval by the Board and such revised Table 3 will be attached as Appendix E.

5.13. *Recovery of Performance Incentive Awards*

Notwithstanding anything in this Plan to the contrary, if the Board (in its sole discretion, but acting in good faith) determines (a) that a Participant has engaged in willful misconduct that materially disrupts, damages, impairs or interferes with the business, reputation or employee relations of UTIMCO or The University of Texas System, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods during which the Board determines such misconduct occurred, or (b) that a Participant has engaged in fraudulent misconduct that caused or contributed to a restatement of the investment results upon which such Participant's Performance Incentive Awards were determined by knowingly falsifying any financial or other certification, knowingly providing false information relied upon by others in a financial or other certification, or engaging in other fraudulent activity, or knowingly failing to report any such fraudulent misconduct by others in accordance with UTIMCO's Employee Handbook, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods for which investment results were so restated. To the extent a Participant has been awarded Performance Incentive Awards to which he or she is not entitled as a result of clause (a) or (b) above, Performance Incentive Awards shall be recovered by UTIMCO pursuant to the following remedies in the order listed: first, such Participant's Nonvested Deferred Awards and Extraordinary Nonvested Deferred Awards will be automatically forfeited; second, any Paid Performance Incentive Award not then paid to such Participant will be withheld and automatically forfeited; and third, such Participant must return to UTIMCO the remaining excess amount. Recovery of Performance Incentive Awards to which a Participant is not entitled pursuant to this Section 5.13 does not constitute a settlement of other claims that UTIMCO may have against such Participant, including as a result of the conduct giving rise to such recovery. Further, the remedies set forth above are in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

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

6.2. Powers of Board

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

- (1) Establish the conditions for the determination and payment of compensation by establishing the provisions of the Performance Incentive Plan.
- (2) Select the employees who are eligible to be Participants in the Performance Incentive Plan.
- (3) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Compensation Program as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

- (a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Incentive Awards, are final and binding on all Participants.
- (b) Notwithstanding any provision of the Compensation Program to the contrary and subject to the requirement that the approval of Performance Incentive Awards that will result in an increase of 5% or more in the total Performance Incentive Awards calculated using the methodology set out on Appendix A must have the prior approval of the U. T. System Board of Regents, the Board has the discretion and authority to make changes in the terms of the Compensation Program in determining a Participant's eligibility for, or amount of, a Performance Incentive Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of

the Board, provided, however, that any such change will not deprive or eliminate an award of a Participant after it has become vested and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. *Duration, Amendment, and Termination*

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

7.3. *Recordkeeping and Reporting*

- (a) All records for the Compensation Program will be maintained by the Senior Managing Director of Accounting, Finance, and Administration at UTIMCO. Relative performance data and calculations will be reviewed by UTIMCO's external auditor before Performance Incentive Awards are finalized and approved by the Board.
- (b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested Deferred Award and Extraordinary Nonvested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. *Continued Employment*

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

7.5. *Non-transferability of Awards*

Except for the rights of the estate or designated beneficiaries of Participants to receive payments, as set forth herein, Performance Incentive Awards under the Performance Incentive Plan, including both the Paid Performance Incentive Award portion and the Nonvested Deferred Award portion, are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation,

encumbrance, garnishment, attachment, or levy of any kind. The preceding notwithstanding, the Compensation Program will pay any portion of a Performance Incentive Award that is or becomes vested in accordance with an order that meets the requirements of a “qualified domestic relations order” as set forth in Section 414(p) of the *Internal Revenue Code* and Section 206(d) of ERISA.

7.6. *Unfunded Liability*

- (a) Neither the establishment of the Compensation Program, the award of any Performance Incentive Awards, nor the creation of Nonvested Deferred Awards Accounts will be deemed to create a trust. The Compensation Program will constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Compensation Program. Any amounts set aside by UTIMCO to assist it in the payment of Performance Incentive Awards or other benefits under the Compensation Program, including without limitation, amounts set aside to pay for Nonvested Deferred Awards, will be the assets of UTIMCO, and no Participant will have any security or other interest in any assets of UTIMCO or the U. T. System Board of Regents by reason of the Compensation Program.
- (b) Nothing contained in the Compensation Program will be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the Compensation Program.

7.7. *Compliance with State and Federal Law*

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

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

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

7.9. *Prior Plan*

- (a) Except as provided in the following paragraphs of this Section 7.9, this Compensation Program supersedes any prior version of the Compensation Program (“Prior Plan”).

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

8. DEFINITION OF TERMS

- 8.1. **Affected Participant** is defined in Section 5.12.
- 8.2. **Applicable Deferral Percentage** means, as to each Eligible Position, the percentage set forth opposite such Eligible Position under the heading “Percentage of Award Deferred” on Table 1, which is attached as Appendix C.
- 8.3. **Asset Class/Investment Type Performance** is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as developed country, private investments, etc.).
- 8.4. **Board** is the UTIMCO Board of Directors.
- 8.5. **Cause** means, as to any employee, that such employee has committed (as determined by UTIMCO in its sole discretion) any of the following: (1) a violation of any securities law or any other law, rule or regulation; (2) willful conduct that reflects negatively on the public image of UTIMCO or the U. T. System; or (3) a breach of UTIMCO’s Code of Ethics.
- 8.6. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.
- 8.7. **Compensation Program** is defined in Section 1.
- 8.8. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.
- 8.9. **Effective Date** is defined in Section 1.
- 8.10. **Eligible for Retirement** is defined in Section 5.11.
- 8.11. **Eligible Position** is defined in Section 5.3(a).
- 8.12. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).
- 8.13. **Extraordinary Nonvested Deferral Award** is defined in Section 5.12.
- 8.14. **Extraordinary Nonvested Deferral Award Account** is defined in Section 5.12.
- 8.15. **Incentive Award Opportunity** is defined in Section 5.5(a).
- 8.16. **Intermediate Term Fund or ITF** is The University of Texas System (“U. T. System”) Intermediate Term Fund established by the U. T. System Board of

Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U. T. System institutions and U. T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

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

8.18. Involuntary Termination means, as to any person the Termination of such person’s employment with UTIMCO wholly initiated by UTIMCO and not due to such person’s implicit or explicit request, at a time when such person is otherwise willing and able to continue to perform services for UTIMCO.

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

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

Plus

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

- 8.20. Nonvested Deferred Award** is defined in Section 5.6(b).
- 8.21. Nonvested Deferred Award Account** is defined in Section 5.7(a).
- 8.22. Paid Performance Incentive Award** is defined in Section 5.6(a).
- 8.23. Participant** is defined in Section 5.3(a).
- 8.24. Peer Group** is a peer group of endowment funds that is comprised of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each of the three immediately preceding Performance Periods as set forth on Appendix B; provided, however, that the Total Endowment Assets are excluded from the Peer Group. The Peer Group will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly.
- 8.25. Performance Goals** are defined in Section 5.4.
- 8.26. Performance Incentive Award** is the component of a Participant’s total compensation that is based on specific performance goals and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

- 8.27. Performance Incentive Plan** is as defined in Section 1 and described more fully in Section 5.
- 8.28. Performance Measurement Date** is the close of the last business day of the month.
- 8.29. Performance Period** is defined in Section 5.2.
- 8.30. Prior Plan** is defined in Section 7.9.
- 8.31. Salary Structure** is described in Section 4.1.
- 8.32. Termination** means, as to any person, a complete severance of the relationship of employer and employee between UTIMCO and such person.
- 8.33. Total Endowment Assets or TEA** means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.
- 8.34. Total Endowment Assets Policy Portfolio Return** is the benchmark return for the Total Endowment Assets policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class and investment type multiplied by the benchmark return for the asset class and investment type) for the various asset classes and investment types in the Total Endowment Assets policy portfolio for the Performance Period.
- 8.35. Voluntary Terminations** means, as to any person, the Termination of such person's employment with UTIMCO not resulting from an Involuntary Termination or by reason of Death or disability.

Appendix A

Performance Incentive Award Methodology (for Performance Periods beginning on or after September 1, 2015)

I. Determine “Incentive Award Opportunities” for Each Participant²

- Step 1. Identify the weights to be allocated to each of the two Performance Goals for each Participant’s Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the two Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the CEO that the weight allocated to the Entity Performance Goal is 80%, and the weight allocated to the Individual Performance Goal is 20%.
- Step 2. Identify the percentage of base salary for the Participant’s Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the CEO are 0% of his or her base salary for achievement of Threshold level performance of both Performance Goals, 200% of his or her base salary for achievement of Target level performance of both Performance Goals, and 450% of his or her base salary for achievement of Maximum level performance of both Performance Goals.
- Step 3. Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the “Incentive Award Opportunities”) for each Participant by multiplying the Participant’s base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the CEO has a base salary of \$750,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the CEO will be eligible for a total award of \$0 if he or she achieves Threshold level performance of both Performance Goals, \$1,500,000 (200% of his or her base salary) if he or she achieves Target level performance of both Performance Goals, and \$3,375,000 (450% of his or her base salary) if he or she achieves Maximum level performance of both Performance Goals.

² These Incentive Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Goals at varying levels and are calculated at the beginning of each Performance Period or, if later, the date such Participant commences participation in the Performance Incentive Plan.

Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Qualitative Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Entity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined). This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of both Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (80%) and by the weight ascribed to achievement of the Intermediate Term Fund (20%)).

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the two Performance Goals, there will be 9 different Incentive Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of \$750,000, the assumed weights for the Performance Goals set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the 9 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for CEO
(based on assumed base salary of \$750,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. TEA Policy Portfolio Return)	64% (.80 x .80)	\$0	\$960,000	\$2,160,000
Entity (ITF v. ITF Policy Portfolio Return)	16% (.20 x .80)	\$0	\$240,000	\$540,000
Qualitative	20%	\$0	\$300,000	\$675,000
Total	100%	\$0 (0% of salary)	\$1,500,000 (200% of salary)	\$3,375,000 (450% of salary)

II. Calculate Performance Incentive Award for Each Participant

Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal.

These divisions for the level of achievement of the Entity are set forth in the table for the applicable Performance Period as set forth on Appendix D. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Qualitative Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Qualitative Performance Goal is determined each Performance Period by the Compensation Committee. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

- Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in Section 5.9. Determine the level of achievement of each Participant's Qualitative Performance Goal.
- Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as assumed and set forth for the CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7 above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if +150 bps of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that +150 bps is between the Target (+100 bps) and the Maximum (+250 bps) levels, so to determine the amount of the award attributable to +150 bps of achievement of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the CEO, as illustrated in the table in Step #5, the difference is \$1,200,000 (\$2,160,000-960,000)); (ii) divide 50 (the bps difference between the Target level of +100 bps and the attained level of +150 bps) by 150 (the bps difference between the Target level and Maximum level) to get the fraction 50/150 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) ($\$1,200,000 \times 50/150 = \$400,000$); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal ($\$400,000 + \$960,000 = \$1,360,000$).

- Step 9. In determining the award attributable to the Entity Performance Goal, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 80% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Entity Performance Goal (and commensurate award) is weighted at 20% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of \$750,000, if the CEO achieved the Target level (+100 bps) of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+150 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of \$1,500,000 for his or her level of achievement of the Entity Performance Goal as follows: \$960,000 for Target level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal (.80 x .80 x \$1,500,000) plus \$540,000 for Maximum level of achievement of the ITF portion of the Entity Performance Goal (.20 x .80 x \$3,375,000).
- Step 10. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.
- Step 11. Subject to any applicable adjustment in Step #12 below, add the awards determined in Steps #8 and #9 above for each Performance Goal (as modified by Step #10) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.
- Step 12. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #11) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

Appendix B

UTIMCO Peer Group

- Brown University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Harvard University
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- UNC Management Company
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Southern California
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than \$2.5 billion, all to be determined as of the last day of each fiscal year end June 2011, 2012, and 2013.

Appendix C

**Eligible Positions
Weightings
Incentive Award Opportunities
Percentage of Award Deferred
for each Eligible Position
(for each Performance Period)**

**Appendix C, Table 1
Eligible Positions, Weightings, Incentive Award Opportunities, and Percentage of Award Deferred for each Eligible Position
(for the Performance Periods Beginning After August 31, 2015)**

Eligible Position	Weighting		Incentive Award Opportunity (% of Salary)				Percentage of Award Deferred
	Entity	Qualitative (Individual)	< Threshold	Threshold	Target	Maximum	
<i>Investment Professionals</i>							
CEO & Chief Investment Officer	80%	20%	0%	0%	200%	450%	50%
Senior Managing Director - Investments	70%	30%	0%	0%	120%	300%	45%
Managing Director - Investments	65%	35%	0%	0%	100%	250%	40%
Managing Director - Fixed Income	65%	35%	0%	0%	80%	200%	40%
Managing Director - Risk Management	65%	35%	0%	0%	80% 25%	200% 50%	40%
Senior Director - Investments	60%	40%	0%	0%	70%	185%	35%
Director - Investments	50%	50%	0%	0%	65%	175%	30%
Director - Risk Management	50%	50%	0%	0%	60% 25%	160% 50%	30%
Senior Associate - Investments	40%	60%	0%	0%	60%	155%	20%
Senior Associate - Risk Management	40%	60%	0%	0%	45%	140%	20%
Associate - Investments	35%	65%	0%	0%	50%	145%	15%
Associate - Risk Management	35%	65%	0%	0%	35%	120%	15%
Senior Analyst - Investments	30%	70%	0%	0%	40%	110%	0%
Analyst - Investments	20%	80%	0%	0%	30%	75%	0%
Analyst - Risk Management	20%	80%	0%	0%	25%	75%	0%
<u>Senior Investment Counsel</u>	<u>50%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>40%</u>	<u>80%</u>	<u>25%</u>
<i>Operations/ Support and Control Professionals</i>							
Senior Managing Director	20%	80%	0%	0%	65% 30%	150% 50%	40%
Chief Technology Officer	20%	80%	0%	0%	55% 15%	100% 35%	30%
<u>General Corporate</u> Counsel & Chief Compliance Officer	0%	100%	0%	0%	50% 10%	120% 30%	30%
Senior Manager	20%	80%	0%	0%	50% 20%	90% 40%	25%
Manager	20%	80%	0%	0%	50% 20%	80% 40%	25%
<u>Senior Investment Counsel</u>	<u>50%</u>	<u>50%</u>	<u>0%</u>	<u>0%</u>	<u>40%</u>	<u>80%</u>	<u>25%</u>
Senior Financial Analyst	20%	80%	0%	0%	40% 15%	60% 35%	20%
<u>Mgr. Infrastructure and CISO Chief Information Security Officer</u>	20%	80%	0%	0%	35% 15%	100% 30%	20%
<u>Mgr. Development</u>	<u>20%</u>	<u>80%</u>	<u>0%</u>	<u>0%</u>	<u>15%</u>	<u>30%</u>	<u>20%</u>
<u>IT Investment Associate Business Analyst and Document System Manager</u>	20%	80%	0%	0%	35% 15%	100% 30%	20%

Note: Editorial changes made 1/26/2016.

Appendix D

Benchmarks for Entity and Asset Class/Investment Type and Threshold, Target, and Maximum Performance Standards (for Performance Periods beginning on or after September 1, 2013)

UPDATED TABLE 2 (beginning 9/1/13)

Entity	Benchmark	Performance Standards		
		Threshold	Target	Maximum
Total Endowment Funds	Policy Portfolio	+0 bps	+100 bps	+250 bps
Intermediate Term Fund	Policy Portfolio	+0 bps	+50 bps	+150 bps

Appendix E

Eligible Positions of Affected Participants

Appendix E, Table 3
Eligible Positions of Affected Participants
(For the Performance Periods Beginning After September 1, 2015)

Eligible Position
<i>Investment Professionals</i>
CEO & Chief Investment Officer
Senior Managing Director - Investments
Managing Director - Investments
Managing Director - Fixed Income
Managing Director - Risk Management
Senior Director - Investments
Director - Investments
Director - Risk Management
<u>Senior Investment Counsel</u>
<u><i>Operations/Support Support and Control Professionals</i></u>
Senior Managing Director
Chief Technology Officer
<u>General Corporate</u> Counsel & Chief Compliance Officer
Senior Manager
<u>Senior Investment Counsel</u>
Manager

Note: Editorial changes made 1/26/2016 to be consistent with revisions shown in Appendix C.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 257 - 262).--Committee Chairman Aliseda reported that the Academic Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Academic Affairs Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. El Paso: Approval to create the School of Pharmacy at U. T. El Paso and amendment of the Regents' *Rules and Regulations*, Rule 40601, Section 1.7 to include the School of Pharmacy

The Board approved the creation of a School of Pharmacy at The University of Texas at El Paso and approved amendment of the Regents' *Rules and Regulations*, Rule 40601, Section 1.7, concerning institutions comprising The University of Texas System, to read as set forth below:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

...

1.7 The University of Texas at El Paso (U. T. El Paso)

- (a) The University of Texas at El Paso College of Business Administration
- (b) The University of Texas at El Paso College of Education
- (c) The University of Texas at El Paso College of Engineering
- (d) The University of Texas at El Paso Graduate School
- (e) The University of Texas at El Paso College of Health Sciences
- (f) The University of Texas at El Paso College of Liberal Arts

- (g) The University of Texas at El Paso College of Natural Sciences
- (h) The University of Texas at El Paso School of Nursing
- (i) The University of Texas at El Paso School of Pharmacy
- (j) The University of Texas at El Paso College of Science
- (k) The University of Texas at El Paso University College

This amendment to Rule 40601 reflects the creation of the U. T. El Paso School of Pharmacy, which was approved by the Executive Vice Chancellor for Academic Affairs pending approval by the Board.

The School of Pharmacy will house the Doctor of Pharmacy (PharmD) program and approved in Item 3 below and will provide support to the PharmD program in terms of program administration, student recruitment, student retention services, and other services required by the Accreditation Council on Pharmacy Education.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "administration, organization, and names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities[.]”

3. U. T. El Paso: Approval to establish a Doctor of Pharmacy degree program

Pursuant to the *Regents' Rules and Regulations*, Rule 40307, related to academic program approval standards, the Board granted authority to

- a. establish a Doctor of Pharmacy degree program at The University of Texas at El Paso; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

Program Description

The Doctor of Pharmacy (PharmD) program at U. T. El Paso is designed to address the severe shortage of pharmacists in the El Paso Border Region and to contribute to a higher level of participation among Hispanics in the pharmacy profession. The program will prepare bilingual and culturally competent pharmacists with important skills in serving the pharmacy needs of communities in the bilingual, bicultural U.S.-Mexican border and South Texas regions.

In 1999, U. T. El Paso entered into a cooperative PharmD program with The University of Texas at Austin that has produced approximately 10 graduates per year, which is insufficient to meet the growing need for pharmacists in El Paso. In the cooperative program, students complete preliminary work at U. T. El Paso and spend two years at U. T. Austin, completing academic training in pharmacy. The final two years, focused on professional training, are completed in El Paso. U. T. El Paso has consequently developed a foundation for a Pharmacy program and a School of Pharmacy (Item 2). U. T. El Paso already offers a pre-pharmacy program and has in place the infrastructure for professional training for students completing the final two years of doctoral training. During the 84th Legislative Session, the Texas Legislature provided \$7 million to establish a PharmD program at U. T. El Paso.

The PharmD program requires graduates to complete 166 semester credit hours (SCH) and 1,800 clock hours of practical experience. The program is similar in total SCH required to existing programs in Texas, but the curriculum will reflect the new 2016 standards established by the accrediting agency, the Accreditation Council for Pharmacy Education (ACPE). The curriculum reflects the four standards established by the ACPE: Foundational Knowledge, Essentials for Practice and Care, Approach to Practice and Care, and Personal and Professional Development. Most students will enter the program without completing an undergraduate degree, having completed a pre-pharmacy program that emphasizes basic science training (students who have completed a B.S. degree are also considered for admission). The PharmD program will involve four years of study in El Paso, with greater emphasis on academic training in the first two years and greater emphasis on practice experience in the last two years.

Need and Student Demand

The Texas Workforce Commission projects that the demand for pharmacists in the state will increase by 23.6% from 2012-2022, compounding an existing shortage of pharmacists in the state, and especially in the El Paso Border Region. In Texas, there are approximately 87 pharmacists per 100,000 population, which is below the national average. In El Paso, however, that number is substantially lower: 56 per 100,000 population. A pharmacy program located in the region represents an important step in addressing this severe shortage. The nearest existing pharmacy program in Texas is located 400 miles from El Paso.

In addition, a regional program will respond to the lack of Hispanics in the pharmacy workforce. Hispanics make up only 5.6% of the pharmacy workforce nationally and only 10.4% of the pharmacy workforce in Texas. Thus, the establishment of a PharmD degree program at U. T. El Paso, located in a community that is more than 80% Hispanic, is expected to contribute both to expanding Hispanic participation in the profession and to addressing the severe shortage of pharmacists in the El Paso Border Region. Graduating 10 students per year, the existing U. T. Austin-U. T. El Paso cooperative program is already among the top five producers of Hispanic pharmacists in the nation. The establishment of a freestanding program at

U. T. El Paso will raise the total number of pharmacy graduates to approximately 45 per year. That increase will not only play a significant role in reducing the shortage of pharmacists in El Paso, but it is anticipated that the program will also produce graduates who are bilingual and culturally competent, an important asset in El Paso and South Texas, where a large proportion of the population is made up of people whose native language is Spanish and who have roots in Mexico.

There is a high demand from prospective students for PharmD programs in Texas, and many qualified Texas students are forced to apply to programs outside the state. U. T. Austin, for example, generally attracts more than 800 applicants for only 125 student slots. The high degree of competition is also notable among Hispanic applicants. In 2013, 114 Hispanic students applied to the U. T. Austin program and only 25 were accepted. At U. T. El Paso, although there are only 12 student slots available each year in the cooperative program, an average of 200 students each year declare a pre-pharmacy major. With the establishment of a freestanding program in El Paso, that number will very likely increase.

Program Quality

There are currently seven highly qualified faculty members who train students enrolled in the cooperative pharmacy program in the final two years of the program. U. T. El Paso will recruit an additional 14 faculty to offer courses in the academic areas currently offered at U. T. Austin, to provide additional program leadership, and to add to the number of faculty who support professional experience training. Faculty will be expected to develop research programs corresponding to their academic training and teaching responsibilities. The program is targeting a 10:1 student-to-faculty ratio, consistent with leading programs in Texas and other universities. All pharmacy faculty will be committed exclusively to the program.

The program has a clear set of performance measures, consistent with the requirements of the Accreditation Council for Pharmacy Education, which subjects the program to a rigorous review at each stage of program development and subsequently, at regular intervals, following program accreditation.

Revenue and Expenses

Projected Enrollment	5-Year Total
Number of Full-Time Student Equivalents (FTSE) Used for Formula Funding Calculation	482
Number of Full-Time Student Equivalents	598

Expenses	5-Year Total
<i>Faculty</i>	
Salaries	11,811,121
Benefits	3,307,114
<i>Staff & Administration</i>	
Graduate Coordinator Salary	406,074
Administrative Staff Salaries	4,837,728
Staff Benefits	1,468,265
<i>Other Expenses</i>	
Supplies and Materials	475,000
Library, IT Resources, Equipment	590,000
Recruitment and Travel	610,000
Total Expenses	\$23,505,302

Revenue*	5-Year Total
<i>From Student Enrollment</i>	
Formula Funding	1,536,572
Tuition and Fees	9,877,186
<i>From Institutional Funds</i>	
Reallocation of existing resources	8,175,733
<i>From Other Revenue Sources</i>	
General Revenue – Staff Benefits	3,915,811
Total Revenue	\$23,505,302

*The Texas Legislature provided \$7 million for use during the Fiscal Year 2016 - 2017 biennium to support the development of the Doctor of Pharmacy program at U. T. El Paso. Those funds will support the development of infrastructure, including renovations, for the program and the hiring of faculty and staff required for the program preparation phase mandated by the accrediting body. The first students are expected to enter the program Fall 2017, and the budget presented above covers the five-year period from that point forward.

Coordinating Board Criteria

The program meets all applicable Coordinating Board criteria for new doctoral degree programs.

4. U. T. Rio Grande Valley: Approval of provisional Mission Statement

The Board approved a provisional Mission Statement for The University of Texas Rio Grande Valley as set forth below:

Provisional Mission Statement

The University of Texas Rio Grande Valley provides a high quality, innovative, and affordable education to the students of South Texas, the State of Texas, the United States and the world. The University will transform Texas and the nation through student success, research, health care, and commercialization of university discoveries.

The provisional Mission Statement for U. T. Rio Grande Valley is based on the Guiding Principles for the new University approved by the Board of Regents on July 10, 2013, and the priorities defined by the institution's working groups and founding President. The provisional Mission Statement will serve as the foundation for the development of the institution's first strategic plan. This process will commence in Spring 2016 and will involve students, faculty, staff, and administrative staff at U. T. Rio Grande Valley.

[Secretary's Note: At the request of the institution, commencement of the strategic planning process in the Agenda Item was changed from Fall 2015 to Spring 2016.]

In 2013, the Texas Legislature repealed *Texas Education Code* Section 61.051(e), which directed the Texas Higher Education Coordinating Board to review the mission statements of public institutions, typically, every four years. However, each institution is required to have a mission statement under *Texas Education Code* Section 51.359. Section 51.352 of the Code, regarding the Responsibility of Governing Boards, requires governing boards to "insist on clarity of focus and mission of each institution under its governance." Pursuant to a directive by the Board of Regents on March 26, 2008, each Mission Statement must include a statement regarding the commercialization of university discoveries.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 263 - 271).--Committee Chairman Cranberg reported that the Health Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Health Affairs Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. Health Science Center - San Antonio: Approval to retain the Master of Science in Immunology and Infection degree program

The Board approved the retention of the Master of Science in Immunology and Infection, a formerly low-producing degree program in the Graduate School of Biomedical Sciences at The University of Texas Health Science Center at San Antonio.

Senate Bill 215, passed into law by the 83rd Texas Legislature in 2013, shifted the authority to consolidate or eliminate a degree program from the Texas Higher Education Coordinating Board to the governing boards of Texas public institutions of higher education. However, the Coordinating Board may recommend such action for a program it identifies as a low-producing program for three or more consecutive years.

The Master of Science in Immunology and Infection (M.S. I and I) program at U. T. Health Science Center - San Antonio was recently identified by the Coordinating Board as a low-producing program because it had graduated fewer than 15 students over the previous five-year period. The M.S. I and I program was initially established in 1970 as an exit master's degree for students admitted to and enrolled in the doctorate program in immunology and infection, and the graduation numbers during the five-year period reviewed by the Coordinating Board reflect historical enrollment and completion trends. U. T. Health Science Center - San Antonio addressed the low-productivity of the M.S. I and I program before the program was recommended for closure by the Coordinating Board, and the newly redesigned program was approved by the Coordinating Board in July 2014.

The institution's Chief Academic Officer collaborated with the Dean and faculty of the Graduate School of Biomedical Sciences to obtain approval for the reinstatement of the M.S. I and I program, which had previously been included in a consolidation of biomedical science degree programs, as a stand-alone master's degree program that would provide classroom and laboratory training in fundamental science

principles that link immunology and microbial infection. The action plan to ensure the M.S. I and I program remains sustainable is based on a fully revised and more relevant curriculum that encompasses targeted student recruitment, retention, and timely graduation strategies. The redesigned program is the only master's level microbiology and immunology program at a health science center in the State of Texas.

Active monitoring allowed the institution to address the program's student enrollment issues. With approval to implement the revised program, the Graduate School of Biomedical Sciences and the Department of Microbiology and Immunology in the School of Medicine successfully collaborated during the 2014-2015 academic year to generate high interest in the new curriculum, which enrolled a cohort of 26 students in August 2015.

The curriculum design in the reinstated program differs significantly from that of the former program, which had been created as a specialty evening program for public school teachers. The redesigned program integrates the fields of immunology and infectious disease, such as microbiology, to provide a big-picture multidimensional view of host-pathogen relationships and will produce graduates who are prepared to contribute solutions to the challenges facing biotechnology research and development industries, health care infrastructure, and teaching needs. The revised program also has sustainable student appeal with a new curriculum designed to allow students to prepare for high demand jobs in the state's \$75 billion biotechnology industry.

U. T. Health Science Center - San Antonio anticipates that graduates from the two-year program will compete more effectively for entry-level, mid-level, and leadership positions in research and clinical laboratories, as well as in the teaching workforce. With the San Antonio and Austin areas representing a center of rapid growth in the Texas biotech industry, increased employment opportunities are expected to make the redesigned program attractive to a vast array of individuals wishing to become candidates for either research or clinical laboratory positions in Texas and nationwide. Alternatively, graduates will have the educational experiences, insights, and academic credentials that might encourage them to pursue degrees in doctoral or medical programs.

Faculty at U. T. Health Science Center - San Antonio is committed to recruiting highly qualified candidates to the program. Each year, more than 4,000 students graduate from Texas institutions with undergraduate degrees in the biological sciences. This healthy pool of potential candidates will help the program maintain annual enrollments of approximately 15 - 25 students and graduate 8 - 15 students per year through the life of the program.

The M.S. I and I program's inclusion on the Coordinating Board's roster of Low Producing Programs has resulted in desirable curricular examination and redesign and will incur only a time-limited period of enrollment and graduation metrics transition toward improved outcomes. Following action by the U. T. System Board

of Regents, U. T. Health Science Center - San Antonio will see that the revised master's degree in immunology and infection remains sustainable.

3. U. T. Health Science Center - San Antonio: Approval to establish a Doctorate of Occupational Therapy degree program in the School of Health Professions

Pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, the Board granted authority to

- a. establish a Doctorate of Occupational Therapy degree program in the School of Health Professions at The University of Texas Health Science Center at San Antonio; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

Program Description

U. T. Health Science Center - San Antonio sought approval to transition its current 30 month entry-level Master of Occupational Therapy (MOT) degree program, which will be phased out, to a 3-year entry-level Doctorate of Occupational Therapy (OTD) degree program starting in Summer 2017. Students enrolled in the MOT program will finish the MOT degree plan and will not transition to the OTD program. This entry-level professional doctorate program will provide in-depth and advanced doctoral-level occupational therapy education so that graduates will have satisfied the prerequisites to apply for licensure as registered occupational therapists (OTs). The program will uniquely provide OTD graduates with the interprofessional, communication, clinical, technological, research, and leadership skills needed for advanced practice in the complex health care environment.

The OTD program will consist of 114 semester credit hours at the doctoral level to include all coursework, fieldwork, and doctoral experiential work taken over 36 months. All students graduating from the OTD program will have 1,065 clock hours of embedded clinical experience. These clinical hours are contained with the fieldwork coursework.

Because this entry-level OTD program will not require completion of an MOT degree as an admission requirement, it will be more efficient and comprehensive for students as compared to completing an MOT degree and then a post-professional OTD degree. The total number of hours required for U. T. Health Science Center - San Antonio OTD will also be less than the total required for a typical MOT plus post-master's OTD track. There are no other entry-level OTD programs in Texas at this time, so there is no opportunity to make comparisons with peer programs in the state. However, a review of developing and accredited entry-level OTD programs across the country as listed by the Accreditation Council for Occupational Therapy Education indicate a range from 95 to 134 semester hours (total) for these entry-

level OTD programs. Thus, the program at U. T. Health Science Center - San Antonio is within the credit hour range seen at other entry-level OTD programs and less than seen when the master's degree in OT is combined with a post-master's OTD.

Transitioning U. T. Health Science Center - San Antonio's MOT degree program to an entry-level OTD program, where doctoral level education is expected at onset, will provide the needed specialized curricular content and more realistically reflect the level of training needed by the program graduates. The Occupational Therapy faculty members at U. T. Health Science Center - San Antonio have carefully evaluated curricular needs for the OTD program and have designed a program that is cost-efficient and unique for the needs of the state and South Texas communities. In terms of time to degree completion, implementation of the OTD at U. T. Health Science Center - San Antonio, using a wholly redesigned curriculum from the existing MOT, will only require students to spend one additional semester in training (as compared to the current MOT).

Need and Student Demand

Occupational Therapy is one of the most utilized allied health professions with 108,800 occupational therapists nationwide (*U.S. Bureau of Labor Statistics, 2012*). Occupational therapists help people of all ages participate in the things they want and need to do through the therapeutic use of everyday activities." The American Occupational Therapy Association uses this 2015 description for the field: "Unlike other professions, occupational therapy helps people function in all of their environments (e.g., home, work, school, community) and addresses the physical, psychological, and cognitive aspects of their well-being through engagement in occupation." Based on patients' needs and skills, OTs use evaluation and intervention to improve measurable functional outcomes. OTs provide services within hospitals, home health, outpatient clinics, extended care facilities, and in educational settings. They serve individuals with a variety of disabilities, including autism, traumatic brain injury, stroke, mental illness, spinal cord injuries, hand injuries, and developmental disabilities.

The market demand for occupational therapy is rising with a corresponding demand for occupational therapy graduates to have entry-level competencies and skills at a higher level than in the past. According to the U.S. Bureau of Labor Statistics' *Occupational Outlook Handbook 2013-14*, employment of OTs is anticipated to grow by 29% between 2012 and 2022. This increased need of 32,800 (from 113,200 to 146,100 OTs) identifies a growth rate above that of other professions and contributes to the shortage of OTs. Employment prospects for qualified OTs have increased in all settings (hospitals, nursing homes, private clinics, home health, schools, and specialized treatment settings); thus identifying a shortage in all employment settings (*U.S. Bureau of Labor Statistics, 2012*). By 2020, home health care jobs are expected to increase by 81%, and hospitals are expected to add new jobs at a rate of 17%, including occupational therapy (*Henry Kaiser Family Foundation, 2011*). Likewise, shortages of OTs in pediatric settings exist and more

will be needed due to the increased number of children with disabilities needing occupational therapy intervention (*Bureau of Labor Statistics, 2010-2011; National Coalition on Personnel Shortages in Special Education and Related Services, 2006*).

Specifically, advanced training and education at the doctoral level is increasingly needed to prepare OTs with the knowledge, skills, and abilities needed to function in complex medical environments and to care for patients with serious physical, learning, language, or behavioral disabilities, such as neuromuscular disease (e.g., muscular dystrophy, cerebral palsy), cognitive disorders (e.g., Alzheimer's disease, brain injury), vision or hearing impairments, physical disorders (e.g., deformity, spinal cord injury, polytrauma) and chronic disease (e.g., stroke, cancer, heart disease). In particular, the South Texas health care environment requires that OTs be equipped with these advanced skills needed for independent, unsupervised practice upon graduation, requiring skills and leadership beyond what can be provided in a traditional master's degree OT program. Current master's degree programs in occupational therapy are constrained by their curricular limits to add these content areas referenced above to their program design.

The recent and sustained history of student demand and enrollment indicates that there will be a continued high student demand for the OTD program. Dr. Jane Case-Smith, from the Ohio State University, was an External Reviewer for the MOT graduate program review in February 2014. In her report she stated, "The program admits very high level students who appear motivated and perform well. The student outcomes are positive with very high success in fieldwork and employment. The students evaluate the program to be very good to excellent, particularly in important indicators. An important and somewhat unique asset of the San Antonio program is the diversity among the students and the number of men in the program. It is outstanding that the program has been able to consistently attract these high level students who represent the region, and upon graduation, practice in the communities of San Antonio."

Student interest in occupational therapy and the University's program is demonstrated by the number of applicants to the program. Over the last three years, the average number of applicants has been over 350. The 2014 incoming class of 40 had an average prerequisite GPA of 3.6. Additionally, a 2014 survey of applicants to the University's MOT program revealed that 93% agreed to the benefits of having an OTD degree over an MOT degree. Similarly, 72% of applicants stated that they would select an OTD program (that is longer) over an MOT program.

The MOT program at U. T. Health Science Center - San Antonio has had a retention rate of 95% over the last three years. Between Academic Years 2011-2013, all graduates (100%) passed the National Board for Certification in Occupational Therapy Examination within 12 months of completing the program. A majority of the graduates chose to practice in Texas after graduation with 91% of 2013 graduates licensed in Texas.

Program Quality

The Department of Occupational Therapy has six full-time faculty members, three are tenured; five have earned doctorates; and one is enrolled in a doctoral program. All six faculty members are licensed OTs in the State of Texas. These six faculty members will be assigned exclusively to the OTD program because it will replace the MOT program, which will be phased out. One additional faculty member will be requested to provide assistance with the increased curriculum requirements associated with a doctoral program.

When external reviewer Dr. Case-Smith evaluated the occupational therapy program at U. T. Health Science Center - San Antonio in 2014, she stated that “the Occupational Therapy faculty members are very strong; each is an expert in his or her teaching areas and each is an outstanding teacher. The faculty members also have accomplished scholarship and are active in service to the University and community. They have built positive relationships with other departments. They are invested in being a team and are supportive of each other. They appear to have a strong vision of how to serve the community. They have built and they deliver a very strong curriculum; they seem highly committed to the teaching mission. They appear to care deeply about education and about student outcomes and are highly dedicated to teaching.”

The Occupational Therapy faculty members have the expertise and qualifications required to provide the theoretical and clinical basis to graduate qualified OTs and to provide evidence-based practice in South Texas, the State of Texas, and nationally. The faculty members’ theoretical and clinical expertise is strong and covers diverse areas of practice, which supports excellence in student preparation. As noted, five faculty members are doctoral-trained and one is currently enrolled in a doctoral program. All have clinical experience in occupational therapy. The faculty members are highly collaborative in developing an educational vision to support a comprehensive OTD curriculum.

Specialization areas of the faculty support and are aligned with the course offerings. Each faculty member has expertise in areas of occupational therapy, research, and practice that will support the mission of the OTD program and the respective scholarly and research activities. All have actively participated in publications and presentations.

Revenue and Expenses

Projected Enrollment	5-Year Total
Number of Students Used for Formula Funding Calculation ¹	194
Total Number of Students ²	200
Expenses	5-Year Total
Faculty	
Salaries (reallocating all current faculty, one new hire) ³	\$3,157,023
Benefits	\$820,826
Staff and Administration	
Administrative Staff Salaries (reallocation of current staff) ³	\$251,725
Staff Benefits	\$65,449
Other Expenses	
Supplies, materials, and equipment	\$2,500
Total Expenses	\$4,297,523
Revenue	5-Year Total
From Student Enrollment	
Formula Funding ⁴	\$4,129,955
Total Tuition and Fees ⁵	\$8,111,361
Total Revenue	\$12,241,316

¹Includes attrition.

²Includes all unduplicated headcount.

³While faculty and staff are being reallocated, their current funding source is not reallocated since it is based on MOT program income.

⁴Formula funding amounts are based on Program Y2 FTSE (2 full cohorts) of 136.6 for Y3-4. Program Y5 formula funding is based on the FTSE of 184.1 in Y4 (3 full cohorts, only up to 99 credits).

⁵Total Tuition and Fees include all tuition and fees charged to each student, including statutory, designated, differential, and deregulated differential tuition.

Coordinating Board Criteria

The program meets all applicable Coordinating Board criteria for new doctoral degree programs.

4. U. T. Health Science Center - Houston: Approval of change in tuition and fee rates for out-of-state students in the School of Biomedical Informatics online Master of Science degree program in Health Informatics

The Board approved a change in tuition and fee rates for out-of-state students in the School of Biomedical Informatics online Master of Science degree in Health Informatics at The University of Texas Health Science Center at Houston to transition from charging the current Alternate Delivery Fee (Fee) of \$750 per semester credit hour (SCH) flat fee to the currently approved nonresident tuition rate of \$736/SCH, effective Summer 2016.

The U. T. School of Biomedical Informatics at Houston (School), the only freestanding school of biomedical informatics in the country, plans to expand enrollment of out-of-state students as part of its overall effort toward enhancing its national reputation and standing. The School's Master of Science degree in Health Informatics includes a fully online option. The online program offered to out-of-state students is self-supporting, and these students are not reported for purposes of state funding. The School has appropriately charged these students the approved Fee of \$750/SCH rather than tuition. This proposal eliminates the Fee and applies the current nonresident tuition rate of \$736/SCH.

Proposal

Participation in the Southern Regional Education Board's (SREB) Academic Common Market (ACM) requires students be charged "tuition" rather than "fees." The School would like to participate in the SREB's ACM to expand out-of-state enrollment. The ACM is a tuition savings program within the 16 states served by the SREB that operates on the premise that if public institutions of higher education in a student's home state do not offer a degree program major (at the undergraduate or graduate level) that a student intends on pursuing, that student may attend a participating institution offering the degree of interest by applying through the ACM and be granted a waiver of out-of-state tuition charges. The SREB will not permit the School to participate in the ACM until the Fee has been replaced with charging tuition.

Out-of-state students in other SREB states who successfully petition to enroll in the School through the ACM will qualify for the waiver and be charged tuition at the currently approved resident rate of \$231/SCH. Out-of-state students from outside the SREB region who do not qualify for the ACM will benefit from a \$14/SCH savings (or a savings of approximately \$336 per year based on full-time student status).

The Fee of \$750/SCH will be deleted effective Summer 2016.

Estimated Net Revenue from Changes

None

Intended Application of Additional Tuition Funds

Not applicable

Estimated Effect on the Affordability of Biomedical Informatics Education

The approved proposal will reduce tuition for affected students. This transition will provide a savings for out-of-state students who successfully apply for and receive a tuition waiver through the ACM of over \$12,000 per year (based on full-time status of 24 SCH per year). Out-of-state students who do not qualify for participation in the ACM through the SREB would save \$336 per year (based on full-time status of 24 SCH per year).

Evidence of Consultation with Students, Faculty, and Staff regarding Proposed Changes

These specific changes have not been discussed with the School’s students. However, in prior discussions, any opportunity to maintain or decrease the current tuition rates has been met with favor.

Resident and Nonresident Comparison and Rationale

TUITION		RATIONALE
SCHOOL OF BIOMEDICAL INFORMATICS		
RESIDENT	NONRESIDENT	
Statutory Tuition: \$50	Statutory Tuition: \$440	Change from a flat fee to the currently approved nonresident rates will allow the School to attract more out-of-state students through participation in the ACM.
Designated Tuition: \$131	Designated Tuition: \$46	
Differential: \$50	Differential Tuition: \$250	
No Change to Tuition	Transitioning from a flat fee of \$750/SCH to the currently approved rates above reduces the cost by \$14/SCH No Change to Tuition	

5. U. T. System: Report and appropriate action on telemedicine across Texas

This item was for consideration only by the Committee (see Committee Minutes).

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 272 - 275).--Committee Chairman Pejovich reported that the Facilities Planning and Construction Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Facilities Planning and Construction Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Discussion on the Hybrid Project Delivery Initiative

This item was for consideration only by the Committee (see Committee Minutes).

3. U. T. System: Approval of delegation of authority to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects identified for hybrid delivery

The Board delegated authority to the Associate Vice Chancellor for Facilities Planning and Construction to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects at The University of Texas System identified for hybrid delivery.

As included in the *Hybrid Delivery Methods - Action Plan* presented to the Facilities Planning and Construction Committee on August 19, 2015, and included in the agenda materials for the previous item (Item 2; also [on file](#) in the Office of the Board of Regents), this authorization will allow greater flexibility in negotiating the fees paid to consultants for Major Projects identified in the Hybrid Project Delivery Initiative. The intended goal is to encourage more creative, incentivized teams focused on institution and project goals, including reduced costs and more efficient schedules.

4. U. T. Austin: East Campus Parking Garage - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

The Board approved the recommendations for the East Campus Parking Garage project at The University of Texas at Austin as follows:

Project No.: 102-928

Project Delivery Method: Design-Build

Substantial Completion Date: November 2017

Total Project Cost: Source Revenue Financing System Bond Proceeds ¹ Current \$62,400,000

Funding Note: ¹ Revenue Financing System (RFS) to be repaid from parking fees and \$2,400,000 from capitalized interest

Investment Metrics:

- Restore revenues displaced from densification of adjacent central campus
- Add 2,000 parking spaces for Dell Medical School, visitors, and campus events

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of \$62,400,000 from RFS Bond Proceeds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
 - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
 - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
 - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$62,400,000.

Debt Service

The \$62,400,000 in aggregate RFS debt will be repaid from parking revenues. Annual debt service on the \$62,400,000 RFS debt is expected to be \$4.06 million. The debt service coverage for the institution is expected to be at least 1.5 times and average 2.1 times over FY 2016-2021.

Previous Board Action

On May 14, 2015, the project was included in the CIP with a total project cost of \$62,400,000 with funding from RFS Bond Proceeds.

Project Description

This project will construct a new parking garage to provide parking for students, faculty, event patrons, and visitors to the campus. The 2,000 car capacity, multilevel garage will be located at the site of an existing parking lot at University Federal Credit Union (UFCU) Disch-Falk Field, east of IH-35, and will help replace many of the surface parking spaces on campus that have been displaced by new buildings. The garage will provide for more centralized parking to preserve land for densification of the adjacent Central Campus, the Dell Medical School District, and East Campus and will also help restore revenues for U. T. Austin Parking and Transportation Services.

- 5. U. T. M. D. Anderson Cancer Center: Alkek Expansion - Renovations to Existing Facility - Amendment of the FY 2016-2021 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

The Board approved the recommendations for the Alkek Expansion - Renovations to Existing Facility project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.:	703-XX4		
Institutionally Managed:	Yes		
Project Delivery Method:	Construction Manager-at-Risk		
Substantial Completion Date:	November 2017		
Total Project Cost:	<u>Source</u> Hospital Revenues	<u>Former</u> \$22,000,000	<u>Current</u> \$29,300,000

- a. amend the FY 2016-2021 Capital Improvement Program (CIP) to increase the total project cost from \$22,000,000 to \$29,300,000; and
- b. appropriate funds and authorize expenditure of an additional \$7,300,000 from Hospital Revenues.

Previous Board Action

On August 23, 2007, the project was added to the CIP with a total project cost of \$68,000,000. On July 22, 2012, the President approved a reduction in scope and decrease in total project cost to \$22,000,000 with funding from Hospital Revenues.

Project Description

Renovations to Floors 10 and 11 of the Albert B. and Margaret M. Alkek Hospital began in 2013 and are nearing completion. In response to a recommendation and request from the institution's Department of Critical Care, the scope of work on Floor 7 is to be increased to bring the Intensive Care Unit (ICU) rooms and other accommodations on this floor into alignment with current institutional design standards, clinical practice guidelines, and Texas Department of Licensing and Regulation requirements. The increased renovations are to include the conversion from gas columns to standard headwalls, the elimination of in-room toilets, the elimination of sliding glass doors, the enclosure of medication preparation areas to meet Joint Commission requirements, and the construction of family support spaces including restrooms.

To align the critical care capacity with long-range census projections, a portion of Floor 11 has also been renovated for use as ICU beds, and a portion has been renovated for use as an Intermediate Care Unit (IMU) for hematologic patients. These renovations to Floor 11 will support the use of an ICU swing floor during the renovation of Floor 7, as well as meet long-range ICU census projections. Renovations to Floor 7 are to be completed with two ICU Pods closed at a time, as opposed to one ICU Pod at a time as previously planned.

REPORT OF THE TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE
(Page 276).--Committee Chairman Hall stated there were no items from the Technology Transfer and Research Committee to report in open session.

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

There were no items referred from the Consent Agenda.

2. U. T. System: Report and discussion on the progress of the U. T. Horizon Fund

This item was for consideration only by the Committee (see Committee Minutes).

APPROVAL OF STANDING COMMITTEE RECOMMENDATIONS.--At 10:04 a.m., the Board voted and approved the Standing Committee recommendations.

RECESS TO EXECUTIVE SESSION.--At 10:05 a.m., the Board recessed to Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, and 551.074 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--The Board reconvened in Open Session at 11:38 a.m. to consider the following actions on Executive Session items and to consider the following agenda items.

- 1a. U. T. Medical Branch - Galveston: Approval of increase in compensation for Donna K. Sollenberger, Executive Vice President and Chief Executive Officer, Health System (Regents' Rules and Regulations, Rule 20204, regarding compensation for highly compensated employees)

Upon motion by Regent Cranberg, the Board approved the increase in compensation for Donna K. Sollenberger, Executive Vice President and Chief Executive Officer for The University of Texas Medical Branch at Galveston Health System, within the parameters outlined and recommended in Executive Session.

He further moved that the Board find that this compensation change is in the best interest of U. T. Medical Branch - Galveston as required by State law.

The motion was duly seconded and carried by acclamation.

- 1b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees

No action was taken on this item.

2a. U. T. Dallas: Approval of proposed negotiated gifts with potential naming features

Upon motion by Regent Beck, duly seconded, the Board authorized the Vice Chancellor for External Relations and the Presidents of The University of Texas at Dallas, The University of Texas Rio Grande Valley, The University of Texas at San Antonio, and The University of Texas Medical Branch at Galveston to conclude negotiations necessary to finalize and accept gifts to benefit those institutions with potential naming features consistent with the terms and conditions outlined and recommended in Executive Session.

The motion carried by acclamation.

2b. U. T. Rio Grande Valley: Approval of proposed negotiated gifts with potential naming features

See Item 2a above for action taken on this item.

2c. U. T. San Antonio: Approval of proposed negotiated gifts with potential naming features

See Item 2a above for action taken on this item.

2d. U. T. Medical Branch - Galveston: Approval of proposed negotiated gifts with potential naming features

See Item 2a above for action taken on this item.

3a. U. T. Southwestern Medical Center: Discussion and appropriate action to lease and purchase from Hammes Company, a built-to-suit medical office building and ambulatory surgical center with approximately 250,000 square feet of space on the east side of Dallas North Tollway and north of Lebanon Road, Frisco, Collin County, Texas, for clinical use (Deferred)

The item related to a proposed lease and purchase of a medical office building and ambulatory surgical center at The University of Texas Southwestern Medical Center was deferred.

- 3b. U. T. System: Discussion and appropriate action regarding proposed purchase of approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Belfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard

See the item on Page 3 for action taken on this item on November 4, 2015.

- 4a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 4b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning purchasing and procurement, including implementation of Senate Bill 20

No action was taken on this item.

- 4c. U. T. System Board of Regents: Discussion and appropriate action concerning legal issues related to litigation styled *Hall v. McRaven*

No action was taken on this item.

AGENDA ITEMS (continued)

7. U. T. System Board of Regents: Report and discussion regarding purchasing and procurement policies, including implementation of Senate Bill 20

Executive Vice Chancellor Kelley reported on the status of purchasing and procurement issues, including implementation of Senate Bill 20.

Remarks by Dr. Kelley
(essentially as delivered)

Thank you, Mr. Chairman. This is listed as an action item; not sure if any action is required. Although Item 8, I believe, will require an action related to this.

And I know the Board is very familiar with this process. I wanted to give a brief background, and then indicate where we are as we move forward in the implementation of Senate Bill 20 and other requirements or requests that the Board has asked us to do.

If you recall, about a year ago is when the Board, really ahead of any other issues from the state, asked us to review our purchasing practices and ensure that they were in line with best practices throughout the country. We engaged a small working group that I chaired and there were additional concerns raised by the state and a review of purchasing practices that ultimately resulted in the passage of Senate Bill 20.

In the interim, we received a letter from the Governor asking us to comply with certain purchasing practices. We tried to incorporate those into our working group recommendations, which we then brought to you in May (2015). There were nine of those at that time. Subsequently, Senate Bill 20 was passed and we then took the working group recommendations, added to it any additional requirements from Senate Bill 20 as well as some additional riders which were passed associated with the Appropriations Bill. As a result, we have been communicating with the campuses regularly and moving forward with the implementation of a number of these factors. In most cases, the implementation of Senate Bill 20 indicated “as soon as practicable.” In addition, we had some timelines suggested for our recommendations related to the GPO (Group Purchasing Organization) work group that we put together.

One of the requirements related to Senate Bill 20 was the posting for transparency; the posting of all of our RFPs (Requests for Proposals) and purchase orders, contracts on the website, making it available to the public. The campuses have been very good at working through that and in fact, most or at least many have already completed that requirement. We should be done by, and having all the campuses comply with that particular regulatory requirement, by the end of the calendar year.

Secondly, and similarly, we are also required to report to the Legislative Budget Board subject to some thresholds. Senate Bill 20 requires the posting of all contracts regardless of amount. The reporting to the Legislative Budget Board of similar information had some different threshold amounts of \$50,000 and \$10 million. Nonetheless, that requirement, that process is in place and is working through, and again we should be fully compliant with that process by the end of the calendar year. We have established common dollar thresholds and also an exclusive acquisition form and process, which we talked about at the May meeting. That direction has been given and campuses are in compliance with that.

We talked about GPOs and in the interim, we identified some GPOs and requirements that we would follow based on the type they were. We talked about the spectrum from the Supply Chain Alliance, which goes through a very rigorous process and through others; GPOs that might be a name only. So we did two things. In May, we suggested that there were five GPOs that we would allow campuses to continue to engage with, but there were requirements related to how they would interact. For the Supply Chain, they were able to go ahead and utilize that because of the process. For others like

Premiere, they could go through it, but they required still a sort of a bid if you will; a pricing bid for goods and services if utilizing that GPO where they had more than one vendor providing that. And we had a tiered list; I will not go through that unless there are questions. But, we are working through that process, and that is fully in place right now.

However, we are also in the process of developing what we call a certification or accreditation process to go back and recertify or look at each of the group purchasing organizations with whom we may do business and to determine our comfort level and how we utilize or interact with that. That process will be brought to the Board in February (2016) for approval and for your direction. Assuming that is approved at that point, then we will utilize that process to, in essence, accredit and review our GPOs and understand how we can engage with them, so that is underway. We are going through the process. Part of that was also for those contracts with GPOs above a certain threshold. They were exempt prior to this, and again, this is just GPOs, not exclusive acquisitions, but they were exempt from Board approval. We have now modified that to go through a review process. We initially considered in the proposal utilizing the Audit Committee of the Board in a process where we would send out information to that Audit Committee and then if they desired, they could either allow that to move forward or place that on the Board agenda.

We were informed by Francie (Frederick) that that potentially violated some of the posting requirements, so the process has been now modified to be reviewed by a group internally, including Mike Peppers from Internal Audit, Francie (Frederick) from the Board Office, and Dr. David Daniel, the Chief Operating Officer. So, contracts above that threshold with a GPO would go through that process, that review. If there were any concerns, they would be forwarded for Board approval. If not, they could continue to move forward again, subject to the other limitations that we have put in place. And we put that in place so the campuses could utilize that in a more expeditious way as needed.

The Contract Management Handbook which will be -- we are actually asking for a change in Board Rules; the action item in the next Agenda Item, which would permit this -- has been written in draft form assuming it is a requirement of the Senate Bill. I think it has been very well done, and the credit really goes to the Office of General Counsel, Jim Phillips, Paul Steinkraus, and others who have worked on that. They have also engaged the purchasing officers. It is lengthy; it is about 181 pages, but it is well indexed. There are ways, I think relatively easily, to maneuver through that and understand and find answers to questions that will be published to all of the campuses by the first of the year.

Conflict of interest -- we are working through the process to manage the conflict of interest requirements under Senate Bill 20, particularly for the

Presidents, the Chief Legal Officers, and the Chief Procurement Officers on the campuses so that we will have a form in place and a process to be able to identify where conflicts exist and to manage through that as per the law. That is again working through, and we do not have a specific date on when that will be completed, but we are actively engaged in that. We are also ensuring that System institutions who enter into certain contracts with a business entity above a million dollars disclose interested parties. That needs to be complete by the first of the year, and will be. We have got a process in place that we are working towards.

With the campuses, new record retention schedules have been communicated and again, are largely in place but will be finalized and in place by the end of the calendar year. We have received direction from General Counsel as required as part of our recommendations, and we are conducting weekly calls with the procurement officers to again continue to discuss the implementation of these aspects and working through to their conclusions.

So, in large measure, we believe we will be compliant in virtually everything by the end of this calendar year or the first of January 2016, with again a couple of things as we work through to verify as noted.

So, with that, I know this has been a topic of concern and consideration. I would say, just to reiterate, I think our System not only has responded well to these requirements, but even in advance of that at the direction/behest of the Board has worked to ensure that best practices and relationship to the purchasing process have been engaged.

8. U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Rule 20901, regarding Procurement of Certain Goods and Services, to add a new Section 1 (Contract Management Handbook) to incorporate new State law requirements

The Board approved amendment of Regents' *Rules and Regulations*, Rule 20901, regarding Procurement of Certain Goods and Services, to add a new Section 1 to read as set forth below. Remaining sections will be renumbered.

Sec. 1 Contract Management Handbook. Each institution and U. T. System Administration shall develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure.

The Contract Management Handbook shall establish contract review procedures and a contract review checklist approved by the Office of General Counsel. The review procedures and checklist must include:

- 1.1 a description of each step of the procedure used to evaluate and process contracts;

- 1.2 a checklist that describes each process that must be completed before contract execution; and
- 1.3 a value threshold that initiates required review by legal counsel unless the contract is a standard contract previously approved by counsel.

The changes to Regents' Rule 20901 incorporate the new requirement in *Texas Government Code* Section 2261.256 (Senate Bill 20) that state agencies, including University of Texas System Administration and each U. T. System institution, will have a Contract Management Handbook. Pursuant to State law, the Handbook must be consistent with the Comptroller's contract management guide and must also contain a description of each step of the procedure used to process contracts, a checklist for the required processes, and a value threshold for required review by legal counsel.

A link to each Handbook is to be available through each institution's website and be provided to the Comptroller as required by law.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on February 10-11, 2016, in Galveston.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 11:52 a.m.

/s/ Carol A. Felkel
Secretary to the Board of Regents

December 10, 2015



**TABLE OF CONTENTS
THE UNIVERSITY OF TEXAS SYSTEM BOARD OF REGENTS
CONSENT AGENDA**

Committee and Board Meetings:
November 4-5, 2015
Austin, Texas

Page

MEETING OF THE BOARD

1. Minutes - **U. T. System Board of Regents:** Approval of Minutes of the regular meeting held on August 19-20, 2015; and the special called meetings held on September 24, 2015, and October 2, 2015 **292**

AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

2. UTIMCO Committee Appointment - **U. T. System Board of Regents:** Proposed appointment of member to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) **292**

FINANCE AND PLANNING COMMITTEE

3. Contract (funds coming in) - **U. T. System:** Provide Comanche Trail Pipeline, LLC, a subsidiary of Energy Transfer Partners, with a pipeline easement (surface) **292**
4. Contract (funds coming in) - **U. T. System:** Provide Roadrunner Gas Transmission, LLC, a subsidiary of ONEOK Partners, L.P., with a pipeline easement (surface) **293**
5. Contract (funds going out) - **U. T. System:** Opportune LLP to perform study of current University Lands' business process **293**
6. Request for Budget Change - **U. T. System:** Grant budget authority of \$3,000,000, funded from Supply Chain Alliance to fund reimbursements to U. T. M. D. Anderson Cancer Center for program support, administrative fee distribution to participating U. T. System institutions and affiliates, and for other operational expenses (RBC No. 7158) -- amendment to the 2015-2016 budget **294**
7. Other Matters - **U. T. System:** Approval of aggregate amount of \$4,000,000 of supplemental equipment financing for Fiscal Year 2016; and resolution regarding parity debt **294**
8. Real Estate Report - **U. T. System:** Summary Report of Separately Invested Assets Managed by U. T. System **295**

	Page
9. Request for Budget Change - U. T. El Paso : Transfer \$7,127,479 from SEUP Road Shows and Special Events Revenue to SEUP Road Shows and Special Events Maintenance and Operation to adjust budget related to increased event activity (RBC No. 7156) -- amendment to the 2014-2015 budget	295
10. Request for Budget Change - U. T. Rio Grande Valley : Transfer \$8,762,924 from U. T. Pan American Designated Tuition to U. T. Rio Grande Valley Designated Funds to cover expenses related to transition (RBC No. 7071) -- amendment to the 2014-2015 budget	295
11. Request for Budget Change - U. T. Rio Grande Valley : Transfer \$1,397,089 from U. T. Brownsville Designated Funds to U. T. Rio Grande Valley Designated Funds to cover expenses related to transition (RBC No. 7233) -- amendment to the 2014-2015 budget	296
12. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : Fidelis Companies, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations	296
13. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : GNC Consulting, Inc. to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations	297
14. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : Huron Consulting Services, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations	297
15. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : Perficient, Inc. to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations	298

ACADEMIC AFFAIRS COMMITTEE

16. Contract (funds coming in) - U. T. Arlington : Cooperative reimbursement contract with the Texas Commission on Environmental Quality (TCEQ) to provide services to assist with compliance requirements	299
17. Interagency Agreement (funds coming in) - U. T. Arlington : Contract renewal to provide technical assistance to the Water Supply Division of the Texas Commission on Environmental Quality (TCEQ)	299
18. Interagency Agreement (funds coming in) - U. T. Arlington : Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)	300

	Page
19. Interagency Agreement (funds coming in) - U. T. Arlington: Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)	300
20. Admissions Criteria - U. T. Arlington: Changes to Admission Criteria	300
21. Contract (funds coming in) - U. T. Austin: Agreement between Seton Family of Hospitals and The University of Texas at Austin, on behalf of the Dell Medical School, regarding the Seton Dell Medical School Stroke Institute	302
22. Contract (funds coming in) - U. T. Austin: Armed Security Services Agreement with National Archives and Records Administration	302
23. Contract (funds coming in) - U. T. Austin: Facilities Management Agreement with National Archives and Records Administration	303
24. Contract (funds going out) - U. T. Austin: BarkleyREI will provide marketing and management services for advertising campaigns	303
25. Request for Budget Change - U. T. Austin: New Hire with Tenure -- amendment to the 2014-2015 budget	304
26. Request for Budget Change - U. T. Austin: New Hires with Tenure -- amendment to the 2015-2016 budget	305
27. Request for Budget Change - U. T. Austin: Approval of Emeritus Titles	305
28. Lease - U. T. Austin: Authorization to extend the lease of 3,436 square feet of space located at 2201 Guadalupe Street, Austin, Travis County, Texas, to the United States Postal Service for use as a retail postal facility; and finding of a public purpose	306
29. Lease - U. T. Austin: Authorization to extend the lease of 11,772 rentable square feet of space at 4201 West Parmer Lane, Austin, Travis County, Texas, from Amherst & Parmer Office Park III, LP for use by the Center for Agile Technology	307
30. Lease - U. T. Austin: Authorization to lease approximately 4,064 rentable square feet of space located at 1100 New York Avenue, N.W., Washington, D.C., from AZ/JH REIT (DC) LP for use by the LBJ School of Public Affairs Washington Center	308
31. Purchase - U. T. Austin: Authorization to purchase a total of approximately 0.844 of an acre of land located at 2101, 2103, and 2105 Comal Street; 2104 and 2106 Concho Street; and 1504 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Real Bridge Investments, Ltd. for future programmed campus expansion	308

	Page
32. Purchase - U. T. Austin: Authorization to purchase a total of approximately 1.1636 acres of land located at 1503, 1505, 1507, and 1509 East 20th Street; and 1506, 1508, and 1510 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Milton Gooden for future campus expansion	309
33. Contract (funds going out) - U. T. Dallas: ACC SC Management LLC dba American Campus Communities to provide management of all housing operations on campus	310
34. Request for Budget Change - U. T. Dallas: Approval of Emeritus Titles	311
35. Request for Budget Change - U. T. El Paso: Tenure Appointment -- amendment to the 2015-2016 budget	311
36. Request for Budget Change - U. T. Permian Basin: Approval of Emeritus Titles	312
37. Request for Budget Change - U. T. Rio Grande Valley: New Hires with Tenure -- amendment to the 2015-2016 budget	312
38. Purchase - U. T. Rio Grande Valley: Authorization to purchase land consisting of up to approximately 2.357 acres located near the intersection of East Jackson Street and West University Boulevard, Brownsville, Cameron County, Texas, from the City of Brownsville for future campus expansion	313
39. Purchase - U. T. Rio Grande Valley: Authorization to purchase an approximately 2.5 acre tract of land and improvements located at 1615 South Closner Boulevard, Edinburg, Hidalgo County, Texas, from Edinburg Real Estate Network, Inc. for office and research lab use	313
40. Contract (funds going out) - U. T. San Antonio: Sports Field Solutions, LLC to provide intercollegiate athletic sports fields maintenance and grounds services	314
41. Request for Budget Change - U. T. San Antonio: New Hire with Tenure -- amendment to the 2014-2015 budget	315
42. Request for Budget Change - U. T. San Antonio: New Hire with Tenure -- amendment to the 2015-2016 budget	315
Employment Agreement - U. T. System: Amendment of employment agreement for Jeffrey Spath, Ph.D., as Chief Executive Director for the U. T. System Texas Energy Research, Engineering, and Education Institute (EREEI) to provide a one-time payment of \$50,000 for moving and relocation expenses	342

HEALTH AFFAIRS COMMITTEE

- | | | |
|-----|---|------------|
| 43. | Contract (funds coming in) - U. T. System: Joint Admission Medical Program (JAMP) Council for Texas Medical Dental Schools Application Service to perform administrative duties of the JAMP as delegated by the JAMP Council | 316 |
| 44. | Contract (funds coming in) - U. T. Southwestern Medical Center: To provide professional consults via telemedicine to the patients of remote providers who have contracted with Complex Care Medical Services | 316 |
| 45. | Contract (funds coming in) - U. T. Southwestern Medical Center: To provide physician services for patients at Dallas County Hospital District | 317 |
| 46. | Contract (funds going out) - U. T. Southwestern Medical Center: TEMPEG, LLC will provide physician and other health care provider coverage services at Parkland Health and Hospital System | 317 |
| 47. | Request for Budget Change - U. T. Southwestern Medical Center: Approval of Emeritus Titles | 318 |
| 48. | Lease - U. T. Southwestern Medical Center: Authorization to extend the lease of approximately 144,094 square feet of space located at 6300 Harry Hines Boulevard, Dallas, Dallas County, Texas, to Dallas County Hospital District dba Parkland Health and Hospital System for general office and clinic use | 318 |
| 49. | Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide preventive and primary care medical services for the Texas Department of State Health Services | 318 |
| 50. | Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide comprehensive family planning services for the Texas Department of State Health Services | 319 |
| 51. | Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide comprehensive family planning services for the Texas Department of State Health Services | 319 |
| 52. | Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide breast and cervical cancer screening services to eligible individuals in agreement with the Texas Department of State Health Services | 320 |
| 53. | Contract (funds coming in) - U. T. Medical Branch - Galveston: To establish an infectious disease emergency preparedness facility with funding provided by the Texas Health and Human Services Commission | 320 |

	Page
54. Contract (funds coming in) - U. T. Medical Branch - Galveston: To manage the Commission on State Emergency Communications' Southeast Texas Poison Center	321
55. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide a benefit program for health care access using U. T. Medical Branch - Galveston hospitals and providers for eligible individuals employed by qualified small businesses and nonprofit organizations within Galveston County	322
56. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide services to Texas Department of Assistive and Rehabilitative Services, Division for Early Childhood Intervention Services	322
57. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide Correctional Managed Health Care Services to offenders in units operated by the Texas Department of Criminal Justice	323
58. Interagency Agreement (funds coming in) - U. T. Medical Branch - Galveston: To provide youth health services for the Texas Juvenile Justice Department	323
59. Contract (funds coming in and going out) - U. T. Medical Branch - Galveston: Nature Publishing Group dba Nature America, Inc. to enter into a publishing agreement	324
60. Contract (funds going out) - U. T. Medical Branch - Galveston: Ortho-Clinical Diagnostics, Inc. to provide goods and services for patient care laboratory testing for Galveston, League City, and Angleton Danbury campuses and for lab automation in Galveston	324
61. Contract (funds going out) - U. T. Medical Branch - Galveston: Acadian Ambulance Service of Texas, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	325
62. Contract (funds going out) - U. T. Medical Branch - Galveston: AMed Ambulance, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	325
63. Contract (funds going out) - U. T. Medical Branch - Galveston: American Medical Response, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	326
64. Contract (funds going out) - U. T. Medical Branch - Galveston: Freedom Ambulance, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	327

	Page
65. Contract (funds going out) - U. T. Medical Branch - Galveston: JD & DN Services LLC dba Intrepid EMS to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	327
66. Contract (funds going out) - U. T. Medical Branch - Galveston: Ventura Medical Services, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions	328
67. Contract (funds going out) - U. T. Medical Branch - Galveston: General Electric Company, by and through its GE Healthcare Division, to provide a program for equipment maintenance and repair services of diagnostic imaging equipment	328
68. Contract (funds going out) - U. T. Medical Branch - Galveston: MNI Diesel Inc. to provide emergency generator preventive maintenance and repair services	329
69. Request for Budget Change - U. T. Medical Branch - Galveston: Approval of Emeritus Titles	329
70. Lease - U. T. Medical Branch - Galveston: Authorization to extend the lease of approximately 10,100 square feet of space at 2327 East Mulberry Drive, Angleton, Brazoria County, Texas, from Angleton Danbury Hospital District for clinic use	330
71. Request for Budget Change - U. T. Health Science Center - Houston: Tenure Appointments -- amendment to the 2015-2016 budget	331
72. Request for Budget Change - U. T. Health Science Center - Houston: Approval of Emeritus Titles	331
73. Lease - U. T. Health Science Center - Houston: Authorization to extend the lease of approximately 24,297 square feet of space located at 1133 M. D. Anderson Boulevard, Houston, Harris County, Texas, from Houston Academy of Medicine for clinical and research use	332
74. Lease - U. T. Health Science Center - Houston: Authorization to expand the premises and extend the lease of approximately 2,502 square feet of space located at 12401 ½ South Post Oak Drive, Houston, Harris County, Texas, from The Pyramid Community Development Corporation dba The Power Center for a Women, Infants, and Children (WIC) program clinic	333
75. Approval of Dual Position of Honor, Trust, or Profit - U. T. Health Science Center - Houston: Appointment by Governor Abbott of Allison P. Edwards, DrPH, MS, RN, Assistant Professor of Nursing, as Member of the Texas Board of Nursing	333

	Page
76. Request for Budget Change - U. T. Health Science Center - San Antonio : Tenure Appointment -- amendment to the 2014-2015 budget	334
77. Request for Budget Change - U. T. Health Science Center - San Antonio : Approval of Emeritus Titles	335
78. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : Sapient Corporation to provide digital experience strategy services	335
79. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : The Richards Group to design and implement a digital marketing program	336
80. Contract (funds going out) - U. T. M. D. Anderson Cancer Center : Viracor-IBT Laboratories, Inc. to provide lab testing and reporting services	336
81. Request for Budget Change - U. T. M. D. Anderson Cancer Center : Tenure Appointment -- amendment to the 2015-2016 budget	337
82. Lease - U. T. M. D. Anderson Cancer Center : Authorization to lease an approximately 90,000 square foot to-be-constructed building located at the intersection of the U.S. Highway 59 frontage road and Taborwood Avenue, Sugar Land, Fort Bend County, Texas, from PMRG Associates II, LP, or a related entity, for a regional care clinic	338
83. Contract (funds coming in) - U. T. Health Science Center - Tyler : To provide support services to the Texas Collaborative for Healthy Mothers and Babies of the Texas Department of State Health Services	339
84. Contract (funds going out) - U. T. Health Science Center - Tyler : Pathology Associates of Tyler, PA, to provide professional pathology services	340

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

85. Contract (funds going out) - U. T. San Antonio : Himjar, LLC dba VIP Staffing to provide on-call temporary staffing services to support construction projects	341
86. Contract (funds going out) - U. T. Health Science Center - Houston : E&C Engineers & Consultants, Inc. to perform structural and civil engineering design services on an as-needed basis	341
87. Contract (funds going out) - U. T. Health Science Center - Tyler : Garrett & Associates General Contractors to provide construction services to renovate the 'A' Wing Lab of the Biomedical Research Center	342

TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

No items for Consent Agenda

MEETING OF THE BOARD

1. Minutes - U. T. System Board of Regents: Approval of Minutes of the regular meeting held on August 19-20, 2015; and the special called meetings held on September 24, 2015, and October 2, 2015

AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

2. UTIMCO Committee Appointment - U. T. System Board of Regents: Proposed appointment of member to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the appointment of David J. Beck to the Audit and Ethics Committee of the UTIMCO Board of Directors.

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors. The UTIMCO Board of Directors recommended and approved this appointment on October 15, 2015, conditioned on approval of the U. T. System Board of Regents.

FINANCE AND PLANNING COMMITTEE

3. Contract (funds coming in) - U. T. System: Provide Comanche Trail Pipeline, LLC, a subsidiary of Energy Transfer Partners, with a pipeline easement (surface)

Agency: Comanche Trail Pipeline, LLC, a subsidiary of Energy Transfer Partners

Funds: \$3,377,735

Period: December 1, 2015 through November 30, 2025

Description: Provide a pipeline easement over 37.7 miles in parts of University Lands, Hudspeth County, Texas.

4. Contract (funds coming in) - U. T. System: Provide Roadrunner Gas Transmission, LLC, a subsidiary of ONEOK Partners, L.P., with a pipeline easement (surface)

Agency: Roadrunner Gas Transmission, LLC, a subsidiary of ONEOK Partners, L.P.

Funds: \$3,368,876

Period: December 1, 2015 through November 30, 2025

Description: Provide a pipeline easement over 37.6 miles in parts of University Lands, Hudspeth County, Texas.

5. Contract (funds going out) - U. T. System: Opportune LLP to perform study of current University Lands' business process

Agency: Opportune LLP

Funds: Amendment to existing contract for an addition of \$1,400,000, bringing the estimated total to \$10,333,000

Source of Funds: Service Department Revolving Funds

Period: Commencing January 17, 2013, and continuing for a period of approximately 36 months

Description: Amendment of existing agreement with Opportune LLP to complete documentation of the current University Lands' business processes and development of custom programming services, data conversion services, documentation and training services, and other integration functions as they pertain to the new, comprehensive oil and gas royalty reporting and accounting system. Additional programming outside the original scope of work was necessary to accurately convert approximately 3,200,000 historical records essential for future operations. Additional support and program features have been added to the original project design.

6. Request for Budget Change - **U. T. System**: Grant budget authority of \$3,000,000, funded from Supply Chain Alliance to fund reimbursements to U. T. M. D. Anderson Cancer Center for program support, administrative fee distribution to participating U. T. System institutions and affiliates, and for other operational expenses (RBC No. 7158) -- amendment to the 2015-2016 budget

7. Other Matters - **U. T. System**: Approval of aggregate amount of \$4,000,000 of supplemental equipment financing for Fiscal Year 2016; and resolution regarding parity debt

The Executive Vice Chancellor for Business Affairs recommends approval of an additional \$4,000,000 for U. T. San Antonio to finance network infrastructure to be repaid with an automated services fee. U. T. San Antonio therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (RFS) the findings that are stated below:

- parity debt shall be issued to fund all or a portion of the project, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the RFS Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
- U. T. San Antonio, 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 Master Resolution relating to the issuance by the U. T. System Board of Regents of parity debt in an aggregate amount of \$4,000,000; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board’s intention to reimburse project expenditures with bond proceeds.

8. Real Estate Report - U. T. System: Summary Report of Separately Invested Assets Managed by U. T. System

**THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at August 31, 2015**

		FUND TYPE														
		Current Purpose Restricted		Endowment and Similar Funds		Annuity and Life Income Funds		TOTAL								
		Book	Market	Book	Market	Book	Market	Book	Market							
Land and Buildings:																
Ending Value																
05/31/2015	\$	1,199,147	\$	8,587,018	\$	97,676,258	\$	268,756,336	\$	862,837	\$	1,666,214	\$	99,738,242	\$	279,009,568
Increase or Decrease		5	9,461,906	5,003	6,748,538	(73,409)	(17,125)	(68,401)	16,193,319							
Ending Value																
08/31/2015	\$	1,199,152	\$	18,048,924	\$	97,681,261	\$	275,504,874	\$	789,428	\$	1,649,089	\$	99,669,841	\$	295,202,887
Other Real Estate:																
Ending Value																
05/31/2015	\$	1,005	\$	1,005	\$	8	\$	8	\$	-	\$	-	\$	1,013	\$	1,013
Increase or Decrease		-	-	-	-	-	-	-	-							
Ending Value																
08/31/2015	\$	1,005	\$	1,005	\$	8	\$	8	\$	-	\$	-	\$	1,013	\$	1,013

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

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

9. Request for Budget Change - U. T. El Paso: Transfer \$7,127,479 from SEUP Road Shows and Special Events Revenue to SEUP Road Shows and Special Events Maintenance and Operation to adjust budget related to increased event activity (RBC No. 7156) -- amendment to the 2014-2015 budget

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- 11. Request for Budget Change - **U. T. Rio Grande Valley**: Transfer \$1,397,089 from U. T. Brownsville Designated Funds to U. T. Rio Grande Valley Designated Funds to cover expenses related to transition (RBC No. 7233) -- amendment to the 2014-2015 budget

- 12. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Fidelis Companies, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency: Fidelis Companies, LLC

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$7,000,000.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.

Description: Fidelis Companies, LLC has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems.

Note: This contract and the following three contracts (Items 13-15) were the result of one Request for Proposals (RFP) issued for PeopleSoft-related projects. The individual projects are different, and no single vendor has the expertise necessary to perform all of the projects defined in the RFP. Thus, a small group of vendors was selected based on varying areas of expertise, and projects will be awarded to each vendor accordingly.

13. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: GNC Consulting, Inc. to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency: GNC Consulting, Inc.

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$7,000,000.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.

Description: GNC Consulting, Inc. has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

14. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Huron Consulting Services, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency: Huron Consulting Services, LLC

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$12,000,000.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.

Description: Huron Consulting Services, LLC has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

15. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Perficient, Inc. to provide technical and project management support services t for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency: Perficient, Inc.

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$7,000,000.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.

Description: Perficient, Inc. has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

ACADEMIC AFFAIRS COMMITTEE

16. Contract (funds coming in) - U. T. Arlington: Cooperative reimbursement contract with the Texas Commission on Environmental Quality (TCEQ) to provide services to assist with compliance requirements

Agency: Texas Commission on Environmental Quality (TCEQ)

Funds: \$1,307,000

Period: September 1, 2015 through August 31, 2016

Description: U. T. Arlington will provide services to assist the TCEQ with the Environmental Protection Agency (EPA) and Federal Energy Policy Act of 2005 compliance requirements concerning Petroleum Storage Tank investigations, records management, and staff training.

17. Interagency Agreement (funds coming in) - U. T. Arlington: Contract renewal to provide technical assistance to the Water Supply Division of the Texas Commission on Environmental Quality (TCEQ)

Agency: Texas Commission on Environmental Quality (TCEQ)

Funds: \$1,131,576

Period: Original term: September 1, 2012 through August 31, 2015
Proposed renewal: September 1, 2015 through August 31, 2016

Description: U. T. Arlington requests approval to amend interagency contract number 582-13-30078 by increasing the maximum TCEQ obligation by \$242,160 and renewing the contract for one year through August 31, 2016. U. T. Arlington will review Utility and District requests for registration changes and determine accuracy of data consistent with Central Registry, Water Utilities Database, TCEQ, and the Environmental Protection Agency (EPA) data standards.

18. Interagency Agreement (funds coming in) - U. T. Arlington: Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)

Agency: Texas Department of Transportation (TxDOT)

Funds: \$1,701,748

Period: August 27, 2015 through August 31, 2018

Description: U. T. Arlington will provide training related to construction/maintenance inspection, design, project management, environmental storm water, geotechnical engineering, risk management, and traffic management.

19. Interagency Agreement (funds coming in) - U. T. Arlington: Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)

Agency: Texas Department of Transportation (TxDOT)

Funds: \$9,941,553

Period: August 31, 2015 through August 31, 2018

Description: U. T. Arlington will provide training in heavy equipment operations and maintenance; bridge construction inspections; electrical requirements/installation of roadway illumination and traffic devices; seal coat planning, design, application, and inspection; safety operations; traffic control; and work zone operations.

20. Admissions Criteria - U. T. Arlington: Changes to Admission Criteria

U. T. Arlington requests approval for changes to the criteria for admission into three College of Business masters' programs, one College of Education master's program, and two College of Education certificate programs. The changes have been reviewed and administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

Summary of Changes to Admission Criteria

Master of Business Administration

Admission criteria will be strengthened to increase the quality of students to admit those who reflect a commitment to higher standards and thus strengthen the overall Master of Business Administration program. U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the Graduate Management Admission Test (GMAT) and grade point average, which has been used for admission purposes. There are two fundamental reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures GMAT and the Graduate Record Examination (GRE) are used similarly in the admission process.

Master of Science in Business Analytics

U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the GMAT and grade point average, which has been used for admission purposes. There are several reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures that GMAT and GRE scores are used in a comparable manner. Third, this program is highly quantitative in nature and the strength of an applicant's quantitative skills needs to be assessed independently of grade point average and verbal skills.

Master of Science in Information Systems

U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the GMAT and grade point average, which has been used for admission purposes. There are several reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures that GMAT and GRE scores will be used in a comparable manner. Third, this program is highly quantitative in nature and the strength of an applicant's quantitative skills needs to be assessed independently of grade point average and verbal skills. Finally, U. T. Arlington has seen a large increase in the number of applicants to this program over the past two years. Greater selectivity is needed to better match the number of admitted students to classroom and departmental resources.

Master of Education, Principal Certification only, and Superintendent Certification

Admissions changes are proposed to all three programs to align with other College of Education programs and to respond to calls from professional organizations to increase the rigor of admission criteria. This is accomplished by requiring all applicants to meet specified GPA requirements for unconditional and probationary admission and raising those requirements to better assure student academic and professional success.

For unconditional admission into the master's program or the certification programs, U. T. Arlington proposes to raise the minimum undergraduate GPA requirement from 3.0 to 3.2 during the last 60 hours of coursework or a minimum graduate GPA of 3.3 on 12 or more hours. Performance on the GRE has not been a strong predictor of success in these programs. Therefore, the GRE will no longer be required and letters of reference will be required instead.

21. Contract (funds coming in) - U. T. Austin: Agreement between Seton Family of Hospitals and The University of Texas at Austin, on behalf of the Dell Medical School, regarding the Seton Dell Medical School Stroke Institute

Agency: Seton Family of Hospitals

Funds: Approximately \$1,445,040 over a three-year term (\$40,140 per month)

Period: August 1, 2015 through July 31, 2018

Description: Agreement between U. T. Austin, on behalf of the Dell Medical School, and Seton Family of Hospitals for collaboration activities, including services by Dr. Steven Warach related to his leadership position at the Seton Dell Medical School Stroke Institute. The funds set forth above are approximate; the parties will meet annually to discuss performance metrics and a possible change to the monthly compensation amount set forth in the Agreement.

22. Contract (funds coming in) - U. T. Austin: Armed Security Services Agreement with National Archives and Records Administration

Agency: National Archives and Records Administration

Funds: \$6,935,373
Base Year 2015-2016 = \$1,134,331
Option Year 2016-2017 = \$1,386,971
Option Year 2017-2018 = \$1,428,398
Option Year 2018-2019 = \$1,470,963
Option Year 2019-2020 = \$1,514,710

Period: September 25, 2015 through September 24, 2016, with options to renew for four additional one-year periods

Description: Armed Security Services Agreement between the U. T. Austin Police Department and the National Archives and Records Administration for the provision of armed security services at the Lyndon B. Johnson Presidential Library and Museum.

23. Contract (funds coming in) - U. T. Austin: Facilities Management Agreement with National Archives and Records Administration

Agency: National Archives and Records Administration

Funds: \$8,397,876
Base Year 2015-2016 = \$1,607,171
Option Year 2016-2017 = \$1,639,622
Option Year 2017-2018 = \$1,677,560
Option Year 2018-2019 = \$1,716,636
Option Year 2019-2020 = \$1,756,887

Period: September 30, 2015 through September 29, 2016, with options to renew for four additional one-year periods

Description: Facilities Management Agreement between the Department of Facilities Services and the National Archives and Records Administration for the provision of consolidated facilities management, utilities, and additional services for the Lyndon B. Johnson Presidential Library and Museum.

24. Contract (funds going out) - U. T. Austin: BarkleyREI will provide marketing and management services for advertising campaigns

Agency: BarkleyREI, a Barkley Partner Company

Funds: \$3,250,264 total during the initial term and all renewals
Initial 8 month term in 2015-2016 = \$450,264
Option Year 2016-2017 = \$560,000
Option Year 2017-2018 = \$560,000
Option Year 2018-2019 = \$560,000
Option Year 2019-2020 = \$560,000
Option Year 2020-2021 = \$560,000

Source of Funds: Designated Master of Business Administration Funds

Period: November 30, 2015 (approximate) through July 31, 2016, with options to renew for five additional one-year terms

Description: Agreement for provision of advertising consulting services and purchase of advertising for the McCombs School of Business Masters of Business Administration Program. Under the Agreement, BarkleyREI will provide consultation regarding advertising, website usage, and Internet and print advertising placement.

25. Request for Budget Change - U. T. Austin: New Hire with Tenure -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
Dell Medical School Department of Pediatrics Associate Professor Austin Cooney (T)	7/13-8/31	100	12	130,000	7115

26. Request for Budget Change - U. T. Austin: New Hires with Tenure -- amendment to the 2015-2016 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
Cockrell School of Engineering					
Department of Aerospace Engineering					
Associate Professor					
Srinivas V. Bettadpur (T)	8/18-5/31	100	09	140,000	7121
 Dell Medical School					
Department of Medicine					
Professor					
Edward J. Bernacki (T)	9/1-8/31	100	12	505,000	7120

27. Request for Budget Change - U. T. Austin: Approval of Emeritus Titles

James A. Holcombe, from Professor to Professor Emeritus, Department of Chemistry in the College of Natural Sciences (RBC No. 7088) -- amendment to the 2014-2015 budget

James P. Barufaldi, from Professor and Distinguished Teaching Professor to Ruben E. Hinojosa Regents Professor Emeritus in Education and Distinguished Teaching Professor, Department of Curriculum and Instruction in the College of Education (RBC No. 6880) -- amendment to the 2015-2016 budget

Jerry J. Brand, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7038) -- amendment to the 2015-2016 budget

Frank B. Cross, from Professor to Herbert D. Kelleher Centennial Professorship Emeritus in Business Law, Department of Business, Government, and Society in the McCombs School of Business (RBC No. 7076) -- amendment to the 2015-2016 budget

David V. Edwards, from Professor to Professor Emeritus, Department of Government in the College of Liberal Arts (RBC No. 7077) -- amendment to the 2015-2016 budget

Marye Anne Fox, from Professor to Professor Emerita, Department of Chemistry in the College of Natural Sciences (RBC No. 7082) -- amendment to the 2015-2016 budget

Robert M. Krug, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7096) -- amendment to the 2015-2016 budget

Jon D. Robertus, from Professor to Benjamin Clayton Centennial Professor Emeritus in Biochemistry, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7098) -- amendment to the 2015-2016 budget

Bob G. Sanders, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7254) -- amendment to the 2015-2016 budget

Thomas K. Seung, from Professor to Jesse H. Jones Regents Professor Emeritus in Liberal Arts, Department of Philosophy in the College of Liberal Arts (RBC No. 7255) -- amendment to the 2015-2016 budget

Margaret A. Syverson, from Associate Professor to Associate Professor Emerita, Department of Rhetoric and Writing in the College of Liberal Arts (RBC No. 7256) -- amendment to the 2015-2016 budget

28. Lease - U. T. Austin: Authorization to extend the lease of 3,436 square feet of space located at 2201 Guadalupe Street, Austin, Travis County, Texas, to the United States Postal Service for use as a retail postal facility; and finding of a public purpose

Description:	Extension of the lease of approximately 3,436 square feet in the West Mall Office Building and 540 square feet of exterior platform and ramp area on U. T. Austin's main campus located at 2201 Guadalupe Street in Austin, Travis County, Texas, for use as a retail postal facility by the United States Postal Service
Lessee:	United States Postal Service, an independent agency of the United States of America
Term:	The original lease term commenced on September 1, 1998, and by prior extensions continued through February 28, 2014; the proposed extension term commences March 1, 2014, and ends on February 29, 2016.

Lease Income: Rent is a nominal \$1 per year in exchange for the benefits to U. T. Austin described below.

Public Purpose: The lease will restrict use of the space to the operation of a U.S. Postal Service retail facility. Location of the facility on the main campus provides students, faculty, and staff at U. T. Austin with easy access to postal services. U. T. Austin will retain the right to terminate the lease on 30 days' notice if the space is not used as a retail postal facility. Staff at U. T. Austin therefore believes that the lease serves a public purpose specific to the mission of the institution and requests that the Board of Regents make a finding of fact to that effect and authorize the lease.

29. Lease - U. T. Austin: Authorization to extend the lease of 11,772 rentable square feet of space at 4201 West Parmer Lane, Austin, Travis County, Texas, from Amherst & Parmer Office Park III, LP for use by the Center for Agile Technology

Description: Extension of existing lease of 11,772 rentable square feet of office space at 4201 West Parmer Lane, Austin, Travis County, Texas, for the Center for Agile Technology for a five-year term with one five-year option to extend for general office and computer lab use

Lessor: Amherst & Parmer Office Park III, LP

Term: The original lease term commenced March 29, 2006, and by prior extensions continues through March 31, 2016; the proposed extension term commences April 1, 2016, and ends March 31, 2021, with one five-year option to extend.

Lease Cost: Annual base rent will be \$22 per square foot with annual escalations. Base rent is estimated to total approximately \$1,289,034 during the primary term. In addition, U. T. Austin will pay the cost of the growth of operating expenses and its pro rata share of the electricity expense. U. T. Austin will receive three months of abated base rent from the landlord during the primary term of the lease. Base rent for the extension option would be at fair market value. The landlord will complete minor improvements to the space at the landlord's sole cost and expense.

Source of Funds: Five-year contract with the Department of Defense

30. Lease - U. T. Austin: Authorization to lease approximately 4,064 rentable square feet of space located at 1100 New York Avenue, N.W., Washington, D.C., from AZ/JH REIT (DC) LP for use by the LBJ School of Public Affairs Washington Center

Description: Lease of approximately 4,064 rentable square feet of space located at 1100 New York Avenue, N.W., Washington, D.C., for office and classroom use by the LBJ School of Public Affairs Washington Center.

Lessor: AZ/JH REIT (DC) LP, a Delaware limited partnership

Term: Five-year and four-month term with an estimated commencement date of April 1, 2016, with one option to extend for three years.

Lease Cost: Initial annual base rent will be approximately \$215,392 with annual escalations; base rent will total approximately \$1,213,375 over the initial term. In addition, U. T. Austin will pay the cost of the growth of taxes and operating expenses. Rent for the extension option would be at fair market value and negotiated between parties.

Lessee Improvements: U. T. Austin and the landlord have agreed to share in the cost of improvements to the premises. The lessor is expected to provide a tenant improvement allowance not to exceed \$142,240 and U. T. Austin will pay the tenant improvement expense in excess of the lessor's allowance, which is currently estimated to be approximately \$75,012.

Source of Funds: Gift Funds

31. Purchase - U. T. Austin: Authorization to purchase a total of approximately 0.844 of an acre of land located at 2101, 2103, and 2105 Comal Street; 2104 and 2106 Concho Street; and 1504 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Real Bridge Investments, Ltd. for future programmed campus expansion

Description: Purchase of six lots totaling approximately 0.844 of an acre located at 2101, 2103, and 2105 Comal Street; 2104 and 2106 Concho Street; and 1504 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, all within the approved boundaries of the U. T. Austin Campus Master Plan, for future programmed campus expansion

Seller: Real Bridge Investments, Ltd., a Texas limited partnership

Purchase Price: Not to exceed fair market value as determined by an independent appraisal performed by Sayers & Associates; appraisal is confidential pursuant to *Texas Education Code* Section 51.951.

Source of Funds: Investment Funds

32. Purchase - U. T. Austin: Authorization to purchase a total of approximately 1.1636 acres of land located at 1503, 1505, 1507, and 1509 East 20th Street; and 1506, 1508, and 1510 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Milton Gooden for future campus expansion

Description: Purchase of lots within the approved boundaries of the U. T. Austin Campus Master Plan; these lots are located within the 2015 East Campus Master Plan update

Total Area: Approximately 1.1636 acres

Location: 1503, 1505, 1507, and 1509 East 20th Street; and 1506, 1508, and 1510 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas

Seller: Milton Gooden

Purchase Price: Not to exceed fair market value as established by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951. A purchase on different terms was approved by the Board of Regents on May 14, 2015, but the acquisition did not close.

Source of Funds: Investment Funds

Intended Use: Future campus expansion

33. Contract (funds going out) - U. T. Dallas: ACC SC Management LLC dba American Campus Communities to provide management of all housing operations on campus

Agency: ACC SC Management LLC dba American Campus Communities (ACC)

Funds: Management fee estimated at \$1,073,241 annually for a possible five years for a total of \$5,400,000 if all options exercised.

Source of Funds: Auxiliary Funds

Period: November 1, 2015 through October 31, 2017 with university option to extend in one-year increments for three additional years not to exceed October 31, 2020 (five years maximum).

Description: This contract will provide the operations, management fee, and staffing structure for managing all housing operations on campus, including apartments and residence halls. This includes leasing and maintenance and financial operations with the exception of residential life, which the University provides. Currently, University housing consists of Phases 1-9 of the University Village Apartments (2,543 beds in 58 buildings) and Phase 1-5 of the University Commons Residence Halls (2,200 beds in 5 buildings).

Students will pay rent to ACC monthly for all apartment and residence hall housing. Each month, ACC will take 3% of gross revenue as a management fee and the remainder will be paid to U. T. Dallas in cash flow transfers. Annual budgeted revenue to U. T. Dallas for Fiscal Year 2016 for housing is \$20,232,695.

The vendor was selected based on best value through the formal competitive Request for Proposal process. Three proposals were received. The evaluation committee unanimously chose ACC's proposal as providing the best value to the university. The committee's recommendation was accepted and approved by the Vice President for Budget and Finance and the Vice President for Student Affairs.

34. Request for Budget Change - U. T. Dallas: Approval of Emeritus Titles

James F. Jerger, from Distinguished Scholar-in-Residence to Distinguished Scholar-in-Residence Emeritus, Texas Auditory Processing Disorder Laboratory in the School of Behavioral and Brain Sciences (RBC No. 7221) -- amendment to the 2014-2015 budget

Russell D. Edmunds, from Professor to Professor Emeritus, Anne and Chester Watson Professor of History in the School of Arts and Humanities (RBC No. 7166) -- amendment to the 2015-2016 budget

Myron B. Salamon, from Professor to Professor Emeritus, Physics in the School of Natural Sciences and Mathematics (RBC No. 7249) -- amendment to the 2015-2016 budget

James C. Murdoch, from Professor to Professor Emeritus, Economics and Public Policy in the School of Economic, Political and Policy Sciences (RBC No. 7167) -- amendment to the 2015-2016 budget

35. Request for Budget Change - U. T. El Paso: Tenure Appointment -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
College of Science					
Biological Sciences					
Associate Dean for Research and Professor					
Michael Kenney (T)	12/1-8/31	50	12	194,667	7258
	12/1-5/31	50	09	146,000	
	12/1-8/31	0	12	2,000	

36. Request for Budget Change - U. T. Permian Basin: Approval of Emeritus Titles

Douglas Hale, from Professor to Professor Emeritus, Mathematics in the College of Arts and Sciences (RBC No. 7263) -- amendment to the 2015-2016 budget

Lois Hale, from Professor to Professor Emeritus, Kinesiology in the College of Arts and Sciences (RBC No. 7264) -- amendment to the 2015-2016 budget

37. Request for Budget Change - U. T. Rio Grande Valley: New Hires with Tenure -- amendment to the 2015-2016 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
College of Liberal Arts					
Criminal Justice					
Associate Professor					
Philip A. Ethridge (T)	9/1-5/31	100	09	75,559	7230
Noel Otu (T)	9/1-5/31	100	09	71,046	7231
Political Science					
Associate Professor					
Daniel Chomsky (T)	9/1-5/31	100	09	70,000	7232
College of Mathematical and Statistical Science					
Criminal Justice					
Professor					
Zhaosheng Feng (T)	9/1-5/31	100	09	77,695	7228
College of Sciences					
Chemistry					
Professor					
Hassan Ahmad (T)	9/1-5/31	100	09	94,341	7227

38. Purchase - U. T. Rio Grande Valley: Authorization to purchase land consisting of up to approximately 2.357 acres located near the intersection of East Jackson Street and West University Boulevard, Brownsville, Cameron County, Texas, from the City of Brownsville for future campus expansion

Description: Purchase of approximately 2.357 acres of land located near the intersection of East Jackson Street and West University Boulevard, Brownsville, Cameron County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The property is contiguous to U. T. Rio Grande Valley's main campus and will be used for future campus expansion. This property is not completely within the last Board-approved Campus Master Plan and requires approval by the Board of Regents.

Seller: City of Brownsville, Texas

Purchase Price: Not to exceed fair market value as determined by an independent appraisal. Appraisal to be performed following the completion of survey of land by Vasquez Survey, Inc.

Source of Funds: Unexpended Plant Funds

39. Purchase - U. T. Rio Grande Valley: Authorization to purchase an approximately 2.5 acre tract of land and improvements located at 1615 South Closner Boulevard, Edinburg, Hidalgo County, Texas, from Edinburg Real Estate Network, Inc. for office and research lab use

Description: Purchase of approximately 2.5 acres of land and approximately 27,000 square feet of improvements located at 1615 South Closner Boulevard, Edinburg, Hidalgo County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to purchase the property. This property will be used for offices and research lab space. Board approval is required because this property is not within the Board-approved Campus Master Plan and is valued at greater than \$1,000,000.

Seller: Edinburg Real Estate Network, Inc.

Purchase Price: Not to exceed fair market value as determined by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951.

Source of Funds: Unexpended Plant Funds

40. Contract (funds going out) - U. T. San Antonio: Sports Field Solutions, LLC to provide intercollegiate athletic sports fields maintenance and grounds services

Agency: Sports Field Solutions, LLC

Funds: \$4,500,000 for the initial term and four optional renewal terms (cumulative)

Source of Funds: Auxiliary Funds

Period: An initial 24-month term beginning September 1, 2015, with four additional 24-month renewal options at U. T. San Antonio's discretion

Description: The Agreement secures intercollegiate athletic sports fields maintenance and related grounds services to ensure field compliance with all National Collegiate Athletic Association and Conference USA requirements. The services were competitively bid.

41. Request for Budget Change - U. T. San Antonio: New Hire with Tenure -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
College of Sciences					
Department of Mathematics					
Professor					
Changfeng Gui (T)	8/26-5/31	100	09	\$177,500	7171

42. Request for Budget Change - U. T. San Antonio: New Hire with Tenure -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
College of Sciences					
Department of Chemistry					
Professor					
Aimin Liu (T)	1/16-5/31	100	09	\$165,000	7172

HEALTH AFFAIRS COMMITTEE

43. Contract (funds coming in) - U. T. System: Joint Admission Medical Program (JAMP) Council for Texas Medical Dental Schools Application Service to perform administrative duties of the JAMP as delegated by the JAMP Council

Agency: Joint Admission Medical Program Council (JAMP)

Funds: \$10,206,794

The 84th Texas Legislature allocated \$10,206,794 to the Texas Higher Education Coordinating Board (THECB) for JAMP. The funds were transferred from the THECB to U. T. System to be administered by the Texas Medical Dental Schools Application Service (TMDSAS) for the use of the JAMP Council, which delegated the administrative duties of the program to TMDSAS.

Period: September 1, 2015 through August 31, 2017

Description: TMDSAS to perform the administrative duties of the JAMP as delegated by the JAMP Council.

44. Contract (funds coming in) - U. T. Southwestern Medical Center: To provide professional consults via telemedicine to the patients of remote providers who have contracted with Complex Care Medical Services

Agency: Complex Care Medical Services

Funds: \$905,004 per contract year

Period: July 16, 2015 through July 15, 2016 (one-year contract with option to renew for one additional one-year period)

Description: U. T. Southwestern Medical Center will provide professional consults via telemedicine to the patients of remote providers who have contracted with Complex Care Medical Services. Physicians are able to virtually examine patients at a remote site using specialized cameras and stethoscopes and view and discuss medical tests with colleagues in real time.

45. Contract (funds coming in) - U. T. Southwestern Medical Center: To provide physician services for patients at Dallas County Hospital District

Agency: Dallas County Hospital District

Funds: \$13,000,000

Period: August 20, 2015 through August 31, 2017

Description: U. T. Southwestern Medical Center will provide physician services for patients at Dallas County Hospital District Urgent Care Center.

46. Contract (funds going out) - U. T. Southwestern Medical Center: TEMPEG, LLC will provide physician and other health care provider coverage services at Parkland Health and Hospital System

Agency: TEMPEG, LLC

Funds: \$6,054,821

Source of Funds: MSRDP/DSRDP/PRS Practice Plan Professional Fees

Period: August 20, 2015 through September 30, 2016

Description: TEMPEG, LLP will provide physician and other health care provider coverage services at Parkland Health and Hospital System. This procurement was not allowed to be competitively bid because it is for professional services. Under *Texas Government Code*, Chapter 2254.003, a government entity may not select a provider of professional services on the basis of competitive bids, but instead shall make the selection based on the demonstrated competence and qualifications to perform the services and for a fair and reasonable price.

47. Request for Budget Change - U. T. Southwestern Medical Center: Approval of Emeritus Titles

Paul Bergstresser, from Professor to Professor Emeritus, Department of Dermatology in the Medical School (RBC No. 7117) -- amendment to the 2015-2016 budget

Charles Reinert, from Professor to Professor Emeritus, Department of Orthopaedic Surgery in the Medical School (RBC No. 7118) -- amendment to the 2015-2016 budget

48. Lease - U. T. Southwestern Medical Center: Authorization to extend the lease of approximately 144,094 square feet of space located at 6300 Harry Hines Boulevard, Dallas, Dallas County, Texas, to Dallas County Hospital District dba Parkland Health and Hospital System for general office and clinic use

Description: Extension of the term of the lease of approximately 144,094 rentable square feet located at 6300 Harry Hines Boulevard, Dallas, Dallas County, Texas, for general office and clinic use

Lessee: Dallas County, Texas, to Dallas County Hospital District dba Parkland Health and Hospital System

Term: The term of the lease is extended for a three-year period commencing on March 1, 2016, and continuing through February 28, 2019

Lease Income: U. T. Southwestern Medical Center will receive a total of \$6,495,248 in base rent during the extended lease term and will provide a tenant allowance of \$396,282

49. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide preventive and primary care medical services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: Total amount: \$5,815,400
This amendment: \$2,907,700

Period: Original agreement: September 1, 2014 through August 31, 2015
This amendment: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston will continue to provide preventive and primary care medical services to eligible individuals with this amendment to DSHS Contract No. 2015-046337. This Amendment extends the contract for one year.

The original contract (\$2,607,700) was approved by the Board of Regents on November 6, 2014, and amended in June 2015 to add \$300,000. This proposed Amendment increases the total amount of the contract to \$5,815,400.

50. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide comprehensive family planning services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: \$2,837,797

Period: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston will provide comprehensive family planning services, which include medical, counseling, client education, referral, community education, and outreach services to eligible individuals. This is the first of two similar family planning agreements (DSHS Contract No. 2016-048339).

51. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide comprehensive family planning services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: \$2,837,797

Period: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston will provide comprehensive family planning services, which include medical, counseling, client education, referral, community education, and outreach services to eligible individuals. This is the second of two similar family planning agreements (DSHS Contract No. 2016-048455).

52. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide breast and cervical cancer screening services to eligible individuals in agreement with the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: \$1,737,521

Period: September 1, 2015 through February 29, 2016

Description: U. T. Medical Branch - Galveston will continue to provide breast and cervical cancer screening, diagnostic and support services, tracking, follow-up, case management, and individual client education services to unduplicated clients who live or receive services in the following counties/areas: Austin, Brazoria, Calhoun, Cameron, Chambers, Colorado, Fort Bend, Galveston, Hardin, Harris, Hidalgo, Jasper, Jefferson, Liberty, Matagorda, Montgomery, Orange, San Jacinto, Walker, Waller, Wharton, and Willacy.

The original contract total was for \$1,254,233 and was approved by the Board of Regents on November 6, 2014; Amendment 1 decreased the contract by \$96,270; this Amendment 2 increases the total by \$579,558 for a total of \$1,737,521 (DSHS Contract No. 2015-047036).

53. Contract (funds coming in) - U. T. Medical Branch - Galveston: To establish an infectious disease emergency preparedness facility with funding provided by the Texas Health and Human Services Commission

Agency: Texas Health and Human Services Commission (HHSC)

Funds: \$2,500,000

Period: HHSC signature date TBD to September 1, 2017

Description: As a result of the 2014 formation of the Texas Task Force on Infectious Disease Preparedness and Response, the Texas Legislature added a new section to the *Health and Safety Code*, Section 81.49, conferring on HHSC the authority to enter into contracts for the establishment of infectious disease emergency preparedness facilities at health care-related institutions of the State. Under this contract with HHSC, U. T. Medical Branch - Galveston will establish an infectious disease emergency preparedness facility that will qualify to receive designation as a National Ebola Treatment Facility by the Federal Centers for Disease Control and Prevention.

54. Contract (funds coming in) - U. T. Medical Branch - Galveston: To manage the Commission on State Emergency Communications' Southeast Texas Poison Center

Agency: Commission on State Emergency Communications

Funds: Not to exceed \$1,174,709 for FY 2016
Not to exceed \$1,174,709 for FY 2017

Period: September 1, 2015 through August 31, 2017

Description: U. T. Medical Branch - Galveston will manage the Regional Poison Control Center by supplying employees to staff the Commission on State Emergency Communications owned and operated poison center telephone call lines and database on a 24-hour, seven days a week basis. The Commission on State Emergency Communications is a State agency and pursuant to the agreement, U. T. Medical Branch - Galveston will operate the Southeast Texas Poison Center, one of six state-funded Regional Poison Control Centers in Texas.

55. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide a benefit program for health care access using U. T. Medical Branch - Galveston hospitals and providers for eligible individuals employed by qualified small businesses and nonprofit organizations within Galveston County

Agency: Texas Department of Insurance

Funds: Fees to be paid during Fiscal Year 2016 shall not exceed \$523,350; fees to be paid during Fiscal Year 2017 shall not exceed \$689,220

Period: September 1, 2015 through August 31, 2017

Description: U. T. Medical Branch - Galveston to provide a benefit program for health care access using U. T. Medical Branch - Galveston hospitals and providers for eligible individuals employed by qualified small businesses and nonprofit organizations within Galveston County. The plan provides specified coverage for preventive care, ambulatory, and inpatient services. The U. T. Medical Branch - Galveston plan is sanctioned under Chapter 75 of the *Texas Health and Safety Code* which allows for the creation, existence, and operation of a Three-Share Premium Assistance Program (Multi-Share Premium Assistance Program) pursuant to *Texas Government Code*, Chapters 2155 and 2156, as applicable, and Rider 14 of Article VIII of House Bill 1 of the 84th Texas Legislature, Regular Session.

56. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide services to Texas Department of Assistive and Rehabilitative Services, Division for Early Childhood Intervention Services

Agency: Texas Department of Assistive and Rehabilitative Services

Funds: Not to exceed \$1,043,508

Period: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston to provide a program of early childhood intervention services for children with development delay and respite services for families of children enrolled in the Texas Department of Assistive and Rehabilitative Services, Division for Early Childhood Intervention Services.

57. Contract (funds coming in) - U. T. Medical Branch - Galveston: To provide Correctional Managed Health Care Services to offenders in units operated by the Texas Department of Criminal Justice

Agency: Texas Department of Criminal Justice (TDCJ)

Funds: Approximately \$905,602,195

Period: September 1, 2015 through August 31, 2017

Description: U. T. Medical Branch - Galveston to provide Correctional Managed Health Care Services to offenders in units operated by the TDCJ, through its own capabilities or by further subcontracting. Health care, among other aspects, includes medical services, dental services, and mental health services.

58. Interagency Agreement (funds coming in) - U. T. Medical Branch - Galveston: To provide youth health services for the Texas Juvenile Justice Department

Agency: Texas Juvenile Justice Department (TJJD)

Funds: Total of \$18,782,819
(\$9,248,401 during Fiscal Year 2016
and \$9,534,418 during Fiscal Year 2017)

Period: September 1, 2015 through August 31, 2017

Description: This is Amendment 1 to the Interagency Cooperation Contract I1417 previously entered into between U. T. Medical Branch - Galveston and the TJJD. U. T. Medical Branch - Galveston will continue to provide youth health services for the TJJD. The previous agreement was approved by the Board of Regents on May 15, 2014.

59. Contract (funds coming in and going out) - U. T. Medical Branch - Galveston: Nature Publishing Group dba Nature America, Inc. to enter into a publishing agreement

Agency: Nature Publishing Group dba Nature America, Inc., incorporated in the State of New York

Funds: \$450,000 going out (from Designated - Sponsored Program) and approximately \$1,000,000 coming in

Period: Commence on May 15, 2015, to continue for a term of five years

Description: U. T. Medical Branch - Galveston (UTMB) and Nature America, Inc. will enter into a publishing agreement to develop an online academic journal specifically related to vaccines jointly run by both parties. UTMB and Nature America will have official marks (e.g., UTMB or UTMB Health) prominently displayed on the site. Each party will share in the revenues (UTMB's share anticipated to exceed \$1,000,000) and UTMB will be required to financially support development of the vaccine journal site (\$450,000 over five years). This journal will provide recognition for UTMB's Sealy Center for Vaccine Development and be a vehicle for UTMB faculty to publish articles.

60. Contract (funds going out) - U. T. Medical Branch - Galveston: Ortho-Clinical Diagnostics, Inc. to provide goods and services for patient care laboratory testing for Galveston, League City, and Angleton Danbury campuses and for lab automation in Galveston

Agency: Ortho-Clinical Diagnostics, Inc.

Funds: Not to exceed \$17,000,000 for the initial term and all renewals

Source of Funds: Primary: Education and General, Hospital Patient Income
Secondary: Designated Funds

Period: July 1, 2015 through June 30, 2022, with three optional one-year renewals

Description: U. T. Medical Branch - Galveston is contracting with Ortho-Clinical Diagnostics, Inc. to purchase clinical lab equipment, automation, reagents, and services for chemistry and hematology. Ortho-Clinical Diagnostics, Inc. to provide goods and services for patient care laboratory testing and will install new equipment for the clinical service wing expansion and will replace all old equipment. This is needed for patient care operations. These services were competitively bid.

61. Contract (funds going out) - U. T. Medical Branch - Galveston: Acadian Ambulance Service of Texas, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: Acadian Ambulance Service of Texas, LLC

Funds: Not to exceed \$6,600,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

62. Contract (funds going out) - U. T. Medical Branch - Galveston: AMed Ambulance, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: AMed Ambulance, Inc.

Funds: Not to exceed \$12,000,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

63. Contract (funds going out) - U. T. Medical Branch - Galveston: American Medical Response, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: American Medical Response, Inc.

Funds: Not to exceed \$10,000,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

64. Contract (funds going out) - U. T. Medical Branch - Galveston: Freedom Ambulance, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: Freedom Ambulance, LLC

Funds: Not to exceed \$3,000,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

65. Contract (funds going out) - U. T. Medical Branch - Galveston: JD & DN Services LLC dba Intrepid EMS to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: JD & DN Services LLC dba Intrepid EMS

Funds: Not to exceed \$3,000,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

66. Contract (funds going out) - U. T. Medical Branch - Galveston: Ventura Medical Services, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: Ventura Medical Services, Inc.

Funds: Not to exceed \$3,000,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

67. Contract (funds going out) - U. T. Medical Branch - Galveston: General Electric Company, by and through its GE Healthcare Division, to provide a program for equipment maintenance and repair services of diagnostic imaging equipment

Agency: General Electric Company, by and through its GE Healthcare Division

Funds: Not to exceed \$40,000,000

Source of Funds: Primary: Education and General, Hospital Patient Income
Secondary: Designated Funds, Correctional Managed Care

Period: July 1, 2007 through December 31, 2019

Description: General Electric Company, GE Healthcare Division was selected to provide U. T. Medical Branch - Galveston equipment maintenance and repair services for the GE diagnostic imaging equipment because of the expertise GE brings to servicing and maintaining this highly technical equipment used in patient care.

The term of the original agreement was from July 1, 2007, through June 30, 2010, and was extended in 2010 until June 30, 2017. In 2014, the agreement was extended until 2018. A Third Amendment, effective September 30, 2014, and approved by the Board of Regents on February 11, 2015, extended the agreement through December 31, 2019. The proposed Fourth Amendment adds a cap of \$40,000,000 for the contract, but does not change the term of the agreement.

68. Contract (funds going out) - U. T. Medical Branch - Galveston: MNI Diesel Inc. to provide emergency generator preventive maintenance and repair services

Agency: MNI Diesel Inc.

Funds: Not to exceed \$2,000,000

Source of Funds: Hospital Revenues

Period: Three year initial term beginning September 1, 2015 through August 31, 2018, with option to renew for two additional one-year periods

Description: MNI Diesel Inc. will provide preventive maintenance and repair services for emergency generators located on the U. T. Medical Branch - Galveston, League City, and Angleton Danbury campuses. Contract also includes equipment rental services for temporary emergency generators, if needed. Maintenance events are scheduled and comply with national standards. After each inspection, reports will be submitted before MNI Diesel Inc. leaves the campus.

69. Request for Budget Change - U. T. Medical Branch - Galveston: Approval of Emeritus Titles

Regina P. Lederman, from Professor to Professor Emeritus, School of Nursing (RBC No. 7116) -- amendment to the 2015-2016 budget

Vicki J. Schnadig, from Professor to Professor Emeritus, Pathology Department in the School of Medicine (RBC No. 7110) -- amendment to the 2015-2016 budget

70. Lease - U. T. Medical Branch - Galveston: Authorization to extend the lease of approximately 10,100 square feet of space at 2327 East Mulberry Drive, Angleton, Brazoria County, Texas, from Angleton Danbury Hospital District for clinic use

Description: Extension of lease for 10,100 square feet of space located at 2327 East Mulberry Drive, Angleton, Brazoria County, Texas, for clinic use. This property is located near the Angleton Danbury Hospital operated by U. T. Medical Branch - Galveston.

Lessor: Angleton Danbury Hospital District

Term: The initial term will be for a period of nine years commencing on September 1, 2015, and expiring on August 31, 2024. Additionally, U. T. Medical Branch - Galveston will have the option to renew the lease for up to two periods of five years each. This term coincides with the lease of the Angleton Danbury Hospital to U. T. Medical Branch - Galveston.

Lease Cost: The amount of rental payments for the period from September 1, 2015 through August 31, 2024 is \$1,440,000; an average of \$14.26 per square foot. Renewal option rent payments will be agreed upon by the parties prior to renewal at an amount not to exceed fair market value.

Source of Funds: Hospital Patient Income

71. Request for Budget Change - U. T. Health Science Center - Houston: Tenure Appointments -- amendment to the 2015-2016 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs, after review of market compensation valuation studies, and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
School of Medicine					
Internal Medicine / Advanced Heart Failure Program					
Professor					
Biswajit Kar (T)	9/1-8/31	100	12	\$1,000,000	7139
Neurology					
Professor					
Louise D. McCullough (T)	9/1-8/31	100	12	\$548,567	7138
Pediatrics					
Dean and Professor					
Barbara J. Stoll (T)	10/1-8/31	100	12	\$810,000	7137

72. Request for Budget Change - U. T. Health Science Center - Houston: Approval of Emeritus Titles

Richard D. Bebermeyer, from Professor and Chair to Professor Emeritus, Department of General Practice and Dental Public Health in the School of Dentistry (RBC No. 7084) -- amendment to the 2014-2015 budget

Terry J. Crow, from Professor to Professor Emeritus, Department of Neurobiology and Anatomy in the School of Medicine (RBC No. 7026) -- amendment to the 2014-2015 budget

73. Lease - U. T. Health Science Center - Houston: Authorization to extend the lease of approximately 24,297 square feet of space located at 1133 M. D. Anderson Boulevard, Houston, Harris County, Texas, from Houston Academy of Medicine for clinical and research use

Description: Extension of the lease of approximately 24,297 square feet of space located at 1133 M. D. Anderson Boulevard, Houston, Harris County, Texas, to be used for clinical and research use.

Lessor: Houston Academy of Medicine, a Texas nonprofit corporation

Term: The term for the extension period is five years, commencing on September 1, 2015.

Lease Cost: Base rent payable during the five-year extension period totals approximately \$3,280,095 (\$27 per rentable square foot) plus one Consumer Price Index escalation on September 1, 2016. Additionally, the initial lease agreement contains a provision stating that, if lessor shall ever lose its tax-exempt status, U. T. Health Science Center - Houston shall pay its pro rata share of ad valorem taxes attributable to the premises.

The Board of Regents approved the lease of 23,132 square feet of space for an initial five-year term and two five-year extension options on August 10, 2000; however, while a lease cost of \$2,081,880 for the initial term was stated, a value for the two extension options was not stated. Additionally, the parties agreed to expand the premises by 1,165 square feet at the commencement of the first extension period. U. T. Health Science Center - Houston paid rent in the cumulative amount of \$5,231,144 for the two extension options for the expanded premises.

Source of Funds: MSRDP/DSRDP/PRS Practice Plan Professional Fees

74. Lease - U. T. Health Science Center - Houston: Authorization to expand the premises and extend the lease of approximately 2,502 square feet of space located at 12401 ½ South Post Oak Drive, Houston, Harris County, Texas, from The Pyramid Community Development Corporation dba The Power Center for a Women, Infants, and Children (WIC) program clinic

Description: Expansion of premises and extension of the lease of approximately 2,502 square feet of space in a building located at 12401 ½ South Post Oak Drive, Houston, Harris County, Texas, for a Women, Infants, and Children (WIC) program clinic. The value of the initial term of the lease, which commenced on December 1, 1995, and subsequent extensions to date have not exceeded \$1,000,000, so Board approval was not previously required; however, the combined value of the rental for the current extension period and the previously accumulated lease term does exceed \$1,000,000. The parties have also now agreed to expand the premises to 2,656 square feet.

Lessor: The Pyramid Community Development Corporation, a Texas nonprofit corporation dba The Power Center

Term: Five years, commencing on July 1, 2015, and expiring on June 30, 2020, plus one one-year extension option

Lease Cost: For the lease periods from December 1, 1995, to June 30, 2015, base rent and operating expenses have totaled approximately \$947,727; base rent and operating expenses for the expanded premises during the current extension period and subsequent one-year extension option period will total approximately \$340,248.

Source of Funds: Federal, State, Local and Private Contracts and Grants

75. Approval of Dual Position of Honor, Trust, or Profit - U. T. Health Science Center - Houston: Appointment by Governor Abbott of Allison P. Edwards, DrPH, MS, RN, Assistant Professor of Nursing, as Member of the Texas Board of Nursing

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with Regents' *Rules and Regulations*, Rule 30103.

It has been determined that the holding of this office or position is of benefit to the State of Texas and U. T. Health Science Center - Houston and there is no conflict between holding this position and the appointment with the University.

The Board is also asked to find that holding this position is of benefit to the State of Texas and the University and that there is no conflict between the position and the University.

Name: Allison P. Edwards, DrPH, MS, RN

Title: Assistant Professor of Nursing

Position: Member, Texas Board of Nursing

Period: July 9, 2015 through January 31, 2021

Compensation: None

Description: Governor Abbott has appointed Dr. Edwards to the Texas Board of Nursing. The Texas Board of Nursing was established by the Texas Legislature to regulate the safe practice of nursing in Texas.

76. Request for Budget Change - U. T. Health Science Center - San Antonio: Tenure Appointment -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
School of Nursing					
Family and Community Health Systems					
Professor					
Kenneth P. Miller (T)	8/1-8/31	100	12	140,000	7136

77. Request for Budget Change - U. T. Health Science Center - San Antonio: Approval of Emeritus Titles

Richard Ludueña, from Professor to Professor Emeritus, Department of Biochemistry in the School of Medicine (RBC No. 6977) -- amendment to the 2014-2015 budget

David McCall, from Professor to Professor Emeritus, Department of Medicine in the School of Medicine (RBC No. 6975) -- amendment to the 2014-2015 budget

Victor German, from Professor to Professor Emeritus, Department of Pediatrics in the School of Medicine (RBC No. 7125) -- amendment to the 2015-2016 budget

78. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Sapient Corporation to provide digital experience strategy services

Agency: Sapient Corporation

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$35,000,000.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on August 18, 2015, and continuing through August 17, 2018. The agreement includes the option for two 12-month renewals.

Description: Sapient Corporation will design and implement a customized digital experience for U. T. M. D. Anderson Cancer Center that will deliver content, tools, and information to the U. T. M. D. Anderson Cancer Center's many end users, including patients, employees, students, donors, and job candidates. These services were competitively bid.

79. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: The Richards Group to design and implement a digital marketing program

Agency: The Richards Group

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$34,966,564.

Source of Funds: Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on November 17, 2015, and continuing through November 16, 2018. The agreement includes the option for two 12-month renewals.

Description: The Richards Group will design and implement a digital marketing program for U. T. M. D. Anderson Cancer Center, which will include search engine marketing, digital media buying, integrated digital campaigns, and related research, testing, and analytics that build off of U. T. M. D. Anderson Cancer Center's evolving digital presence. These services were competitively bid.

80. Contract (funds going out) - U. T. M. D. Anderson Cancer Center: Viracor-IBT Laboratories, Inc. to provide lab testing and reporting services

Agency: Viracor-IBT Laboratories, Inc.

Funds: The total cost of services under this agreement, including all renewals, will not exceed \$6,000,000.

Source of Funds: Hospital Patient Income

Period: The term of the existing agreement is for a period of 36 months, commencing on December 15, 2013, and continuing through December 14, 2016. The agreement includes the option for two 12-month renewals. The 2013 agreement and Amendment No. 1 were not previously submitted to the Board of Regents, as the amount was under the institution's \$2,500,000 delegated contract authority.

Description: U. T. M. D. Anderson Cancer Center cares for a significant patient population of severely immunocompromised patients that are at high risk of morbidity resulting from opportunistic and unusual infections. Rapid lab testing and reporting is required for early diagnosis and intervention. Viracor-IBT Laboratories, Inc. provides lab testing and reporting services that meet these turnaround requirements. The contract was sourced via an Exclusive Acquisition Justification for “Meets Unique Specifications” and it was approved because the vendor met the unique specifications.

81. Request for Budget Change - U. T. M. D. Anderson Cancer Center: Tenure Appointment -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary		RBC #
			No. Mos.	Rate \$	
Medical Staff					
Surgical Oncology					
Professor					
Richard E. Royal (T)	9/1-8/31	100	12	384,471	7093

82. Lease - U. T. M. D. Anderson Cancer Center: Authorization to lease an approximately 90,000 square foot to-be-constructed building located at the intersection of the U.S. Highway 59 frontage road and Taborwood Avenue, Sugar Land, Fort Bend County, Texas, from PMRG Associates II, LP, or a related entity, for a regional care clinic

Description: Lease of approximately 90,000 square feet in a single-tenant medical clinic building to be constructed by Lessor at the intersection of the U.S. Highway 59 frontage road and Taborwood Avenue, Sugar Land, Fort Bend County, Texas, for a regional care clinic.

On February 11, 2015, U. T. M. D. Anderson Cancer Center presented to the Board of Regents a proposed strategy to establish suburban outpatient clinics throughout the Greater Houston metropolitan area to expand the Cancer Center's reach to outlying patients. As originally presented, the strategy contemplated a relationship with Memorial Hermann Health System (MHHS) for clinics to be located on or near MHHS campuses throughout the Greater Houston metropolitan area. Since then, however, U. T. M. D. Anderson Cancer Center has decided to pursue its suburban strategy on its own and is now seeking to proceed with the relocation and expansion of its suburban outpatient clinics by engaging with other parties and developers to develop, construct, and lease facilities to the Cancer Center on sites selected by the Cancer Center. In furtherance of its suburban expansion strategy, the Cancer Center is entering into a ground lease with U. T. Medical Branch - Galveston (UTMB) to establish a clinic at UTMB's League City campus; the Board approved this ground lease on August 20, 2015. This current lease in Sugar Land represents the Cancer Center's continuing efforts to effectuate its suburban expansion strategy.

Lessor: PMRG Associates II, LP, a Texas limited partnership, or a related entity

Term: The term commences on the date that Lessor substantially completes construction of the project and continues for 20 years, plus two five-year renewal options. The estimated commencement date is March 1, 2019.

Lease Cost: The base rent will be calculated using a rent constant of 6.25% applied to the total project development cost (including the cost of land acquisition, hard and soft costs of construction, and financing costs). Based on preliminary plans and current construction cost estimates, the Year One base rental rate would be \$36.50 per square foot per year and will escalate annually; the projected total lease cost will be approximately \$106,512,549 in base rent and estimated operating expenses over the initial 20-year term. Base rent for the renewal option periods will be 95% of the then-prevailing market rental rate. The Lessor is providing an allowance of up to \$200 per square foot for tenant improvements to the leased premises. U. T. M. D. Anderson Cancer Center believes that the allowance provided by the Lessor will be sufficient to cover the costs of tenant improvements.

Additionally, because U. T. M. D. Anderson Cancer Center is requesting that the Lessor acquire the site in early 2016, but delay construction commencement until approximately April 1, 2017, U. T. M. D. Anderson Cancer Center will pay the Lessor's reasonable carrying costs attributable to the land (including Lessor's interest on financing of the land, ad valorem taxes, and insurance) for a period of approximately 13 months.

Source of Funds: Patient Revenue

83. Contract (funds coming in) - U. T. Health Science Center - Tyler: To provide support services to the Texas Collaborative for Healthy Mothers and Babies of the Texas Department of State Health Services

Agency: Texas Department of State Health Services, Office of Title V and Family Health

Funds: Not to exceed \$501,787 per fiscal year; or \$1,505,360 for the three-year contracted period

Period: November 1, 2015 through August 31, 2018

Description: U. T. Health Science Center - Tyler will support, coordinate, and facilitate the Texas Collaborative for Healthy Mothers and Babies and its three Standing Committees (Neonatology, Obstetrics, and Community Health) and will support graduate students engaged in these efforts. Findings will be coordinated and published in peer-reviewed journals.

84. Contract (funds going out) - U. T. Health Science Center - Tyler: Pathology Associates of Tyler, PA, to provide professional pathology services

Agency: Pathology Associates of Tyler, PA

Funds: Estimated at \$1,200,000

Source of Funds: MSRDP/DSRDP/PRS Practice Plan Professional Fees

Period: September 1, 2015 through August 31, 2016

Description: Proposed renewal agreement for the provision of full-time/full-range professional pathology services to U. T. Health Science Center - Tyler, including anatomic pathology, histology, cytopathology, and clinical pathology services, and medical director services.

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

85. Contract (funds going out) - U. T. San Antonio: Himjar, LLC dba VIP Staffing to provide on-call temporary staffing services to support construction projects

Agency: Himjar, LLC dba VIP Staffing

Funds: Possible service fees of more than \$1,000,000 for the initial term and three optional one-year renewal terms (cumulative). Agreement includes a service fee cap of \$1,500,000.

Source of Funds: Service Funds

Period: An initial 12-month term beginning August 18, 2015, with three additional 12-month renewal options

Description: On-call temporary staffing services to support construction and renovation projects managed by the U. T. San Antonio Facilities Department.

86. Contract (funds going out) - U. T. Health Science Center - Houston: E&C Engineers & Consultants, Inc. to perform structural and civil engineering design services on an as-needed basis

Agency: E&C Engineers & Consultants, Inc.

Funds: Not to exceed \$1,500,000

Source of Funds: Each department choosing to utilize this service may pay from a different fund source

Period: September 1, 2014 through August 31, 2019

Description: E&C Engineers & Consultants, Inc. were selected after a formal bid to provide structural and civil engineering design services to include preparation of schematic design, design development, and construction documents on an as-needed basis. The contract period began on September 1, 2014, and this request is for approval of an amendment that will increase the contract value to \$1,500,000.

87. Contract (funds going out) - U. T. Health Science Center - Tyler: Garrett & Associates General Contractors to provide construction services to renovate the 'A' Wing Lab of the Biomedical Research Center

Agency: Garrett & Associates General Contractors

Funds: \$1,813,000

Source of Funds: STARs Funding and Hospital Patient Income

Period: August 3, 2015 through January 29, 2016

Description: The Biomedical Research Center 'A' Wing Lab Renovations will consist of construction alterations to approximately 4,400 square feet of existing lab space. The project will include lab space, microscope rooms, culture rooms, a walk-in cooler, and office space for faculty and staff. This contract was competitively bid.

TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

No items for Consent Agenda

**ADDITIONAL CONSENT AGENDA ITEM
ACADEMIC AFFAIRS COMMITTEE**

Employment Agreement - U. T. System: Amendment of employment agreement for Jeffrey Spath, Ph.D., as Chief Executive Director for the U. T. System Texas Energy Research, Engineering, and Education Institute (EREEI) to provide a one-time payment of \$50,000 for moving and relocation expenses

Approval is requested to amend the employment agreement with Jeffrey Spath, Ph.D., as Chief Executive Director for the U. T. System Texas Energy Research, Engineering, and Education Institute (EREEI) to provide a one-time payment of \$50,000 in lieu of any additional payment for costs associated with moving, storage, relocation, and transitional living expenses, and approval of funding for the allocation. This previously negotiated contract term was not included in the original employment agreement with Dr. Spath. The original contract was approved by the Board on August 20, 2015.