Meeting No. 919

THE MINUTES OF THE BOARD OF REGENTS

OF

THE UNIVERSITY OF TEXAS SYSTEM

Pages 1 - 132

February 10-11, 1999

Austin, Texas

TABLE OF CONTENTS
THE MINUTES OF THE BOARD OF REGENTS
OF
THE UNIVERSITY OF TEXAS SYSTEM
FEBRUARY 10-11, 1999
AUSTIN, TEXAS

MEETING NO. 919

MEETING NO. 919

WEDNESDAY, FEBRUARY 10, 1999.--The members of the Board of Regents of The University of Texas System convened at 9:01 a.m. on Wednesday, February 10, 1999, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present	Absent
Chairman Evans, presiding*	**Regent Hicks
Vice-Chairman Loeffler	
Vice-Chairman Clements	
Regent Lebermann	
Regent Oxford	
Regent Riter	
Regent Sanchez	
Regent Smiley	

Executive Secretary Frederick

Chancellor Cunningham
Vice Chancellor Sharpe

Vice-Chairman Loeffler announced a quorum present and called the meeting to order.

---

*Vice-Chairman Loeffler presided during the first part of the meeting because of the absence of Chairman Evans who was attending a hearing of the Education Subcommittee of the House Appropriations Committee.

**Regent Hicks was excused because of a previous commitment.

RECESS TO EXECUTIVE SESSION.--At 9:02 a.m., Vice-Chairman Loeffler announced that the Board would recess to convene in Executive Session pursuant to Texas Government Code, Chapter 551, Sections 551.071 and 551.074 to consider those matters listed on the Executive Session agenda including the interview and discussion of credentials of the recommended candidates for the position of President of The University of Texas at San Antonio.

Dr. James Gaertner

Dr. Ricardo Romo

Dr. Mario Gonzalez

Dr. Tomás Arciniega

RECONVENE.--At 5:10 p.m., the Board reconvened in open session to consider action on the items that were discussed in Executive Session.

EXECUTIVE SESSION OF THE BOARD OF REGENTS

Chairman Evans reported that the Board had met in Executive Session to discuss matters in accordance with Texas Government Code, Chapter 551, Sections 551.071 and 551.074. In response to Chairman Evans' inquiry regarding the wishes of the Board, the following actions were taken:

1. U. T. Austin: Pending and Potential Contemplated Litigation.--Chairman Evans reported that no formal action was required by the Board related to this item.

2. U. T. Austin: Evaluation and Approval of Terms of Reappointment of Head Football Coach and Assistant Coaches.--Based on a presentation by Dr. Larry R. Faulkner, President of The University of Texas at Austin, which evaluated the excellent performance and the risks of losing Head Football

Coach Mack Brown and his five assistant coaches to more lucrative employment offers, Regent Oxford moved that the Board authorize U. T. Austin to implement the following actions regarding compensation for the head football coach and five assistants at U. T. Austin:

a. Head Coach Mack Brown's total annual compensation will be increased from $750,000 per year to $1,000,000 per year effective January 1, 1999. Additionally, Coach Brown's contract will be extended for a total of four years, ending on December 31, 2008, conditioned upon his staying at U. T. Austin for the terms set out in the contract. The termination provision in the current contract will remain unchanged, including the maximum amount that would be owed to Coach Brown in the event that he is involuntarily terminated during the term of the contract.

b. An annuity will be established that will pay Head Coach Mack Brown $1,000,000, after taxes, when he is fifty-five (55) years old. This payment shall be made to Coach Brown if he is still employed as Head Football Coach on January 1, 2003, or if his employment is ended prior to that date due to his death or involuntary termination.

c. Annuities will be established for the benefit of Assistants Greg Davis, Carl Reese, Jeff Madden, Cleve Bryant, and Tim Brewster, paying each $50,000 per year, after taxes, for five years, beginning when each reaches the age of sixty (60). These payments shall be made to each Assistant if he is still employed on January 1, 2003, or if his employment ended prior to that date because there was a change in head coach and the services of the Assistant were not retained.

d. Funds for the compensation of the Head Coach and the establishment of the annuities shall be taken solely from those raised by or generated by operations of the Department of Intercollegiate Athletics for Men.

Regent Oxford stated several reasons for these proposed actions as follows:

a. Coach Brown has done an excellent job, not only with his team on the field, but in projecting an attitude and image of excellence and character off the field.

b. Coach Brown is at the peak of his profession and these compensation actions reflect the market for premier college football coaches.

c. An NFL team made an offer of employment to Coach Brown and it is critical that he be retained at U. T. Austin.

d. Most members of the football staff were contacted during the last two months regarding other job opportunities, and the retention of the staff is very important.

Vice-Chairman Loeffler seconded the motion which prevailed by unanimous vote.

3. U. T. San Antonio: Appointment of Dr. Ricardo Romo as President (Chief Administrative Officer) and Approval to Discharge the Advisory Committee for the Selection of a President.--Vice-Chairman Loeffler stated that the Board convened in Executive Session to interview and discuss the finalist candidates for the presidency of The University of Texas at San Antonio. As a result of those interviews, Vice-Chairman Loeffler noted it was his great pleasure to move that Dr. Ricardo Romo, currently Vice Provost for Undergraduate Education at The University of Texas at Austin, and a native of San Antonio, be elected President of U. T. San Antonio effective at a date and compensation to be negotiated with Chancellor Cunningham and reported to the Board via the usual budgetary procedures. Dr. Romo was one of the candidates recommended to the Board by the Advisory Committee for the Selection of a President for that component.

Vice-Chairman Loeffler further moved that the Board discharge the Advisory Committee for the Selection of a Chief Administrative Officer for U. T. San Antonio with sincere appreciation for the diligence and careful thought it brought to this search process.

The motions prevailed by unanimous vote.

Dr. Romo and his wife, Harriett, were introduced by Chairman Evans and welcomed to The University of Texas System family.

RECESS.--At 5:10 p.m., the Board recessed to reconvene in open session at 9:30 a.m. on Thursday, February 11, 1999, in the Frank C. Erwin, Jr. Atrium, Eighth Floor, Lyndon Baines Johnson Library and Museum at The University of Texas at Austin in Austin, Texas.

THURSDAY, FEBRUARY 11, 1999.--The members of the Board of Regents of The University of Texas System reconvened in regular session at 9:45 a.m. on Thursday, February 11, 1999, in the Frank C. Erwin, Jr. Atrium, Eighth Floor, Lyndon Baines Johnson Library and Museum at The University of Texas at Austin in Austin, Texas, with the following in attendance:

ATTENDANCE.--

Present	Absent
Chairman Evans, presiding	
Vice-Chairman Loeffler	
Vice-Chairman Clements	
Regent Hicks	
Regent Lebermann	
Regent Oxford	
Regent Riter	
Regent Sanchez	
Regent Smiley	

Executive Secretary Frederick

Chancellor Cunningham
Executive Vice Chancellor Mullins
Executive Vice Chancellor Burck
Vice Chancellor Sharpe

Chairman Evans announced a quorum present and reconvened the meeting of the Board.

WELCOME BY DR. LARRY R. FAULKNER, PRESIDENT OF THE UNIVERSITY OF TEXAS AT AUSTIN.--Chairman Evans stated that the Board was pleased to be meeting at The University of Texas at Austin and called on Dr. Larry R. Faulkner, President of U. T. Austin, for any welcoming remarks on behalf of the host institution.

On behalf of the faculty, staff, and students of U. T. Austin, President Faulkner welcomed the members of the Board and other guests to the campus.

INTRODUCTION OF REGENT-DESIGNATE WOODY L. HUNT AND VICE CHANCELLOR MARK FRANZ.--Chairman Evans welcomed Regent-Designate Woody L. Hunt, El Paso, Texas, to the meeting, and introduced Mr. Mark Franz, Vice Chancellor for Federal Relations for The University of Texas System.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON NOVEMBER 11-12, 1998, AND SPECIAL MEETING HELD DECEMBER 17, 1998.--Upon motion of Regent Lebermann, seconded by Regent Smiley, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on November 11-12, 1998, in Houston, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLVI, Pages 1 - 302.

Upon motion of Vice-Chairman Loeffler, seconded by Vice-Chairman Clements, the Minutes of the special meeting of the Board of Regents of The University of Texas System held on December 17, 1998, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLVI, Pages 303 - 306.

SPECIAL ITEMS

1. U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for September 1, 1998 Through November 30, 1998.--Vice Chancellor for Development and External Relations Perry reviewed the Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for The University of Texas System for the period September 1, 1998 through November 30, 1998, as set forth on Pages 11 - 15.

   Vice Chancellor Perry reported 90 items conforming to Board policy were approved including the acceptance of $10,449,881 in gifts. Other matching contributions from previously accepted Board-held matching funds totaled $751,000, transfers of endowment funds totaled $12,504, and transfers of previously accepted gifts totaled $2,041,013.

   Mrs. Perry noted that this report includes only those funds which relate to endowments, estates, and other such funds which are managed by the U. T. System Office of Development and External Relations.

Mrs. Perry also reported on private gifts and grants for FY 1997-1998, noting that the U. T. System components are strongly committed to increasing private sector support in all donor categories. All components have submitted high-quality development plans which are updated on an annual basis.

Vice Chancellor Perry stated she was pleased to report that it was a record year across the U. T. System and noted the following:

- For FY 97-98, the U. T. System components raised $364,953,553; an increase of 14.18% over the previous year. Over the past 12 years, private sector support across the U. T. System has increased by 167%.

- The top three institutions in private sector support (U. T. Austin, U. T. Southwestern Medical Center – Dallas and U. T. M.D. Anderson Cancer Center) represent 76% of the total U. T. System giving.

- The medical components represent 59% of the total giving to the System.

- The distribution of the sources of donor support follows:

Alumni	6.6%
All Other Individuals	22.8%
Foundations	34.0%
Corporations	28.3%
Fund-Raising Consortiums	0.1%
All Other Organizations	8.2%
Total	100%

Alumni Support.

- As indicated, across the U. T. System, alumni support was 6.6% of the total dollars given.

- There is a broad range across the degree-granting components in the percentage of the total support that is contributed by alumni, ranging from .6% to 17.5%. This relates to the nature of the institution, including its age, tradition, and the efforts that are expended in this regard.

- The national average for alumni giving for this same period was approximately 20%.

Foundation support continues to increase – and has increased steadily each year for the past five years. From FY 94 through FY 98, it has increased by 38.5%, and from FY 97 to FY 98, it increased by 6.8%.

Corporate support. Across the U. T. System, corporate giving increased an average of 24% last year. Over the past five years, it has increased by 37%. This trend generally reflects the strong economy and the strong performance of the stock market over the last year.

Capital Campaigns. Two institutions are currently conducting capital campaigns:

U. T. El Paso is in the final two years of a very successful campaign and has $45.6 million committed in gifts and pledges toward a $50 million goal.

U. T. Austin is in the second-year of its seven-year, $1 billion campaign. [Currently, U. T. Austin has commitments in gifts and pledges of over $264 million.]

Special or Focused Campaigns. Several other institutions have special or focused campaigns underway. For example, U. T. Pan American is engaged in an effort to fund programs associated with priorities of new deans. U. T. Health Science Center - Houston is engaged in a $10 million campaign for construction of the Nursing and Biomedical Sciences Building.

Chairman Evans saluted Mrs. Perry for her report and commended Dr. Diana Natalicio, President of U. T. El Paso, for setting high marks for the capital fund-raising campaign at that institution. He noted that the resources in Texas are vast; that people in Texas need to be reminded that these Universities are one of the great treasures of the State; that these Universities are theirs; and that they need to give back to these institutions which will in turn impact the lives of hundreds of people. Mr. Evans challenged other component presidents to think about beginning a major capital campaign for their institutions and encouraged them to be ambitious and to set high goals to attract contributions.

ACCEPTANCE OF GIFTS HELD BY BOARD

# ALL ITEMS	COMPONENT INSTITUTION	ASSET TYPES: CASH	ASSET TYPES: SECURITIES	ASSET TYPES: REAL ESTATE	ASSET TYPES: PLEDGES	ASSET TYPES: OTHER	TRANSFERS	MATCHING FUNDS	TOTAL VALUE
3	U. T. System	$ 60,000	$ •	$ -	$ -	$ -	$ -	$ -	$ 60,000
3	U. T. Arlington	$ II.386	$	$ -	$ -	$ -	$ 20,000	$ -	$ 31,386
25	U. T. Austin	$ 1,064,833	$ 39,513	$	$ 61,822	$ •	$ 2,041,013	$	$ 1,166,167 •
1	U. T. Dallas	$ 1,000,000	$ •	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
9	U. T. El Paso	$ 751,530	$ 24.739	$ 800,000	$	$ -	$ 33,282	$	$ 1,597,047 •
	U. T. Permian Basin	$ 6,666	$ •	$ -	$ 3,334	$ •	$	$	S 10.000
4	U. T. San Antonio	$ 53.600	$ -	$ -	$ -	$ -	$ -	$ -	$ 53,600
a	U. T. SWMC-Dallas	$ 1,492,000	$ -	$ -	$ 850,000	$ •	$	$ 751,000	$ 2,342,000 •
5	U. T. M.B.-Galveston	$ 55.990	$ •	$ -	$ 85,000	$ •	$ 23.303	$	$ 164,293
1 6	UTHSC-Houston	$ 417,931	$ -	$ -	$ 1,077,600	$ •	$ 164.092	$	$ 2.259.623
I	UTHSC-San Antonio	$ 1,000,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,000,000
I I	UTMDACC	$ 162,831	$ •	$ -	$ -	$ -	$ -	$ -	$ 162,831
3	UTHC-Tyler	$ 221.933	$ •	$ -	$ 375.000	$	$ -	$ -	$ 602.933
90	TOTAL	$ 6,304,701	$ 64,252	$ 800,000	$ 2,452,756	$	$ 2,881,689	$ 751,000	$ 10,449,881 •

• [illegible] U. T. Austin- $2,041,013 of previously accepted gifts;

U. T. El Paso • $12,504 of transfers of endowment funds;

U. T. SWMC-Dallas - $751,000 of Board-held matching funds

NOTE: Compiled by Office of Development and External Relations

CLASSIFICATION OF GIFTS AND OTHER ACTIONS

COMPONENT INSTITUTION	ENDOWMENTS	CHARITABLE REMAINDER TRUSTS	POOLED INCOME FUND	REMAINDER INTERESTS	HELD IN TRUST BY OTHERS	CURRENT PURPOSE	OTHER
U.T. System	3					—	—
U. T. Arlington	3				—		—
U. T. Austin	20				5		—
U. T. Dallas	1		—		—	—	—
U. T. El Pm	9			—		—	
U. T. Permian Basin	1			—	—	—	—
U. T. San Antonio	4	—			—	—	—
U. T. SWMC-Dallas	6				3	1	—
U. T. M.B.-Galveston	5					—	—
UTHSC-Houston	13				4		—
UTHSC-San Antonio	1					—	--
UTMDACC	1				4	6	—
UTHC-Tyler	2				—	1	—
TOTAL	69	0	0	0	16	8	0

PURPOSES OF GIFTS HELD BY BOARD AND OTHERS

COMPONENT INSTITUTION	ENDOWMENT DIST. CHAIR	CHAIR	DIST. PROF'SHIP	PROF'SHIP	FACULTY FELLOWSHIP	GRADUATE FELLOWSHIP	SCHOLARSHIP	OTHER	CURRENT PURPOSE	OTHER PURPOSE
U.T. System							—	3	—	
U. T. Arlington		—				—	3	—	—	—
U. T. Austin	—	I		I	—	—	9	9	—	
U. T. Dallas	—	I	—		—					
U. T. El Paso	—	I		1			4	3	—	—
U. T. Permian Basin							I	—	—	
U. T. San Antonio							3		—	
U. T. SWMC-Dallas	2	1		1			—	2	I	—
U. T. M.B.-Galveston							3	2	—	—
UTHSC-Houston	2 *	I	I	4			4	2	—	
UTHSC-San Antonio	I						—	—		—
UTMDACC							—	—	IO	—
UTHC-Tyler				I	—		—	I	I	—
TOTAL	5	5	I	8	0	0	27	22	I2	0

• Includes I Distinguished University Chair.

Total purposes may not equal the total number of items because some items pertain lo multiple purposes

OTHER ADMINISTRATIVE ACTIONS

COMPONENT INSTITUTION	ESTABLISH ENDOWMENT	REDESIGNATE ENDOWMENT LEVEL	OTHER REDESIGNATION	DISSOLVE ENDOWMENT	APPROVE/ALLOCATE MATCHING	ACCEPT TRUSTEESHIP	OTHER
UT. System	3				--	--	--
U. T. Arlington	3			--	--		--
U. T. Austin	18	1	3	1	--		1
U. T. Dallas	1					--	--
U. T. El Paso	9				--	--	--
U. T. Permian Basin	1				--	--	
U. T. San Antonio	3		1		--		
U. T. SWMC-Dallas	6	1			5	--	--
U. T. M.B.-Galveston	5			--		--	--
UTHSC-Houston	13	2	2	--	4	--	--
UTHSC-San Antonio	1				1	--	--
UTMDACC		1				--	--
UTHC-Tyler	1			--	1	--	--
TOTAL	64	5	6	1	11	0	1

COMPARATIVE SUMMARY OF **GIFTS** ACCEPTED VIA THE OFFICIAL ADMINISTRATIVE PROCESS

COMPONENT INSTITUTION	FY 1998 FULL YEAR	FISCAL YEAR 1999 9/1/98 - 11/30/98	FISCAL YEAR 1999 12/1/98 - 2/28/99	FISCAL YEAR 1999 3/1/99 - 5/31/99	FISCAL YEAR 1999 FULL YEAR
U. T. System	$ —	$ 60,000			
U. T. Arlington	$ 1,633,567	$ 31,386			
U. T. Austin	$ 16,888,581	$ 1,166,167			
U. T. Brownsville	$ 10.000	$ —			
U. T. Dallas	$ 411.126	$ 1,000,000			
U. T. El Pm	$ 4,064,288	$ 1,597,047			
U. T. Pan American	$ 1,142,022	$ —			
U. T. Permian Basin	$ 272.770	$ 10.000			
U. T. San Antonio	$ 236,907	$ 53,600			
U. T. Tyler	$ 554.169	$ —			
U. T. SWMC-Dallas	$ 35,511,381	$ 2,342,000			
U. T. M.B.-Galveston	$ 4,135,559	$ 164,293			
UTHSC-Houston	$ 5.595.404	$ 2,259,623			
UTHSC-San Antonio	$ 2330.175	$ 1.000,000			
UTMDACC	$ 13.780273	$ 162.831			
UTHC-Tyler	$ 476,000	$ 602.933			
TOTAL	$ 87,042,222	$ 10,449,881			

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter I, Section 3, Subsection 3.1 (Chairman of the Board).--Section 3, Subsection 3.1 of Chapter I, Part One of the Regents' Rules and Regulations currently requires the Chairman of the Board to resign after 24 months of service, and Section 4 and Section 5, Subsection 5.1 of this Chapter require the election of the Vice-Chairmen and Executive Secretary to the Board to be held at the time the Chairman is elected. Subsection 3.1 is not sufficiently flexible to allow slightly longer or slightly shorter terms of office dependent upon the actual date of reorganization of the Board following appointment of new members of the Board by the Governor and confirmation of the appointments.

In order to make the timing of the Board's election of officers more consistent with variations in appointment dates, the Board amended the Regents' Rules and Regulations, Part One, Chapter I, Section 3, Subsection 3.1, regarding the election of the Chairman, to read as set forth below:

Sec. 3. Chairman of the Board.

3.1 Election of Chairman.--The Chairman of the Board shall be elected by the Board from its number, shall serve at the pleasure of the Board, and shall report and be responsible to the Board. In case of the death, resignation, disability, removal, or disqualification of the Chairman, the Board shall elect a successor Chairman as soon as practicable. Election of the Chairman shall take place during the February meeting held in odd-numbered years or, if new members of the Board have not been appointed and received the consent of the Senate, at the next available opportunity.

. . . .

MATTERS RELATED TO THE UNIVERSITY OF TEXAS INVESTMENT MANAGEMENT COMPANY (UTIMCO)

1. U. T. System: Report on Investments for the Fiscal Quarter Ended November 30, 1998.--On behalf of The University of Texas Investment Management Company (UTIMCO), Regent Hicks, Chairman of the UTIMCO Board, summarized the Report on Investments for The University of Texas System for the fiscal quarter ending November 30, 1998, for the Permanent University Fund, Long Term Fund, Short/Intermediate Term Fund, and Separately Invested Assets.

Report by Regent Hicks on Behalf of UTIMCO

Mr. Chairman and members of the Board, I am pleased to summarize on behalf of UTIMCO the investments for The University of Texas System for the fiscal quarter ending November 30, 1998.

Item a on Page 20 presents the summary report for Permanent University Fund (PUF) Investments. PUF Investments began the quarter with a market value of $6.52 billion. During the quarter, contributions of mineral income from PUF Lands equaled $15.1 million, down 41% versus receipts for the first quarter of the prior fiscal year. In addition, total investment return was $722.2 million of which $65.5 million was income return distributed to the Available University Fund (AUF) and $656.7 million was price return. PUF market value ended the year at $7.19 billion.

Quarter-end asset allocation was 64% broadly defined equities and 36% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income. Within equities, quarter-end allocation was 45% U. S. large and mid cap stocks, 4% U. S. small cap stocks, 7% non-U. S. equities and 8% alternative equities.

The PUF's accrued investment income of $65.5 million increased by a nominal rate of 3.8% versus $63.1 million for the first quarter of the prior fiscal year and by 2.3% on an inflation adjusted basis. Distributed investment income for the quarter of $65.5 million was $2.7 million over budget but $2.1 million under investment income earned during the fourth quarter of 1998.

PUF investment income continued to suffer from declining interest rates and the resulting negative reinvestment spreads. The reinvestment spread on maturing and redeemed bonds was a negative 3.80% as bonds ran off at an average yield of 9.33% and were replaced by bonds yielding 5.53%. As of quarter-end, the distributable book yield on the $2.5 billion fixed income portfolio declined to 7.69% versus 7.75% at the beginning of the quarter.

Total investment return for the quarter was 11.1%. The fixed income portfolio posted a total return of 2.4% for the quarter versus 2.4% for the Lehman Aggregate Bond Index. Equities, as an asset class, posted higher relative returns with the S&P 500 Index and Russell 3000 Index both posting returns of 22.0%. The PUF's equity portfolios (including non-U. S. portfolios) produced a lower return of 19.1% largely due to exposure to high yielding REIT and non-U. S. portfolios. Finally, alternative equities produced a 2.2% return for the quarter.

Item b on Page 21 reports summary activity for the Long Term Fund (LTF). During the quarter, net contributions totaled $31.6 million representing a 54% increase over the first quarter of the prior fiscal year. Investment return was $237.2 million. Distributions to the 4,880 endowment and other accounts underlying the LTF totaled $25.1 million, an increase of 21% versus the first quarter of the prior year. The Fund's market value closed the quarter at $2.39 billion.

Asset allocation at quarter-end was 21% fixed income and 79% broadly defined equities. Within equities, U. S. small cap and non-U. S. equities were slightly overweighted at 11% and 16%, respectively, of total assets. U. S. large and mid cap equities were also overweighted at 34% while alternative equities were underweighted at 18% versus a neutral weighting of 25%. Total investment return for the quarter was 10.9% versus the neutral policy portfolio return of 16.0%.

Item c on Page 22 presents quarterly activity for the Short/Intermediate Term Fund. During the quarter, the Fund received net contributions of $29.8 million. It earned $32.5 million in total return and incurred expenses of $100 thousand. Distributions to the U. T. System component institutions equaled $25.9 million, resulting in a quarter-end Fund value of $1.845 billion versus $1.809 billion at the beginning of the quarter. Total return on the Fund was 1.8% for the quarter versus the Fund's performance benchmark of 1.6%.

Item d on Page 23 presents book and market value of cash, fixed income, equity and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of component operating funds held in the Dreyfus money market fund, decreased by $66 million to $628 million during the first quarter. Asset values for the remaining asset classes were fixed income securities: $70 million versus $71 million at previous quarter-end; equities: $43 million versus $35 million at previous quarter-end; and other investments of $6.7 million versus $13 million at previous quarter-end.

a. **PERMANENT UNIVERSITY FUND**

Summary Investment Report at November 30, 1998.--

PERMANENT UNIVERSITY FUND (1)
INVESTMENT SUMMARY REPORT
($ millions)

	FY97-98 Full Year	FY98-99 1st Qtr
Beginning Market Value	**6,368.3**	**6,517.1**
PUF Lands Receipts (2)	79.5	15.1
Investment Income (3)	260.0	65.5
Investment Income Distributed .	(260.0)	(65.5)
Realized Gains	467.6	113.4
Change in Unrealized Gains	(398.3)	543.3
Ending Market Value	**6,517.1**	**7,188.9**
AUF income:		
Investment Income	260.0	65.5
Surface Income	6.6	2.3
Total	266.6	67.8

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.

(1) Excludes PUF Lands mineral and surface interests with estimated August 31, 1998 values of $385.6 million and $154.9 million, respectively.

(2) As of November 30, 1998: 1,335,921 acres under lease; 527,693 producing acres; 3,544 active leases; and 2,069 producing leases.

(3) Investment income includes amortization of discount and premium bonds in accordance with statutory requirements.

b. **LONG TERM FUND**

Summary Investment Report at November 30, 1998.--

LONG TERM FUND
SUMMARY REPORT
($ rillions)

	FY97-98 Full Year	FY98-99 1st Qtr
Beginning Net Assets	**2,125.0**	**2,147.7**
Net Contributions	80.5	31.6
Investment Return (1)	42.6	237.2
Receipt of Funds from System for **UTIMCO** Fee	**2.0**	**0.6**
Expenses	**(7.2)**	**(1.6)**
Distributions (Payout)	(90.9)	(25.1)
Distribution of Gain on Participant Withdrawals	(4.3)	(0.2)
Ending Net &sets	**2,147.7**	**2,390.2**
Net Asset Value per Unit	4.568	5.010
No. of Units (End of Period)	**470,190,284**	**477,070,872**
Distribution Rate per Unit	0.195	0.0525

Report prepared in accordance with Sec. 51.0032 of the **Texas Education Code**.

(1) Investment return for FY 97-98 was adjusted downward **$.1** million from previous report to correct rounding difference between other annual reports.

c. SHORT/INTERMEDIATE TERM FUND

Summary Investment Report at November 30. 1998.--

SHORT/INTERMEDIATE TERM FUND
SUMMARY REPORT
($ millions)

	FY97-98 Full Year	FY98-99 1st Qtr
Beginning Net Assets	**1,631.4**	**1,809.6**
Contributions (Net of Withdrawals)	126.9	29.0
Investment Return	152.8	32.5
Expenses	**(0.5)**	**(0.1)**
Distributions of Income	(101.0)	(25.9)
Ending Net Assets	**1,809.6**	**1,845.9**

Report prepared in accordance with Sec. 51.0032 of the **Texas Education Code**.

d. **SEPARATELY** INVESTED ASSETS

Summary Investment Rem-t **at November 30, 1998.--**

SEPARATELY INVESTED ASSETS
SUMMARY REPORT
($ thousands)

FUND TYPE

ASSET TYPES	CURRENT PURPOSE DESIGNATED		CURRENT PURPOSE RESTRICTED		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		TOTAL	
Cash & Equivalents:	**BOOK**	**MARKET**	**BOOK**	**MARKET**	**BOOK**	**MARKET**	**BOOK**	**MARKET**	**BOOK**	**MARKET**	**BOOK**	**MARKET**	**BOOK**	**MARKET**
Beginning value 9/1/98	3.176	3.176	5310	2,310	32,824	32,824	399	399	30	30	655.753	655.753	694,492	694,492
Increase/(Decrease)	495	495	(967)	(967)	(17,143)	(17,143)	(69)	(69)	1	1	(48,397)	(48,397)	(66,080)	(66,080)
Ending value 11/30/98	3,671	3,671	,	,	.	15,681	330	330	31	31	607,356	607,356	628,412	6 2 8 . 4 1 2
Debt Securities:														
Beginning value 9/1/98			7	5	57,578	59.578	10.535	11.307	•	•	•		68.120	70,890
Increase/(Decrease)					(315)	744	(1.735)	(1.726)	•	•			(2,050)	(982)
Ending value 1 **1/30/98**					26.	60,322	.800	.		•		•	66.	.908
Equity Securities:														
Beginning **value 9/1/98**	42	1.927	204	199	18.231	26,382	6.209	6,295	•		•	•	24,686	34,803
Increase/(Decrease)		2,163	1,487	1.515	(19)	3,617	223	953	•	•			1.691	8,248
Ending value 11/30/98	42	4,090	.	.	,	29,999	,	7,248	•	•	•		26,377	43,051
Other:														
Beginning value 9/1/98	6,300	6.300	367	367	369	369	6.221	5.917	•	•	•	•	13.257	12,953
Increase/(Decrease)	(6,300)	(6,300)	(338)	(338)		168	168 522)	224	•	•	-	-	(6,992)	(6,246)
Ending value 11/30/98		•	29	29		537	537	5,699	6,141	•	• -	-	6,265	6,707

Report prepared in accordance with See. 5 1.0032 of the **Texas Education Code**.
Details of individual assets by account furnished upon request.

2. <u>U. T. Board of Regents: Amendments to the Investment Policy Statements for the Permanent University Fund, Long Term Fund, Short/Intermediate Term Fund, Short Term Fund, and Separately Invested Endowment, Trust, and Other Accounts.</u>--Upon recommendation of the Board of Directors of The University of Texas Investment Management Company, the U. T. Board of Regents approved amendments to the following Investment Policy Statements which are set out in their entirety:

   a. Permanent University Fund Investment Policy Statement, Pages <u>26 - 37</u>

   b. Long Term Fund Investment Policy Statement, Pages <u>38 - 50</u>

   c. Short/Intermediate Term Fund Investment Policy Statement, Pages <u>51 - 58</u>

   d. Short Term Fund Investment Policy Statement, Pages <u>59 - 66</u>

   e. Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, Pages <u>67 - 76</u>.

   Section 3 (a) of the Investment Management Services Agreement dated March 1, 1996, between the Board of Regents of The University of Texas System and The University of Texas Investment Management Company (UTIMCO) provides that UTIMCO shall review the investment policies of the assets under its management and recommend any changes of such policies for approval by the U. T. Board of Regents. These amendments are the result of an annual policy review and were approved by the UTIMCO Board of Directors on December 10, 1998. General amendments include language in the general investment guidelines for index and other commingled funds managed externally, and states that these funds shall be governed by the terms and conditions of the Investment Management Contract. The language regarding the use of Repurchase and Reverse Repurchase Agreements has been expanded and the guidelines regarding the holdings of eligible fixed income derivative securities has been further defined. Specific amendments expand the holdings of fixed income securities for the Permanent University Fund (PUF) to include U. S. government agencies, and U. S. government sponsored entities.

Chairman Evans noted that this would be the last time retiring Regent Hicks would deliver the UTIMCO report and he thanked Regent Hicks for his vision and service on the Board of Directors of UTIMCO. Chairman Evans added that the restructuring of UTIMCO will have a lasting impact on The University of Texas System that will benefit all children in the State of Texas.

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT

Purpose

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

Fund Organization

The Permanent University Fund 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 Permanent University Fund were completed in 1883 with the contribution of an additional one million acres of land. Today, the Permanent University Fund contains **2,109,190** acres of land (the **"PUF** Lands") located in 24 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, in the form of 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 in securities. Surface income, as a renewable source of income, is distributed to the Available University Fund, (the "AUF") as received.

The Constitution prohibits **the** distribution and expenditure of mineral income contributed to the Fund and the realized and unrealized gains earned **from** Fund investments. The Constitution also requires the distribution of all PUF investment income to the AUF to be expended for certain authorized purposes.

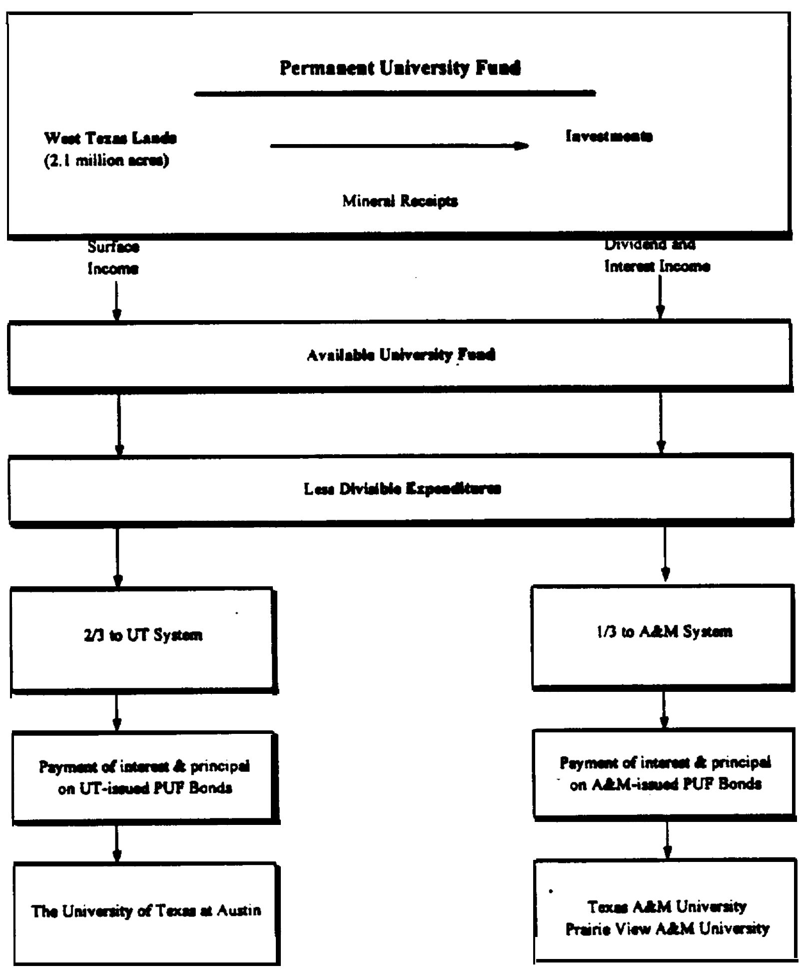
The expenditure of PUP income distributed to the AUF is subject to a prescribed order of priority:

First, expenses incurred in the administration of PUP Lands and Investments. Resolutions adopted by the U. T. Board of Regents (the "U. T. Board") require that administrative expenses of the **PUF** be restricted to a minimum consistent with prudent business judgment. Second, following a **2/3rds** and **1/3rd** allocation of distributed **PUF** income (net of administrative expenses) to the U. T. System and Texas A&M University System, respectively, expenditures for debt service on PUF bonds. Article VII of the Texas Constitution authorizes the U. T. Board and the Texas A&M University System (the "TAMUS Board") to issue bonds payable from their respective interests in distributed PUF income 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 projected interest in PUF net income for each System covers projected debt service at least 1.5 times.

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

The distribution of income and expenditures from the PUF to the AUF is depicted below in Exhibit 1:

Exhibit 1



Fund Management

Article VII of the Texas Constitution assigns fiduciary responsibility for managing and investing the Fund to the U. T. Board. Article VII authorizes the U. T. Board, subject to procedures and restrictions it establishes, to invest the Fund in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent person investment standard. This standard requires that the U. T. Board, in making investments, shall exercise the judgment and care under the circumstances then prevailing which persons of ordinary prudence, discretion and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income therefrom as well as the probable safety of their capital.

Ultimate fiduciary responsibility for the Fund rests with the Board. Section 66.08 of the Texas Education Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in investment of the PUF. The Fund shall be managed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Fund, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with Fund objectives, and c) monitor Fund performance against Fund objectives. UTIMCO shall invest the Fund's assets in conformity with investment policy.

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

Fund 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 Fund assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Fund Investment Objectives

The primary investment objective.shall be to preserve the purchasing power of Fund assets and annual distributions by earning an average annual total return after inflation of 5.5% over rolling ten-year periods or longer. The Fund's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary fund objective is to generate a fund return in excess of the Policy Portfolio benchmark over rolling five-year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect Fund asset allocation policy targets.

The U. T. Board recognizes that achievement of Fund investment objectives is substantially hindered by the inability to make distributions on a total return basis and current distribution rates in excess of long-term equilibrium levels.

Asset Allocation

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

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

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

2. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of Fund income. Such bonds should be high quality, and intermediate to long-term maturity with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction.

3. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund. Historically, returns for equities have been higher than for bonds over all extended periods. As such, equities represent the best chance of preserving the purchasing power of the Fund.

4. Alternative Equities - generally consist of alternative marketable investments and alternative non-marketable investments. Alternative equity investments shall be expected to earn superior equity type returns over extended periods. The advantages of alternative equity investments are that they enhance long-term returns through investment in inefficient, complex markets. They offer reduced volatility of Fund asset values through their characteristics of low correlation with listed equities and fixed income instruments. The disadvantages of this asset class are that they may be illiquid, require higher and more complex fees, and are frequently dependent on the quality of external managers. In addition, they possess a limited return history versus

traditional stocks and bonds. The risk of alternative equity investments shall be controlled with extensive due diligence and diversification.

Alternative Marketable Equities -
These investments are broadly defined to include hedge funds, arbitrage and special situation funds, high yield bonds, distressed debt, market neutral, commodities and other non-traditional investment strategies whose underlying securities are traded on public exchanges or are otherwise readily marketable. As such, they offer faster **drawdown** of committed capital and earlier realization potential than alternative non-marketable investments. Alternative marketable investments may be made through partnerships, but they will generally provide investors with liquidity at least annually.

Alternative Non-Marketable Investments -
These investments are held either through limited partnership or as direct ownership interests. They include special equity, mezzanine venture capital, oil and gas, real estate and other investments that are privately held and which are **not** registered for sale on public exchanges. In partnership form, these investments require **a commitment of** capital for extended periods of time with no liquidity.

Asset Allocation Policy
The asset allocation policy and ranges herein recognize that the Fund's return/risk profile can be enhanced by diversifying the Fund's investments across different types of **assets** whose returns are not closely correlated. The targets and ranges seek to protect the Fund against both routine illiquidity in normal markets and extraordinary illiquidity during a period of extended deflation.

The long-term asset allocation policy for the Fund must recognize that the 5.5% real return objective requires **a** high allocation to broadly defined equities, including domestic, international stocks, and **alternative** equity investments **of** 50% to 90%. The allocation to **Fixed Income should therefore** not exceed 50% of the Fund.

The Board delegates authority to **UTIMCO to establish specific neutral asset** allocations and ranges within the broad **policy** guidelines described above. UTIMCO may establish specific **asset allocation** targets and ranges for large and small capitalization U. S. stocks, established and emerging market international stocks, marketable and non-marketable alternative equity investments, and other **asset** classes as well as the specific performance objectives for each asset class. Specific asset allocation policies shall be decided by UTIMCO and reported to the U. T. Board.

Performance Measurement
The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines
The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment guidelines include the following:

General

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the Investment Management Contract.
- All investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The Fund may utilize Derivative Securities with the approval of the UTIMCO Board to; a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) to facilitate tradiig; c) to reduce transaction costs; d) to seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) to index or to hedge risks associated with Fund investments; or f) to adjust the market exposure of the asset allocation, including long and short strategies; provided that: i) no leverage is employed in the implementation of such Derivative purchases or sales, ii) no more than 5% of Fund assets are required as an intitial margin deposit for such contracts; iii) the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges. Notwithstanding the above, leverage strategies are permissible

within the alternative equities investment class with the approval of the UTIMCO Board, if the investment strategy is uncorrelated to the Fund as a whole, the manager has demonstrated skill in the strategy, the strategy implements systematic risk control techniques, value at risk measures, and pre-defmed risk parameters.

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

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

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

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

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

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include internal short term pooled investment funds managed by UTIMCO.

- Unaffiliated liquid investment funds must be approved by the chief investment officer.
- Deposits of the Texas State Treasury.
- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (Al or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff& Phelps.
- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff& Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U. S. Treasury securities and rated A-l or P- 1 or the equivalent.
- Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
- Eligible Collateral Securities for Repurchase Agreements are limited to U. S. Treasury securities and U. S. Government Agency securities with a maturity of not more than 10 years.
- The maturity for a Repurchase Agreement may be from one day to two weeks.
- The value of all collateral shall be maintained at 102% of the notional value of the Repurchase Agreement, valued daily.
- All collateral shall be delivered to the PUF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of Repurchase Agreements with maturities greater than seven calendar days may not exceed 10% of the Fund's fixed income assets.
- Overnight Repurchase Agreements may not exceed 25 % of the Fund's fixed income assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as Reverse Repurchase Agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

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

- Not less than 50% of the market value of domestic fixed income securities shall be invested in direct obligations of the U. S. Treasury, U. S. government agencies, and U. S. government sponsored entities.
- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer provided that such bonds, at the time of purchase are rated, not less than Baa3 or BBB-, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, or Fitch Investors Service.
- The weighted average maturity of the domestic fixed income portfolio shall be not less than ten years unless approved in advance by the UTIMCO Board.

These guidelines shall not require the sale of any fixed income investments prior to their scheduled maturities unless the credit quality of the fixed income portfolio shall decline below Aa2.

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

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

Equities

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

Alternative Equities

Investments in alternative equities may be made through management contracts with unaffiliated organizations (including but not limited to limited partnerships, trusts, and joint ventures) so long as such organizations:

- possess specialized investment skills
- possess full investment discretion subject to the management agreement
- are managed by principals with a demonstrated record of accomplishment and performance in the investment strategy being undertaken
- align the interests of the investor group with the management as closely as possible
- charge fees and performance compensation which do not exceed prevailing industry norms at the time the terms are negotiated.

Investments in alternative equities also may be made directly by UTIMCO in co-investment transactions sponsored by and invested in by a management firm or partnership in which the Fund has invested prior to the co-investment or in transactions sponsored by investment firms well-known to UTIMCO management, provided that such direct investments shall not exceed 25% of the market value of the alternative assets portfolio at the time of the direct investment.

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and applied against UTIMCO management fees. Furthermore, UTIMCO Board approval of UTIMCO management's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's service as a director of an investee company.

Fund Distributions

The Fund shall balance the needs and interests of present beneficiaries with those of the future. Fund spending policy objectives shah 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
c) ensure that the inflation adjusted value of Fund assets after distributions is maintained over the long-term.

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

The Texas Constitution requires that **all** dividends, interest and other income earned **from** Fund investments be distributed to the AUF. At the same time, the Constitution **prohibits** the distribution of mineral income contributed to the **Fund and any realized and unrealized gains** earned on such contributions.

UTIMCO shall be responsible for the establishment of the Fund's asset allocation so as **to** produce an annual income distribution that balances the needs **of current** beneficiaries with those of **future** beneficiaries. The Board explicitly recognizes that the generation of income under the Constitutional provisions governing the Fund **is** highly dependent upon the level of interest rates over which the UTIMCO Board has no control. It also recognizes that the distribution rate as **a** percentage **of the Fund's assets is above average and that the** maintenance of current levels of distributed income reduces the UTIMCO Board's ability to grow income over time.

Fund Accounting

The fiscal year of the **Fund shall** begin on September 1st and end on August 3 1 st. Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, **Government Accounting Standards Board** Statements, industry guidelines, and state statutes, whichever is applicable. Significant asset write-offs or **write-downs** shall be, approved by the **chief** investment officer and reported to the UTIMCO Board.

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 Fund** net assets. **Such valuation of Fund assets shall** be based on the bank trust custody agreement in effect at the date **of** valuation. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

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

Securities Lending

The Fund may participate in a securities lending contract with **a** bank or **nonbank** security lending agent for either short-term or long-term purposes of realizing additional income. Loans of securities by the Fund 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 agent shall be reviewed by UTIMCO to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the Fund 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 Fund. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with **respect** to the Fund solely in the interest of Fund unitholders and shall not invest the Fund 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 February **11, 1999.**

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

The Long Term Fund (the "Fund"), succeeded the Common Trust Fund in February, 1995, and was established by the Board of Regents of The University of Texas System (the "Board") 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 Fund provides for greater diversification of investments than would be possible if each account were managed separately.

Fund Organization

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

Fund Management

Ultimate fiduciary responsibility for the Fund rests with the Board. Section 163 of the Property Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in the investment of the Fund. The Fund shah be governed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Fund, b) determine specific asset allocation targets, ranges, and performance benchmarks consistent with Fund objectives, and c) monitor Fund performance against Fund objectives. UTIMCO shall invest the Fund assets in conformity with investment policy.

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

Fund Administration

UTTMCO 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 Fund assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase Fund Units

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

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

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

A. the purchase of Fund units by foundation **funds** is approved by the chief investment officer

B. all members of the foundation's governing board are also members of the Board

C. the foundation has the same fiscal year **as the** Fund

D. a contract between the Board and the foundation has been executed authorizing investment of foundation funds in the Fund

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

Fund Investment Objectives

The primary investment objective shall be to preserve the purchasing power of Fund assets and annual distributions by earning an average **annual** total return **after** inflation of 5.5% over rolling ten year periods or longer. The Fund's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation **that** will offset lower returns generated in years when the capital markets underperform the rate of inflation.

The secondary **fund** objectives are to generate a fund return in excess of the Policy Portfolio benchmark and the average median return of the universe of the college and university endowments as reported annually by Cambridge Associates and NACUBO over rolling **five-**year periods or longer. The Policy Portfolio benchmark will be established by UTIMCO and will be **comprised** of **a** blend of asset class indices weighted to reflect Fund's asset allocation **policy** targets-

Asset Allocation

Asset allocation is the primary determinant of investmext performance and, subject to the asset allocation ranges specified herein, is the responsibility of UTIMCO. Specific asset allocation targets may be changed from time to time based on the economic and investment outlook. Fund assets shall be allocated among the following broad asset classes based upon their individual return/risk characteristics and relationships to other asset classes:

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

2. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of Fund income. Such bonds should be high quality, and intermediate to long-term duration With reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic contraction.

3. Eauities - provide both current income and growth of income, but their principal purpose is to provide appreciation of the Fund. Historically, returns for equities have been higher than for bonds over all extended periods. Therefore, equities represent the best chance of preserving the purchasing power of the Fund.

4. Alternative Eauities - generally consist of alternative marketable investments and alternative non-marketable investments. Alternative quity investments shall be expected to earn superior quity type returns over extended periods. The advantages of alternative equity investments are that they enhance long-term returns through investment in inefficient, complex markets. They offer reduced volatility of Fund asset values through their characteristics of low correlation with listed equities and fixed income instruments. The disadvantages of this asset class are that they may be illiquid, require higher and more complex fees, and are frequently dependent on the quality of external managers. In addition, they possess a limited return history versus traditional stocks and bonds. The risk of alternative equity investments shall be controlled with extensive due diligence and diversification.

   Alternative Marketable Equities -
   These investments are broadly defined to include hedge funds, arbitrage and special situation funds, high yield bonds, distressed debt, market neutral, commodities and other non-traditional investment strategies whose underlying securities are traded on public exchanges or are otherwise readily marketable. As such, they offer faster drawdown of committed capital and earlier realization potential than alternative non-marketable investments. Alternative

marketable investments may be made through partnerships, but they will generally provide investors with liquidity at least annually.

Alternative Non-Marketable Investments -
These investments are held through either limited partnership or as direct ownership interests. They include special equity, mezzanine venture capital, oil and gas, real estate and other investments that are privately held and which are not registered for sale on public exchanges. In partnership form, these investments require a commitment of capital for extended periods of time with no liquidity. They also generally require an extended period of time to achieve targeted investment levels.

Asset Allocation Policy

The asset allocation policy and ranges herein recognize that the Fund's return/risk profile can be enhanced by diversifying the Fund's investments across different types of assets whose returns are not closely correlated. The targets and ranges seek to protect the Fund against both routine illiquidity in normal markets and extraordinary illiquidity during a period of extended deflation.

The long-term asset allocation policy for the Fund must recognize that the 5.5% real return objective requires a high allocation to broadly defined equities, including domestic, international stocks, and alternative equity investments, of 68% to 90%. The allocation to fixed income investments should therefore not exceed 32% of the Fund.

The Board delegates authority to UTIMCO to establish specific neutral asset allocations and ranges within the broad policy guidelines described above. UTIMCO may establish specific asset allocation targets and ranges for large and small capitalization U. S. stocks, established and emerging market international stocks, marketable and non-marketable alternative equity investments, and other asset classes as well as the specific performance objectives for each asset class. Specific asset allocation policies shall be decided by UTIMCO and reported to the U. T. Board.

Performance Measurement

The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment benchmarks of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines

The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment guidelines include the following:

<u>General</u>

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the Investment Management Contract.
- All investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund assets in such liquid investment fund.
- No securities may be purchased or held which jeopardize the Fund's tax exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The Fund may utilize Derivative Securities with the approval of the UTIMCO Board to; a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) to facilitate trading; c) to reduce transaction costs; d) to seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) to index or to hedge risks associated with Fund investments; or f) to adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of Fund assets are required as an initial margin deposit for such contracts; iii) the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges. Notwithstanding the above, leverage strategies are permissible within the altemative equities investment class with the approval of the UTIMCO Board, if the investment strategy is uncorrelated to the Fund as a whole, the manager has demonstrated skill in the strategy, the strategy implements systematic risk control techniques, value at risk measures, and pre-defined risk parameters.

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

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

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

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

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

Cash and Cash Equivalents

Holdings of cash and cash equivalents may include internal short term pooled investment funds managed by UTIMCO.

- Unaffiliated liquid investment funds must be approved by the chief investment officer.

- Commercial paper must be rated in the two highest quality classes by Moody's Investors Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2).
- Negotiable certificates of deposit must be with a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps.
- Bankers' Acceptances must be guaranteed by an accepting bank with a minimum certificate of deposit rating of 1 by Duff & Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be with a domestic dealer selected by the Federal Reserve as a primary dealer in U. S. Treasury securities; or a bank that is associated with a holding company meeting the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff& Phelps.
- Repurchase Agreements and Reverse Repurchase Agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U. S. Treasury securities and rated A-l or P-l or the equivalent.
    - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
    - Eligible Collateral Securities for Repurchase Agreements are limited to U. S. Treasury securities and U. S. Government Agency securities with a maturity of not more than 10 years.
    - The maturity for a Repurchase Agreement may be from one day to two weeks.
    - The value of all collateral shall be maintained at 102% of the notional value of the Repurchase Agreement, valued daily.
    - All collateral shall be delivered to the LTF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Fund's fixed income assets.
- Overnight Repurchase Agreements may not exceed 25% of the Fund's fixed income assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as Reverse Repurchase Agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

Fixed Income

Domestic Fixed Income

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

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

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

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

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

Such derivatives shall be priced daily.

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

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

Non-U.S. Fixed Income

- Not more than 35% of the Fund's fixed income portfolio may be invested in non-U. S. dollar bonds. Not more than 15% of the Fund's fixed income portfolio may be invested in bonds denominated in any one currency.
- Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
- Not more than 7.5% of the Fund's fixed income portfolio may be invested in Emerging Market debt.
- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.

Equities

I. The Fund shall:

A. hold no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market

B. hold no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by the chief investment officer.

Alternative Assets

Investments in alternative assets may be made through management contracts with unaffiliated organizations (including but not limited to limited partnerships, trusts, and joint ventures) so long as such organizations:

II. possess specialized investment skills

III. possess full investment discretion subject to the management agreement

Iv. are managed by principals with a demonstrated record of accomplishment and performance in the investment strategy being undertaken

V. align the interests of the investor group with the management as closely as possible

VI. charge fees and performance compensation which do not exceed prevailing industry norms at the time the terms are negotiated.

Investments in alternative assets also may be made directly by UTIMCO in co-investment transactions sponsored by and invested in by a management firm or partnership in which the Fund has invested prior to the co-investment or in transactions sponsored by investment firms well known to UTIMCO management, provided that such direct investments shall not exceed 25% of the market value of the alternative assets portfolio at the time of the direct, investment.

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTJMCO and applied against UTIMCO management fees. Furthermore, UTIMCO Board approval of UTIMCO management's service as a director of an investee company shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's service as a director of an investee . company.

Fund Distributions

The Fund shall balance the needs and interests of present beneficiaries with those of the future. Fund 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

c) ensure that the inflation adjusted value of Fund assets after distributions is maintained over the long-term.

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

Pursuant to the Uniform Management of Institutional Funds Act, a governing board may distribute, for the uses and purposes for which the fund is established, the net realized appreciation in the fair market value of the assets of an endowment fund over the historic dollar value of the fund to the extent prudent under the standard provided by the Act. In addition, income may be distributed for the purposes associated with the endowments/foundations.

UTIMCO shall be responsible for establishing the Fund's distribution percentage and determining the equivalent per unit rate for any given year. Unless otherwise established by UTIMCO and approved by the Board or prohibited by the Act, fund distributions shall be based on the following criteria:

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

A. **Increase** the prior year's per unit distribution amount (cents per unit) by the average inflation rate **(C.P.I.)** for the previous twelve quarters. This will be the per unit distribution amount for the next fiscal year. This amount **may be** rounded to the nearest **$.0005** per unit.

B. If the inflationary increase in Step A. results in a distribution rate below **3.5%,** (computed by taking the proposed distribution **amount** per **unit divided** by the previous twelve quarter average market value price per unit) the **UTIMCO** Board, at its sole discretion, may grant an increase in the distribution amount as long as such increase does not result in a distribution rate of more than 4.5%.

C. **If the** distribution rate exceeds **5.5%,** (computed by taking the proposed distribution amount per unit divided by the previous twelve quarter average market value price per unit) the UTIMCO Board at its sole discretion, may reduce the per unit distribution amount.

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

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

Fuqd **Accounting**

The fiscal year of the Fund shall begin on September 1st and end on August 3 1st. Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting **Standards** Board Statements, Government Accounting Standards Board Statements, or industry guidelines,' whichever is applicable. Significant asset write-offs or write-downs **shall** be approved by the chief investment officer and reported to the **UTIMCO** Board.

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 Fund net assets and the net asset value per unit of the Fund. Such valuation of Fund assets shall be based on the **bank** trust custody agreement in effect at the date of valuation. Valuation of alternative assets shall be determined in accordance with the UTIMCO Valuation Criteria for Alternative Assets.

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

Purchase of Fund Units

Purchase of Fund 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 Fund or contribution of assets approved by the chief investment officer, at the net asset value per unit of the Fund as of the most recent quarterly valuation date.

In order to permit complete investment of funds and to avoid fractional units, any purchase amount will be assigned a whole number of units in the Fund based on the appropriate per unit value of the Fund. Any fractional amount of purchase funds which exceeds the market value of the units assigned will be transferred to the Fund but no units shall be issued. Each fund whose monies are invested in the Fund shall own an undivided interest in the Fund in the proportion that the number of units invested therein beam to the total number of all units comprising the Fund.

Redemption of Fund Units

Redemption of Units shall be paid in cash as soon as practicable after the quarterly valuation date of the Fund. If the withdrawal is greater than $10 million, advance notice of 30 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 10% of the Fund's net asset value, the Board may redeem the requested units in installments and on a pro-rata basis over a reasonable period of time that takes into consideration the best interests of all Fund unitholders. Withdrawals from the Fund 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 Fund for a period less than or equal to one year determined from the date of the contribution to the Fund. This provision does not apply to transfer of units between endowment unitholders.

Securities Lending.

The Fund may participate in a securities lending contract with a bank or nonbank security lending agent for either short-term or long-term purposes of realizing additional income.

Loans of securities by the Fund 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 agent shall be reviewed by UTIMCO to insure compliance with contract provisions.

Investor Responsibility

As a shareholder, the Fund 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 Fund Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the Fund solely in the interest of Fund unitholders and shall not invest the Fund 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 February 11, 1999.

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

Purpose

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

Fund Organization

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

Fund Management

Ultimate fiduciary responsibility for the Fund rests with the Board. Section 163 of the Property Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in the investment of the Fund. The Fund shall be governed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Fund, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with Fund objectives, and c) monitor Fund performance against Fund objectives. UTIMCO shall invest the Fund assets in conformity with investment policy.

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

Fund Administration

UTIMCO or its agent 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 Fund assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase Fund Units

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

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

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

A. the purchase of Fund units by foundation funds is approved by the chief investment officer

B. all members of the foundation's governing board are also members of the Board

C. the foundation has the same fiscal year as the Fund

D. a contract between the Board and the foundation has been executed authorizing investment of foundation funds in the Fund

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

Fund Investment Objectives

The primary investment objective shall be to provide both income through investment in high grade fixed income and floating rate obligations and capital appreciation when consistent with income generation, reasonable preservation of capital and maintenance of adequate Fund liquidity. In seeking to achieve its objectives, the Fund shall attempt to minimize the probability of a negative total return over a one-year period. Within the exposure limits contained herein, investments shall be diversified among authorized asset classes and issuers (excluding the U. S. Government) in order to minimize portfolio risk for a given level of expected return.

Achievement of this objective shall be defined by a fund return in excess of the Policy Portfolio benchmark and the average return of the median manager of the MorningStar universe of government bond funds restricted to an average maturity of less than or equal to three years. The Policy Portfolio benchmark will be established by UTIMCO and will be comprised of a blend of asset class indices weighted to reflect Fund asset allocation policy targets.

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

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

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

2. Fixed Income Investments - offer predictable income streams without the remarketing risk often associated with cash and cash equivalents.

3. Floating rate securities - offer protection from unanticipated inflationary pressures.

Asset Allocation Policy
The asset allocation policy and ranges herein seek to protect the Fund against illiquidity in both normal and extraordinary markets.

The Board delegates authority to UTIMCO to establish specific asset allocation targets and ranges within the broad policy guidelines described above. UTIMCO may establish specific asset allocation targets and ranges for or within the asset classes listed above as well as the specific performance objectives for each asset class. Specific asset allocation policies shall be decided by UTIMCO and reported to the Board.

Performance Measurement
The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines
The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the “Prudent Person Rule.”

Investment guidelines include the following:

General

- All investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with discretion to invest in foreign currency denominated securities.
- Investment policies of any unaffiliated liquid investment fund must be reviewed and approved by the chief investment officer prior to investment of Fund assets in such liquid investment fund.
- No securities may be purchased or held which would jeopardize the Fund's tax-exempt status.
- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.
- The Fund may utilize Derivative Securities with the approval of the UTIMCO Board to; a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) to facilitate trading; c) to reduce transaction costs; d) to seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) to index or to hedge risks associated with Fund investments; or f) to adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of Fund assets are required as an initial margin deposit for such contracts; iii) the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- Such Derivative Securities shall be defined to be those instruments whose value is derived, in whole or part, from the value of any one or more underlying assets, or index of assets (such as stocks, bonds, commodities, interest rates, and currencies) and evidenced by forward, futures, swap, cap, floor, option, and other applicable contracts.

  UTIMCO shall attempt to minimize the risk of an imperfect correlation between the change in market value of the securities held by the Fund and the prices of Derivative Security investments by investing in only those contracts whose behavior is expected to resemble that of the Fund's underlying securities. UTIMCO also shall attempt to minimize the risk of an illiquid secondary market for a Derivative Security contract and the resulting inability to close a position prior to its maturity date by entering into such transactions on an exchange with an active and liquid secondary market. The net market value of exposure of

Derivative Securities purchased or sold over the counter may not represent more than 15% of the net assets of the Fund.

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

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

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

- The duration of any eligible investment shall not exceed 10 years.

Risk Management

- Credit risk shall be controlled by UTIMCO who is responsible for the development and maintenance of credit quality standards for the Fund.
- Interest rate risk shall be controlled by limiting tk option-adjusted duration of the portfolio between one-half year and four years unless approved in advance by the UTIMCO Board.
- Not more than 5% of the total value of the securities in the Fund shall be placed with any one issuer (i.e. Commercial Paper, Certificates of Deposit, or Bankers Acceptances) other than the U.S. Treasury, U.S. Agency, or Government Sponsored entities.
- Counterparty exposure in the area of Repurchase Agreements and Reverse Repurchase Agreements shall be not more than 5% of the total value of the securities in the Fund shall be placed with any one counterparty.

Eligible Investments

Holdings of cash and cash equivalents may include the following:

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

  - Each approved counterpatty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
  - Eligible Collateral Securities for Repurchase Agreements are limi ted to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a Repurchase Agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the Repurchase Agreement, valued daily.
  - All collateral shall be delivered to the SITF custodian bank. Tri-party collateral arrangements are not permitted.
  - Reverse Repurchase Agreements shall be used to fund the liquidity facility for the University of Texas System revenue financing notes.
  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Fund's total assets.
  - Overnight repurchase agreements may not exceed 25% of the Fund's total assets.

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

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

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

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

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

Such derivatives shall be priced daily.

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

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

Fund Distributions

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

Fund Accounting

The fiscal year of the Fund shall begin on September 1st and end on August 3 1st. Market value of the Fund **shall** be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, or industry guidelines, whichever is applicable. Significant asset write-offs or write-downs shall be approved by the chief investment officer and reported to the UTIMCO Board.

Valuation of Assets

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

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

Purchase of Fund Units

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

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

Redemption of Fund Units

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

Securities Lending

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

Investor Responsibility

The UTIMCO Board shall discharge its fiduciary duties with respect to the Fund solely in the interest of Fund unitholders and shall not invest the Fund 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 February 11, 1999.

THE UNIVERSITY OF TEXAS SYSTEM
SHORT TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

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

Fund Organization

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

Fund Management

Ultimate fiduciary responsibility for the Fund rests with the Board. Section 163 of the Property Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in the investment of the Fund. The Fund shall be governed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Fund, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with Fund objectives, and c) monitor Fund performance against Fund objectives. UTIMCO shall invest the Fund assets in conformity with investment policy.

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

Fund Administration

UTIMCO or its agent 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 Fund assets shall comply with applicable law and be structured so as to provide essential safekeeping and trading efficiency.

Funds Eligible to Purchase Fund Units

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

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

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

A. the purchase of Fund units by foundation funds is approved by the chief investment officer
B. all members of the foundation's governing board are also members of the Board
C. the foundation has the same fiscal year as the Fund
D. a contract between the Board and the foundation has been executed authorizing investment of foundation funds in the Fund
E. no officer of such foundation, other than members of the Board, the Chancellor, the chief investment officer or his or her delegate shall have any control over the management of the Fund other than to request purchase and redemption of Fund units.

Fund Investment Objectives

The primary investment objective shall be to maximize current income consistent with the absolute preservation of capital and maintenance of adequate Fund liquidity. The Fund shall seek to maintain a net asset value of $1 .OO.

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

Asset Allocation

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

Fund assets shall be allocated among the following broad asset class:

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

Performance Measurement

The investment performance of the Fund will be measured by an unaffiliated organization, with recognized expertise in this field and reporting responsibility to the UTIMCO Board, and compared against the stated investment objectives of the Fund. Such measurement will occur at least annually, and evaluate the results of the total Fund, major classes of investment assets, and individual portfolios.

Investment Guidelines

The Fund must be invested at all times in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment guidelines include the following:

General

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

short strategies; provided that; i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of Fund assets are required as an initial margin deposit for such contacts; iii) the Fund's investments in warrants shall not exceed more than 5% of the Fund's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

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

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

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

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

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

Eligible Investments

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

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation.
- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-l by Standard & Poor's Corporation and P-l by Moody's Investors Service, Inc.

- Floating rate securities, if they meet the single security duration criteria and are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e. a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.

- Repurchase Agreements and Reverse Repurchase Agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U. S. Treasury securities and rated A-l or P-l or the equivalent.

  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.

  - Eligible Collateral Securities for Repurchase Agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.

  - The maturity for a Repurchase Agreement may be from one day to two weeks.

  - The value of all collateral shall be maintained at 102% of the notional value of the Repurchase Agreement, valued daily.

  - All collateral shah be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted

  - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Fund's total assets.

  - Overnight repurchase agreements may not exceed 50% of the Fund's total assets..

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

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

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

Such derivatives shall be priced daily.

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

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

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

Fund Accounting
The fiscal year of the Fund shall begin on September 1st and end on August 3 1st. Market value of the Fund shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, or industry guidelines, whichever is applicable. Significant asset write-offs or write-downs shall be approved by the chief investment officer and reported to the UTIMCO Board

Valuation of Assets
As of the close of business on each business day, UTIMCO shall determine the fair market value of all Fund net assets. Such valuation of Fund assets shall be based on the bank trust custody agreement in effect at the date of valuation.

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

Purchase of Fund Units
Purchase of Fund units may be made on each business day upon payment of cash to the Fund or contribution of assets approved by the chief investment officer, at $1 .00 per unit of the Fund as of the most recent valuation date.

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

Redemption of Fund Units
Redemption of Units may be made on each business day at $1 .OO per unit.

Securities Lending
'The Fund may not participate in a securities lending contract with a bank or nonbank security lending agent.

Investor Responsibility
The UTIMCO Board shall discharge its fiduciary duties with respect to the Fund solely in the interest of Fund unitholders and shall not invest the Fund 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 shah be February 11, 1999.

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

Purpose

The Separately Invested Endowment, Trust, and Other Accounts are Accounts established in the name of the Board of Regents of The University of Texas System (the "Board") as trustee, and are Accounts which are not 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 endowment document; c) of inability to sell the gifted investment asset; or d) they are assets being migrated upon liquidation into a pooled investment vehicle.

Investment Management

Ultimate fiduciary responsibility for the assets of the Accounts rests with the Board. Section 163 of the Property Code authorizes the U. T. Board to delegate to its committees, officers or employees of the U. T. System and other agents the authority to act for the U. T. Board in the investment of the institutional assets for the Account (endowment and operating accounts). The applicable trust instrument will apply to the management of trust investments. The assets for the Account shall be governed through The University of Texas Investment Management Company ("UTIMCO") which shall a) recommend investment policy for the Accounts, b) determine specific asset allocation targets, ranges and performance benchmarks consistent with the Account objectives, and if appropriate c) monitor the Account's performance against Account objectives. UTIMCO shall invest the Account's assets in conformity with investment policy.

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

Account Administration

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

Investment Objectives

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

Trust Accounts-Trust Accounts are defined as either Foundation Accounts or Charitable Trusts (Charitable Remainder Unitrusts (CRUT), Charitable Remainder Annuity Trusts (CRAT), Pooled Income Funds (PIF), Charitable Trusts (CT), or Charitable Lead Trusts (CLT)). The Board 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; d) and consideration to investment preferences of the income beneficiaries. Taking these conditions into consideration, the fundamental investment objectives of the trust will be to generate a low to moderate growth in trust principal and to provide adequate liquidity in order to meet the payout provisions of the trust.

Operating Accounts-These are separate operating accounts of the Component institutions which invest in the Equity Index Fund B and the U. S. Debt Index Fund B. The amount of component operating funds invested in the index funds is governed by the U. T. System Financial Policy.

Asset Allocation

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

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

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

2. Fixed Income Investments - offer the best protection for hedging against the threat of deflation by providing a dependable and predictable source of income for the Account. Such bonds should be high quality, with reasonable call protection in order to ensure the generation of current income and preservation of nominal capital even during periods of severe economic

contraction. This classification shall include fixed income mutual funds.

3. Equities - provide both current income and growth of income, but their principal purpose is to provide appreciation for the Account. Historically, returns for equities have been higher than for bonds over all extended periods. Therefore, equities represent the best chance of preserving the purchasing power of the Account. This classification shall include equity mutual funds.

Variable Annuities- These are insurance contracts purchased on the life or lives of the income beneficiaries and for which the funds underlying the contract are invested in various mutual funds which offer diversification of the Account's assets. These contracts offer some downside market risk protection in case of the income beneficiary's death in the early years of the contract. These investment assets are only appropriate for the charitable remainder trusts.

Asset Allocation Policy

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

The Board delegates authority to UTIMCO to establish specific asset allocation targets and ranges for each trust or endowment Account.

Performance Measurement

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

Investment Guidelines

The Accounts must be invested at all times 'in strict compliance with applicable law. The primary and constant standard for making investment decisions is the "Prudent Person Rule."

Investment guidelines include the following:

<u>General</u>

- Investment guidelines for index and other commingled funds managed externally shall be governed by the terms and conditions of the Investment Management Contract.

- Ail investments will be U. S. dollar denominated assets unless held by an internal or external portfolio manager with **discretion to** invest in **foreign** currency denominated securities.

- Investment policies of any unaffiliated liquid investment Account must be reviewed and approved by the chief investment **officer** prior to investment of Account's assets in such liquid investment Account.

- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.

- No investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.

- No investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The Account may utilize Derivative Securities with the approval of the UTIMCO Board to; a) simulate the purchase or sale of an underlying market index while retaining a cash balance for fund management purposes; b) to facilitate trading; c) to reduce transaction costs; d) to seek higher investment returns when a Derivative Security is priced more attractively than the underlying security; e) to index or to hedge risks associated with Account investments; or **f)** to adjust the market exposure of the asset allocation, including long and short strategies; provided that; i) no leverage is employed in the implementation of such Derivative purchases or sales; ii) no more than 5% of the Accounts assets are required as an initial margin deposit for such contracts; iii) the Account's investments in warrants shall not exceed more than 5% of the Account's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

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

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

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

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

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

Risk Management

- Credit risk shall be controlled by UTIMCO who is responsible for the development and maintenance of credit quality standards for the Account.
- Not more than 5% of the total value of the securities in the Account shall be placed with any one issuer (i.e., Commercial Paper, Certificates of Deposit, or Bankers Acceptances) other than the U. S. Treasury, U. S. Agency, or Government Sponsored entities.
- Counterparty exposure in the area of Repurchase Agreements and Reverse Repurchase Agreements shall not be more than 5% of the total value of the securities in the Account shall be placed with any one counterparty.

Eligible Investments

Holdings of cash and cash equivalents may include the following:

- Unaffiliated liquid (Money Market Funds) investment funds rated AAA_M by Standard & Poor's Corporation.

- Internal short term pooled investment fund managed by UTIMCO.
- Commercial paper, negotiable certificates of deposit, and Bankers' Acceptances must be rated at least A-l by Standard & Poor's Corporation and P-l by Moody's Investors Service, Inc.
- Floating rate securities, if they are based on a spread over or under a well known index such as LIBOR or a Constant Maturity Treasury index. No internally leveraged floating rate securities are permitted (i.e., a coupon equivalent to a formula that creates a multiplier of an index value). The following types of floating rate securities are not eligible for investment; inverse floaters, non-money market based floaters, interest only or principal only floaters, non-dollar based floaters, and range note floaters.
- Repurchase Agreements and Reverse Repurchase Agreements must be transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U. S. Treasury securities and rated A- 1 or P- 1 or the equivalent.
    - Each approved counter-party shall execute the Standard Public Securities Association (PSA) Master Repurchase Agreement with UTIMCO.
    - Eligible Collateral Securities for Repurchase Agreements are limited to U. S. Treasury securities and U. S. Government Agency securities with a maturity of not more than 10 years.
    - The maturity for a Repurchase Agreement may be from one day to two weeks.
    - The value of all collateral shall **be maintained** at 102% of the notional value of the Repurchase Agreement valued daily.
    - All collateral shall be delivered to the Account's custodian bank. Tri-party collateral arrangements are not permitted.
    - The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the Account's total assets.
    - Overnight repurchase agreements may not exceed 10% of the Account's total assets.
- Mortgage Backed Securities (MBS) Dollar Rolls shall be executed as matched book transactions in the same manner as Reverse Repurchase Agreements above. As above, the rules for trading MBS Dollar Rolls shall follow the Public Securities Association standard industry terms.

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

- Permissible securities for investment include the components of the Lehman Brothers Aggregate Bond Index (LBAGG): investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-indices; 1) Government: Treasury and Agency; 2) Corporate: Industrial, Finance, Utility, and Yankee; 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA; and 4) Asset-backed securities. In addition to the permissible securities listed above, the following securities shall be permissible: a) floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the LBAGG as issuers of fixed rate securities; b) medium term notes issued by investment grade corporations; c) zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and d) structured notes issued by LBAGG qualified entities.
- U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or an equivalent rating by a nationally recognized rating agency at the time of acquisition.
- Not more than 5% of the market value of domestic fixed income securities may be invested in corporate and municipal bonds of a single issuer provided that such bonds, at the time of purchase, are rated, not less than Baa or BBB, or the equivalent, by any two nationally-recognized rating services, such as Moody's Investors Service, Standard & Poor's Corporation, Fitch Investors Service.
- Not more than 35% of the Account's fixed income portfolio may be invested in non-U. S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency.
- Nondollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
- Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.

- International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
- Permissable securities for investment include Fixed Income Mutual Funds as approved by the Chief Investment Officer.
- Permissable securities for investment include Fixed Income Variable Annuity Contracts as approved by the Chief Investment Officer.

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

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

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

Such derivatives shall be priced daily.

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

For the purpose of this policy Collateralized Mortgage Obligations ("CMO's") are considered to be MBS, not derivatives.

Equities

I. The Account may purchase equity securities as long as it
   A. holds no more than 25% of its equity securities in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at market.
   B. holds no more than 5% of its equity securities in the securities of one corporation at cost unless authorized by the Chief Investment Officer.

These provisions do not apply to an endowment in which the agreement prohibits the sale of an equity security.

II. The Account may purchase Equity Mutual Funds and Equity Variables Annuity Contracts as approved by the Chief Investment Officer.

Distributions
Distributions of income or amounts from the Accounts to the beneficiaries shall be made as soon as practicable, either a) based on the terms of the trust instrument; b) following the fiscal quarter end for endowments; c) on or after the last day of the month for operating Accounts.

Accounting
The fiscal year of the Accounts shall begin on September 1 st and end on August 3 1 st. Trusts will also have a tax year end which may be different than August 3 1 st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Financial Accounting Standards Board Statements, Government Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or write-downs shall be approved by the chief investment officer and reported to the UTIMCO Board.

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

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

Investor Responsibility
As a shareholder, the Account has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as

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

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be February 11, 1999.

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 10:15 a.m., the Board recessed for the meetings of the Standing Committees, and Chairman Evans announced that at the conclusion of each committee meeting the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Page 78).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Evans reported that there were no items referred from the Executive Committee to the Board.

REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 79 - 87)--Committee Chairman Riter reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 96 (Catalog Change).--Upon recommendation of the Business Affairs and Audit Committee, the Board approved Chancellor's Docket No. 96 in the form distributed by the Executive Secretary. It is attached following Page 132 in the official copies of the Minutes and is made a part of the record of this meeting.

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

   It was ordered that any item included in the Docket that normally is published in the institutional catalog be included in the next appropriate catalog published by the respective institution.

2. U. T. Board of Regents: Regents' Rules and Regulations, Part One: Amendments to Chapter I, Section 9, Subsection 9.2, Subdivision 9.29 (Delegation of Authority to Execute and Deliver Contracts, Agreements, and Documents).--Authorization was given to amend the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.29, regarding delegation of authority to execute and deliver contracts, agreements, and documents, to read as set forth below:

   9.2 . . .

   9.29 The following contracts and agreements must be approved by the Board via the docket or the agenda, regardless of the contract amount:

   9.291 Contracts and agreements of any kind or nature with a
   foreign government or agency thereof, except affiliation agreements prepared on the standard form approved by the Office of General Counsel.

9.292 Contracts and agreements for sponsored research with a
corporation or other entity organized and operating under the laws of a foreign state.

. . . .

These amendments to the Regents' Rules and Regulations, Part One, Chapter I, Section 9, Subsection 9.2, Subdivision 9.29 will streamline the process for approval of standard foreign affiliation agreements by eliminating the need for approval by the Executive Vice Chancellor for Health Affairs or the Vice Chancellor for Academic Affairs and subsequent approval by the U. T. Board of Regents. The chief administrative officer or his or her designate will have approval authority for all affiliation agreements prepared on the standard form approved by the Office of General Counsel.

3. U. T. Board of Regents: Adoption of the Eighth Supplemental Resolution to the Master Resolution Authorizing the Issuance of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 2001, in an Aggregate Amount Not to Exceed $85,000,000; Appointment of Bankers Trust Company, New York, New York, as Paying Agent/Registrar; Appointment of Chase Bank of Texas, N. A., Dallas, Texas, as Escrow Agent; Appointment of McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel; Appointment of Dain Rauscher Incorporated, Dallas, Texas, as Financial Advisor; Authorization for Officers of U. T. System to Enter into Master Interest Rate Swap Agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Lehman Brothers Financial Products Inc., and Morgan Guaranty Trust Company of New York and to Complete All Transactions; and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--Upon recommendation of the Business Affairs and Audit Committee, the Board:

   a. Adopted the Eighth Supplemental Resolution to the Master Resolution to authorize the issuance of Board of Regents of The University of Texas System Revenue Financing System Refunding Bonds, Series 2001, in an aggregate principal amount not to exceed $85,000,000 and maturing not later than 2013, to be used to refund Revenue Financing System Bonds, Series 1991A and Series 1991B, and to pay the cost of issuance

b. Appointed Bankers Trust Company, New York, New York, as Paying Agent/Registrar

c. Appointed Chase Bank of Texas, N. A., Dallas, Texas, as Escrow Agent

d. Appointed McCall, Parkhurst & Horton L.L.P., Dallas, Texas, as Bond Counsel

e. Appointed Dain Rauscher Incorporated, Dallas, Texas, as Financial Advisor

f. Authorized appropriate officers and employees of the U. T. System as set forth in the Eighth Supplemental Resolution to enter into master interest rate swap agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Lehman Brothers Financial Products Inc., and Morgan Guaranty Trust Company of New York and to execute confirmations under such agreements in connection with the issuance of the Series 2001 Bonds as contemplated in the Eighth Supplemental Resolution

g. Authorized appropriate officers and employees of the U. T. System as set forth in the related documents to take any and all actions necessary to carry out the intentions of the U. T. Board of Regents to complete the transactions as provided in the Resolution, including the selection of the underwriters and remarketing agent for the Series 2001 Bonds.

Note: The Eighth Supplemental Resolution to the Master Resolution with related documents, which were before the Board, are not included in these Minutes but are on file in the Office of the Board of Regents.

In accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 84, the Board resolved that:

a. Parity Debt shall be issued to refund outstanding revenue financing system debt and the financial obligations of the Board under the interest rate swap agreements will constitute parity debt

b. 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, including the obligation to pay the purchase price of tendered Bonds and the obligations under the interest rate swap agreements, and to meet all financial obligations of the U. T. Board of Regents relating to the Financing System

c. U. T. component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance and incurrence by the U. T. Board of Regents of Parity Debt.

The Internal Revenue Code allows outstanding bonds to be advance refunded (refunded prior to the bond's call date) once if the original bonds were issued after 1986. In 1991, Revenue Financing System Bonds, Series 1991A and 1991B, were issued to advance refund Series 1986 outstanding bonds, which resulted in a lower interest cost. The Series 1991A and 1991B Bonds have interest rates ranging from 6.6% to 7% and are callable August 15, 2001. On the call date, new bonds may be issued to refund the outstanding debt. With the historically low interest rate environment, locking in today's rates is more desirable than waiting until 2001 and bearing the risk that interest rates may be higher. It is understood that rates could decline by the Year 2001. However, based on most economic projections and the current historically low interest rate environment, the U. T. System Office of Finance projects there is a greater possibility that rates will be equal to or higher by Year 2001.

Procedurally, the Eighth Supplemental Resolution authorizes the staff to enter into interest rate swap agreements with Goldman Sachs Mitsui Marine Derivative Products, L.P., Lehman Brothers Financial Products Inc., and Morgan Guaranty Trust Company of New York. The actual swap provider(s) (also known as the counterparty) will be selected through a competitive bid process with the bids to be reviewed by the Office of Finance, Dain Rauscher Incorporated, the financial advisor, and McCall, Parkhurst & Horton L.L.P., bond counsel.

Prior to the call date of August 15, 2001, the Office of Finance will review the then current interest rates to determine if it is economically advantageous to leave the swap outstanding and issue the Series 2001 Bonds at variable rates or to terminate the swap and issue the Series 2001 Bonds with fixed rates. Proceeds from the variable rate or the fixed rate Series 2001 Bonds would be used to refund the outstanding Revenue Financing System Bonds, Series 1991A and 1991 B.

If tax-exempt interest rates in 2001 are lower than the rate established in the swap confirmation, the swap may be terminated by The University of Texas System ("System") with the payment of a termination fee. If the swap was terminated and the System were to pay a termination fee, the System would offset the fee by issuing fixed rate bonds in a lower interest rate environment. If tax-exempt interest rates in 2001 are higher than the rate established in the swap agreement, the swap may be terminated by the System with receipt of a termination fee from the counterparty. The termination fee would reduce the debt service on long-term bonds that would be issued in the higher interest rate environment.

If the U. T. System decides to issue variable rate rather than fixed rate Series 2001 Bonds to refund the Series 1991A and 1991 B Bonds, the swap will remain outstanding. The Board will pay a fixed rate to the counterparty and receive a floating rate based on a percent of either the London Interbank Offer Rate (LIBOR), the Bond Market Association Swap index, or the actual bond rate swap. The selection of the floating rate will be determined with the execution of the confirmation to the swap agreement.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM **REPRESENTATIVE**

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section **5(a)(ii)** of the Master Resolution in connection with the authorization by the Board to issue "Parity **Debt"** to refund outstanding debt, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED **this** 5 day of January, **1999**

Pamela K. Clayton

Assistant Vice Chancellor **for Finance**

4. U. T. Pan American: Approval to Sell the Residential Property Located at 1200 South Sugar Road, Edinburg, Hidalgo County, Texas, and Authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to Execute All Documents Related Thereto.-The Board, upon recommendation of the Business Affairs and Audit Committee, authorized The University of Texas System Real Estate Office, on behalf of The University of Texas - Pan American, to sell the residential property located at 1200 South Sugar Road in Edinburg, Hidalgo County, Texas. The property will be marketed through a local real estate firm and sold for the best offer at or above its appraised value.

Further, the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate was authorized to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing sale.

This property was acquired by Pan American College (now U. T. Pan American) on February 4, 1966, and a house was constructed on the property in May 1968 and used as the official residence of the President of U. T. Pan American.

5. U. T. Pan American: Authorization to Purchase Real Property Located at 1201 West Schunior Street, Edinburg, Hidalgo County, Texas, and Authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to Execute All Documents Related Thereto.-On behalf of The University of Texas - Pan American, the Board authorized The University of Texas System Real Estate Office to purchase the real property located at 1201 West Schunior Street in Edinburg, Hidalgo County, Texas, at its appraised fair market value, for future campus expansion.

Further, the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate was authorized to execute all documents, instruments, and other agreements and to take all such further actions deemed necessary or desirable to carry out the purpose and intent of the foregoing acquisition.

INFORMATIONAL REPORTS

1. U. T. System: Presentation of the December 1998 Monthlv Financial Report.–Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, reviewed the December 1998 Monthly Financial Report for The University of Texas System and emphasized that there were no variances from budget which did not have reasonable explanations.

   A copy of The University of Texas System Monthly Financial Report as of December 1998 is on file in the Office of the Board of Regents.

2. U. T. Svstem: Presentation of the 1998 Cost Savinas Report.-Executive Vice Chancellor for Business Affairs Burck presented an overview of the 1998 Cost Savings Report for The University of Texas System and noted that the report would be mailed to the members of the Board of Regents.

   In summary, Executive Vice Chancellor Burck noted that the cost savings in the U. T. System for the five-year period 1998 through 2002 is estimated at $694 million attributable to all the campuses and there are 86 new initiatives reported by the component institutions reflecting the success of the program.

   Committee Chairman Riter commended Executive Vice Chancellor Burck and the component chief business officers for their continuing commitment to increase operating efficiencies and to identify and recommend cost saving and revenue enhancement measures.

   A copy of The University of Texas System Cost Savings Report dated December 1998 is on file in the Office of the Board of Regents.

3. U. T. Svstem: Annual Presentation of the Reporting Package for the Board of Regents-Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, reviewed the information contained in the updated University of Texas System "Reporting Package for the Board of Regents" dated February 1999. Information provided in the report includes financial, investment, and research data for the U. T. System institutions covering a five-year period ending August 31, 1998. The report also includes faculty, employee, and student demographics extending from the Fall 1994 through the Fall 1998 Semester.

A copy of the "Reporting Package for the Board of Regents" dated February 1999 is on file in the Office of the Board of Regents and is also available on the World Wide Web.

4. U. T. System: Progress Report on Action Plan for Institutional Compliance.-- With the aid of slides, Executive Vice Chancellor Burck presented a progress report on the action plan for institutional compliance for The University of Texas System. Recognizing that U. T. System is a big business, a large conglomerate whose assets, annual budget, diversity of business operations, and number of employees would easily qualify it as a Fortune 500 company, Mr. Burck noted the Board of Regents and Chancellor Cunningham instructed U. T. System executive management in January 1998 to ensure an effective, viable Institutional Compliance Program is operational throughout the System. Executive Vice Chancellor Burck noted that the purpose of such a compliance program is to support and further the System's commitment to an ethics-driven business environment where every employee understands and follows the established guidelines and procedures developed to protect the System and its employees from the consequences of violations of laws, rules, and regulations.

Executive Vice Chancellor Burck stated that a compliance infrastructure is now in place for the U. T. System and each component institution and assured the Board that they will be kept fully informed on the ongoing status of institutional compliance. Executive Vice Chancellor Burck then called on Dr. Robert E. Witt, President of The University of Texas at Arlington, who discussed implementation of a specific compliance training program at U. T. Arlington.

A copy of the U. T. System Status of Action Plan to Ensure Institutional Compliance, as approved by the Chancellor and presented to the Business Affairs and Audit Committee on April 24, 1998, is on file in the Office of the Board of Regents.

Committee Chairman Riter acknowledged the enormous undertaking by Executive Vice Chancellor Burck and the component institutions to ensure that all persons comply with rules, regulations, and guidelines.

Chairman Evans commended Regent Riter on his leadership of the compliance initiative and expressed pleasure that such a system is in place to ensure accountability. He thanked Chancellor Cunningham, the Executive Vice Chancellors, and the Presidents for their involvement in this project.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMIT-TEE (Pages 88 - 93).--**Committee** Chairman Lebermann reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Authorization to Submit Core Curricula in Excess of 42 Semester Credit Hours to the Coordinating Board on Behalf of the Component Institutions.--In July 1998, the Texas Higher Education Coordinating Board adopted revised Rules and Regulations (Chapter 5, Subchapter S, Section 5.403) concerning core curricula in excess of 42 semester credit hours. The new rules require that such core curricula have prior approval of an institution's governing board before submission to the Coordinating Board. The rules further require that the institution provide a narrative justifying the need of a larger core curriculum, that the larger core curriculum is consistent with the institution's role and mission, and that a proposed upper-division core course is not substantially comparable in content or depth of study to a lower-division course listed in the "Texas Common Course Numbering System."

   In order to streamline this submission process, the Board, upon recommendation of the Academic Affairs and Health Affairs Committees, delegated to the appropriate Executive Vice Chancellor or Vice Chancellor:

   a. Authorization to review and approve on behalf of the U. T. Board of Regents all institutional core curricula in excess of 42 semester credit hours for The University of Texas System components

   b. Authorization to submit, on behalf of the component institutions and the U. T. Board of Regents, such core curricula to the Texas Higher Education Coordinating Board for review and approval.

   U. T. Permian Basin is the first institution to submit a request for approval of a core curriculum in excess of 42 semester credit hours under the new Coordinating Board rules. The Vice Chancellor for Academic Affairs will submit U. T. Permian Basin's request for a core curriculum of 44 semester credit hours to the Coordinating Board for review and approval.

2. U. T. Arlington and U. T. Dallas: Authorization to Charge Nonresident Tuition Rates to Graduate Students Exceeding 99 Doctoral Hours (Catalog Change).--Section 54.066 of the Texas Education Code, which was passed by the 75th Texas Legislature in 1997, authorizes the governing board of an institution of higher education to charge a resident doctoral student tuition at the rate charged a nonresident doctoral student if the resident student has more semester credit hours of doctoral work than allowed for purposes of state funding for the current state fiscal biennium. Section 61.059(l) of the Texas Education Code, also enacted in 1997, directs the Coordinating Board to withhold formula funding, with certain exceptions, for doctoral students who have a total of 100 or more semester credit hours of doctoral work at an institution of higher education.

The Board, upon recommendation of the Academic Affairs Committee, authorized The University of Texas at Arlington and The University of Texas at Dallas to charge a tuition rate that is higher than the regular tuition rate but does not exceed the statutory nonresident tuition rate to graduate students who accumulate in excess of 99 doctoral hours. Such tuition rates will apply only to graduate students who enroll under the Summer 1999 or subsequent catalogs at U. T. Arlington and graduate students who enroll under the Fall 1999 or subsequent catalogs at U. T. Dallas. This authorization will allow those component institutions to recover a portion of the lost formula funding.

Upon approval of the respective component chief administrative officer, the next appropriate catalogs published at U. T. Arlington and U. T. Dallas will be amended to reflect this action.

3. U. T. Austin: Authorization to Conduct a Private Fund-Raising Campaign for the Benefit of the IC^2 (Innovation, Creativity, Capital) Institute (Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.4, Subdivision 2.44).--Authorization was granted to The University of Texas at Austin to conduct a private fund-raising campaign for the benefit of the IC^2 (Innovation, Creativity, Capital) Institute, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 2, Subsection 2.4, Subdivision 2.44, relating to private fund-raising campaigns.

Founded in 1977, the IC^2 Institute at U. T. Austin has established an outstanding national and global reputation as a unique and nontraditional center for research and educational excellence. Its mission is to discover, explain, test, and disseminate breakthrough knowledge that accelerates wealth creation and prosperity sharing. The Institute's activities consist of applications research, pioneering educational programs, and activities to foster development of technology-based businesses, globally and in Austin.

The primary initiative of the campaign at U. T. Austin is to support a plan to allocate land on the west tract of the U. T. Austin Pickle Campus for a new facility for the IC^2 Institute. The campaign goal is to raise approximately $25,000,000 for the new facility and programming to include an allocation of up to 25 acres for a building, parking, and possible future expansion. The IC^2 Institute's operations are self-supporting and the Institute receives no State appropriations.

Committee Chairman Lebermann called on Dr. George Kozmetsky, Executive Associate for Economic Affairs for the U. T. System and founder of the IC^2 Institute at U. T. Austin, who reported that international recognition and growth of the Institute over the past 22 years require the new facility and site.

Regent Lebermann thanked Dr. Kozmetsky for serving as a catalyst to the institute and responding to the request of Regent Sanchez to assist in U. T. System technology commercialization and capitalization activities.

4. U. T. Austin: Resolution of Aooreciation to Reaent Thomas 0. Hicks, Chairman and Chief Executive Officer, and Mr. Charles W. Tate. President, both of Hicks, Muse, Tate and Furst, Inc., Dallas. Texas.-Committee Chairman Lebermann called on Regent Smiley who read the following resolution related to the gift of the historical and original Alamo Diary to The University of Texas at Austin:

RESOLUTION OF APPRECIATION

WHEREAS, Through the efforts of two great Texans, The University of Texas at Austin has received an invaluable chronicle of life in early Texas, as well as an eyewitness account of the most celebrated military engagement in the history of our State-the memoir of Lieutenant Colonel Jose Enrique de la Pena;

WHEREAS, This contribution will further enhance the reputation and usefulness of the University's scholarly collections, including the most extensive compilation in existence of original manuscripts, maps, books, and newspapers documenting the history of Texas;

WHEREAS, The commitment of these two Texans to expanding human knowledge and the historical record of our State's illustrious past resulted in their generous bid for the de la Pena memoir at a spirited auction; and

WHEREAS, The University vows to make the permanent home of the de la Pena memoir on Texas soil-always and forever.

NOW, THEREFORE BE IT RESOLVED, That the members of the Board of Regents of The University of Texas System commend and extend utmost gratitude to two great citizens of Texas and friends of the University, Charles W. Tate and Thomas 0. Hicks; and be it further

RESOLVED, That originals of this Resolution be presented to Charles W. Tate and Thomas 0. Hicks as a token of esteem and the gratitude of the Board, The University of Texas System, The University of Texas at Austin, and the people of Texas, and that a copy of this Resolution be placed in the Minutes of this meeting as a testament to the generosity, devotion to scholarship, and support of the University demonstrated by Charles W. Tate and Thomas 0. Hicks.

Adopted by the Board of Regents of The University of Texas System on this 11 th day of February 1999.

(signed by the Chairman of the Board and Executive Secretary to the Board)

Regent Hicks abstained from the vote following which he graciously accepted this accolade.

5. U. T. Dallas: Establishment of a Bachelor of Arts Degree in Gender Studies and Authorization to Submit the Degree Proaram to the Coordinatinn Board for Approval (Catalog Change).--Authorization was granted to establish a Bachelor of Arts degree in Gender Studies at The University of Texas at Dallas and to submit the proposal to the Texas Higher Education Coordinating Board for review and approval. This degree program is consistent with U. T. Dallas' Table of Programs as approved by the U. T. Board of Regents and with institutional plans for offering quality degree programs to meet student needs.

The Bachelor of Arts degree in Gender Studies is distinguished from traditional women's studies programs in its interdisciplinary, policy-oriented focus and will address the historical, psychological, and sociocultural origins of past and present gender arrangements and the institutions that support them. The program will study the effects of gender in the arts, the sciences, technology, the economy, business, and religion by drawing on many existing courses in the current course inventory.

U. T. Dallas currently offers a rich array of gender-related courses taught by recognized scholars. The new courses will be developed by current faculty members who hold tenured positions. Part-time lecturers will be employed to teach courses now being taught by those tenured faculty members to allow the tenured faculty to devote time to developing and teaching the new courses.

It is anticipated that the gender studies program will enroll 15 students each year for the first three years and 20 to 25 students for each of the fourth and fifth years. The estimated additional cost to offer this program is $172,000.

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

Upon conclusion of the Academic Affairs Committee, Chairman Evans thanked Committee Chairman and retiring Regent Lebermann for his devoted service to the Committee.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 94 - 102).--Committee Chairman Loeffler reported that the Health Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Amendment of Article V, Section 4, Subsection R of The University of Texas System Professional Medical Liability Benefit Plan.--The Board, upon recommendation of the Health Affairs Committee, amended Article V, Section 4, Subsection R of The University of Texas System Professional Medical Liability Benefit Plan to correct wording inadvertently omitted in the basic Plan document adopted by the U. T. Board of Regents on February 12, 1998, as set forth below:

ARTICLE V
COVERAGE OF PARTICIPANTS

. . .

Section 4 - - Exclusions

The System will not defend or pay under this coverage for:

. . .

R. Any claim arising out of professional services where the professional services were billed for by the participant and were not deposited in a System health component practice plan trust or affiliated foundation or certified not-for-profit corporation as approved by the U. T. Board of Regents;

. . . .

2. U. T. System: Authorization to Submit to the Coordinating Board Revised Mission Statements for U. T. Health Science Center - Houston and U. T. Health Science Center - San Antonio and Revised Consolidated Table of Programs for U. T. Health Institutions--Upon recommendation of the Health Affairs Committee authorization was granted for The University of Texas System Administration to submit to the Texas Higher Education Coordinating Board revised Mission Statements and Table of Programs which are consistent with the respective component institutions' long-range strategic plans and newly assigned responsibilities relating to the implementation of the Lower Rio Grande Valley Regional Academic Health Center and The University of Texas Public Health School – Houston Satellite in Brownsville. The revised Mission Statements for The University of Texas Health Science Center at Houston and The University of Texas Health Science Center at San Antonio and the consolidated Table of Programs for the U. T. health institutions are shown on Pages 97 - 100.

Section 61.051 of the Texas Education Code requires the Texas Higher Education Coordinating Board to periodically review the Role and Mission Statements, Tables of Programs, and all degree and certificate programs offered by public institutions of higher education.

The U. T. Board of Regents first approved Tables of Programs for U. T. System institutions in June 1984 as a part of the U. T. System strategic planning process. The Tables of Programs have guided planning in the U. T. System since that time. Subsequently, the Coordinating Board adopted more detailed tables using footnotes in some instances to restrict degree program authority to subsets of the broad discipline categories shown in the tables.

The Coordinating Board staff has indicated that they will continue to use the footnote format. Consequently, U. T. System Administration and the institutional administrators will be called upon to work with Coordinating Board staff to resolve issues associated with the footnotes.

The scope of programs recommended for each U. T. System institution is based primarily upon the size of the population served by that institution and the number of degrees which a population of that size might be expected to earn annually. If the number of degrees projected for a given level and discipline is low, the corresponding row and column in the table is left blank and the university does not seek approval to establish programs in that discipline and level. Exceptions are made at the undergraduate level for the core disciplines in the liberal arts and sciences and at any level and discipline where special circumstances lead to the conclusion that a strong program can be developed with an adequate number of students to operate efficiently.

National data on degrees awarded in the United States have been used as guidelines for the development of these tables. Within the two categories, core disciplines and professional programs, the disciplines are listed in descending order from the discipline in which the most degrees are awarded to the discipline category in which the fewest degrees are awarded. All categories used are those in a national taxonomy for classifying academic programs. As a general rule, institutions serving a larger population will have degree program authority for more categories than will smaller institutions.

The revised Table of Programs for the U. T. health institutions summarizes the major changes to be presented to the Coordinating Board. The Coordinating Board will be asked to grant degree program planning authority for the disciplines and levels coded "2." In addition, the Coordinating Board will be asked to remove some of its current restrictions in disciplines and levels coded "1 ." All disciplines and levels with a "1" code have been previously approved by the U. T. Board of Regents.

In May 1998, the U. T. Board of Regents approved the institutions' Mission Statements and authorized the U. T. System Administration to negotiate with the Coordinating Board staff to expand the Tables of Programs adequately to provide for the planned addition of new degree programs. Some minor changes to the narrative Mission Statements for U. T. Health Science Center - Houston and U. T. Health Science Center - San Antonio were proposed to reflect the new responsibilities assigned to these institutions by the U. T. Board of Regents in November 1998 as they relate to the Lower Rio Grande Valley Regional Academic Health Center and the U. T. Public Health School - Houston Satellite in Brownsville.

Copies of the Mission Statements and Tables of Programs in the Coordinating Board's footnote format are on file in the U. T. System Office of Health Affairs. The next comprehensive review and amendment to the Tables of Programs by the Coordinating Board will provide the framework and planning authorization for new degree programs to be implemented during the following four years. It is anticipated that the Coordinating Board will act upon these materials at its April 1999 meeting. Following approval, the final versions will be on file in the Office of Health Affairs.

The University of Texas Health Science Center at Houston

Mission Statement

The University of Texas Health Science Center at Houston (UTHSC-H) is a component of The University of Texas System and, as such, is committed to the pursuit of high standards of achievement in instruction, student performance, clinical service, research, and scholarly accomplishment toward improvement of the health of Texans.

As an academic health science center, this institution is one in which undergraduate, graduate and post-graduate students are educated broadly in the sciences of health and disease and are prepared for health-related careers in the provision of human services, and for investigating the mysteries of the biomedical sciences. Within an environment of academic freedom, students learn from faculty scholars who have in-depth expertise in the predominant health disciplines and the biomedical sciences. Research, both to extend human knowledge related to health and to develop and maintain their own scholarly and professional expertise, is led by a faculty who involves and educates students and trainees in their research pursuits.

UTHSC-H consists of the following organizational units, which are listed by date of establishment:

Dental Branch (established 1905; joined UT 1943)*
Graduate School of Biomedical Sciences (1963)'
School of Public Health (1967)*
Medical School (1970)*
School of Nursing (1972)*
School of Allied Health Sciences (1973)*
Harris County Psychiatric Center (established 1981; joined UT 1989)

The comprehensiveness of this university, featuring the presence of six major health-related schools-medicine, dentistry, public health, nursing, allied health, and biomedical science-provides an environment beneficial to collaborative endeavors in teaching, research, and service. Interdisciplinary projects and activities bring faculty and students together in a rich learning environment. Collectively, these units respond to the health care manpower needs of the citizens of Texas, the City of Houston, and Harris County and its surrounding counties by developing creative models for the training of health professionals, particularly emphasizing interdisciplinary educational models, and addressing the growing demand for primary care health professionals.

With over 200 clinical affiliates in the State, UTHSC-H provides health professions students with a variety of clinical and community-based experiences. With such experiences in urban, suburban, and rural environments, UTHSC-H students are trained where Texans live. The School of Public Health, the only accredited school of public health in the State of Texas, acknowledges and accepts a unique responsibility to reach throughout the State to prepare individuals for the challenges of this expanding field. Three satellite programs are already in place with others planned for the future to assist in meeting the increasing demand for public health professionals. A new program in health informatics is also unique in Texas-and the nation. With its interdisciplinary focus, this program should provide an invaluable resource of expertise and training in health informatics for our State.

In addition to the six schools, the Harris County Psychiatric Center (HCPC) is a unique feature of the organization that is committed to advances in mental health services and care as well as education of mental health care professionals.

The University of Texas Health Science Center at Houston considers itself a member of a large learning community and works to contribute to and draw from the intellectual pursuit of the other institutions in the Texas Medical Center and the greater Houston area. To benefit this local community and the entire State of Texas, this institution offers a variety of continuing education programs to assist practicing health professionals in utilizing the latest findings of research from the worldwide community of scholars in clinical and biomedical fields. As a result of participation in these professional enhancement programs, practitioners adopt new modalities for the treatment and prevention of disease. With these outreach efforts and programs aimed at promoting science and math as well as careers in health care to young students in grades K-12, UTHSC-H will meet new challenges to the health of the citizens of the State of Texas.

*The units included in the above list offer degrees and programs with subjects limited to health-related fields.

The University of Texas Health Science Center at San Antonio

Mission Statement

The mission of The University of Texas Health Science Center at San Antonio is to serve the needs of the citizens of Texas, the nation, and the world through programs committed to excellence and designed to:

- educate health professionals for San Antonio and the entire South Texas Community and for the State of Texas to provide the best possible health care, to apply state-of-the-art treatment modalities, and to continue to seek information fundamental to the prevention, diagnosis, and treatment of disease.
- play a major regional, national and international role as a leading biomedical education and research institution in the discovery of new knowledge and the search for answers to society's health care needs.
- be an integral part of the health care delivery system of San Antonio and the entire South Texas community, as well as an important component of the health care delivery system of the State of Texas and the nation.
- serve as a catalyst for stimulating the life science industry in South Texas, culminating in services and technology transfer that benefit local and state economies.
- offer continuing education programs and expertise for professional and lay communities.

Table 1

TABLE OF PROGRAMS
THE UNIVERSITY OF TEXAS SYSTEM
HEALTH INSTITUTIONS
February 1999

Disciplines	Certificate					Bachelor					Masters					Doctoral					Professional				
	DAL	GAL	HOU	SAN	MDA	DAL	GAL	HOU	SAN	MDA	DAL	GAL	HOU	SAN	MDA	DAL	GAL	HOU	SAN	MDA	DAL	GAL	HOU	SAN	MDA
Academic Disciplines																									
Conservation & Rnwable Net. Rsrcs.													1					1							
Education						.		1			L		1												
Engineering											L														
Home Economics						,		1					1												
L A & Sci.Gnrl. Stdm. & Humanities																		1							
Biologic81 Sciences/Life Sciences											L	1	1	1		.	1	1	1						
Public Administration & Services																		1							
Physical Sci/Sci Technologies														1					1						
Multi/Interdisciplinary Studies, Othe											1	1													
Psychology											1														
Protective Services											1														
Health Prof. & Related Sciences																									
Comm. Disorders Sci. end Services												1	1												
Community Health Services						L							1												
Dentistry (D.D.S., D.M.D.)																							1	1	
DntlClncl Sci/Grd Dntstry (MS, Ph.D.)													1	1											
Dental Services			A	A				1					1												
Health & Administrative Services						L	1					1	1												
Health and Medical Assistants						L			1		1	1		2											
Hlth & Med. Diagnostic & Treat.Srv.			A	A	A	L			1			1		1											
Nlth & Med. Lab. Tchnlgs/Tchncn			B	B	A	L		1	1			1													
Hlth & Med. Lab. Tchnlgs/Tchncn					8																				
Medicine (M.D.)												1					1				L	1	1	1	
Medical Basic Sciences											1	1	1	1		,	1	1	1						
Medical Clinical Sci. (M.S., Ph.D.)																									
Mental Health Services																									
Nursing					!		1	1	1			1	1	1			1	1	1						
Pharmacy													1					1						1	
Public Health					I								1					1							
Rehabilitation/Therapeutic Services						1	1		1		1	1		1			1		1						
Misc Hlth Sci & Allied Hlth Srvs				a																					
Dental Residency Programs											1			1											
Medical Residency Programs																									
Misc Hlth Prof. & Related Sci											1	1	1					1	1						

KEY - Table of Programs Authorization Status

1. **Institutions have been given** euthority by the **U.** T. **Board of Regents** to develop **degree programs in this discipline and** level.
2. **Institutions** e n **requesting U.** T. **Board of Regents' ● ◆◆♌︎❒♓︎◆⌻** to develop **degree** program8 in **this discipline and** level.
•. **Institutions are requesting U.** T. **Board of Regents' ●** utimrity to develop **pre-baccalaureate certificate programs in this discipline.**

A. **Institutions have been given** authority by **the U. T. Board of Regents** to **develop pre-baccalaureate certificate programs** in **this discipline.**

B. **Institutions have been given ●** uthority by the **U. T.** Baud **of Regents** to **develop post-baccalaureate certificate programs** i n **this discipline.**

3. U. T. Health Science Center - San Antonio: Establishment of a Cooperative Master of Physical Theraov (MPT) Dearee in Physical Therapv with U. T. Pan American and Authorization to Submit the Dearee Program to the Coordinatina Board for Approval (Catalog Change).--Upon recommendation of the Academic Affairs and Health Affairs Committees, authorization was granted to establish a cooperative Master of Physical Therapy (MPT) degree program in Physical Therapy between The University of Texas Health Science Center at San Antonio and The University of Texas - Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The master's degree program is consistent with U. T. Pan American's Table of Programs and institutional plans for offering quality degree programs to meet student needs.

The U. T. Health Science Center - San Antonio and U. T. Pan American have designed a cooperative master's degree program to educate individuals as entry-level physical therapists. The Master of Physical Therapy (MPT) degree in Physical Therapy was developed as a "three plus three" program in the Department of Physical Therapy, U. T. Allied Health Sciences School - San Antonio at the U. T. Health Science Center - San Antonio. Students will enter the program having completed a minimum of 90 semester credit hours of prescribed course work. The professional phase consists of 100 semester credit hours of required course work over a 33-month period. The cooperative program at U. T. Pan American will mirror the current MPT program at U. T. Health Science Center - San Antonio by utilizing the same curricular model, including similar course sequencing to facilitate distance education. The first class of 16 MPT students is anticipated to be admitted to the U. T. Pan American campus in the Fall 2000.

The Professional Phase consists of three years (98 to 100 semester credit hours) of a combination of didactic, research, and clinical experiences. The curriculum provides the foundation upon which the student will build a theoretical framework and psychomotor skills necessary to become a physical therapist. Foundation courses in anatomy, kinesiology, work biology, and neuroscience are offered early in the curriculum to provide the base for clinical courses. Clinical courses will be presented from a clinical decision-making perspective in which the student must apply basic science and clinical information to develop the optimal management plans for a given patient. Admission standards for the program consist of completion of 90 semester credit hours of prerequisite courses; a minimum overall GPA of 3.0; prerequisite courses with a GPA of at least 3.0; minimum Graduate Record Examination (GRE) score of 1,000; a personal interview; two letters of reference; and knowledge and understanding of physical therapy through a minimum of 100 hours of observation, volunteer work, or as a paid employee.

Currently there are 8.25 full-time equivalent faculty in the Department of Physical Therapy at U. T. Health Science Center – San Antonio. Five of the faculty members hold the Ph.D. degree and the other faculty hold Masters' degrees. In the first year of the new program, two new faculty will be hired, increasing the number of full-time faculty incrementally to six in the fifth year.

The source of funds for the program will be South Texas Border Initiative appropriations.

Upon approval by the Coordinating Board, the next appropriate catalogs published at U. T. Health Science Center – San Antonio and U. T. Pan American will be amended to reflect this action.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 103 - 126).--Committee Chairman Clements reported that the Facilities Planning and Construction Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Facilities Planning and Construction Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Reaents - Reaents' Rules and Reaulations, Part Two: Amendments to Chaoter VIII (Phvsical Plant Improvements), Sections 1 Throuah 4.-Upon recommendation of The University of Texas System Process Review Committee chaired by Regent Lowell H. Lebermann, Jr., the Board amended the Regents' Rules and Regulations, Part Two, Chapter VIII, Sections 1 through 4, regarding physical plant improvements, to read as set forth below:

CHAPTER VIII

PHYSICAL PLANT IMPROVEMENTS

Sec. 1. Institutional Committees.

. . .

1.3 Selection Committees.--Selection Committees are authorized to evaluate, rank, and select qualifications and competitive sealed proposals in response to requests for qualifications and requests for proposals by design-build contractors, construction manager-agents, construction managers-at-risk, general contractors, and job order contractors and to enter into discussions for modification and negotiation of competitive sealed proposals in response to requests for proposals with respondents, as required or permitted by law. Selection Committees for Major Projects shall be appointed by the Director of the Office of Facilities Planning and Construction in consultation with the institutional chief administrative officer and the Executive Vice Chancellor for Business Affairs. Selection Committees for Minor Projects shall be appointed by the Responsible Administrator.

Sec. 2. <u>Major Construction and Reoair and Rehabilitation Projects</u>.

2.1 General Requirements.

. . .

2.16 The Chancellor or delegate shall approve the construction contractor's, design-build contractor's, or construction manager's estimates, guaranteed maximum price or stipulated sum proposals; sign change orders; and provide general supervision of all Major Projects. The Chancellor with the advice of the appropriate Executive Vice Chancellor or Vice Chancellor and chief administrative officer is authorized to increase the approved Total Project Cost not more than ten percent. To provide funding for the increase, the Chancellor may reallocate funding between or among approved projects at a single component if funding for such projects has previously been authorized in accordance with Subdivision 2.13 or approve funding from some other source available to the component.

2.2 Major Projects Procedures.

. . .

2.23 The Chancellor, on behalf of the Board, will utilize the services of a project architect, engineer, or design-build contractor for each Major Project or portion thereof as may be desirable or required by law. Contracts with architects and engineers shall comply with guidelines issued by the Office of General Counsel and shall be written on a standard form approved by the Office of General Counsel.

2.24 After approval of the facility program, the Chancellor or delegate is authorized to give the project architect, engineer, or design-build contractor the facility program and direct the preparation of schematic plans, exterior design and site plans, cost estimates, and other necessary and appropriate documents ("Schematic Plans") and design development plans, elevations, and sections, outline specifications, cost estimates, and other related work to fix the design, dimensions, materials, and scope of the project in greater detail ("Design Development Plans"). Design Development Plans are referred to as Preliminary Plans in applicable rules of the Texas Higher Education Coordinating Board. The project architect, engineer, or design-build contractor shall work with the Administrator Project Building Committee, if any, and the Office of Facilities Planning and Construction with regard to preparation of all plans and documents.

. . .

Sec. 3. Minor Construction and Repair and Rehabilitation Projects.

3.1 Delegation of Authority.--Subject to Subsections 3.2 and 3.3 of this Section and the general provisions of Part One, Chapter I, Section 9 and except as otherwise specified in these Rules and Reaulations, each chief administrative officer is authorized to appoint architects, approve plans and Construction Documents, and execute and deliver contracts, agreements, guaranteed maximum price or stipulated sum proposals, and other documents on behalf of the Board for all new construction projects of $300,000 or less and for repair and rehabilitation projects of $600,000 or less ("Minor Projects").

. . .

Sec. 4. Biddina. Proposals, Award of Contract, and Final Pavment.

4.1 Advertisement for Bids and Proposals.-The Chancellor with respect to Major Projects or the chief administrative officer with respect to Minor Projects (the "Responsible Administrator") is authorized to advertise for bids, qualifications, and proposals for construction projects. The Construction Documents must be approved by the Chancellor before the advertisement for bids, or the solicitation of competitive sealed proposals from general contractors, for Major Projects.

4.2 Modification of Bids.--No bid may be changed, amended, or modified after the time for bid filing set out in the advertisement for bids. The substance of this requirement shall be stated in the advertisement for bids provided, however, that this requirement shall not be construed to prohibit the submission or filing of more than one separate and independent bid by any bidder or the modification and negotiation of proposals as permitted by law.

4.3 Proposed Decision for Award.--The Responsible Administrator or delegate shall receive and open bids and, with the project architect or engineer, if any, and others, shall tabulate and study such bids. After tabulation and study of the bids, the Responsible Administrator shall make a proposed decision for award. The proposed decision for award based on competitive sealed proposals in response to a request for proposals shall be made by the Selection Committee.

4.4 Notice of Proposed Decision for Award by Bid.--In the event the lowest bidder is found to be not responsible or other facts and circumstances necessitate award of contract to other than the lowest bidder, the bidder(s) submitting proposal(s) lower than the bidder to whom award is proposed shall be notified of the proposed decision for award. If the lowest bidder fails to timely file notice of protest, the proposed decision for award will be final.

. . . .

These amendments to the Regents' Rules and Reaulations clarify the authority of the Chancellor to approve proposals from construction managers and design-build contractors and clarify the procedures for advertising and award of construction contracts procured through competitive sealed proposals. Further, the amendments conform U. T. System procedures for construction contracting with the mandatory requirements of Senate Bill 583, 75th Legislature, codified as Sections 44.031 and 51.776 through 51.784 of the Texas Education Code.

2. U. T. Arlinaton - Bookstore: Authorization to Enter into Ground Lease Agreement with Follett College Stores Corporation, Elmhurst, Illinois; Amendment of the FY 1998-2003 Capital Improvement Proaram to Include Proiect, Approval of Proiect Architectural Design, and Authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to Execute All Documents Related Thereto.--Following a brief overview by President Witt and upon recommendation of the Facilities Planning and Construction Committee, the Board:

a. Authorized a Ground Lease Agreement with Follett College Stores Corporation, Elmhurst, Illinois, for the construction and operation of a campus bookstore at The University of Texas at Arlington, pursuant to a Request for Proposal

b. Amended the FY 1998-2003 Capital Improvement Program to include the Bookstore project at U. T. Arlington

c. Approved the architectural design of the project

d. Authorized the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all such actions deemed necessary or desirable to carry out the purpose and intent of the foregoing actions.

Follett College Stores Corporation (Follett) has been operating the U. T. Arlington bookstore since August 17, 1998. U. T. Arlington and Follett have been involved in negotiating the Ground Lease under which Follett will plan, design, finance, construct, and manage a new bookstore on the U. T. Arlington campus scheduled for completion in Fall 1999.

The initial term of the Ground Lease will be fifteen (15) years with the option to renew and extend the term of the Lease for two (2) additional periods of five (5) years each. The new store will contain a minimum of 25,000 gross square feet of auxiliary enterprise space and will be constructed on the northern edge of the campus along Border Street near the intersection with Oak Street. The estimated total project cost for the new bookstore, to be fully financed by Follett, is $5,000,000.

Approval of this item amends the FY 1998-2003 Capital Improvement Program to include the Bookstore project at U. T. Arlington.

3. U. T. Arlington: Approval to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budaet to Include New Residence Hall.--The Board, upon recommendation of the Facilities Planning and Construction Committee, amended the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the New Residence Hall at The University of Texas at Arlington at a preliminary project cost of $20,000,000, with funding from Revenue Financing System Bond Proceeds.

The goals of this project are to provide updated living accommodations which meet the needs of today's students, fulfill the mission of the University to focus on the freshman experience, improve retention and graduation rates, and provide a greater sense of on-campus community within the student body.

The New Residence Hall will be ready for occupancy by the Fall Semester 2000 with approximately 600 beds in single and double rooms. Each room will have access to the University's computer network, telephone system, and local cable television and will be furnished to provide an attractive housing alternative to the existing campus facilities. The development will include a commons facility with amenities to include food services, computer labs, study lounges, conference facilities, exercise room, and a general store.

Approval of this item amends the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the New Residence Hall at U. T. Arlington at a preliminary project cost of $20,000,000, with funding from Revenue Financing System Bond Proceeds.

4. U. T. Austin - Jester Center Dinina Renovations: Authorization to Amend the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budaet to Include Proiect.--In order to expand the food service capacity required to meet increased student demand which will result from completion of the Student Housing project in August 2000, and upon recommendation of the Facilities Planning and Construction Committee, the Board amended the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Jester Center Dining Renovations at The University of Texas at Austin at a preliminary project cost of $13,000,000, with funding from Auxiliary Enterprise Balances.

This project will renovate the existing Jester Center food services facility, upgrade and enhance food preparation and service facilities, and provide more efficient and attractive dining areas through three stages of work, with the first stage scheduled to begin in December 1999 at an estimated cost of $5300,000. The remaining two stages will be completed as reserve funds are accumulated with an anticipated completion date for the entire project of April 2003.

Approval of this item amends the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to include the Jester Center Dining Renovations at U. T. Austin at a preliminary project cost of $13,000,000, with funding from Auxiliary Enterprise Balances.

5. U. T. Austin - New Psvcholoov & Child Development Building (Project No. 102-922): Approval to Name Buildina as the Sarah M. and Charles E. Seav Psvcholoav. Child Development. and Familv Relationships Building (Regents' Rules and Regulations, Part One, Chapter VIII. Section 1, Naming of Buildinas and Other Facilities): Approval of Desian Development Plans; Approval of Total Proiect Cost: Appropriation of Funds and Authorization of Expenditure: and Approval of Use of Revenue Financing System Paritv Debt, Receipt of Paritv Debt Certificate. and Findina of Fact with Reaard to Financial Capacity.--Following opening remarks by President Faulkner, the design development plans for the New Psychology & Child Development Building at The University of Texas at Austin were presented to the Facilities Planning and Construction Committee by Mr. Fred W. Clarke, Cesar Pelli & Associates, Inc., New Haven, Connecticut.

Upon recommendation of the Facilities Planning and Construction Committee, the Board:

a. Approved the naming of the New Psychology & Child Development Building as the Sarah M. and Charles E. Seay Psychology, Child Development, and Family Relationships Building at U. T. Austin

b. Approved design development plans for the project

c. Approved a total project cost of $44,200,000

d. Appropriated funds and authorized expenditure of $12,500,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System, $17,500,000 from Designated Tuition Funds, $11,200,000 from Gifts and Grants, and $3,000,000 from Unexpended Plant Fund Balances.

Following a presentation by Ms. Pam Clayton, Assistant Vice Chancellor for Finance for The University of Texas System, related to the qualifications of this project for the U. T. System Revenue Financing System and in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 112, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any costs prior to the issuance of such Parity Debt

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

c. U. T. component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $12500,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Sarah M. and Charles E. Seay Psychology, Child Development, and Family Relationships Building will be home to the Department of Psychology in the College of Liberal Arts and also home for the Child Development and Family Relationships program within the Department of Human Ecology in the College of Natural Sciences. Currently, the two groups are in several different buildings on and off campus and the new facility will bring the individual functions to a single location.

This project consists of construction of a new building of approximately 175,000 gross square feet with provisions for future horizontal expansion. The building will contain faculty offices, high-tech wet and dry labs, a psychology clinic, early childhood teaching facilities, family interaction labs, conference and library rooms, and support facilities.

Early efforts in the 1990's to raise funds for a facility to house these academic and research activities met with the great generosity of Sarah M. and Charles E. Seay of Dallas, Texas, longtime supporters of U. T. Austin and The University of Texas Southwestern Medical Center at Dallas, as well as other entities in Texas. Mr. and Mrs. Seay pledged $5000,000 to the project in its very critical early stages and through their generous support, the planning for a new building proceeded in full force. Mr. and Mrs. Seay, their family, and the Seay Foundation, have given U. T. Austin additional substantial gifts, including the principal for an endowed faculty chair, three endowed faculty professorships, and two endowed scholarships. The naming of the Sarah M. and Charles E. Seay Psychology, Child Development, and Family Relationships Building at U. T. Austin is consistent with the Regents' Rules and Reoulations on naming of buildings in honor of and in appreciation of the longtime and continuing support and generosity of Mr. and Mrs. Seay.

The 75th Session of the Texas Legislature authorized $12,500,000 of tuition bonds to be issued for U. T. Austin. No additional tuition bond authority will remain for U. T. Austin after the issuance of the tuition bonds for this project.

Approval of this item amends the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget for the Sarah M. and Charles E. Seay Psychology, Child Development, and Family Relationships Building at U. T. Austin at a total project cost of $44,200,000, with funding of $12,500,000 from Tuition Revenue Bond Proceeds issued under the Revenue Financing System, $17,500,000 from Designated Tuition Funds, $11,200,000 from Gifts and Grants, and $3,000,000 from Unexpended Plant Fund Balances.

Vice-Chairman Clements expressed personal appreciation to Mr. and Mrs. Seay for their contribution to this project and noted this project supports the importance of the establishment of and adherence to the campus master plan.

In response to a question from Regent Oxford, Assistant Vice Chancellor Clayton indicated incremental funding would be presented to the Board at each meeting.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the New Psychology & Child Development Building at U. T. Austin, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System, Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED this 5 day of January, 1999

Pamela K. Clayton
Assistant Vice Chancellor for Finance

6. U. T. Brownsville - Life & Health Science Buildina - Phase I (Proiect No. 902-976): Approval of Desian Development Plans: Approval of Total Proiect Cost: Appropriation of Funds and Authorization of Expenditure: and Approval of Use of Revenue Financing Svstem Paritv Debt. Receipt of Parity Debt Certificate. and Findina of Fact with Renard to Financial Capacity.-- Following a brief overview by President Garcia, the design development plans for the Life & Health Science Building - Phase I project at The University of Texas at Brownsville were presented to the Facilities Planning and Construction Committee by Mr. Dan Wigodsky, representing the Project Architect, Kell Munoz Wigodsky, San Antonio, Texas.

Following lengthy discussion about the revised elevation for the south of the building related to construction of a mechanical room on the roof, the Board, upon recommendation of the Facilities Planning and Construction Committee:

a. Approved design development plans for the Life & Health Science Building - Phase I at U. T. Brownsville contingent upon the members of the Facilities Planning and Construction Committee seeing and approving a revised design development plan which reflects the correct design for the south elevation of the project (Note: Committee member Sanchez reviewed and approved the south elevation for the building on February 23, 1999. Committee Chairman Clements reported on February 26, 1999, she is satisfied that the conditions placed on approval of this project have been satisfied.)

b. Approved a total project cost of $22,500,000

c. Appropriated funds and authorized expenditure of $22,500,000 from Tuition Revenue Bond Proceeds.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 115, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any costs prior to the issuance of such Parity Debt

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

c. U. T. component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $22500,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Life & Health Science Building - Phase I at U. T. Brownsville is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of $22500,000, with funding from Tuition Revenue Bond Proceeds. This new academic building will support the Allied Health and Nursing Departments of the College of Health Sciences and the Biology Department in the College of Science and Math, providing approximately 95,000 square feet of new construction to house instructional and teaching laboratories, technology and general academic instruction areas, faculty and administrative offices, and support areas. Site development will include parking for approximately 200 vehicles.

The 75th Session of the Texas Legislature authorized **$22,500,000** of tuition bonds to be issued for U. T. Brownsville. No additional tuition bond authority will remain for U. T. Brownsville after the issuance of the tuition bonds for this project.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Life & Health Science Building - Phase I at U. T. Brownsville, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED this 5 day of January, 1999

Pamela K. Clayton

Assistant Vice Chancellor for Finance

7. U. T. Pan American - Student Union (Proiect No. 901-952): Approval of Desian Development Plans: Approval of Total Proiect Cost: Appropriation of Funds and Authorization of Expenditure: and Approval of Use of Revenue Financinq System Paritv Debt, Receipt of Parity Debt Certificate. and Findinq of Fact with Reaard to Financial Capacity.--Following opening remarks by President Nevárez, Mr. Bill Reeves, representing the Project Architect, Marmon Mok, San Antonio, Texas, presented the design development plans for the Student Union at The University of Texas - Pan American to the Facilities Planning and Construction Committee.

Based on this presentation, and upon recommendation of the Facilities Planning and Construction Committee, the Board:

a. Approved design development plans for the Student Union at U. T. Pan American

b. Approved a total project cost of $7,000,000

c. Appropriated funds and authorized expenditure of $5750,000 from Revenue Financing System Bond Proceeds and $1,250,000 from Unexpended Plant Fund Balances for total project funding.

Following a presentation by Ms. Pam Clayton, Assistant Vice Chancellor for Finance for The University of Texas System, related to the qualifications of this project for the U. T. System Revenue Financing System and in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 118, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any costs prior to the issuance of such Parity Debt

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

c. U. T. Pan American, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $5,750,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Student Union is included in the FY 19982003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of $7,000,000, with funding of $250,000 from Student Fee Reserves, $1 ,000,000 from Designated Tuition, and $5,750,000 from Student Union Fee. The Union will provide approximately 44,000 square feet of new construction to house a variety of student activities, including commons, convenience store, food court, game room, study areas, multipurpose meeting/study session rooms, TV lounge, a 500-seat theater for live performances and cinematic presentations, and office space to support student activities.

The debt is to be repaid from the Student Union Fee which is $30 per student per regular semester or $15 per student for each term of the Summer Session. Based on a Fall 1998 headcount of 12,373, the projected annual collection of the Student Union Fee exceeds $742,000.

The Student Union Fee will not be collected until the facility is open for use in FY 2001. During the construction period, the debt service will be paid from Unexpended Plant Fund Balances. Annual debt service during the construction period is projected to be $258,750, assuming a 4.5% short-term borrowing rate.

Approval of this item amends the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to modify project funding to $5,750,000 from Revenue Financing System Bond Proceeds and $1,250,000 from Unexpended Plant Fund Balances for total project funding.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Student Union at U. T. Pan American, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED this 5 day of January, 1999

Pamela K. Clayton

Assistant Vice Chancellor for Finance

a. U. T. San Antonio - Recreation/Wellness Center (Proiect No. 401-958): Approval of Desiqn Development Plans for the Recreation/Wellness Center Building; Approval of Total Buildina Cost: Appropriation and Expenditure of Funds; and Approval of Use of Revenue Financinq Svstem Paritv Debt, Receipt of Paritv Debt Certificate. and Findina of Fact with Reqard to Financial Capacity.--The Recreation/Wellness Center project at The University of Texas at San Antonio is included in the FY 1998-2003 Capital improvement Program and the FY 1996 and FY 1999 Capital Budget at a preliminary project cost of $14,375,000. This project includes construction of two new buildings totaling approximately 96,000 gross square feet: the Recreation/ Wellness Center building (which was presented at today's meeting -- February 11, 1999) and the Child Care Center building (which will be presented at the May 1999 Board of Regents' meeting).

Following a brief overview by President Kirkpatrick, the design development plans for the Recreation/Wellness Center building were presented to the Facilities Planning and Construction Committee by Mr. Vaughn Bomberger, representing the Project Architect, Garza/Bomberger, San Antonio, Texas.

Based on this presentation and upon recommendation of the Facilities Planning and Construction Committee, the Board:

(NOTE: ALTHOUGH THE FOLLOWING ACTIONS RELATED TO THE RECREATION/WELLNESS CENTER BUILDING WERE FORMALLY APPROVED BY THE BOARD ON FEBRUARY 11, THE PROJECT WAS PLACED ON HOLD AT THE REQUEST OF THE COMMITTEE CHAIRMAN PENDING FURTHER REVIEW.)

a. Approved design development plans for the Recreation/Wellness Center building portion of this project at U. T. San Antonio (On Hold -- see above note)

b. Approved a total building cost of $14,375,000 (On Hold -- see above note)

c. Appropriated funds and authorized expenditure of $13,775,000 from Revenue Financing System Bond Proceeds and $600,000 from the Recreational Facility Fee Balance (On Hold -- see above note).

Following a presentation by Ms. Pam Clayton, Assistant Vice Chancellor for Finance for The University of Texas System, related to the qualifications of this building for the U. T. System Revenue Financing System and in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 121, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any costs prior to the issuance of such Parity Debt

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

c. U. T. San Antonio, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $13,775,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Recreation/Wellness Center building will contain approximately 85,000 gross square feet to house facilities to support the coordination of the campus intramural program and the provision of health-care programs and services to U. T. San Antonio students and, as feasible, to faculty and staff. The Center will provide facilities for a variety of activities, including basketball, volleyball, aerobics, weight lifting, racquetball, wall climbing, and fitness programs.

The debt is to be repaid from the Recreational Facility Fee, designated tuition, and revenues generated by the facilities. The Recreational Facility Fee is $1 per semester credit hour with a maximum fee of $30 per semester through FY 2000. With the projected opening of the facility in FY 2001, the Recreational Facility Fee will increase to $5 per semester credit hour with a maximum fee of $30 per semester.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Recreation/Wellness Center at U. T. San Antonio, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED this 5 day of January, 1999

Pamela K. Clayton

Assistant Vice Chancellor for Finance

9. U. T. Medical Branch - Galveston - Keiller Buildina Laboratorv Expansion: Amendment of the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget and Appropriation of Funds.--The Keiller Building Laboratory Expansion project at The University of Texas Medical Branch at Galveston is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of $5670,000, with funding of $4,000,000 from Revenue Financing System Bond Proceeds, $170,000 from Hospital Revenues, and $1,500,000 from Gifts and Grants.

In order to accommodate a National Institutes of Health Construction Grant, the Board, upon recommendation of the Facilities Planning and Construction Committee:

a. Amended the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget to modify funding for the Keiller Building Laboratory Expansion at the U. T. Medical Branch - Galveston to $2,835,000 from Hospital Revenues and $2,835,000 from Gifts and Grants

b. Appropriated funds of $2,835,000 from Hospital Revenues and $2,835,000 from Gifts and Grants for total project funding.

Approval of this item amends the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget for the Keiller Building Laboratory Expansion project at U. T. Medical Branch - Galveston at a preliminary project cost of $5,670,000, with funding of $2,835,000 from Hospital Revenues and $2,835,000 from Gifts and Grants.

10. U. T. M.D. Anderson Cancer Center - Facultv Center (Proiect No. 703-960): Approval of Desian Develooment Plans: Approval of Total Proiect Cost; Appropriation of Funds and Authorization of Expenditure; and Approval of Use of Revenue Financina Svstem Paritv Debt, Receipt of Paritv Debt Certificate, and Findina of Fact with Reaard to Financial Capacitv.-- Following a brief overview by President Mendelsohn, the design development plans for the Faculty Center at The University of Texas M.D. Anderson Cancer Center were presented to the Facilities Planning and Construction Committee by Mr. Peter Lontz, representing the Project Architect, Watkins Hamilton Ross, Houston, Texas.

The Board, based on this presentation and upon recommendation of the Facilities Planning and Construction Committee:

a. Approved design development plans for the Faculty Center at U. T. M.D. Anderson Cancer Center

b. Approved a total project cost of $45400,000

c. Appropriated funds and authorized expenditure of $25000,000 from Revenue Financing System Bond Proceeds and $20,400,000 from Hospital Revenues for total project funding.

Following a presentation by Ms. Pam Clayton, Assistant Vice Chancellor for Finance for The University of Texas System, related to the qualifications of this project for the U. T. System Revenue Financing System and in compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (the "Master Resolution"), adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as set out on Page 125, the Board resolved that:

a. Parity Debt shall be issued to pay the project's cost including any costs prior to the issuance of such Parity Debt

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

c. U. T. M.D. Anderson Cancer Center, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the amount of $25,000,000

d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

The Faculty Center at U. T. M.D. Anderson Cancer Center is included in the FY 1998-2003 Capital Improvement Program and the FY 1998 and FY 1999 Capital Budget at a preliminary project cost of $45400,000, with funding of $25000,000 from Revenue Financing System Bond Proceeds and **$20,400,000** from Hospital Revenues.

This project will provide approximately 325,000 square feet of new construction and will include office space to relocate most of the faculty and some administrative employees currently housed in leased space, telemedicine and conference facilities, an academy for training and systems improvement, a copy center, mail services, a small food court, dock and building support areas, a sky bridge to the Rotary House, and site development.

The debt is to be repaid from Hospital Revenues. Annual debt service during the construction period is projected to be **$1,125,000,** assuming a 4.5% short-term borrowing rate. When the Faculty Center is open for use in FY 2001, the annual debt service is projected to be **$2,179,613** based on a 6% long-term borrowing rate with a 20-year amortization period.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, (the "Master Resolution"), adopted by the U. T. Board of Regents ("Board") on February 14, 1991, and amended on October 8, 1993, and August 14, 1997, do hereby execute this certificate for the benefit of the Board pursuant to Section 5(a)(ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" to finance the construction cost of the Faculty Center at U. T. M.D. Anderson Cancer Center, and do certify that to the best of my knowledge, the Board is in compliance with and not in default of any terms, provisions, and conditions in the Master Resolution, the First Supplemental Resolution Establishing the Revenue Financing System Commercial Paper Program, ("First Supplemental"), the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, the Fifth Supplemental Resolution, the Sixth Supplemental Resolution, and the Seventh Supplemental Resolution.

EXECUTED this 5 day of January, 1999

Pamela K. Clayton
Assistant Vice Chancellor for Finance

* * * * *

At the conclusion of the Facilities Planning and Construction Committee meeting, Committee Chairman Clements reported that since the last regular meeting the Chancellor had approved five (5) general construction contracts totaling $30,710,000 which included participation of 20.7% by Historically Underutilized Businesses, 3.5% by women-owned firms and 17.2% by minority-owned firms. In addition, two (2) architect/engineer contracts totaling $474,000 have been awarded since the last meeting, with participation of 48.5% by Historically Underutilized Businesses, 3.6% by women-owned firms and 45% by minority-owned firms.

Chairman Evans commended the Facilities Planning and Construction Committee for ensuring that construction of new buildings conforms to the respective campus master plan.

Chairman Evans noted that the Board would not hear from two other committees of the Board, the Special Committee on Telecommunications and the Special Committee on Minorities and Women, but expressed appreciation to retiring Regent Smiley who chaired those Special Committees which are recognized across the country as an effort to lead the way in these critical areas which are a part of The University of Texas System.

RECONVENE.--At 11:40 a.m., the Board reconvened as a committee of the whole to consider those items remaining on the agenda.

ITEM FOR THE RECORD

U. T. System: Report Related to the Formula for Component Assessment for Support of Information Technology Services.--At the February 1998 meeting, the U. T. Board of Regents authorized the Executive Vice Chancellor for Business Affairs to establish partial cost recovery procedures effective for Fiscal Year 1999 for three U. T. System Information Technology Initiatives [Enterprise Telecommunications Infrastructure, Knowledge Management Services, and Distance Education Leading to a Virtual University (UT TeleCampus)]. The authorization noted that the procedures to be established may include proportional assessments to the U. T. System component institutions. Although action taken by the Board in February 1998 delegated the establishment of the assessment structure to the Executive Vice Chancellor for Business Affairs, the Minutes for that meeting included statements that the institutional share of the Enterprise Telecommunications Infrastructure would be prorated on the basis of an institution's total expenditures and that the costs for operating the Digital Library (formerly known as the Knowledge Management Center) would be recovered through assessment based on full-time equivalent (FTE) student enrollment and FTE faculty positions (50%) and total budget expenditures (50%).

Following additional review and consultation with the component institutions, Executive Vice Chancellor Burck has approved a modified assessment formula recommended by the Vice Chancellor for Telecommunications and Information Technology, with assessment determined as follows:

a. Enterprise Telecommunications Infrastructure: proportional, based on instruction and research expenditures

b. Digital Library Services: proportional, based on instruction and research expenditures (50%) and on FTE faculty and students (50%).

While the Cost Recovery Goals presented to the U. T. Board of Regents are unchanged, the assessment structure currently in use is herewith reported for the record.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

Regents Lebermann and Smiley, as members of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met on Wednesday, November 18, 1998, in the Regents' Meeting Room on the ninth floor of Ashbel Smith Hall in Austin, Texas, for a general business meeting and to award leases for Regular Oil and Gas Lease Sale No. 94 and Frontier Oil and Gas Lease Sale No. 94-A. Bids were opened at the Center for Energy and Economic Diversification in Midland, Texas, on Tuesday, November 17, 1998.

Following is a report on the results of the Regular Oil and Gas Lease Sale No. 94:

Total bonuses received in the amount of $577,821.48 for 8,947.586 acres (31 tracts) leased; single highest bid was $97,742.30 ($302/acre) for a 323.65 acre tract in Andrews County; 20,438.172 acres (65 tracts) nominated for lease.

Following is a report on the results of Frontier Oil and Gas Lease Sale No. 94-A:

> No bids received; 11,056.800 acres in El Paso County were offered for lease.

Following is a report on the November 18, 1998, general business meeting:

a. Approved the Minutes of the September 28, 1998, meeting of the Board for Lease

b. Approved lease procedures and terms for Regular Oil and Gas Lease Sale No. 95 to be held in May 1999

c. Approved management of the royalty-in-kind programs as presented by the staff

d. Staff made a presentation to the Board members in appreciation for their leadership and guidance during the members' service on the Board for Lease of University Lands.

The next meeting of the Board for Lease of University Lands and lease awards for Regular Oil and Gas Lease Sale No. 95 is scheduled at the Center for Energy and Economic Diversification in Midland, Texas, on Wednesday, May 19, 1999.

OTHER MATTERS

1. <u>U. T. Board of Regents: Presentation of Certificate of Appreciation to Miss Margaret A. Glover Upon Her Retirement as Assistant Secretary to the Board of Regents Effective February 28, 1999</u>.--Chairman Evans presented the following comments related to Miss Margaret A. Glover, Assistant Secretary to the Board of Regents, who will retire effective February 28, 1999, and noted that Miss Glover was not present at this meeting and that an appropriate certificate would be sent to her.

<u>Comments by Chairman Evans
Regarding Miss Margaret A. Glover, Assistant Secretary
to the Board of Regents</u>

We are pleased to honor Miss Margaret Glover, retiring Assistant Secretary to the Board, for her extraordinary and dedicated service to this Board and dozens of former Board members for more than 30 years.

Margaret Glover has been an invaluable asset to The University of Texas System. Although a graduate of Texas A&M University as a member of the first class enrolling women, Margaret devoted her professional career to The University of Texas System, making sure the many details related to the successful operation of the Board of Regents were in place. She joined The University of Texas System in 1968 and served in progressively responsible administrative positions. Her first job was in the Office of Chancellor Harry Ransom. She joined the Office of the Board of Regents in 1978.

Margaret's work ethic and meticulous attention to detail are legendary. For all of us present, this is our first Board meeting without Margaret joining us at the meeting table. She will be missed.

With appreciation and in recognition of Margaret's long and devoted service, I recommend to the Board that the Minutes of this meeting record the passage of the following Certificate of Appreciation on behalf of the Board of Regents and that the Certificate be framed and presented to Margaret with our thanks for a job well done.

CERTIFICATE OF APPRECIATION

The Board of Regents

Expresses to

MARGARET A. GLOVER

Its Sincere Appreciation for Her

Distinguished Service

to

The University of Texas System

as

Senior Secretary
1968 - 1971

Administrative Secretary
1971 - 1974

Administrative Assistant I
1974 - 1978

Administrative Assistant II
1978 - 1981

and

Assistant Secretary to the Board of Regents
1981 - 1999

Adopted by unanimous vote this 11 th day of February 1999

(signed by all members of the Board, Executive Secretary to the Board, and Executive Secretary Emeritus to the Board)

2. U. T. Board of Reaents: Commendation to Reaents Thomas 0. Hicks, Lowell H. Lebermann. Jr.. and Martha E. Smiley.--Chairman Evans acknowledged that this would be the last Board meeting for retiring Regents Thomas 0. Hicks, Lowell H. Lebermann, Jr., and Martha E. Smiley and thanked each of them publicly for their contributions to the Board and The University of Texas System. In turn, Regents Hicks and Smiley (Regent Lebermann had departed the meeting a few moments earlier) thanked all those with whom they have worked during their term on the Board. Regent Hicks was applauded when he added that he will remain as an outside director of The University of Texas Investment Management Company (UTIMCO). In closing, retiring Regents Hicks, Lebermann, and Smiley received a standing ovation for their service to the Board of Regents.

SCHEDULED MEETING.-Chairman Evans announced that the next scheduled meeting of the U. T. Board of Regents would be held on May 12-l 3, 1999, at The University of Texas - Pan American.

ADJOURNMENT.-There being no further business, the meeting was adjourned at 11:55 a.m.

Francie A. Frederick

Francie A. Frederick
Executive Secretary

May 5, 1999