

Meeting No. 1,061

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

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August 11-12, 2010

Austin, Texas

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MEETING NO. 1,061

WEDNESDAY, AUGUST 11, 2010.--The members of the Board of Regents of The University of Texas System convened at 11:40 a.m. on Wednesday, August 11, 2010, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present  
Chairman McHugh  
Vice Chairman Foster  
Vice Chairman Longoria  
Regent Dannenbaum  
Regent Gary  
Regent Hicks  
Regent Pejovich  
Regent Powell  
Regent Stillwell  
Regent Kalkwarf, Student Regent, nonvoting

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

RECESS TO EXECUTIVE SESSION.--At 11:42 a.m., Chairman McHugh announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071, 551.072, 551.073, 551.074, and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 1:32 p.m., the Board reconvened in open session for the following actions taken on matters discussed in Executive Session.

1a. U. T. Austin: Approval of proposed negotiated gifts with potential naming features

Regent Stillwell moved that the Board of Regents authorize President Powers and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept gifts to benefit The University of Texas at Austin with potential naming features consistent with the terms outlined in Executive Session.

The motion was seconded and carried unanimously.

- 1b. U. T. Pan American: Approval of proposed negotiated gifts with potential naming features

Upon motion by Vice Chairman Longoria, seconded by Regent Powell, the Board authorized President Nelsen and Vice Chancellor Safady to conclude negotiations necessary to finalize and accept gifts to benefit The University of Texas – Pan American with potential naming features consistent with the terms outlined in Executive Session.

The motion carried by acclamation.

- 2a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 2b. U. T. Austin: Discussion and appropriate action regarding legal issues related to rights and responsibilities for oversight and use of the Brackenridge Tract held for the benefit of U. T. Austin

No action was taken on this item.

- 2c. U. T. System: Discussion and appropriate action regarding legal issues related to compliance effectiveness reviews for the information security program

No action was taken on this item.

- 2d. U. T. San Antonio: Discussion of legal issues related to construction and operation of athletic facilities located at 8000 North Loop 1604 West, San Antonio, Bexar County, Texas, held for the benefit of U. T. San Antonio

No action was taken on this item.

- 2e. U. T. System Board of Regents: Legal issues related to tax matters

No action was taken on this item.

- 3a. U. T. Austin: Discussion and appropriate action regarding matters related to lease and valuation of the Brackenridge Tract held for the benefit of U. T. Austin

No action was taken on this item.

- 3b. U. T. San Antonio: Discussion of matters related to lease and valuation of athletic facility property located at 8000 North Loop 1604 West, San Antonio, Bexar County, Texas, held for the benefit of U. T. San Antonio

No action was taken on this item.

- 4a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees

No action was taken on this item.

- 4b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for Fiscal Year 2011

Action on the personnel aspects of the Fiscal Year 2011 Operating Budget was deferred for consideration at the Board meeting on Thursday, August 12, and was approved at that time (see Item 3 on Page 9).

5. U. T. System: Discussion and appropriate action concerning (1) the deployment, or specific occasions for implementation, of security personnel or devices, or (2) security audits related to information security

No action was taken on this item.

RECESS.--At 1:35 p.m., Chairman McHugh announced the Board would recess for meetings of the standing committees and would reconvene later in the afternoon to consider an agenda item.

RECONVENE IN OPEN SESSION.--At 4:42 p.m., the Board reconvened in open session to consider an agenda item. Chairman McHugh noted a modification to the meeting schedule for tomorrow (August 12) to add an Executive Session beginning at 8:00 a.m. that will result in a slight delay in the start of subsequent meetings scheduled for the day.

Chairman McHugh recognized Mr. Mike Weathersbee, Inspector with the Office of the Director of Police at The University of Texas System Administration, for his exemplary service of over 18 years to The University of Texas at Austin and the U. T. System. Mr. Weathersbee retired on August 31, 2010.

#### AGENDA ITEM

#### U. T. System Board of Regents: Announcement of recipients for the Regents' Outstanding Teaching Awards and remarks by representative faculty

Chairman McHugh provided the following remarks on the Regents' Outstanding Teaching Awards:

#### Remarks by Chairman McHugh

The U. T. System's mandate as an "institution of the first class" includes a commitment to offer students exceptional educational opportunities in the classroom. To underscore this commitment, the Regents' Outstanding Teaching Awards were introduced in the 2008-2009 academic year to recognize and reward faculty members who serve our undergraduate students in an exemplary manner.

With monetary awards that include \$15,000 for contingent faculty, \$25,000 for tenure-track, and \$30,000 for tenured faculty, these awards are among the highest in the nation for rewarding outstanding faculty performance. And thus, the selection process is extremely rigorous.

Nominations for the Outstanding Teaching Awards are campus-based and heavily reliant on peer faculty and student evaluations. A candidate must first be nominated by his or her academic department, evaluated by colleagues and students, and, ultimately, put forth for nomination by the campus president.

Following that, the candidate submits a teaching portfolio to a final panel of reviewers. That selection panel is comprised of faculty members, administrators, and students from across the U. T. System and higher education representatives at state and national levels.

Through a series of evaluations, a candidate's teaching portfolio is reviewed for curriculum quality, classroom innovation and expertise, and most importantly, student learning outcomes.



This is an extremely rigorous selection process, and speaks to the outstanding accomplishments of this year's award recipients. We have a brief video to introduce them.

(video presentation highlighted awardees)

The presenters you are about to meet represent each of the three categories of faculty recognized by the awards; they were asked to join us today because their teaching portfolios received the highest rankings from the final review panel.

Chairman McHugh then introduced:

- Tenured faculty member, Dr. Eric Anslyn, Norman Hackerman Professor and University Distinguished Teaching Professor in the Department of Chemistry and Biochemistry, The University of Texas at Austin
- Tenure-track faculty member, Dr. Blake Bextine, Assistant Professor in the Department of Biology, The University of Texas at Tyler (Dr. Bextine was awarded tenure on August 12, 2010; see Docket Page - 76)
- Contingent faculty member, Dr. Jane Himarios, Senior Lecturer in the Economics Department, The University of Texas at Arlington.

Chairman McHugh concluded that the Regents' Outstanding Teaching Awards convey the Board's commitment to rewarding excellence in the classroom, for it is there that the U. T. System institutions fulfill the most critical core function of the university experience: the education of students.

On August 14, 2008, the Board established the Regents' Outstanding Teaching Awards, which are a symbol of the importance the Board places on the provision of teaching and learning of the highest order. The awards recognize those who serve students in an exemplary manner, and act as an incentive for others who aspire to such service. These teaching awards complement existing ways in which faculty excellence is recognized and incentivized. Beginning Fiscal Year 2009, the Board allocated \$2 million per annum for five years for teaching awards, \$1 million per year for the awards for U. T. Austin, and another \$1 million per year for the remaining academic institutions. Program details for the awards were approved by the Board of Regents on November 13, 2008, and involve one-time payments to individual faculty ranging from 20 awards of \$30,000 each for tenured faculty, nine awards of \$25,000 each for tenure-track faculty upon receiving tenure, and nine awards of \$15,000 each for contingent faculty (including adjuncts, lecturers, and instructional assistants).

RECESS.--At 5:10 p.m., Chairman McHugh announced the Board would recess and reconvene on the morning of August 12.

THURSDAY, AUGUST 12, 2010.--The members of the Board of Regents of The University of Texas System reconvened at 8:01 a.m. on Thursday, August 12, 2010, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman McHugh  
Vice Chairman Foster  
Vice Chairman Longoria  
Regent Dannenbaum  
Regent Gary  
Regent Hicks  
Regent Pejovich  
Regent Powell  
Regent Stillwell  
Regent Kalkwarf, Student Regent, nonvoting

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

RECESS TO EXECUTIVE SESSION.--At 8:01 a.m., Chairman McHugh announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.074 and 551.076 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 8:55 a.m., the Board reconvened in open session. No action was taken on the following matters discussed in Executive Session.

- 4a. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of U. T. System and institutional employees

No action was taken on this item.

- 4b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), and U. T. System and institutional employees and related personnel aspects of the operating budget for Fiscal Year 2011

Action on the personnel aspects of the Fiscal Year 2011 Operating Budget was deferred for consideration at the Board meeting on Thursday, August 12, and was approved at that time (see Item 3 on Page 9).

5. U. T. System: Discussion and appropriate action concerning (1) the deployment, or specific occasions for implementation, of security personnel or devices, or (2) security audits related to information security

No action was taken on this item.

U. T. SYSTEM BOARD OF REGENTS: APPROVAL OF MINUTES.--The Minutes of the regular meetings of the Board of Regents of The University of Texas System held on May 12-13, 2010, and July 14-15, 2010, in Austin, Texas, were approved as prepared by the Secretary to the Board of Regents. The official copy is recorded in the *Permanent Minutes*, Volume LVII, Pages 297 - 411 and 413 - 441, respectively.

CHAIRMAN MCHUGH NOTES APPRECIATION.--Chairman McHugh announced that The University of Texas M. D. Anderson Cancer Center again ranked Number One as the best cancer hospital in the nation according to *U.S. News and World Report*. She congratulated President Mendelsohn.

Chairman McHugh also expressed appreciation to Police Officer Timothy Gutierrez at The University of Texas Health Science Center at San Antonio for risking his own life to save another on May 20, 2010. Officer Gutierrez received the Award for Valor for his actions, the highest award bestowed by The University of Texas System Police.

## AGENDA ITEMS, CONTINUED

1. U. T. System Board of Regents: Appointment of former Regent John W. Barnhill, Jr., as Regental Representative to the U. T. Austin Intercollegiate Athletics Council for Men and The Honorable Pamela P. Willeford to the Intercollegiate Athletics Council for Women effective September 1, 2010

Former Regent John W. Barnhill, Jr., was appointed as Regental representative to The University of Texas at Austin Intercollegiate Athletics Council for Men and The Honorable Pamela P. Willeford was appointed as Regental Representative to the Intercollegiate Athletics Council for Women, each for a four-year term beginning September 1, 2010. Chairman McHugh had made the motion on this item and asked Regent Hicks as the Board's Athletics Liaison for a second. The motion was seconded and carried unanimously.

The terms of George Willeford III, M.D., on the Intercollegiate Athletics Council for Men and Ms. Sylvie P. Crum on the Intercollegiate Athletics Council for Women expired on August 31, 2010.

The U. T. Austin Intercollegiate Athletics Councils are each a nine member advisory group composed of a student, an ex-student, two Regental appointees, and five members of the University General Faculty. The Regental appointments are for four-year staggered terms.

Former Regent John W. Barnhill, Jr., served on The University of Texas System Board of Regents from November 2003 to April 2009. He served as Chairman of the Board's Academic Affairs and Facilities Planning and Construction Committees. He also served as President of the Texas Ex-Students' Association (Texas Exes) from 1993-1994.

The Honorable Pamela P. Willeford served as U.S. Ambassador to Switzerland and to the Principality of Liechtenstein from 2003-2006. She also served as Chairman of the Texas Higher Education Coordinating Board from 1998-2003 and as President of the Texas Exes from 2008-2009.

2. U. T. System: Remarks on personnel aspects of the U. T. System Administration operating budget for Fiscal Year 2011

Following Chancellor Cigarroa's presentation of the operating budget (Item 3 on Page 9) but prior to the vote on the item, Vice Chairman Foster and Regent Hicks commented on their review of the individual personnel aspects of The University of Texas System Administration operating budget for Fiscal Year 2011.

Vice Chairman Foster said he was pleased with the review process and transparency, and he commented on the enormity of the challenges of mandatory budget reductions at a time when the University is trying to provide education for a growing demographic. He said he believes the budget is appropriate and the right measures have been taken to achieve the required savings.

Regent Hicks concurred with Vice Chairman Foster's comments, and he commended Chancellor Cigarroa on the reductions in personnel made at U. T. System Administration, saying the Chancellor's leadership reflects the tone the Board is trying to express.

On April 13, 2009, former Chairman Huffines appointed Vice Chairman Foster and Regent Hicks to act as liaisons to Chancellor Cigarroa as he reviewed and addressed issues related to the proposed University of Texas System budget to determine if the budget was appropriately right-sized in light of the current economic environment.

3. U. T. System: Approval of the nonpersonnel aspects of the operating budgets for Fiscal Year 2011, including the Permanent University Fund Bond Proceeds allocation for Library, Equipment, Repair and Rehabilitation projects, allocation for the Science and Technology Acquisition and Retention Program, and allocation of Available University Fund and Permanent University Fund Bond Proceeds for targeted strategic priorities within the U. T. System

Chancellor Cigarroa presented The University of Texas System Fiscal Year 2011 Operating Budget request for \$12.8 billion, including the Library, Equipment, Repair and Rehabilitation (LERR) Budget and an allocation for the Science and Technology Acquisition and Retention (STARs) Program. (The Chancellor's presentation is [on file](#) in the Office of the Board of Regents.)

Vice Chairman Foster moved that the U. T. System Operating Budgets for Fiscal Year 2011, including the compensation for those individuals requiring Board approval as recommended to and considered by the Board in Executive Session yesterday and during the July 2010 meeting; Auxiliary Enterprises; Grants and Contracts; Designated Funds; Restricted Current Funds; and Medical, Dental and Allied Health Faculty Services, Research and Development Plans, be approved, with delegation to the Chancellor to authorize new or extended deferred compensation agreements, with the concurrence of the appropriate Executive Vice Chancellor, consistent with the Board's earlier discussions in Executive Session. (See Item 4b on Pages 3 and 7.)

Vice Chairman Foster noted that Chancellor Cigarroa, with characteristic selflessness, had asked that no increase in compensation be provided to him for the coming fiscal year. Vice Chairman Foster said that while the Board

agreed to the Chancellor's request, it is appropriate to voice publicly the Board's great respect for the Chancellor's tremendous leadership and strategic vision and the Board's satisfaction with his performance.

Approval of the budget for Fiscal Year 2011 includes the appropriation of \$30 million of Permanent University Fund (PUF) Bond Proceeds directly to U. T. System institutions to fund LERR projects. This authorizes the purchase of approved equipment items and library materials and the contracting for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases or repair and rehabilitation projects are to receive prior approval by the Chancellor, the appropriate Executive Vice Chancellor, and, where required, the U. T. System Board of Regents. Transfers by U. T. System Administration of allocated funds to institutional control or to vendors will coincide with vendor payment requirements. Final approval of specific repair and rehabilitation projects will be in accordance with procedures for construction projects established by the U. T. System Board of Regents.

Approval of the budget also includes \$20 million of PUF Bond Proceeds for the Faculty STARs Program to provide additional funding to build and enhance research infrastructure to attract and retain the best qualified faculty.

LERR appropriations not expended within 36 months after the date of the award will be available for future U. T. Systemwide reallocation and Faculty STARs appropriations not expended within 36 months from the time the faculty member arrives on campus will be available for future U. T. Systemwide reallocation.

In addition, \$61 million of Available University Funds (AUF) was appropriated for strategic priorities as follows:

- \$13 million a year for three years to The University of Texas at Austin for excellence funding;
- \$15 million to support implementation of a single instance PeopleSoft HR/Finance system at eight academic institutions;
- \$5 million for a shared library storage facility for the U. T. System libraries and The Texas A&M University System libraries; and
- \$2 million for marketing/transition money for launching the Bachelor's Accelerated Completion (BAC) Program.

Additionally, \$55 million of PUF Bond Proceeds was allocated for strategic priorities as follows:

- \$30 million for the U. T. Austin Engineering Education and Research Center subject to a 2-for-1 fundraising match where \$2 of gifts raised will be matched by \$1 of PUF;
- \$15 million for additional STARs recruitment for the U. T. System health institutions. This \$15 million must be awarded within 24 months after which any uncommitted dollars will lapse; and
- \$10 million to continue and extend the U. T. System Research Incentive Program through December 31, 2011, to benefit the U. T. System's four emerging research universities subject to the matching requirements approved by the Board on October 12, 2009, with a modification to allow matches to also be made for gifts with a payment period of up to two years.

Secretary's Note: Following the meeting, the intent was clarified to continue the Program with the use of the previously allocated \$10 million and the allocation of an additional \$10 million.

Additionally, the Chancellor was authorized to make editorial corrections therein and subsequent adjustments will be reported to the U. T. System Board of Regents through the Docket.

The U. T. System operating budgets are a part of the official copy of the Minutes and are made a part of the record of this meeting. See the Executive Session item related to the personnel aspects of the U. T. System Operating Budget (Item 4b on Pages 3 and 7). Approved salaries for U. T. System Executive Officers and Presidents are set forth on Pages 12 - 16.

**THE UNIVERSITY OF TEXAS SYSTEM**

Compensation - Executive Officers U. T. System Administration

Approved for Fiscal Year Ending August 31, 2011

	Approved 2010 Rate	Approved 2011 Rate	Dollar Increase	Percentage Increase
<b><u>U. T. SYSTEM ADMINISTRATION</u></b>				
<b>Chancellor</b>				
<i>Francisco G. Cigarroa</i>				
Salary Rate	\$ 750,000	750,000	-	0.0%
Total Compensation	\$ 750,000	750,000	-	0.0%
<b>Executive Vice Chancellor for Academic Affairs</b>				
<i>David B. Prior</i>				
Salary Rate	\$ 378,000	410,000	32,000	8.5%
Total Compensation	\$ 378,000	410,000	32,000	8.5%
<b>Executive Vice Chancellor for Business Affairs</b>				
<i>Scott C. Kelley</i>				
Salary Rate	\$ 363,000	400,000	37,000	10.2%
Total Compensation	\$ 363,000	400,000	37,000	10.2%
<b>Executive Vice Chancellor for Health Affairs</b>				
<i>Kenneth I. Shine</i>				
Salary Rate	\$ 600,000	630,000	30,000	5.0%
Total Compensation	\$ 600,000	630,000	30,000	5.0%
<b>Vice Chancellor for External Relations</b>				
<i>Randa S. Safady</i>				
Salary Rate	\$ 412,000	420,240	8,240	2.0%
Total Compensation	\$ 412,000	420,240	8,240	2.0%
<b>Vice Chancellor and General Counsel</b>				
<i>Barry Burgdorf</i>				
Salary Rate	\$ 400,000	424,000	24,000	6.0%
Total Compensation	\$ 400,000	424,000	24,000	6.0%
<b>Vice Chancellor and Chief Governmental Affairs Officer</b>				
<i>Barry McBee</i>				
Salary Rate	\$ 260,000	280,000	20,000	7.7%
Total Compensation	\$ 260,000	280,000	20,000	7.7%



**THE UNIVERSITY OF TEXAS SYSTEM**

Compensation - Executive Officers U. T. System Administration

Approved for Fiscal Year Ending August 31, 2011

	Approved 2010 Rate	Approved 2011 Rate	Dollar Increase	Percentage Increase
<b>U. T. SYSTEM ADMINISTRATION (Cont'd)</b>				
<b>Vice Chancellor for Federal Relations</b>				
<i>William Shute</i>				
Salary Rate	\$ 235,118	239,820	4,702	2.0%
Total Compensation	\$ 235,118	239,820	4,702	2.0%
<b>Vice Chancellor for Strategic Management</b>				
<i>Sandra Woodley<sup>1</sup></i>				
Salary Rate	\$ 240,000	240,000	-	0.0%
Total Compensation	\$ 240,000	240,000	-	0.0%
<b>Vice Chancellor for Health Affairs</b>				
<i>Amy Shaw Thomas</i>				
Salary Rate	\$ 225,000	280,000	55,000	24.4%
Total Compensation	\$ 225,000	280,000	55,000	24.4%
<b>Vice Chancellor for Finance and Business Development</b>				
<i>Philip Aldridge</i>				
Salary Rate	\$ 260,855	280,000	19,145	7.3%
Total Compensation	\$ 260,855	280,000	19,145	7.3%
<b>General Counsel to the Board of Regents</b>				
<i>Francie A. Frederick</i>				
Salary Rate	\$ 320,250	360,000	39,750	12.4%
Total Compensation	\$ 320,250	360,000	39,750	12.4%
<b>Chief Audit Executive</b>				
<i>Charles G. Chaffin</i>				
Salary Rate	\$ 265,657	270,970	5,313	2.0%
Total Compensation	\$ 265,657	270,970	5,313	2.0%

<sup>1</sup>Sandra Woodley began employment on 3/1/2010 and as such is not eligible for a salary increase on 9/1/2010. Under current policy, a mid-year increase could be provided.

**THE UNIVERSITY OF TEXAS SYSTEM**  
**Compensation - Academic Institution Presidents**  
Approved for Fiscal Year Ending August 31, 2011

	Approved 2010 Rate	Approved 2011 Rate	Dollar Increase	Percentage Increase
<b><u>ACADEMIC INSTITUTION PRESIDENTS</u></b>				
<b>U.T. Arlington</b>				
<i>James Spaniolo</i>				
Salary Rate	\$ 408,450	416,619	8,169	2.0%
Total Compensation	\$ 408,450	416,619	8,169	2.0%
<b>U.T. Austin</b>				
<i>William C. Powers, Jr.</i>				
Salary Rate	\$ 600,600	613,612	13,012	2.2%
Deferred Compensation <sup>1</sup>	50,000	50,000	-	0.0%
Total Compensation	\$ 650,600	663,612	13,012	2.0%
<b>U.T. Brownsville</b>				
<i>Juliet V. Garcia</i>				
Salary Rate	\$ 297,725	304,179	6,454	2.2%
Deferred Compensation <sup>2</sup>	25,000	25,000	-	0.0%
Sub-Total Compensation	322,725	329,179	6,454	2.0%
One-time Merit	-	32,272	32,272	
Total Compensation	\$ 322,725	361,451	38,726	12.0%
<b>U.T. Dallas</b>				
<i>David E. Daniel</i>				
Salary Rate	\$ 491,824	502,360	10,536	2.1%
Deferred Compensation <sup>3</sup>	35,000	35,000	-	0.0%
Total Compensation	\$ 526,824	537,360	10,536	2.0%
<b>U.T. El Paso</b>				
<i>Diana S. Natalicio</i>				
Salary Rate <sup>4</sup>	\$ 382,200	382,200	-	0.0%
Deferred Compensation <sup>5</sup>	30,000	30,000	-	0.0%
Total Compensation	\$ 412,200	412,200	-	0.0%
<b>U.T. Pan American</b>				
<i>Robert S. Nelsen<sup>6</sup></i>				
Salary Rate <sup>7</sup>	\$ 300,000	300,000	-	0.0%
Total Compensation	\$ 300,000	300,000	-	0.0%

Note: Presidents are paid \$65,945 from General Revenue with the difference paid from other institutional fund sources

<sup>1</sup>Vests 8/31/2010

<sup>2</sup>Vests 8/31/2011

<sup>3</sup>Vests 8/31/2012

<sup>4</sup>The Board approved a salary of \$390,444 for FY 2011 however, Dr. Natalicio declined the increase.

<sup>5</sup>Vests 8/31/2012

<sup>6</sup>Dr. Nelsen began employment at U. T. Pan American on January 1, 2010

<sup>7</sup>The Board approved a salary of \$306,000 for FY 2011 however, Dr. Nelsen declined the increase.

**THE UNIVERSITY OF TEXAS SYSTEM**

**Compensation - Academic Institution Presidents**

Approved for Fiscal Year Ending August 31, 2011

	Approved 2010 Rate	Approved 2011 Rate	Dollar Increase	Percentage Increase
<b><u>ACADEMIC INSTITUTION PRESIDENTS (Continued)</u></b>				
<b>U.T. Permian Basin</b>				
<i>W. David Watts</i>				
Salary Rate	\$ 296,400	302,628	6,228	2.1%
Deferred Compensation <sup>1</sup>	15,000	15,000	-	0.0%
Total Compensation	<u>\$ 311,400</u>	<u>317,628</u>	<u>6,228</u>	<u>2.0%</u>
<b>U.T. San Antonio</b>				
<i>Ricardo Romo</i>				
Salary Rate	\$ 364,208	371,992	7,784	2.1%
Deferred Compensation <sup>2</sup>	25,000	25,000	-	0.0%
Total Compensation	<u>\$ 389,208</u>	<u>396,992</u>	<u>7,784</u>	<u>2.0%</u>
<b>U.T. Tyler</b>				
<i>Rodney H. Mabry</i>				
Salary Rate	\$ 342,186	349,630	7,444	2.2%
Deferred Compensation <sup>3</sup>	30,000	30,000	-	0.0%
Total Compensation	<u>\$ 372,186</u>	<u>379,630</u>	<u>7,444</u>	<u>2.0%</u>

Note: Presidents are paid \$65,945 from General Revenue with the difference paid from other institutional fund sources

<sup>1</sup>Vests 8/31/2012

<sup>2</sup>Vests 8/31/2011

<sup>3</sup>Vests 8/31/2013

**THE UNIVERSITY OF TEXAS SYSTEM**

Compensation - Health Institution Presidents  
 Approved for Fiscal Year Ending August 31, 2011

	Approved 2010 Rate	Approved 2011 Rate	Dollar Increase	Percentage Increase
<b>HEALTH INSTITUTION PRESIDENTS</b>				
<b>U.T. Medical Branch - Galveston</b>				
<i>David L. Callender</i>				
Salary Rate	\$ 639,790	655,337	15,547	2.4%
Deferred Compensation <sup>1</sup>	175,000	175,000	-	0.0%
Practice Plan	173,958	178,185	4,227	2.4%
Total Compensation	<u>\$ 988,748</u>	<u>1,008,522</u>	<u>19,774</u>	<u>2.0%</u>
<b>U.T. Health Science Center - Houston</b>				
<i>Lawrence R. Kaiser</i>				
Salary Rate	\$ 844,743	905,082	60,339	7.1%
Deferred Compensation	-	-	-	0.0%
Practice Plan	205,257	219,918	14,661	7.1%
Total Compensation	<u>\$ 1,050,000</u>	<u>1,125,000</u>	<u>75,000</u>	<u>7.1%</u>
<b>U.T. Health Science Center - San Antonio</b>				
<i>William Henrich</i>				
Salary Rate	\$ 590,877	604,273	13,396	2.3%
Deferred Compensation <sup>2</sup>	100,000	100,000	-	0.0%
Practice Plan	159,123	162,730	3,607	2.3%
Total Compensation	<u>\$ 850,000</u>	<u>867,003</u>	<u>17,003</u>	<u>2.0%</u>
<b>U.T. Southwestern Medical Center - Dallas</b>				
<i>Daniel K. Podolsky</i>				
Salary Rate	\$ 902,297	921,284	18,987	2.1%
Deferred Compensation <sup>3</sup>	60,000	60,000	-	0.0%
Practice Plan	247,703	252,916	5,213	2.1%
Total Compensation	<u>\$ 1,210,000</u>	<u>1,234,200</u>	<u>24,200</u>	<u>2.0%</u>
<b>U.T. M. D. Anderson Cancer Center</b>				
<i>John Mendelsohn</i>				
Salary Rate	\$ 802,910	1,019,075	216,165	26.9%
Deferred Compensation <sup>1</sup>	250,000	-	(250,000)	-100.0%
Practice Plan	220,253	279,551	59,298	26.9%
Total Compensation	<u>\$ 1,273,163</u>	<u>1,298,626</u>	<u>25,463</u>	<u>2.0%</u>
<b>U.T. Health Science Center - Tyler</b>				
<i>Kirk Calhoun</i>				
Salary Rate	\$ 390,930	399,464	8,534	2.2%
Deferred Compensation <sup>4</sup>	45,000	45,000	-	0.0%
Practice Plan	100,731	102,930	2,199	2.2%
Total Compensation	<u>\$ 536,661</u>	<u>547,394</u>	<u>10,733</u>	<u>2.0%</u>

Note: All Presidents are paid \$65,945 from General Revenue with the difference paid from other institutional fund sources

<sup>1</sup>Vests 8/31/2010

<sup>2</sup>Vests 8/31/2012

<sup>3</sup>Vests 8/31/2012

<sup>4</sup>Vests 8/31/2012

4. U. T. System: Approval of \$5 million of Available University Funds each year for three years for faculty recruitment at U. T. Austin

The Board approved the provision of \$5 million of Available University Funds (AUF) each year for three years to match external contributions on a one-to-one basis targeted towards recruitment of faculty at The University of Texas at Austin. These funds must be used to bring outstanding faculty to U. T. Austin who can contribute to the continued development of preeminence in fields designated as high priorities by the institution.

There is a shared objective across The University of Texas System to continue to seek ways to support developing excellence at U. T. Austin. Recruitment of nationally and internationally recognized faculty is an essential component of these endeavors. U. T. Austin has identified specific priority areas for research and teaching, and it is intended that the funds be directed to these fields. The requirement for external matching funds is to enable donors with specific interests in the University to contribute towards excellence.

5. U. T. System: Approval of \$4 million of Available University Funds to support U. T. System Administration's Transformation in Medical Education initiative

The Board approved \$4 million from the Available University Fund (AUF) to support The University of Texas System Administration's Transformation in Medical Education (TIME) initiative.

With the support of the presidents of the U. T. System health institutions, a working group of faculty physicians from both the academic and health-related institutions established a steering committee in 2010 to examine the potential for transforming medical education to address challenges in physician education, including duplication of undergraduate and graduate courses, duration of curriculum, and expense. Chaired by Dr. Steven Lieberman, Vice Dean for Academic Affairs at The University of Texas Medical Branch at Galveston, and Dr. Pedro Reyes, Associate Vice Chancellor for Academic Planning and Assessment at U. T. System, the steering committee launched the TIME initiative by hosting a series of meetings with 12 of the 15 U. T. System academic and health institutions that offer pre-medical or medical education.

Recommendations for necessary innovations in medical education were developed and discussed at a workshop that included participation from seven academic campuses and five health campuses, the Board of Medical Examiners, the Texas Higher Education Coordinating Board, the Association of American Medical Colleges, and the author of a recently released study on medical school and residency education from the Carnegie Foundation for the Advancement of Teaching.

The shared objectives and combined efforts of the steering committee and contributing participants focused on three programmatic areas considered necessary to transform medical education:

- (1) development of undergraduate pre-health professions programs for students in a variety of health-related fields;
- (2) implementation of competency-based advancement and degree completion rather than time-based program completion; and
- (3) a combination of condensed classroom education with opportunities for personal and professional maturation afforded by a well-rounded liberal arts education and real life experiences in community leadership roles.

Separate subcommittees of the steering committee will work on each of the programmatic areas. The \$4 million in AUF funding will allow the U. T. System to issue requests for proposals to design, develop, and implement pilot and demonstration projects on behalf of the participating U. T. System institutions, with an emphasis on program efforts that include a sufficient number of students in a pilot to allow subsequent evaluation of program outcomes. The steering committee will review responses to the requests for proposals and, if approved by the Executive Vice Chancellor for Health Affairs, funding will be awarded for two to three-year periods.

An annual progress report will be made to the U. T. System Board of Regents' Health Affairs Committee.

6. U. T. System: Allocation of \$25 million of Permanent University Fund Bond Proceeds for fire and life safety projects for U. T. Austin and U. T. Health Science Center – San Antonio

Executive Vice Chancellor Kelley provided background on this item saying that in 2004, The University of Texas System developed a Fire and Life Safety Compliance Report that documented the progress of fire and life safety projects at U. T. System institutions. The report is updated annually and recently, some preexisting needs were identified at two campuses.

Chairman McHugh called on Regent Powell for comments. Regent Powell said he is pleased with the plan to address the most significant life safety issues at The University of Texas at Austin and The University of Texas Health Science Center at San Antonio, and he noted Regent Dannenbaum has been involved in the process. The Board then approved the allocation of \$25 million of Permanent University Fund (PUF) Bond Proceeds for fire and life safety capital projects at U. T. Austin (\$10,000,000) and U. T. Health Science Center – San Antonio (\$15,000,000) as set out on the next page.

Project Cost Breakdown in \$ millions by Fiscal Year				
	PUF FY11	PUF FY12	PUF FY13	Total
UT Austin	3.3	3.4	3.3	10.0
UTHSC San Antonio	<u>1.5</u>	<u>8.0</u>	<u>5.5</u>	<u>15.0</u>
Totals	4.8	11.4	8.8	25.0

The total project cost of the fire and life safety projects at the two institutions is currently estimated at approximately \$66,800,000 as reflected in the third column (total) in the table on Page 20. The balance of the project funding will be supplemented by institutional funds over the next five years and will be brought back to the Board for approval of the total project cost for each project including identified funding sources and approval of amendments to the Fiscal Year 2011-2016 Capital Improvement Program (CIP).

**PUF Plus LERR Summary**  
**FLS Action Plan**  
**Table 1**

Campus	High Priority	Med/Low Priority	Total	2008 PUF PUF FY11	PUF FY11	PUF FY12	PUF FY13	3 YR LERR + Campus	3 YR PUF + Campus + LERR	Post 3-YR FLS	FY 14 Plan	Post FY 14 FLS	FY 15 Plan	Post FY 15 FLS	FY 16 Plan	Post FY 16 FLS
UT ARLINGTON	1.0	7.2	8.3	1.3				5.8	7.1	1.2	1.2	0.0	0.0	0.0	0.0	0.0
UT AUSTIN	26.1	15.7	41.9	4.8	3.3	3.4	3.3	14.3	29.1	12.8	6.0	6.8	6.0	0.8	0.8	0.0
UT BROWNSVILLE											0.0	0.0	0.0	0.0	0.0	0.0
UT DALLAS	2.5		2.5					1.4	1.4	1.1	0.5	0.6	0.6	0.0	0.0	0.0
UT EL PASO	0.1	1.9	2.1					1.9	1.9	0.2	0.1	0.1	0.1	0.0	0.0	0.0
UT PAN AMERICAN			0.4					0.4	0.4	0.0		0.0	0.0	0.0	0.0	0.0
UT PERMIAN BASIN			0.0									0.0	0.0	0.0	0.0	0.0
UT SAN ANTONIO	1.9	2.1	4.0					3.2	3.2	0.8	0.5	0.3	0.3	0.0	0.0	0.0
UT TYLER			0.0									0.0	0.0	0.0	0.0	0.0
<b>TOTAL ACADEMIC</b>			<b>59.2</b>	<b>6.1</b>	<b>3.3</b>	<b>3.4</b>	<b>3.3</b>	<b>27.0</b>	<b>43.1</b>	<b>16.1</b>	<b>8.3</b>	<b>7.8</b>	<b>7.0</b>	<b>0.8</b>	<b>0.8</b>	<b>0.0</b>
UT SOUTHWESTERN MC			3.3					3.3	3.3	0.0		0.0	0.0	0.0	0.0	0.0
UT MB GALVESTON	8.0		8.0	0.6				4.2	4.8	3.2	2.6	0.6	0.6	0.0	0.0	0.0
UT HSC HOUSTON	6.2		6.2					3.1	3.1	3.1	3.1	0.0	0.0	0.0	0.0	0.0
UT HSC SAN ANTONIO	19.6	5.3	24.9	1.7	1.5	8.0	5.5	3.0	19.7	5.2	1.7	3.5	1.7	1.8	1.8	0.0
UT M.D. ANDERSON CC			0.0									0.0	0.0	0.0	0.0	0.0
UT HEALTH CENTER TYLER			0.0									0.0	0.0	0.0	0.0	0.0
<b>TOTAL HEALTH</b>			<b>42.4</b>	<b>2.3</b>	<b>1.5</b>	<b>8.0</b>	<b>5.5</b>	<b>13.6</b>	<b>30.9</b>	<b>11.5</b>	<b>7.4</b>	<b>4.1</b>	<b>2.3</b>	<b>1.8</b>	<b>1.8</b>	<b>0.0</b>
<b>SYSTEM ADMINISTRATION</b>																
<b>TOTAL SYSTEM</b>			<b>101.6</b>	<b>8.4</b>	<b>4.8</b>	<b>11.4</b>	<b>8.8</b>	<b>40.6</b>	<b>74.0</b>	<b>27.6</b>	<b>15.7</b>	<b>11.9</b>	<b>9.3</b>	<b>2.6</b>	<b>2.6</b>	<b>0.0</b>



7. U. T. System: Report on the State of the System

Chancellor Cigarroa provided the following remarks on the State of The University of Texas System. (The Chancellor's presentation is [on file](#) in the Office of the Board of Regents.)

State of the System Address

Chairman McHugh and members of the Board, I stand before you as I did last year, honored by this incredible charge you have placed in me as Chancellor of The University of Texas System, our state's greatest treasure, and today, I am proud to offer a report on the State of the U. T. System.

Pablo Casals, the great Spanish cellist, was one of the most celebrated musicians of the 20th century. He was born six years before The University of Texas held its first classes, lived long enough to play for President Kennedy at the White House, and 10 years later, to perform for the United Nations General Assembly. From the time he was 13 years old, he had the same daily routine. He took a walk. He did his scales. He played two of my favorite Bach concertos. And then, he began to practice. When he was 93 years old, he was asked why, at his age, he continued to practice every day. He replied, "I'm beginning to notice some improvement."

Maestro Casals' response is testament to the idea that no matter how great the achievement, how much we excel, how hard we work, doing better is always necessary. Each day across the U. T. System, faculty and staff come to work and create bold and innovative opportunities to advance higher education. And while many of the fruits of our labor will be realized immediately, others will materialize only over time and will be felt by our next generation of colleagues and students. Either way, this makes our service to U. T. worthy of our best efforts.

A year ago, I spoke of the importance of our role in safeguarding certain principles upon which The University of Texas was founded, grounded in knowledge, wisdom, and grace, linking generation to generation. At the same time, I posed the question "What is ours to do?" in using the power of the U. T. System to serve as a catalyst for positive change.

Our unwavering commitment to serve as the vanguards of traditions in higher education, while embracing innovation is, after all, what best defines us. We have the responsibility to our 202,000 students and to our 84,000 faculty and staff that they be empowered through the U. T. System to reach their full potential, especially in the face of the significant challenges our nation has experienced, including economic

uncertainty and an unprecedented budgetary shortfall in the State of Texas of up to \$18 billion or more. It is exactly at this present moment that we have no option but to be stellar in order to transcend the issues of our times. A higher education is the hope of our country, our constant bellwether for greatness in times of uncertainty and opportunity. Each time a student or faculty member harnesses the power of ideas and knowledge through the U. T. System, whether it is in literature, art, mathematics, or science, that individual is moving to a place in a different realm beyond words, while being the very testament of our success. This is our script.

We determine our course and control our destiny through careful and strategic planning, coupled with accountability, not just to the past, but to the future. That is why today, I am so proud of what we have accomplished. The U. T. System has experienced remarkable advancements this past year, including the successful recruitment from among our nation's best faculty and postdoctorates; the awarding of more than 41,000 degrees; outranking state and national peers in producing more graduates in the science, technology, engineering, and mathematics (STEM) fields; seeing an increase in research expenditures, now totaling \$2.25 billion, placing the U. T. System among the top of public and private university systems; and providing more than 6.5 million patient visits per year through the healing hands of our physicians and health care professionals. Despite these accomplishments, we must stay ever vigilant of what remains to be done. Our role is that important. Today, as I review progress in advancing our vision, I will also articulate what we will be accountable for this coming year.

Let me first address how we are working to best strengthen the college environment to culture excellence. One of our major accomplishments has been attracting the best faculty, who are the very cornerstones of our institutions. Through our Science and Technology Acquisition and Retention (STARs) Program, The University of Texas has continued to recruit world-class professors and researchers, adding to the caliber of our faculty, and ultimately to the strength of our students. Not only has this program allowed those students to study alongside the best of the best, but the initial \$64 million invested by the Board towards these efforts at U. T. System's academic and health institutions, has generated a preliminary return of \$345 million in grants.

And while return on investment is critical, there is a gifted individual and a wonderful story behind each STARs recipient. If not already named, many have the potential to become Nobel Laureates or members of the National Academies. Learning under the leadership of a high-caliber faculty is among the greatest legacies we can leave to our students.

Besides strengthening our faculty, we have also made great strides in strengthening our student body. Last year, I spoke of our duty and responsibility to ensure that we capture our state's diversity in constructing

channels of outreach. The UTeach Program, conceived at U. T. Austin, has been cited by President Obama as a national model. The expansion of UTeach across the nation will mean that more than 4,500 undergraduates in STEM subjects will be prepared to become math and science teachers by 2015. Looking further at the multiplier effect, more than 20 million students' lives will be touched during the course of many new STEM teachers' careers.

I remain fully committed to ensuring that we better prepare students to enter our university system. I am very excited that we have made progress in the Community College Initiative, designed to increase the number of transfer students from two-year colleges to four-year universities. Currently, only approximately 20% of eligible community college students matriculate to universities, but since the initiation of our focused efforts in Fall 2008, including the development of our new website, Transfer 101, we have seen an 11% increase in transfer students entering our universities.

I am particularly proud of the actions and commitment demonstrated by our university leadership in increasing our graduation successes. In response to the Board's mandate on graduation rates, five of the U. T. System institutions have increased their six-year graduation rates by an average of 5.2 percentage points. Every one of them improved the time it took for seniors to complete their degrees. During this same five-year period, the number of freshmen who returned for their sophomore year improved. I am also pleased to report that student access is increasing, with undergraduate enrollment up 8% and the number of baccalaureate degrees up by almost 18% over the past five years. The fact that our baccalaureate degree production outpaced our enrollments speaks not only to our progress in graduation performance, but also to productivity and efficiency gains as well.

And, while we are seeing improvement in our trend lines, we still have much work to do to realize the excellence that we must achieve toward student success. We will continue to develop metrics to properly evaluate our strategies and performance. We will find innovative solutions to help students succeed. We will not rationalize poor performance. And we will continue to close the performance gaps, allowing more students to realize their aspirations toward a better life.

We will also support greater student success through a balance of face-to-face and remote learning opportunities. I am a great proponent of using technology to enhance the learning experience, but we must use it wisely. U. T. System must be recognized as an institution of the first class, not only in the classroom, but also with all of our online courses.

We are making strides in using technology to our advantage, for example, in refining and advancing our role in distance education, transitioning the UT TeleCampus from our administrative offices in Austin to the campuses.

Our institutions now offer more than 2,400 online courses each academic year, and that number is growing. Our first new program called the Bachelor's Accelerated Completion (BAC) Program allows students who have completed 60 or more semester credit hours to accelerate their ability to earn a U. T. degree in several disciplines. With more than 3.4 million adults in Texas who have some college credit but no degree, this new BAC Program, offered totally online, is a wonderful new service in meeting the needs of Texans.

As we remain focused on strengthening the college environment through investments in faculty and students, I am pleased to report that, following significant dialogue with our presidents and the Board, The University of Texas System will place special emphasis on five transformational strategic initiatives of equal importance that can make our state and nation stronger, and these initiatives will take a tremendous commitment from all of us to be realized in the years ahead.

The first initiative is focused on improving the health of Texas through advancements in medical education, research, and clinical care; some of which you heard about in the discussion yesterday (August 11) during the Special Health Affairs Committee meeting. Students in medical schools across the country still work within a framework developed at the beginning of the 20th century, though the practice of medicine has changed dramatically over time. I strongly believe that the structure of medical education must be responsive to these changes in order to ensure that our students preserve the physician-patient relationship, which is vital to healing, in spite of the changing landscape of medical care. With this in mind, through our Innovations in Medical Education grants, substantive awards have been given to medical faculty for new ideas to improve medical education. With new investments approved today, the U. T. System will have the ability to be a national leader in curriculum reform.

We have also created a partnership this year with The University of Texas Southwestern Medical Center at Dallas, the Seton Family of Hospitals, and the U. T. System to continue to expand medical and health professional education in Austin. Not only will the partnership double the number of residents needed in Central Texas, it will also enhance current medical research projects and facilitate collaborations by faculty members at U. T. Austin, at U. T. Southwestern, and at our other campuses. This is an important and transformational step. This is right for Austin. It is right for the U. T. System, and it is consistent with U. T. Austin's vision to be the very best university in the country.

Also, through The University of Texas Health Science Center at San Antonio, and its Regional Academic Health Centers (RAHC), we will expand the delivery of health care and education in South Texas. We will increase the number of medical students studying at the RAHC and work with South Texas hospitals to establish the five core residency programs requisite for any future

comprehensive academic health center, as defined in Senate Bill 98. This is right for South Texas, it is right for the U. T. System, and it will advance excellence for all our universities in South Texas. These endeavors to enhance medical and health professional education in Austin and South Texas are essential, but let me emphasize that they cannot be done at the expense of reallocating resources from our current institutions.

It is also the right time to garner the power of our health science centers in order to improve health everywhere. Without good health, after all, an individual's dreams and gifts are at risk. It is that simple, and it is that vital. Our academic health centers and hospitals all achieved national rankings, including The University of Texas M. D. Anderson Cancer Center in the top spot again. I join Chairman McHugh in thanking you for your leadership, President Mendelsohn. The State of Texas needs an academic health center that is recognized among the top five in the country, and we intend to help one or more of our institutions achieve that distinction.

Our medical research capacity is highly regarded. Four years ago, the National Institutes of Health (NIH) established the Clinical Translational Science Awards (CTSAs) to encourage innovative approaches that "reduce the time it takes for laboratory discoveries to become treatments." The U. T. System is one of only two systems of higher education to have four CTSA institutions, and we now boast three National Cancer Institute-designated institutions, with the recent addition of U. T. Southwestern just last week. Research strength has afforded us generous funding from the Cancer Prevention and Research Institute of Texas (CPRIT). In the first year of CPRIT awards, U. T. System academic and health institutions received more than \$100 million, approximately 46% of the \$216 million in funds granted.

When we look at the power of what our institutions generate through support from CPRIT or CTSA grants, and their ability to accelerate discoveries from the lab to the bedside, I am reminded of the privilege of interacting with our presidents to identify new circumstances that lend themselves to capitalizing on innovations. Our greatness also emerges from our institutions' ability to change the world through the impact of its research on society. Consequently, we have reorganized U. T. System staff to further emphasize the U. T. System institutions' efforts to translate new discoveries and inventions to the benefit of mankind. On average, U. T. System institutions sign a commercialization deal every other day, are awarded two U.S. patents nearly every week, and start a new company every two weeks, according to the nationally distributed *Universities Patent Scorecard*. In 2008, we ranked second nationally among 122 public and private universities in the number of new start-ups, third in licenses and options executed, and fourth in U.S. patents issued. While we are a national leader in research and commercialization, we will remain on a path of continuous improvement, conducting groundbreaking research, and translating discoveries to the marketplace.

Another strategic initiative shall be to enhance educational opportunities in South Texas and along the border with Mexico. Our Texas-Mexico border is almost two-thirds of the entire U.S.-Mexico border, with more than 55,000 U. T. System students in this region. Those of us who grew up along these lands understand its magic, its opportunities and challenges, and why in many respects, it is a laboratory of our state's future. These are difficult times in our beloved border communities. Because of the U. T. System's commanding presence in this region, we are uniquely positioned to play a major role in working toward a better future there. Last year at the Board Retreat, our Regents stated that we have a responsibility to plant a larger flag in South Texas. We have subsequently formed a leadership team to create a more specific plan to advance our border initiative, and we are addressing the major areas of engineering, health, and STEM fields, as well as energy and the environment. Tom Lea, a great artist and writer from El Paso, Texas, once said, "*...I live on the east side of our mountain. It is the sunrise side, not the sunset side. It is the side to see the day that is coming, not the side to see the day that is gone. The best day is the day coming ....*" Using the resources of the U. T. System, let us insure that "the best day" for our border communities "is the day that is coming."

Another initiative addresses the U. T. System's capacity and responsibility to become a global leader in energy research. In many ways, we owe our existence and certainly our climb to excellence to energy, and this area is most worthy of our focus. There is a reason that Santa Rita Number One has a place of honor on the U. T. Austin campus. Energy means much more than oil now, but because of our history and our expertise -- which is spread across multiple U. T. System campuses -- we have a responsibility to take the lead in ensuring that the world has the reliable sources of energy it needs in ways that are safe, cost-effective, and available to all. U. T. Austin is poised to harness the full intellectual assets of the U. T. System, working to develop "game-changing" technological opportunities in energy. The creation of The University of Texas System Energy Leadership Council is a major step in bringing our expertise to bear on this national issue.

The University of Texas at Austin is our state's flagship, and its standing and reputation influence those of every other institution in the System. Current state funding formulas are predominantly focused on enrollment growth, which do not work in U. T. Austin's favor. Compared with its national peers, U. T. Austin ranks in the lower quartile nationally in tuition and state support per student. I am committed to working with President Powers and our legislature to identify new funding streams necessary to promote excellence, while remaining affordable. Certain junctures in time demand that our vision be focused on certain opportunities, and it is the right time for U. T. Austin to be the best university in the nation.

We also remain committed to another strategic initiative -- to facilitate the success of our four emerging research institutions as they develop toward

Tier One status. The greatest contribution the U. T. System has made to this endeavor occurred through the historic \$3 billion Competitiveness Initiative, designed to create state-of-the-art facilities and recruit world-class faculty. And additional resources have been made available. Last September, the state, through its Texas Research Incentive Program (TRIP), offered \$50 million in matching grants to Texas' seven emerging institutions, of which U. T. System's four aspirants secured almost \$20 million. In response, the Board of Regents created its own \$10 million Research Incentive Program last year, and again this year, to provide matching funds to continue to leverage private gifts directed toward research and faculty recruitment. We will be watching the progress of our four institutions, and we will develop metrics to measure their success.

In addition, I will follow the progress of our campuses focused on educating students in historically underserved regions. I will work closely with the leadership of The University of Texas at Brownsville/Texas Southmost College, The University of Texas – Pan American, The University of Texas of the Permian Basin, and The University of Texas at Tyler to advance their missions in becoming stellar universities, with a strong focus on undergraduate education and addressing the specific needs of their region and our state.

It is important to note that all of the initiatives I have presented today will require new computing capabilities to achieve success. Over the past six years, we have worked to build almost 6 million square feet of state-of-the-art classrooms and labs. As we near completion of 44 construction projects in the Competitiveness Initiative, it is time to turn our attention from buildings to computing -- ensuring that all our campuses have access to the unrivaled high-performance computing power so necessary to our leadership in teaching and research. Consequently, we have convened a special committee to conduct a needs assessment. Whether looking at protein structures, developing new drugs, tracking changes in our atmosphere, or studying genomics, high-performing computations are no longer just desirable; they are required for our scientific work and our ability to recruit world-class faculty and researchers.

These various strategic initiatives are all responsive to the times. Historical events challenge our university system to answer to the complexities facing our country, which in turn define our responsibilities and create the script for our vision.

Our state faces serious budgetary challenges, and we must do our part to help. We made 5% cuts in general revenue, as requested by the state's leadership. Higher education has borne a disproportionate share, 41% of the aggregate of the across-the-board state budget reductions for the current fiscal year. Yet, we likely will be asked to do more. We must, however, guard against the prospect of cuts so deep that they endanger the very spirit of our

institutions. Simple across-the-board cuts will not move our institutions forward. We must be bold enough to prioritize in light of financial restrictions. And so, we must ensure that we spend our dollars wisely and well.

We have redoubled our efforts to reduce costs whenever possible without sacrificing quality. This effort is not new to us. For example, we have saved more than \$800 million through cooperative contracting and purchasing, shared services, debt management, and energy reduction. Under the able leadership of our chief business officers, we will continue to reduce costs without sacrificing quality, and we will seek opportunities to enhance revenue in a mission-aligned way.

Many competing interests for scarce appropriated funds could diminish our hopes for institutional advancements. State appropriations, federal funding, and other traditional revenue sources are not keeping pace with our mission-critical needs, but we realize that it is our responsibility to be at the helm, controlling our destiny. And we are succeeding. We are grateful to the Board of Regents for providing transformative investments to help maximize philanthropy on the campuses. Examples include \$20 million in matching funds for our emerging research institutions and a pledge of \$30 million in Permanent University Funds to match \$60 million in philanthropic support to construct U. T. Austin's new Engineering Education and Research Center, critical to implementing the vision we heard from Dean Greg Fenves last February (2010). This year, I will place a greater emphasis on our philanthropic efforts, and we will look forward to working with each institution to determine the critical role that philanthropy will play as a predictable, sustainable funding stream in the years ahead and to develop plans and strategies to secure it. More than ever before, philanthropic investments by our friends and alumni will play a major role in advancing our institutional missions.

With a legislative session that will be a challenge for all, our list of funding priorities will be tightly focused and aimed at protecting funding to our institutions. This funding is an investment in our future, not an expense. We will look forward to presenting to you our legislative priorities for the 82nd session in November (2010).

In order for Texas to have world-class institutions, the responsibility must be shared by all. We will need every Regent, our alumni, friends, and advocates to be our spokespersons. No organizations contribute more to social and economic advancements, safety and security, health, and quality of life than our universities. This year, I will have the privilege of serving on a congressionally-requested commission, led by the National Academies, to consider the future of research universities. I will, both at the state and federal level, articulate our need for support.

The initiatives I have presented today will define much of our work for the coming year...yet they are merely steps we will take to achieve our vision.



Though the times are challenging, I remain resolute in my commitment to working with you in focusing on vital decisions made not only with our present student body in mind, but for generations to come. The members of this Board are stewards of a great legacy. The future that stretches out before us is the product of the work you and I accomplish today and at the next meeting, and the meeting after that. I am grateful for your relentless commitment, and I am delighted to report to you that the state of the System is strong as a result of your tremendous collaborative efforts.

Last year, I concluded by reflecting on a sonnet by W. S. Merwin, who by the way was just appointed as our country's Poet Laureate. This year, I go back further in time, to the 19th century, for the words I seek. English Poet William Ernest Henley wrote in a verse of "Invictus:"

*It matters not how strait the gate,  
How charged with punishments the scroll.  
I am the master of my fate:  
I am the captain of my soul.*

As Chancellor, I can assure you that it matters not what challenges we face in this next year, I shall not waiver from our vision of greatness for the U. T. System. We shall be masters of its excellence and captains of its incredible spirit.

Chairman McHugh thanked Chancellor Cigarroa for his presentation and said he has the Board's complete confidence.

8. U. T. System: Preparations for the 82nd Legislative Session (Deferred)

The report on the status of University of Texas System preparations for the 82nd Regular Legislative Session was deferred.

9. U. T. System Board of Regents: Appointment of Mr. J. Kyle Bass to the Board of Directors of The University of Texas Investment Management Company (UTIMCO) effective immediately

Chairman McHugh said the members of the Board had an additional agenda item before them on yellow paper that had been posted with the Secretary of State related to an appointment to The University of Texas Investment Management Company (UTIMCO) Board of Directors.

The Board then appointed Mr. J. Kyle Bass, Dallas, Texas, to the UTIMCO Board of Directors for a term effective immediately to expire on April 1, 2013, or until his successor has been chosen and qualifies, or until his earlier resignation or removal.

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents appoint all members of the Board of Directors of UTIMCO. Mr. Bass replaced Mr. Clint D. Carlson, whose term had expired on April 1, 2010, as a public/external representative. Vice Chairman Foster, Chairman of the UTIMCO Board, said Mr. Bass is highly qualified to serve in this position.

Mr. Bass is Founder, Managing Partner, and Principal at Hayman Capital Partners, LP, a privately-owned hedge fund sponsor, and has significant experience as an investment professional. Prior to launching Hayman Capital, he formed the first institutional equity office in Texas at Legg Mason, Inc., where he was the Managing Director in charge of advising special situation accounts on investments. Prior to joining Legg Mason, Mr. Bass was employed at Bear Stearns & Co., Inc., where he was one of the youngest Senior Managing Directors in the firm's history. While at Bear Stearns, he primarily advised event-driven hedge funds on investment strategies.

Mr. Bass graduated with honors with a Bachelor of Business Administration in Finance and Real Estate Finance from Texas Christian University in 1992.

The appointment of Mr. Bass had been reviewed by the General Counsel to the Board and was found to be consistent with State law and the provisions of the UTIMCO Code of Ethics.

STANDING COMMITTEE REPORTS TO THE BOARD.--At 12:10 p.m., Chairman McHugh announced the Board would hear the reports and recommendations of the Standing Committees, which are set forth on Pages 31 - 215.

REPORT AND RECOMMENDATION OF THE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE (Pages 31 - 32).--Committee Chairman Hicks reported the Audit, Compliance, and Management Review Committee met in open session to consider a matter on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the action set forth in the Minute Order that follows was recommended by the Audit, Compliance, and Management Review Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System Board of Regents: Approval to hire external auditor to provide financial auditing services for U. T. System and U. T. M. D. Anderson Cancer Center financial statements for Fiscal Year 2011 and for The University of Texas Investment Management Company (UTIMCO) managed funds for Fiscal Year 2011

Committee Chairman Hicks moved that

- a. Deloitte & Touche be hired to provide independent financial auditing services for the audit of The University of Texas System and The University of Texas M. D. Anderson Cancer Center financial statements for Fiscal Year 2011 and The University of Texas Investment Management Company (UTIMCO) managed funds for Fiscal Year 2011;
- b. the Board find that Deloitte & Touche provides the audit option determined to be most beneficial to U. T. System; and
- c. U. T. System staff be authorized to negotiate and enter into an auditing services contract with the selected firm.

The motion was seconded and carried unanimously.

The first year of the contract will terminate on March 31, 2012, and there will be an option to renew for four additional one-year terms.

On August 13, 2008, the Audit, Compliance, and Management Review Committee agreed that the question of hiring an independent financial auditor should be revisited at each August meeting of the Committee. On August 19, 2009, the Committee and the Board approved implementing a process to solicit proposals for the performance of an independent external audit of the U. T. System financial statements for Fiscal Year 2011.

Eight firms attended a pre-proposal conference held on April 12, 2010, and the following four firms responded to the Request for Qualifications: Deloitte & Touche, Grant Thornton, PricewaterhouseCoopers, and Weaver.

Secretary's Note: The source of funding for this contract is Available University Funds, as approved for the prior contract.

2. U. T. System: Report on the internal audit plan for the Fiscal Year 2010 U. T. System Consolidated Annual Financial Report

This item was for consideration only by the Committee (see Committee Minutes). For ease of reference and for the record, the following statement from the August 11, 2010 Committee Minutes is repeated below:

Committee Chairman Hicks summarized the discussion of this item by saying the Audit, Compliance, and Management Review Committee strongly supports a continuous process of conducting the Consolidated Annual Financial audit rather than revisiting the matter each August.

3. U. T. System: Report on the Systemwide internal audit activities, including the status of the State Auditor's Office issued State Single Audit Reports; and Internal Audit Department report for U. T. Austin

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

4. U. T. System: Report on the Systemwide annual audit plan process

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

5. U. T. System: Report on the use of technology to enhance medical billing compliance at U. T. health institutions

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

6. U. T. System: Report on Inter-University Compliance Consortium

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

REPORT AND RECOMMENDATIONS OF THE FINANCE AND PLANNING COMMITTEE (Pages 33 - 174).--Committee Chairman Foster reported that the Finance and Planning Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Finance and Planning Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System: Approval of Docket No. 143

The Board approved *Docket No. 143*, which is attached following Page 216 in the official copy of the *Minutes*. The Docket is made a part of the record of this meeting.

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

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

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

3. U. T. System Board of Regents: Shared Services Initiative update

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

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

The Board approved to allow those institutions, as set forth in the table on Page 35, to exceed the number of full-time equivalent (FTE) employees paid from appropriated funds for Fiscal Year 2011 that are authorized in Article III of the General Appropriations Act. Also, as required by Article IX, Section 6.10 of the General Appropriations Act, submission of a request to the Governor's Office and the Legislative Budget Board was authorized to grant approval for these institutions to exceed the authorized number of FTE employees paid from appropriated funds.

[Note from the Secretary to the Board of Regents:

On September 1, 2010, The University of Texas System Board of Regents submitted the required letter and supporting materials to the Governor's Office and the Legislative Budget Board.]

The General Appropriations Act places a limit on the number of FTE employees paid from appropriated funds that an institution may employ without written approval of the Governor and the Legislative Budget Board. To exceed the FTE limitation, a request must be submitted by the governing board and must include the date on which the board approved the request, a statement justifying the need to exceed the limitation, the source of funds to be used to pay the salaries, and an explanation as to why the functions of the proposed additional FTEs cannot be performed within current staffing levels.

The University of Texas at Arlington, The University of Texas at Austin, The University of Texas – Pan American, The University of Texas at Tyler, The University of Texas Medical Branch at Galveston, The University of Texas Health Science Center at Houston, The University of Texas Health Science Center at Tyler, and The University of Texas System Administration will be under the FTE cap and did not request to exceed the FTE limitation.

**The University of Texas System**  
**Request to Exceed Full-time Equivalent Limitation on Employees Paid From Appropriated Funds**  
**For Period September 1, 2010 through August 31, 2011**

**Request to Exceed Cap - by Function**

	<u>Faculty</u>	<u>Staff</u>	<u>Total</u>
Instruction	380.08	93.15	473.23
Academic Support	-	79.44	79.44
Research	82.70	74.00	156.70
Public Service	2.11	10.51	12.62
Hospitals and Clinics	84.50	110.90	195.40
Institutional Support	-	99.68	99.68
Student Services	-	47.63	47.63
Operations and Maintenance of Plant	-	179.29	179.29
Scholarships and Fellowships	-	0.84	0.84
Total	<u>549.39</u>	<u>695.44</u>	<u>1,244.83</u>

**Request to Exceed Cap - by Institution**

	<u>FY 2011 Cap</u>	<u>Request to Exceed Cap</u>			
		<u>Faculty</u>	<u>Staff</u>	<u>Total</u>	
U. T. Arlington	2,257.90	-	-	-	*
U. T. Austin	6,519.10	-	-	-	*
U. T. Brownsville	548.90	140.59	163.44	304.03	
U. T. Dallas	1,237.00	51.00	72.00	123.00	
U. T. El Paso	1,730.30	20.00	15.00	35.00	
U. T. Pan American	1,843.30	-	-	-	*
U. T. Permian Basin	296.40	19.70	35.30	55.00	
U. T. San Antonio	2,258.90	82.70	113.40	196.10	
U. T. Tyler	487.10	-	-	-	*
Total Academic Institutions	<u>17,178.90</u>	<u>313.99</u>	<u>399.14</u>	<u>713.13</u>	
U. T. Southwestern Medical Center	2,025.20	40.20	19.80	60.00	
U. T. Medical Branch - Galveston	5,818.70	-	-	-	*
U. T. Health Science Center - Houston	1,873.30	-	-	-	*
U. T. Health Science Center - San Antonio	2,308.90	78.40	62.70	141.10	
U. T. M. D. Anderson Cancer Center	13,081.90	116.80	213.80	330.60	
U. T. Health Science Center - Tyler	708.40	-	-	-	*
Total Health Institutions	<u>25,816.40</u>	<u>235.40</u>	<u>296.30</u>	<u>531.70</u>	
U. T. System Administration	247.00	-	-	-	*
U. T. System Total	<u>43,242.30</u>	<u>549.39</u>	<u>695.44</u>	<u>1,244.83</u>	

\*U. T. Arlington, U. T. Austin, U. T. Pan American, U. T. Tyler, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - Tyler, and U. T. System Administration will not exceed their cap.

5. U. T. System Board of Regents: Adoption of a Resolution authorizing the issuance, sale, and delivery of Permanent University Fund Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions

The Board

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

On August 20, 2009, the Board of Regents adopted a resolution authorizing the issuance of PUF Bonds in an amount not to exceed \$400 million. Adoption of this Resolution rescinds the resolution approved by the Board of Regents in August 2009, and provides a similar authorized amount and purposes as the prior resolution, including the flexibility to issue a portion of the bonds as taxable bonds and to designate such bonds as Build America Bonds.

Adoption of the Resolution also authorizes appropriate officers and employees of U. T. System to take any and all actions, including making appropriate elections required by federal tax law, necessary to cause the issuance of all or a portion of the bonds as taxable Build America Bonds. The determination of whether to designate any bonds as Build America Bonds will be made by the appropriate officer based on what is most cost-effective at the time of pricing.

The Resolution also authorizes the issuance of taxable bonds, without designating such taxable bonds as Build America Bonds, which may be necessary to manage the federal arbitrage limit applicable to the PUF. Adoption of the Resolution also authorizes appropriate officers and employees of U. T. System to take any and all actions, including making



appropriate elections required by federal tax law, necessary to cause the allowable credit to be refunded to U. T. System in the event that all or a portion of the financing is issued as taxable Build America Bonds.

6. U. T. System Board of Regents: Adoption of a Supplemental Resolution authorizing the issuance, sale, and delivery of Revenue Financing System Bonds, authorization to designate all or a portion of the bonds as Build America Bonds, and authorization to complete all related transactions

The Board

- a. adopted a Supplemental Resolution, substantially in the form previously approved by The University of Texas System Board of Regents, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System (RFS) Bonds in one or more installments in an aggregate principal amount not to exceed \$900 million to be used to refund certain outstanding RFS Bonds, to refund RFS Commercial Paper Notes, to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program (CIP), and to pay the costs of issuance; and
- b. authorized appropriate officers and employees of U. T. System as set forth in the Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents within the limitations and procedures specified therein; to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such RFS Bonds.

On August 20, 2009, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed \$800 million. A portion of this authority was utilized with the issuance of \$331.4 million RFS Bonds, Series 2010A that were issued on March 25, 2010, and \$385.4 million of RFS Refunding Bonds, Series 2010B that were issued on April 14, 2010. On May 13, 2010, the Board of Regents adopted a resolution authorizing the issuance of additional RFS Bonds in an amount not to exceed \$750 million. A portion of that authority was utilized with the issuance of \$516.2 million RFS Taxable Bonds, Series 2010D (Build America Bonds) that were issued on June 30, 2010.

Adoption of this Supplemental Resolution rescinds the remaining issuance authority under the resolution approved by the Board of Regents in May, and provides a similar authorized amount and purposes as the prior resolution, including the flexibility to issue a portion of the bonds as taxable bonds and to designate such bonds as Build America Bonds.

Adoption of the Supplemental Resolution also authorizes appropriate officers and employees of U. T. System to take any and all actions, including making appropriate elections required by federal tax law, necessary to cause the issuance of all or a portion of the bonds as taxable Build America Bonds. The determination of whether to designate any bonds as Build America Bonds will be made by the appropriate officer based on what is most cost-effective at the time of pricing. The Supplemental Resolution also authorizes the issuance of taxable bonds, without designating such taxable bonds as Build America Bonds, which may be necessary due to the use of certain facilities.

Adoption of the Supplemental Resolution also authorizes appropriate officers and employees of U. T. System to take any and all actions, including making appropriate elections required by federal tax law, necessary to cause the allowable credit to be refunded to U. T. System in the event that all or a portion of the financing is issued as taxable Build America Bonds. The Supplemental Resolution also authorizes the appropriate officers and employees of the U. T. System to refund outstanding RFS Bonds pursuant to a tender program and to use lawfully available funds to defease outstanding RFS Bonds when economically advantageous.

7. U. T. System Board of Regents: Adoption of resolutions authorizing certain bond enhancement agreements for Revenue Financing System debt and Permanent University Fund debt

The Board adopted resolutions substantially in the form set out on Pages 40 - 73 authorizing appropriate officers of The University of Texas System to enter into bond enhancement agreements related to its Revenue Financing System (RFS) and Permanent University Fund (PUF) debt programs in accordance with the U. T. System Interest Rate Swap Policy and to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents.

*Texas Education Code* Section 65.461 provides specific authority to the U. T. System Board of Regents to enter into "bond enhancement agreements," which include interest rate swaps and related agreements in connection with administration of the U. T. System's RFS and PUF debt programs.

The U. T. System Interest Rate Swap Policy was approved by the Board of Regents as a Regental Policy on February 13, 2003, and was incorporated into the Regents' *Rules and Regulations*, Rule 70202, on December 10, 2004. The Rule was subsequently amended on August 23, 2007. Section 1371.056(l) of the *Texas Government Code*

requires that while an interest rate management agreement transaction is outstanding, the governing body of the issuer shall review and ratify or modify its related risk management policy at least biennially.

On August 20, 2009, the Board approved bond enhancement agreement resolutions for Fiscal Year 2010. Approval of this item authorizes the execution of bond enhancement agreement transactions related to RFS and PUF debt in accordance with the U. T. System Interest Rate Swap Policy for Fiscal Year 2011 and ratifies the existing U. T. System Interest Rate Swap Policy, set out as Exhibit B on Pages 48 - 54 and 66 - 72, as required by *Texas Government Code* Section 1371.056. The determination to utilize bond enhancement agreements will be made based on market conditions at the time of pricing the related debt issuance. The Chairman of the Board of Regents and the Chairman of the Board's Finance and Planning Committee will be informed in advance of any proposed transactions to be undertaken pursuant to the resolutions.

**A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF BOND ENHANCEMENT AGREEMENTS RELATING TO REVENUE FINANCING SYSTEM DEBT AND AUTHORIZING AND APPROVING OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID AGREEMENTS**

August 12, 2010

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

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

**WHEREAS**, unless otherwise defined herein, terms used herein shall have the meaning given in the Master Resolution or as set forth in Exhibit A hereto; and

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

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

**WHEREAS**, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) executed or to be executed thereunder; and

**WHEREAS**, the Board hereby desires to ratify the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

**NOW THEREFORE BE IT RESOLVED**, that

**SECTION 1. DEFINITIONS.** In addition to the definitions set forth in the preamble of this Resolution, the terms used in this Resolution and not otherwise defined shall have the meanings given in the Master Resolution or in Exhibit A to this Resolution attached hereto and made a part hereof.

**SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.**

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation", and collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected

to reduce the net interest to be paid by the Board with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2011.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding Parity Debt or Parity Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "Credit Agreement" as defined in the Master Resolution and a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code*, as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Maximum Term. The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related Parity Debt or the related Parity Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related Parity Debt and related Parity Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same Parity Debt may exceed the principal amount of the related Parity Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 6 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such

Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

**SECTION 3. BOND ENHANCEMENT AGREEMENTS AS PARITY DEBT.** The costs of any Bond Enhancement Agreement and the amounts payable thereunder shall be payable out of Pledged Revenues and each Bond Enhancement Agreement shall constitute Parity Debt under the Master Resolution, except to the extent that a Bond Enhancement Agreement provides that an obligation of the Board thereunder shall be payable from and secured by a lien on Pledged Revenues subordinate to the lien securing the payment of the Parity Debt. The Board determines that this Resolution shall constitute a Supplemental Resolution to the Master Resolution and as required by Section 5(a) of the Master Resolution, the Board further determines that upon the delivery of the Bond Enhancement Agreements authorized by this Resolution it will have sufficient funds to meet the financial obligations of the System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System and that the Members on whose behalf such Bond Enhancement Agreements are entered into possess the financial capacity to satisfy their Direct Obligations after taking such Bond Enhancement Agreements into account.

**SECTION 4. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.** In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to Parity Debt then outstanding bearing interest at a variable rate and Parity Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable Parity Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to Parity Debt then outstanding bearing interest at a fixed rate and Parity Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate Parity Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the Parity Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate Parity Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as the London Interbank Offered Rate ("LIBOR"), with respect to a designated maturity or principal

amount of outstanding Parity Debt and Parity Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its Parity Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on Parity Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding Parity Debt or additional Parity Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

#### **SECTION 5. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.**

(a) General. Except as further limited by subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the Parity Debt or anticipated issuance of Parity Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

#### **SECTION 6. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PARITY DEBT.**

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated Parity Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of Parity Debt and such Parity Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event to (i) delay the effective date of such Bond Enhancement Agreement; or (ii) replace such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated Parity Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this

Resolution in connection with the anticipated issuance of Parity Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated Parity Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement to (i) reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated Parity Debt as actually issued or (ii) supplement or replace all or a portion of such anticipated Parity Debt with any then outstanding Parity Debt having the same types of interest rates (fixed or variable) as the anticipated Parity Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable Parity Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including, but not limited to, a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to Parity Debt anticipated to be issued to refund outstanding Parity Debt.

(d) Required Description of Anticipated Parity Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of Parity Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated Parity Debt stating: (i) the anticipated issuance date of such Parity Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such Parity Debt in the Board's then current Capital Improvement Program; (ii) whether such Parity Debt will bear interest at a fixed or variable rate; (iii) if such Parity Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such Parity Debt is anticipated; (iv) if such Parity Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such Parity Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such Parity Debt will be used; and (vii) for Parity Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with Parity Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with Parity Debt anticipated to be issued for the purpose of advance refunding any existing Parity Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of Parity Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in a supplemental resolution approved by the Board authorizing the issuance of additional Parity Debt), and in such event, the Board hereby declares its intention to cause such Parity Debt to be issued. No such certification or declaration shall be applicable in connection with Parity Debt anticipated to be



issued for the purpose of currently refunding any existing Parity Debt within ninety (90) days of the date of issuance of such anticipated Parity Debt.

**SECTION 7. MASTER AGREEMENTS.**

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the "New Master Agreements") with counterparties satisfying the ratings requirements of the System's Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a "credit agreement" under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding Parity Debt or Parity Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System's Interest Rate Swap Policy and this Resolution.

**SECTION 8. ADDITIONAL AUTHORIZATION; RATIFICATION OF SWAP POLICY.**

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

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

(c) Swap Policy. The Board has reviewed and hereby ratifies and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

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## **EXHIBIT A**

### **DEFINITIONS**

As used in this Resolution the following terms and expressions shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

"Authorized Representative" – As defined in the System's Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

"Board" – The Board of Regents of The University of Texas System.

"Bond Enhancement Agreement" – Collectively, each Confirmation and the applicable Master Agreement.

"Chapter 1371" – Chapter 1371 of the *Texas Government Code*, as amended.

"Confirmation" – Each confirmation entered into by an Authorized Representative on behalf of the Board pursuant to this Resolution.

"Executed Master Agreements" – The following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 6, 2005;

(ii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of May 2, 2006;

(iii) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of May 1, 2006;

(iv) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 6, 2005;

(v) ISDA Master Agreement with UBS AG, dated as of November 1, 2007;

(vi) ISDA Master Agreement with Royal Bank of Canada, dated as of April 4, 2008;

(vii) ISDA Master Agreement with Goldman Sachs Bank USA, dated as of August 1, 2009; and

(viii) ISDA Master Agreement with Wells Fargo Bank, National Association, dated as of August 21, 2009.

"ISDA" – The International Swaps and Derivatives Association, Inc.

"LIBOR" – London Interbank Offered Rate.

"Master Agreements" – Collectively, the Executed Master Agreements and any New Master Agreements.

"Master Resolution" – The First Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991, and amended on October 8, 1993, and August 14, 1997.

"New Master Agreements" – Any ISDA Master Agreements entered into by an Authorized Representative pursuant to Section 7(a) of this Resolution.

"Section 65.461" – Section 65.461 of the *Texas Education Code*, as amended.

"System" – The University of Texas System.

**EXHIBIT B**

**INTEREST RATE SWAP POLICY  
OF THE UNIVERSITY OF TEXAS SYSTEM**

**1. Title**

Interest Rate Swap Policy

**2. Rule and Regulation**

Sec. 1 Authority. *Texas Education Code*, [Chapter 55](#), including Section [55.13](#), *Texas Education Code*, [Chapter 65](#), including Section [65.461](#), and *Texas Government Code*, [Chapter 1371](#), including Section [1371.056](#), authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements and bond enhancement agreements (collectively “swaps”).

Sec. 2 Purpose. This policy will govern the use of swaps in connection with the U. T. System’s management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs. By using swaps in a prudent manner, the U. T. System can increase the U. T. System’s financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into swaps for speculative purposes.

Sec. 3 Legality/Approval. Prior to entering into a swap, the U. T. System must receive approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board. The U. T. System will also secure an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the U. T. System and that entering into the swap complies with applicable State and federal laws.

Sec. 4 Form of Agreements. Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

- Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of 'A' or 'A2' or better from Standard & Poor's or Moody's, respectively.
- 5.1 Competitive. The competitive bid should include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.
- 5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:
- (a) A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;
  - (b) An Authorized Representative makes a determination that, in light of the facts and circumstances, doing so will promote the U. T. System's interests by encouraging and rewarding innovation; or
  - (c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.
- Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System's swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.
- 6.1 Value Owed by Counterparty. To limit and diversify the U. T. System's counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the U. T. System shall be less

than or equal to the applicable threshold amount set forth in Section 6.3 below.

6.2 Calculation of Value Owed. The value owed shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.

6.3 Threshold Amounts Based on Credit Rating. Specific threshold amounts by counterparty are based on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty or its credit support provider. The threshold amounts are as follows:

(a) AAA / Aaa	\$30 million
(b) AA+ / Aa1	\$25 million
(c) AA / Aa2	\$20 million
(d) AA- / Aa3	\$15 million
(e) A+ / A1	\$10 million
(f) A / A2	\$ 5 million

6.4 Downgraded Rating. If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits it to optionally terminate a swap at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the U. T. System, either through receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. If no other remedies are available, it is possible that a termination payment by the U. T. System may be required in the

event of termination of a swap due to a counterparty default or following a decrease in credit rating.

- Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.
- Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or the London Interbank Offered Rate (LIBOR).
- Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is also present in all tax-exempt debt issuances. The Office of Finance should continually monitor and evaluate tax risk.
- Sec. 11 Interest Rate Risk. Additional interest rate risk can be created by entering into certain types of swaps. Interest rate risk is risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. The Office of Finance will incorporate the impact of each swap on the overall debt portfolio.
- Sec. 12 Reporting.
- 12.1 The Office of Finance staff will report to the Board within 30 days of completion of any swap transaction.
- 12.2 The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit



support providers, if applicable) and their respective credit ratings, and other key terms.

### **3. Definitions**

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Finance and Business Development, and the Assistant Vice Chancellor for Finance.

Counterparty – a participant in a swap who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices calculated on an agreed notional amount. An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

London Interbank Offered Rate (LIBOR) – the rate of interest at which banks borrow funds from other banks in the London interbank market. It is a commonly used benchmark for swaps.

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the swap and the dollar amount used to calculate interest payments.

SIFMA Index - (formerly known as the Bond Market Association (BMA) Municipal Swap index). The principal benchmark for floating rate payments for tax-exempt issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

**4. Relevant Federal and State Statutes**

*Texas Education Code, [Chapter 55](#)* – Financing Permanent Improvements

*Texas Education Code, [Chapter 65](#)* – Administration of The University of Texas System

*Texas Government Code, [Chapter 1371](#)* – Obligations for Certain Public Improvements

**5. Relevant System Policies, Procedures, and Forms**

None

**6. Who Should Know**

Administrators

**7. System Administration Office(s) Responsible for Rule**

Office of Business Affairs

**8. Dates Approved or Amended**

August 23, 2007

December 10, 2004

**9. Contact Information**

Questions or comments regarding this rule should be directed to:

- [bor@utsystem.edu](mailto:bor@utsystem.edu)

**EXHIBIT C**

**EXECUTED MASTER AGREEMENTS**

[On File with the Board]

A RESOLUTION AUTHORIZING THE EXECUTION AND DELIVERY OF  
BOND ENHANCEMENT AGREEMENTS RELATING TO PERMANENT  
UNIVERSITY FUND DEBT AND AUTHORIZING AND APPROVING  
OTHER INSTRUMENTS AND PROCEDURES RELATING TO SAID  
AGREEMENTS

August 12, 2010

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

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

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

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

WHEREAS, the Constitutional Provision also provides that out of the Interest of the System in the Available University Fund there shall be appropriated an annual sum sufficient to pay the principal and interest due on PUF Debt, and the remainder of the Interest of the System in the Available University Fund (the “Residual AUF”) shall be appropriated for the support and maintenance of The University of Texas at Austin and the System Administration; and

WHEREAS, unless otherwise defined herein, terms used herein shall have the meaning as set forth in Exhibit A hereto; and

WHEREAS, the Board has previously entered into certain Executed Master Agreements (as defined herein) with certain counterparties setting forth the terms and conditions applicable to each Confirmation (as defined herein) to be executed thereunder; and

WHEREAS, the Board hereby desires to ratify the U.T. System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B, and to severally authorize each Authorized Representative (as defined in the System's Interest Rate Swap Policy) to enter into Bond Enhancement Agreements (as defined herein) from time to time, all as provided in this Resolution.

NOW THEREFORE BE IT RESOLVED, that

**SECTION 1. DEFINITIONS.** Capitalized terms used in this Resolution and not otherwise defined shall have the meanings given in Exhibit A attached hereto and made a part hereof.

**SECTION 2. AUTHORIZATION OF BOND ENHANCEMENT AGREEMENTS.**

(a) Delegation. Each Authorized Representative is hereby severally authorized to act on behalf of the Board in accepting and executing new or amended confirmations under one or more of the Master Agreements (each, a "Confirmation" and, collectively with the applicable Master Agreement, a "Bond Enhancement Agreement") when, in his or her judgment, the execution of such Confirmation is consistent with this Resolution and the System's Interest Rate Swap Policy and either (i) the transaction is expected to reduce the net interest to be paid by the Board with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future over the term of the Bond Enhancement Agreement or (ii) the transaction is in the best interests of the Board given the market conditions at that time. The delegation to each Authorized Representative to execute and deliver Bond Enhancement Agreements on behalf of the Board under this Resolution shall expire on September 1, 2011.

(b) Authorizing Law and Treatment as Credit Agreement. The Board hereby determines that any such Bond Enhancement Agreement entered into by an Authorized Representative pursuant to this Resolution is necessary or appropriate to place the Board's obligations with respect to its outstanding PUF Debt or PUF Debt anticipated to be issued in the future on the interest rate, currency, cash flow or other basis set forth in such Bond Enhancement Agreement as approved and executed on behalf of the Board by an Authorized Representative. Each Bond Enhancement Agreement constitutes a "bond enhancement agreement" under Section 65.461 of the *Texas Education Code*, as amended ("Section 65.461"). Pursuant to Section 65.461, a Bond Enhancement Agreement authorized and executed by an Authorized Representative under this Resolution shall not be considered a "credit agreement" under Chapter 1371 of the *Texas Government Code*, as amended ("Chapter 1371"), unless specifically designated as such by such Authorized Representative. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a "credit agreement" under Chapter 1371 and this Resolution has not previously been submitted to the Attorney General by an Authorized Representative, such Authorized Representative shall submit

this Resolution to the Attorney General for review and approval in accordance with the requirements of Chapter 1371 as the proceedings authorizing Bond Enhancement Agreements entered into by the Board pursuant to this Resolution.

(c) Costs; Maximum Term. The costs of any Bond Enhancement Agreement and the amounts payable thereunder, including but not limited to any amounts payable by the Board as a result of terminating a Bond Enhancement Agreement, shall be payable from the Residual AUF as a cost of the support and maintenance of System administration or from any other source that is legally available to make such payments.

The maximum term of each Bond Enhancement Agreement authorized by this Resolution shall not exceed the maturity date of the then outstanding related PUF Debt or the related PUF Debt anticipated to be issued in the future, as applicable.

(d) Notional Amount. The notional amount of any Bond Enhancement Agreement authorized by this Resolution shall not at any time exceed the aggregate principal amount of the then outstanding related PUF Debt or related PUF Debt anticipated to be issued in the future, as applicable; provided that the aggregate notional amount of multiple Bond Enhancement Agreements relating to the same PUF Debt may exceed the principal amount of the related PUF Debt if such Bond Enhancement Agreements are for different purposes, as evidenced for example by different rates for calculating payments owed, and the aggregate notional amount of any such Bond Enhancement Agreements for the same purpose otherwise satisfies the foregoing requirements.

(e) Early Termination. No Confirmation entered into pursuant to this Resolution shall contain early termination provisions at the option of the counterparty except upon the occurrence of an event of default or an additional termination event, as prescribed in the applicable Master Agreement. In addition to subsections (a) and (b) of Section 5 hereof, each Authorized Representative is hereby severally authorized to terminate any Bond Enhancement when, in his or her judgment, such termination is in the best interests of the Board given the market conditions at that time.

(f) Maximum Rate. No Bond Enhancement Agreement authorized by this Resolution shall be payable at a rate greater than the maximum rate allowed by law.

(g) Credit Enhancement. An Authorized Representative may obtain credit enhancement for any Bond Enhancement Agreement if such Authorized Representative, as evidenced by a certificate delivered to the General Counsel to the Board, has determined that after taking into account the cost of such credit enhancement, such credit enhancement will reduce the amount payable by the Board pursuant to such Bond Enhancement Agreement; provided that the annual cost of credit enhancement on any Bond Enhancement Agreement entered into pursuant to this Resolution may not exceed 0.50% of the notional amount of such Bond Enhancement Agreement.

**SECTION 3. AUTHORIZATION FOR SPECIFIC TRANSACTIONS.** In addition to the authority otherwise granted in this Resolution, each Authorized Representative is hereby severally granted continuing authority to enter into the following specific transactions pursuant

to a Confirmation (or other agreement or instrument deemed necessary by an Authorized Representative) upon satisfaction of the following respective conditions:

(A) Floating-to-fixed rate interest rate swap transactions under which the Board would pay an amount based upon a fixed rate of interest and the counterparty would pay an amount based upon a variable rate of interest with respect to PUF Debt then outstanding bearing interest at a variable rate and any PUF Debt anticipated to be issued in the future that will bear interest at a variable rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that (i) the synthetic fixed rate to the Board pursuant to the swap transaction is lower than the rate available to the Board for comparable fixed rate debt at the time of the swap transaction, and (ii) if the variable rate being paid or expected to be paid by the Board on the applicable PUF Debt is computed on a basis different from the calculation of the variable rate to be received under the swap transaction over the stated term of such swap transaction, the basis risk of the transaction is expected to be minimal based upon historical relationships between such bases.

(B) Fixed-to-floating rate interest rate swap transactions under which the Board would pay an amount based upon a variable rate of interest and the counterparty would pay an amount based upon a fixed rate of interest, with respect to PUF Debt then outstanding bearing interest at a fixed rate or PUF Debt anticipated to be issued in the future that will bear interest at a fixed rate, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that converting such portion of fixed rate PUF Debt to a variable rate pursuant to the fixed-to-floating interest rate swap transaction would be beneficial to the System by (i) lowering the anticipated net interest cost on the PUF Debt to be swapped against or (ii) assisting in the System's asset/liability management by matching a portion of its variable rate assets with variable rate PUF Debt.

(C) Basis swap transactions under which the Board would pay a variable rate of interest computed on one basis, such as the Securities Industry and Financial Markets Association Municipal Swap Index, and the counterparty would pay a variable rate of interest computed on a different basis, such as a designated maturity of the London Interbank Offered Rate ("LIBOR"), with respect to a given principal amount of PUF Debt then outstanding or PUF Debt anticipated to be issued in the future, as applicable. Prior to entering into such transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that by entering into the basis swap transaction the Board is expected to be able to (i) achieve spread income or upfront cash payments, (ii) preserve call option and advance refunding capability on its PUF Debt, (iii) lower net interest cost by effecting a percent of LIBOR synthetic refunding without issuing additional bonds or acquiring credit enhancement, (iv) lower net interest cost on PUF Debt by layering tax risk on top of a traditional or synthetic fixed rate financing, (v) preserve liquidity capacity, or (vi) avoid the mark to market volatility of a fixed-to-floating or floating-to-fixed swap in changing interest rate environments.

(D) Interest rate locks, caps, floors, and collars for the purpose of limiting the exposure of the Board to adverse changes in interest rates in connection with outstanding PUF Debt or additional PUF Debt anticipated to be issued in the future. Prior to entering into such a transaction, an Authorized Representative must deliver to the General Counsel to the Board a certificate to the effect that such transaction is expected to limit or eliminate such exposure.

**SECTION 4. APPLICATION OF PAYMENTS RECEIVED UNDER BOND ENHANCEMENT AGREEMENTS.**

(a) General. Except as provided in subsection (b) hereof, to the extent the Board receives payments pursuant to a Bond Enhancement Agreement, such payments shall be applied for any lawful purpose.

(b) Payments under Chapter 1371 Credit Agreements. In the event an Authorized Representative elects to treat a Bond Enhancement Agreement authorized by this Resolution as a “credit agreement” under Chapter 1371 and such Bond Enhancement Agreement is executed and delivered pursuant to Chapter 1371, to the extent that the Board receives payments pursuant to such a Bond Enhancement Agreement, such payments shall be applied as follows: (i) to pay (A) debt service on the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement, or (B) the costs to be financed by the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; provided that, if applicable, such costs shall have been approved for construction by the Board and that the applicable projects have received the required approval or review of the Texas Higher Education Coordinating Board to the extent and as required by the provisions of Section 61.058 of the *Texas Education Code*; (ii) to pay other liabilities or expenses that are secured on parity with or senior to the PUF Debt or anticipated issuance of PUF Debt related to the Bond Enhancement Agreement; or (iii) to the extent that costs set forth in (i) and (ii) have been satisfied, for any other lawful purpose.

**SECTION 5. BOND ENHANCEMENT AGREEMENTS IN CONNECTION WITH ANTICIPATED PUF DEBT.**

(a) Requirement to Terminate or Modify Agreement for Non-issuance of Anticipated PUF Debt. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such PUF Debt is not actually issued on or prior to the effective date of such agreement, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement in such event (i) to delay the effective date of such Bond Enhancement Agreement; or (ii) to replace such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt.

(b) Requirement to Terminate or Modify Agreement for Notional Amount in Excess of Anticipated PUF Debt as Issued. In the event a Bond Enhancement Agreement is entered into under this Resolution in connection with the anticipated issuance of PUF Debt and such Bond Enhancement Agreement has a notional amount that at any time exceeds the principal amount to be outstanding of such anticipated PUF Debt as actually issued, an Authorized Representative shall either terminate such Bond Enhancement Agreement or amend such Bond Enhancement Agreement (i) to reduce the notional amount of such Bond Enhancement as appropriate so that such notional amount does not exceed at any time the principal amount to be outstanding of such anticipated PUF Debt



as actually issued or (ii) supplement or replace all or a portion of such anticipated PUF Debt with any then outstanding PUF Debt having the same types of interest rates (fixed or variable) as the anticipated PUF Debt as necessary to ensure that the notional amount of such Bond Enhancement Agreement does not exceed at any time the principal amount of the applicable PUF Debt.

(c) Board Recognition of Anticipated Parity Debt. No Bond Enhancement Agreement may be entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt unless such anticipated issuance of future debt shall have been recognized by official action of the Board pursuant to (i) the Board's prior adoption of a resolution authorizing the issuance of such debt, including but not limited to a resolution delegating the parameters of such issuance to an Authorized Representative or a resolution authorizing the issuance of commercial paper notes, (ii) the Board's prior approval of its then current Capital Improvement Program contemplating the financing of the projects to be financed by such anticipated issuance of debt and the amount of such debt to be issued, or (iii) the Board's action pursuant to subsection (e) hereof with respect to PUF Debt anticipated to be issued to refund outstanding PUF Debt.

(d) Required Description of Anticipated PUF Debt. To the extent that a Bond Enhancement Agreement is entered into under this Resolution with respect to the Board's obligations under an anticipated future issuance of PUF Debt, an Authorized Representative must also deliver to the General Counsel to the Board at the time such agreement is entered into a certificate with respect to such anticipated PUF Debt stating: (i) the anticipated issuance date of such PUF Debt or a range of anticipated dates of up to six months for such issuance, provided that such date or range of dates may not be more than the lesser of seventy-two (72) months after the date of the applicable Confirmation or the latest date contemplated for the issuance of such PUF Debt in the Board's then current Capital Improvement Program; (ii) whether such PUF Debt will bear interest at a fixed or variable rate; (iii) if such PUF Debt will bear interest at a fixed rate, what fixed interest rate or range of interest rates with respect to such PUF Debt is anticipated; (iv) if such PUF Debt will bear interest at a variable rate, what basis is anticipated to be used to compute such variable rate; (v) the assumed maturity schedule and amortization for such PUF Debt, including the assumed interest cost; (vi) the anticipated purposes for which the proceeds of such PUF Debt will be used; and (vii) for PUF Debt anticipated to be issued for new money projects, a list or description of such projects anticipated to be financed, provided that each such project must be contemplated for financing with PUF Debt by the Board's then current Capital Improvement Program or have otherwise received Board approval for financing.

(e) Board's Statement of Intent to Issue Advance Refunding Debt for Savings. If the conditions in this Resolution are otherwise satisfied, the Board hereby authorizes each Authorized Representative to enter into a Bond Enhancement Agreement in connection with PUF Debt anticipated to be issued for the purpose of advance refunding any existing PUF Debt, provided that as certified by an Authorized Representative to the General Counsel to the Board, such anticipated issue of PUF Debt, when taking into consideration the effect of such Bond Enhancement Agreement, is expected to result in a present value

savings in connection with such advance refunding of at least 3.0% (determined in the manner set forth in the resolution approved by the Board authorizing the issuance of such anticipated issue of PUF Debt), and in such event, the Board hereby declares its intention to cause such anticipated PUF Debt to be issued. No such certification or declaration shall be applicable in connection with PUF Debt anticipated to be issued for the purpose of currently refunding any existing PUF Debt within ninety (90) days of the date of issuance of such anticipated PUF Debt.

**SECTION 6. MASTER AGREEMENTS.**

(a) New Master Agreements. Each Authorized Representative is hereby severally authorized to enter into ISDA Master Agreements (the “New Master Agreements”) with counterparties satisfying the ratings requirements of the System’s Interest Rate Swap Policy. Such New Master Agreements shall be in substantially the same form as the Executed Master Agreements, with such changes as, in the judgment of an Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable (i) to carry out the intent of the Board as expressed in this Resolution, (ii) to receive approval of this Resolution by the Attorney General of the State of Texas, if pursuant Section 2(b) of this Resolution, an Authorized Representative elects to designate any Bond Enhancement Agreement entered into by the Board pursuant to this Resolution as a “credit agreement” under Chapter 1371, (iii) to accommodate the credit structure or requirements of a particular counterparty or (iv) to incorporate comments received or anticipated to be received from any credit rating agency relating to a New Master Agreement. Each Authorized Representative is authorized to enter into such New Master Agreements and to enter into Confirmations thereunder in accordance with this Resolution and in furtherance of and to carry out the intent hereof.

(b) Amendments to Master Agreements. Each Authorized Representative is hereby further severally authorized to enter into amendments to the Master Agreements to allow Confirmations thereunder to be issued and entered into with respect to any then outstanding PUF Debt or PUF Debt anticipated to be issued in the future and to make such other amendments in accordance with the terms of the respective Master Agreements as in the judgment of such Authorized Representative, with the advice and counsel of the Office of General Counsel and Bond Counsel, are necessary or desirable to allow the Board to achieve the benefits of the Bond Enhancement Agreements in accordance with and subject to the System’s Interest Rate Swap Policy and this Resolution.

**SECTION 7. ADDITIONAL AUTHORIZATION; RATIFICATION OF SWAP POLICY.**

(a) Additional Agreements and Documents Authorized. Each Authorized Representative and all officers of the Board are severally authorized to execute and deliver such other agreements and documents as are contemplated by this Resolution and the Master Agreements or are otherwise necessary in connection with entering into Confirmations and Bond Enhancement Agreements as described in this Resolution, as

any such Authorized Representative or officer shall deem appropriate, including without limitation, officer's certificates, legal opinions, and credit support documents.

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

(c) Swap Policy. The Board has reviewed and hereby ratifies and affirms the System's Interest Rate Swap Policy, a copy of which is attached hereto as Exhibit B.

*[Remainder of page intentionally left blank]*

## **EXHIBIT A**

### **DEFINITIONS**

As used in this Resolution the following terms shall have the meanings set forth below, unless the text hereof specifically indicates otherwise:

“Authorized Representative” shall have the meaning given to such term in the System’s Interest Rate Swap Policy (a copy of which is attached hereto as Exhibit B).

“Available University Fund” shall have the meaning given to such term in the recitals to this Resolution.

“Board” shall have the meaning given to such term in the recitals to this Resolution.

“Bond Enhancement Agreement” shall have the meaning given to such term in Section 2(a) hereof.

“Chapter 1371” shall have the meaning given to such term in Section 2(b) hereof.

“Confirmation” shall have the meaning given to such term in Section 2(a) hereof.

“Constitutional Provision” shall have the meaning given to such term in the recitals to this Resolution.

“Executed Master Agreements” shall mean the following existing and fully executed ISDA Master Agreements currently in effect between the Board and the respective counterparty noted below (copies of which are attached hereto as Exhibit C):

(i) ISDA Master Agreement with Bank of America, N.A., dated as of December 1, 2007;

(ii) ISDA Master Agreement with Goldman Sachs Capital Markets, L.P., dated as of December 1, 2007;

(iii) ISDA Master Agreement with JPMorgan Chase Bank, National Association, dated as of December 1, 2007;

(iv) ISDA Master Agreement with Merrill Lynch Capital Services, Inc., dated as of December 1, 2007;

(v) ISDA Master Agreement with Morgan Stanley Capital Services Inc., dated as of December 1, 2007;

(vi) ISDA Master Agreement with the Royal Bank of Canada dated as of May 22, 2008; and

(vii) ISDA Master Agreement with UBS AG, dated as of April 1, 2008.

“Interest of the System” shall have the meaning given to such term in the recitals to this Resolution.

“ISDA” shall mean the International Swaps and Derivatives Association, Inc.

“LIBOR” shall have the meaning given to such term in clause (C) of Section 3 hereof.

“Master Agreements” shall mean, collectively, the Executed Master Agreements and any New Master Agreements.

“New Master Agreements” shall have the meaning given to such term in Section 6(a) hereof.

“Permanent University Fund” shall have the meaning given to such term in the recitals to this Resolution.

“PUF Debt” shall have the meaning given to such term in the recitals to this Resolution.

“Residual AUF” shall have the meaning given to such term in the recitals to this Resolution.

“Section 65.461” shall have the meaning given to such term in Section 2(b) hereof.

“State” shall have the meaning given to such term in the recitals to this Resolution.

“System” shall have the meaning given to such term in the recitals to this Resolution.

**EXHIBIT B**

**INTEREST RATE SWAP POLICY  
OF THE UNIVERSITY OF TEXAS SYSTEM**

**1. Title**

Interest Rate Swap Policy

**2. Rule and Regulation**

- Sec. 1 Authority. *Texas Education Code*, [Chapter 55](#), including Section [55.13](#), *Texas Education Code*, [Chapter 65](#), including Section [65.461](#), and *Texas Government Code*, [Chapter 1371](#), including Section [1371.056](#), authorize the Board of Regents (Board) of The University of Texas System (U. T. System) to enter into interest rate management agreements and bond enhancement agreements (collectively “swaps”).
- Sec. 2 Purpose. This policy will govern the use of swaps in connection with the U. T. System’s management of its debt programs, including the Permanent University Fund and Revenue Financing System debt programs. By using swaps in a prudent manner, the U. T. System can increase the U. T. System’s financial flexibility, provide opportunities for interest rate savings, allow the U. T. System to actively manage asset and liability interest rate risk, take advantage of market opportunities to lower the overall cost of debt, balance interest rate risk, or hedge other exposures. The use of swaps must be tied directly to U. T. System debt instruments. The U. T. System shall not enter into swaps for speculative purposes.
- Sec. 3 Legality/Approval. Prior to entering into a swap, the U. T. System must receive approval from the Board of Regents (which may include a delegation of authority to an Authorized Representative to enter into one or more swaps) and any required approvals from the Texas Attorney General and the Texas Bond Review Board. The U. T. System will also secure an opinion acceptable to the Authorized Representative from legal counsel that the swap is a legal, valid, and binding obligation of the U. T. System and that entering into the swap complies with applicable State and federal laws.
- Sec. 4 Form of Agreements. Each interest rate swap shall contain terms and conditions as set forth in the International Swaps and Derivatives Association, Inc. (ISDA) Master Agreement, as amended, and such other terms and conditions including schedules, credit support annexes, and confirmations as deemed necessary by an Authorized Representative.

- Sec. 5 Methods of Procuring Swaps. Swaps can be procured via competitive bids or on a negotiated basis with counterparties or its credit support providers having credit ratings of 'A' or 'A2' or better from Standard & Poor's or Moody's, respectively.
- 5.1 Competitive. The competitive bid should include a minimum of three firms. An Authorized Representative may allow a firm or firms not submitting the bid that produces the lowest cost to match the lowest bid and be awarded a specified percentage of the notional amount of the swap.
- 5.2 Negotiated. An Authorized Representative may procure swaps by negotiated methods in the following situations:
- (a) A determination is made by an Authorized Representative that due to the complexity of a particular swap, a negotiated bid would result in the most favorable pricing;
  - (b) An Authorized Representative makes a determination that, in light of the facts and circumstances, doing so will promote the U. T. System's interests by encouraging and rewarding innovation; or
  - (c) A determination is made by an Authorized Representative that a competitive bid would likely create market pricing effects that would be detrimental to the interests of the U. T. System.
- Sec. 6 Counterparty Risk. Counterparty risk is the risk of a failure by one of the U. T. System's swap counterparties to perform as required under a swap. To mitigate this risk, the U. T. System will 1) diversify its exposure among highly rated swap counterparties satisfying the rating criteria set forth in Section 5 above; 2) require collateralization as set forth below; and 3) include an optional termination event if the counterparty (or its credit support provider, if applicable) is downgraded below a second (lower) threshold.
- 6.1 Value Owed by Counterparty. To limit and diversify the U. T. System's counterparty risk and to monitor credit exposure to each counterparty, the U. T. System may not enter into a swap with an otherwise qualified counterparty unless the cumulative mark-to-market value owed by the counterparty (and its credit support provider, if applicable) to the U. T. System shall be less



than or equal to the applicable threshold amount set forth in Section 6.3 below.

6.2 Calculation of Value Owed. The value owed shall be the sum of all mark-to-market values between the subject counterparty and the U. T. System regardless of the type of swap, net of collateral posted by the counterparty. Collateral will consist of cash, U.S. Treasury securities, and Federal Agency securities guaranteed unconditionally by the full faith and credit of the U.S. Government. Collateral shall be deposited with a third party trustee acceptable to U. T. System or as mutually agreed upon between U. T. System and each counterparty.

6.3 Threshold Amounts Based on Credit Rating. Specific threshold amounts by counterparty are based on the cumulative mark-to-market value of the swap(s) and the credit rating of the counterparty or its credit support provider. The threshold amounts are as follows:

(a) AAA / Aaa	\$30 million
(b) AA+ / Aa1	\$25 million
(c) AA / Aa2	\$20 million
(d) AA- / Aa3	\$15 million
(e) A+ / A1	\$10 million
(f) A / A2	\$ 5 million

6.4 Downgraded Rating. If the credit rating of a counterparty or its credit support provider is downgraded such that the cumulative mark-to-market value of all swaps between such counterparty and the U. T. System exceeds the maximum permitted by this policy, the counterparty must post collateral or provide other credit enhancement that is satisfactory to the U. T. System and ensures compliance with this policy.

Sec. 7 Termination Risk. The U. T. System shall consider the merits of including a provision that permits it to optionally terminate a swap at any time over the term of the swap (elective termination right). In general, exercising the right to optionally terminate a swap should produce a benefit to the U. T. System, either through receipt of a payment from a termination, or if a termination payment is made by the U. T. System, a conversion to a more beneficial debt instrument or credit relationship. If no other remedies are available, it is possible that a termination payment by the U. T. System may be required in the

event of termination of a swap due to a counterparty default or following a decrease in credit rating.

- Sec. 8 Amortization Risk. The amortization schedules of the debt and associated swap should be closely matched for the duration of the swap. Mismatched amortization schedules can result in a less than satisfactory hedge and create unnecessary risk. In no circumstance may (i) the notional amount of a swap exceed the principal amount of the related debt at any time, or (ii) the term of a swap extend beyond the final maturity date of the related debt instrument, or in the case of a refunding transaction, beyond the final maturity date of the refunding bonds.
- Sec. 9 Basis Risk. Basis risk arises as a result of movement in the underlying variable rate indices that may not be in tandem, creating a cost differential that could result in a net cash outflow from the U. T. System. Basis risk can also result from the use of floating, but different, indices. To mitigate basis risk, any index used as part of a swap shall be a recognized market index, including but not limited to the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index or the London Interbank Offered Rate (LIBOR).
- Sec. 10 Tax Risk. Tax risk is the risk that tax laws will change, resulting in a change in the marginal tax rates on swaps and their underlying assets. Tax risk is also present in all tax-exempt debt issuances. The Office of Finance should continually monitor and evaluate tax risk.
- Sec. 11 Interest Rate Risk. Additional interest rate risk can be created by entering into certain types of swaps. Interest rate risk is risk that costs associated with variable rate exposure increase as a result of changes in market interest rates. The Office of Finance will incorporate the impact of each swap on the overall debt portfolio.
- Sec. 12 Reporting.
- 12.1 The Office of Finance staff will report to the Board within 30 days of completion of any swap transaction.
- 12.2 The Annual Financial Report prepared by the U. T. System and presented to the Board of Regents will discuss the status of all swaps. The report shall include a list of all swaps with notional value and interest rates, a list of counterparties (and credit support providers, if applicable) and their respective credit ratings, and other key terms.

### **3. Definitions**

Authorized Representative – includes the Executive Vice Chancellor for Business Affairs, the Vice Chancellor and General Counsel, the Vice Chancellor for Finance and Business Development, and the Assistant Vice Chancellor for Finance.

Counterparty – a participant in a swap who exchanges payments based on interest rates or other criteria with another counterparty.

Counterparty Long-Term Debt Rating – lowest prevailing rating from Standard & Poor's / Moody's.

Hedge – a transaction entered into to reduce exposure to market fluctuations.

Interest Rate Swap – a swap in which two parties agree to exchange future net cash flows based on predetermined interest rates or indices calculated on an agreed notional amount. An interest rate swap is not a debt instrument and there is no exchange of principal.

ISDA Master Agreement – the International Swaps and Derivatives Association, Inc. (ISDA), is the global trade association for the derivatives industry. The ISDA Master Agreement is the basic governing document that serves as a framework for all interest rate swaps and certain other types of swaps between two counterparties. It is a standard form used throughout the industry. It is typically negotiated once, prior to the first swap transaction, and remains in force for all subsequent swap transactions.

London Interbank Offered Rate (LIBOR) – the rate of interest at which banks borrow funds from other banks in the London interbank market. It is a commonly used benchmark for swaps.

Mark-to-Market – calculation of the value of a financial instrument (like an interest rate swap) based on the current market rates or prices of the underlying indices.

Maximum cumulative mark-to-market – value of swaps owed to the U. T. System by counterparty (net of collateral posted).

Notional Amount – the size of the swap and the dollar amount used to calculate interest payments.

SIFMA Index - (formerly known as the Bond Market Association (BMA) Municipal Swap index). The principal benchmark for floating rate payments for tax-exempt

issuers. The index is a national rate based on a market basket of high-grade, seven-day, tax-exempt variable rate bond issues.

**4. Relevant Federal and State Statutes**

*Texas Education Code, [Chapter 55](#)* – Financing Permanent Improvements

*Texas Education Code, [Chapter 65](#)* – Administration of The University of Texas System

*Texas Government Code, [Chapter 1371](#)* – Obligations for Certain Public Improvements

**5. Relevant System Policies, Procedures, and Forms**

None

**6. Who Should Know**

Administrators

**7. System Administration Office(s) Responsible for Rule**

Office of Business Affairs

**8. Dates Approved or Amended**

August 23, 2007

December 10, 2004

**9. Contact Information**

Questions or comments regarding this rule should be directed to:

- [bor@utsystem.edu](mailto:bor@utsystem.edu)

**EXHIBIT C**  
**EXECUTED MASTER AGREEMENTS**

[On file with the Board]

8. U. T. System: Approval of aggregate amount of \$157,373,000 of equipment financing for Fiscal Year 2011 and resolution regarding parity debt

The Board

- a. approved an aggregate amount of \$157,373,000 of Revenue Financing System Equipment Financing for Fiscal Year 2011 as allocated to those University of Texas System institutions set out on Page 75; and
- b. resolved in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the cost of equipment including costs incurred prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System;
  - the U. T. System institutions and U. T. System Administration, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$157,373,000 for the purchase of equipment; and
  - this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board's intention to reimburse project expenditures with bond proceeds.

On April 14, 1994, the U. T. System Board of Regents approved the use of Revenue Financing System debt for equipment purchases in accordance with the Guidelines Governing Administration of the Revenue Financing System. Equipment financing is used for the purchase of equipment in lieu of more costly vendor financing. The guidelines specify that the equipment to be financed must have a useful life of at least three years. The debt is amortized twice a year with full amortization not to exceed 10 years.

The U. T. System Board of Regents approved \$125,918,000 of equipment financing in Fiscal Year 2010, of which \$41,925,000 had been issued as of July 31, 2010.

APPROVAL OF U. T. SYSTEM EQUIPMENT FINANCING  
FY 2011

Institution	\$ Amount of Request	Description of Expected Equipment Purchases	DSC*
U. T. Austin	\$3,000,000	Classroom equipment, research equipment, information technology equipment, and athletics equipment	1.8x
U. T. Dallas	12,000,000	General purpose equipment and information technology equipment	2.3x
U. T. El Paso	1,373,000	Vehicle purchases, infrastructure equipment, facility-related equipment, and athletics equipment	2.1x
U. T. Southwestern Medical Center – Dallas	35,000,000	Information technology equipment, clinical and hospital equipment, and non-clinical equipment	2.4x
U. T. Medical Branch – Galveston	40,000,000	Clinical equipment, information technology equipment, and general-purpose equipment	2.0x
U. T. Health Science Center – Houston	3,000,000	Information technology equipment	2.4x
U. T. Health Science Center – San Antonio	7,000,000	Research equipment, clinical equipment, and infrastructure equipment	2.0x
U. T. M. D. Anderson Cancer Center	50,000,000	Medical equipment, research equipment, and diagnostic equipment	7.1x
U. T. Health Science Center – Tyler	6,000,000	Classroom equipment, clinical equipment, and diagnostic equipment	1.8x
<b>Total</b>	<b>\$157,373,000</b>		

\* Debt Service Coverage ("DSC") based on six-year forecasted Statement of Revenues, Expenses, and Changes in Net Assets ("SRECNA") for FY2011 – FY2016.

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

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

- a. Permanent University Fund (PUF) (See Pages 78 - 89)
- b. General Endowment Fund (GEF) (See Pages 90 - 99)
- c. Permanent Health Fund (PHF) (See Pages 100 - 109)
- d. Long Term Fund (LTF) (See Pages 110 - 119)
- e. Intermediate Term Fund (ITF) (See Pages 120 - 129)
- f. Short Term Fund (STF) (See Pages 130 - 135)
- g. Separately Invested Funds (SIF) (See Pages 136 - 143)
- h. Derivative Investment Policy (See Pages 144 - 149)

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

The UTIMCO Board approved the amendments to the Investment Policy Statements and the Derivative Investment Policy on July 14, 2010. Mr. Bruce Zimmerman, Chief Executive Officer and Chief Investment Officer of UTIMCO, discussed UTIMCO's investment strategy, which included a discussion on the proposed changes to the Investment Policy Statements, at the U. T. System Board of Regents' joint meeting with the UTIMCO Board on July 14, 2010.



Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, and LTF have been amended to reflect changes to the Targets and Ranges for Asset Classes and Investment Types for Fiscal Year Ending (FYE) 2011. The Expected Annual Return (Benchmarks) has been changed, and the one-year downside deviation has been adjusted to reflect the revised Asset Class and Investment Type targets for FYE 2011.

The PUF and GEF Investment Objectives language was changed to clarify the calculation of investment returns and other expenses charged to the fund, and the secondary investment objectives were deleted. The Policy Portfolio benchmark language was moved to the Performance Measurement section of the Investment Policy Statements. With respect to the PHF and LTF, the secondary investment objectives were deleted.

The ITF's Investment Objective was changed to use a five-year rolling period to calculate purchasing power rather than three years. Language was changed to clarify the ITF's secondary investment objective, and the Policy Portfolio benchmark language was moved to the Performance Measurement section of the Investment Policy Statement.

The STF and SIF Investment Policy Statements were amended to make the language consistent with the terminology previously adopted for the PUF, GEF, ITF, PHF, and LTF Investment Policy Statements.

All amended Investment Policy Statements are effective September 1, 2010.

Amendments to the Derivative Investment Policy are as follows:

- Definition of Derivatives changed to exclude foreign currency contracts that settle within thirty (30) days.
- Additional Limitations and Reporting language has been corrected to refer to "uncollateralized derivative exposure" rather than "leverage" to be consistent with Exhibits A of the PUF, GEF, and ITF Investment Policy Statements.
- Language changed to require noncompliance issues to be reported to the UTIMCO Board Chairman rather than the UTIMCO Board and to allow the UTIMCO Board Chairman to waive immediate remedial action in appropriate circumstances.

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

## Purpose

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

## PUF Organization

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

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

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

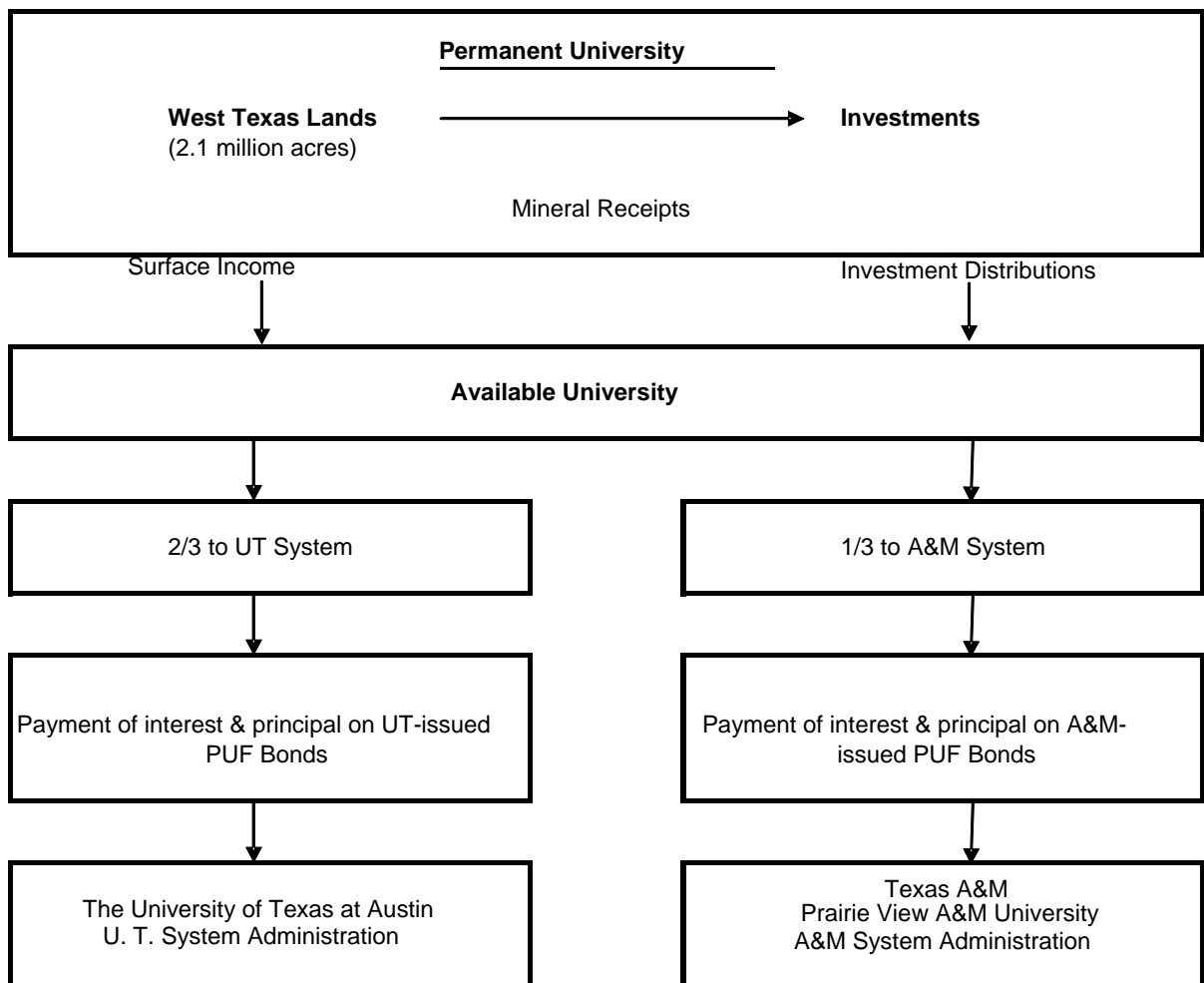
First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the "Board of Regents") and the Texas A&M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

the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

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

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

**Exhibit 1**



## **PUF Management**

Article VII, Section 11b of the *Texas Constitution* assigns fiduciary responsibility for managing and investing the PUF to the Board of Regents. Article VII, Section 11b authorizes the Board of Regents, subject to procedures and restrictions it establishes, to invest the PUF in any kind of investments and in amounts it considers appropriate, provided that it adheres to the prudent investor standard. This standard provides that the Board of Regents, in making investments, may acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment that prudent investors, exercising reasonable care, skill, and caution, would acquire or retain in light of the purposes, terms, distribution requirements, and other circumstances of the fund then prevailing, taking into consideration the investment of all the assets of the fund rather than a single investment.

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

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

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

## **PUF Administration**

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

## **PUF Investment Objectives**

The PUF and the General Endowment Fund (the “GEF”) are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund after all expenses. The current target distribution rate is 4.75%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. Investment returns are expressed net of all investment-related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

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

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

## **Asset Class and Investment Type Allocation and Policy**

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

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

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

Asset Classes:

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

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

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

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

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

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

Investment Types:

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

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

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

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

### **Performance Measurement**

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

### **Investment Guidelines**

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

Investment guidelines include the following:

#### General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.
- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

- The PUF's investments in warrants shall not exceed more than 5% of the PUF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy.

#### Investment Grade and Credit-Related Fixed Income

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

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

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

#### **PUF Distributions**

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

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

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

The *Texas Constitution* states that "The amount of any distributions to the available university fund shall be determined by the board of regents of The University of Texas System in a manner intended to provide the available university fund with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of permanent university fund investments and annual distributions



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

Annually, the Board of Regents will approve a distribution amount to the Available University Fund.

In conjunction with the annual U. T. System budget process, UTIMCO shall recommend to the Board of Regents each May, or at other times as needed, an amount to be distributed to the AUF during the next fiscal year. UTIMCO's recommendation to the Board of Regents shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each year unless the average annual rate of return of the PUF investments over the trailing 12 quarters exceeds the Expected Return by 25 basis points or more, in which case the distribution shall be 5.0% of the trailing 12-quarter average. "Expected Return" is the Expected Annual Return or Benchmarks set out in Exhibit A to this Policy Statement.

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

### **PUF Accounting**

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

### **Valuation of Assets**

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

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

### **Compliance**

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

### **Securities Lending**

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

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

### **Investor Responsibility**

As a shareholder, the PUF has the right to a voice in corporate affairs consistent with those of any shareholder. These include the right and obligation to vote proxies in a manner consistent with the unique role and mission of higher education as well as for the economic benefit of the PUF. Notwithstanding the above, the UTIMCO Board shall discharge its fiduciary duties with respect to the PUF solely in the

interest of the U. T. System and the A&M System, in compliance with the Proxy Voting Policy then in effect, and shall not invest the PUF so as to achieve temporal benefits for any purpose including use of its economic power to advance social or political purposes.

**Amendment of Policy Statement**

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

**Effective Date**

The effective date of this Policy shall be September 1, 2010.

**EXHIBIT A**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**  
**EFFECTIVE SEPTEMBER 1, 2010**

POLICY PORTFOLIO	FYE 2011		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	0.0%	4.5%	10.0%
Natural Resources	5.0%	11.0%	17.5%
Developed Country Equity	35.0%	50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	35.0%	48.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	22.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE 2011
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI	
World Natural Resources Index	6.5%
MSCI World Index with net dividends	19.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	2.0%

POLICY/TARGET RETURN/RISKS	FYE 2011
Expected Annual Return (Benchmarks) **	8.82%
One Year Downside Deviation	8.94%
<b>Risk Bounds</b>	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

\*\*Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

**EXHIBIT A**  
(continued)  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
EFFECTIVE DATE SEPTEMBER 1, 2010

**POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011**

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (2.5%)	0.0%	Custom NACREIF 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	3.5%	11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (19.5%)	20.0%	11.0%	50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	3.0%	19.0%
<b>Total</b>		<b>48.0%</b>	<b>30.0%</b>	<b>22.0%</b>	<b>100.0%</b>

Hedge Fund Research Indices Fund of Funds Composite Index  
 Venture Economics Custom Index

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

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

**Purpose**

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

**GEF Organization**

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

**GEF Management**

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

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

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

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

### **GEF Administration**

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

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

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

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

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

### **GEF Investment Objectives**

The GEF and the PUF are pooled for efficient investment purposes. The primary investment objective for each fund shall be to preserve the purchasing power of fund assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate of such fund (in case of the GEF, the target distribution rate of the LTF and the PHF) after all expenses. The current target distribution rate is 4.75%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds. Investment returns are expressed net of all investment-related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

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

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

### **Asset Class and Investment Type Allocation and Policy**

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

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

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

#### Asset Classes:

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



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

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

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

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

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

Investment Types:

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

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

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

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

## Performance Measurement

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

## Investment Guidelines

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

Investment guidelines include the following:

### General

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

### Investment Grade and Credit-Related Fixed Income

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

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

- Not more than 25% of the market value of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

### **GEF Accounting**

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

### **Valuation of Assets**

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

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

## **Compliance**

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

## **Purchase of GEF Units**

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

## **Redemption of GEF Units**

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

## **Securities Lending**

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

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

## **Investor Responsibility**

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

**Amendment of Policy Statement**

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

**Effective Date**

The effective date of this Policy shall be September 1, 2010.

**EXHIBIT A**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**  
**EFFECTIVE SEPTEMBER 1, 2010**

POLICY PORTFOLIO	FYE 2011		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	0.0%	4.5%	10.0%
Natural Resources	5.0%	11.0%	17.5%
Developed Country Equity	35.0%	50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	35.0%	48.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	22.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE 2011
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	19.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	2.0%



POLICY/TARGET RETURN/RISKS	FYE 2011
Expected Annual Return (Benchmarks) **	8.82%
One Year Downside Deviation	8.94%
<b>Risk Bounds</b>	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

\*\*Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

**EXHIBIT A**  
(continued)  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
EFFECTIVE DATE SEPTEMBER 1, 2010

**POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011**

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (2.5%)	0.0%	Custom NACREIF 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	3.5%	11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (19.5%)	20.0%	11.0%	50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	3.0%	19.0%
<b>Total</b>		<b>48.0%</b>	<b>30.0%</b>	<b>22.0%</b>	<b>100.0%</b>

 Hedge Fund Research Indices Fund of Funds Composite Index  
 Venture Economics Custom Index

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

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

**Purpose**

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

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

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

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

**PHF Organization**

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



## PHF Management

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

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

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

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

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

### **PHF Administration**

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

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

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

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

### **PHF Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.

### **Asset Allocation and Policy**

PHF assets shall be allocated among the following investments:

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

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

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

### **Performance Measurement**

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

### **Investment Guidelines**

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

### **PHF Distributions**

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

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

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

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

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

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

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

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

### **PHF Accounting**

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

### **Valuation of Assets**

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

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

### **Compliance**

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

### **Purchase of PHF Units**

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

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

### **Redemption of PHF Units**

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

### **Investor Responsibility**

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

### **Amendment of Policy Statement**

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

### **Effective Date**

The effective date of this Policy shall be September 1, 2010.

EXHIBIT A

PHF ASSET ALLOCATION

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

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

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

\*3 trading days or less

**EXHIBIT B - GENERAL ENDOWMENT FUND**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES**  
**EFFECTIVE SEPTEMBER 1, 2010**

POLICY PORTFOLIO	FYE 2011		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	0.0%	4.5%	10.0%
Natural Resources	5.0%	11.0%	17.5%
Developed Country Equity	35.0%	50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	35.0%	48.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	22.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE 2011
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	19.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	2.0%

POLICY/TARGET RETURN/RISKS	FYE 2011
Expected Annual Return (Benchmarks) **	8.82%
One Year Downside Deviation	8.94%
<b>Risk Bounds</b>	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

\*\*Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.



**EXHIBIT B**  
(continued)  
**GENERAL ENDOWMENT FUND**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
EFFECTIVE DATE SEPTEMBER 1, 2010

**POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011**

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (2.5%)	0.0%	Custom NACREIF 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	3.5%	11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (19.5%)	20.0%	11.0%	50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	3.0%	19.0%
<b>Total</b>		<b>48.0%</b>	<b>30.0%</b>	<b>22.0%</b>	<b>100.0%</b>

Hedge Fund Research Indices Fund of Funds Composite Index  
 Venture Economics Custom Index

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

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

**Purpose**

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

**LTF Organization**

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

**LTF Management**

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

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

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

### **LTF Administration**

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

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

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

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

### **LTF Investment Objectives**

The primary investment objective shall be to preserve the purchasing power of LTF assets by earning an average annual real return over rolling ten-year periods or longer at least equal to the target distribution rate, plus the annual expected expense. The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF. The LTF’s success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

### **Asset Allocation and Policy**

LTF assets shall be allocated among the following investments.

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

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

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

### **Performance Measurement**

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

### **Investment Guidelines**

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

### **LTF Distributions**

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

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

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

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

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

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

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

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

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

### **LTF Accounting**

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

### **Valuation of Assets**

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

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

### **Compliance**

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

### **Purchase of LTF Units**

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

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

### **Redemption of LTF Units**

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

### **Investor Responsibility**

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

**Amendment of Policy Statement**

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

**Effective Date**

The effective date of this Policy shall be September 1, 2010.



**EXHIBIT A**

**LTF ASSET ALLOCATION**

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

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

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

\*3 trading days or less

**EXHIBIT B - GENERAL ENDOWMENT FUND  
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES  
EFFECTIVE SEPTEMBER 1, 2010**

POLICY PORTFOLIO	FYE 2011		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	5.0%	9.5%	20.0%
Credit-Related Fixed Income	3.0%	5.5%	30.0%
Real Estate	0.0%	4.5%	10.0%
Natural Resources	5.0%	11.0%	17.5%
Developed Country Equity	35.0%	50.5%	60.0%
Emerging Markets Equity	10.0%	19.0%	25.0%
<u>Investment Types</u>			
More Correlated & Constrained	35.0%	48.0%	60.0%
Less Correlated & Constrained	25.0%	30.0%	37.5%
Private Investments	17.5%	22.0%	32.5%

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

POLICY BENCHMARK (reset monthly)	FYE 2011
Barclays Capital Global Aggregate Index	7.5%
FTSE EPRA/NAREIT Developed Index	2.5%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	6.5%
MSCI World Index with net dividends	19.5%
MSCI Emerging Markets with net dividends	12.0%
Hedge Fund Research Indices Fund of Funds Composite Index	30.0%
Venture Economics Custom Index	20.0%
NACREIF Custom Index	2.0%




POLICY/TARGET RETURN/RISKS	FYE 2011
Expected Annual Return (Benchmarks) **	8.82%
One Year Downside Deviation	8.94%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

\*\*Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

**EXHIBIT B**  
**(continued)**  
**GENERAL ENDOWMENT FUND**  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
**EFFECTIVE DATE SEPTEMBER 1, 2010**

**POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011**

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (7.5%)	2.0%	0.0%	9.5%
	Credit-Related	0.00%	3.0%	2.5%	5.5%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (2.5%)	0.0%	Custom NACREIF 2.0%	4.5%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (6.5%)	1.0%	3.5%	11.0%
Equity	Developed Country	MSCI World Index with Net Dividends (19.5%)	20.0%	11.0%	50.5%
	Emerging Markets	MSCI EM Index with Net Dividends (12.0%)	4.0%	3.0%	19.0%
<b>Total</b>		<b>48.0%</b>	<b>30.0%</b>	<b>22.0%</b>	<b>100.0%</b>

 Hedge Fund Research Indices Fund of Funds Composite Index  
 Reportable Targets  
 Venture Economics Custom Index

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

# THE UNIVERSITY OF TEXAS SYSTEM INTERMEDIATE TERM FUND INVESTMENT POLICY STATEMENT

## **Purpose and Structure**

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

## **ITF Organization**

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

## **ITF Management**

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

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

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

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

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

### **ITF Administration**

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

### **Funds Eligible to Purchase ITF Units**

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

### **ITF Investment Objectives**

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

The primary investment objective of the ITF is to preserve the purchasing power of ITF assets by earning a compound annualized return over rolling five-year periods, net of all direct and allocated expenses, of at least inflation as measured by the Consumer Price Index (CPI-U) plus 3%.

The secondary investment objective is to generate average annual returns net of all investment-related expenses, in excess of the approved Policy Portfolio over rolling five-year periods.

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

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

### **Asset Class and Investment Type Allocation and Policy**

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

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

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

#### Asset Classes:

Investment Grade Fixed Income – Investment Grade Fixed Income represents ownership of fixed income instruments, including real and

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

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

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

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

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

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

Investment Types:

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

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

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

## **Performance Measurement**

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

## **Investment Guidelines**

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

### General

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

### Investment Grade and Credit-Related Fixed Income

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



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

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

### **ITF Accounting**

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

### **Valuation of ITF Assets**

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

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

### **Compliance**

Compliance with this Policy will be monitored by UTIMCO’s Chief Compliance Officer. UTIMCO’s Chief Executive Officer, the UTIMCO Board, and the UTIMCO Audit & Ethics Committee will receive regular reports on UTIMCO’s

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

### **ITF Distributions**

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

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

### **Purchase and Redemption of ITF Units**

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

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

### **Securities Lending**

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

collateral and indemnification provisions. The contract may include other provisions as appropriate.

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

### **Investor Responsibility**

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

### **Amendment of Policy Statement**

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

### **Effective Date**

The effective date of this Policy shall be September 1, 2010.

Intermediate Term Fund Investment Policy Statement (continued)

EXHIBIT A - INTERMEDIATE TERM FUND  
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES  
EFFECTIVE SEPTEMBER 1, 2010

POLICY PORTFOLIO	FYE 2011		
	Min	Target	Max
<u>Asset Classes</u>			
Investment Grade Fixed Income	30.0%	37.0%	45.0%
Credit-Related Fixed Income	0.0%	4.0%	12.0%
Real Estate	0.0%	5.0%	10.0%
Natural Resources	2.5%	8.5%	12.5%
Developed Country Equity	25.0%	33.0%	40.0%
Emerging Markets Equity	7.5%	12.5%	17.5%
<u>Investment Types</u>			
More Correlated & Constrained	60.0%	65.0%	70.0%
Less Correlated & Constrained	30.0%	35.0%	40.0%

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

POLICY BENCHMARK (reset monthly)	FYE 2011
Barclays Capital Global Aggregate Index	35.0%
FTSE EPRA/NAREIT Developed Index	5.0%
50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%
MSCI World Index with net dividends	10.0%
MSCI Emerging Markets with net dividends	7.5%
Hedge Fund Research Indices Fund of Funds Composite Index	35.0%


POLICY/TARGET RETURN/RISKS	FYE 2011
Expected Annual Return (Benchmarks) **	7.28%
One Year Downside Deviation	5.34%
Risk Bounds	
Lower: 1 Year Downside Deviation	85%
Upper: 1 Year Downside Deviation	115%

\*\*Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 3%.

**EXHIBIT A - INTERMEDIATE TERM FUND**  
 (continued)  
**ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES**  
 EFFECTIVE DATE SEPTEMBER 1, 2010

**POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE 2011**

FYE 2011		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	Investment Grade	Barclays Capital Global Aggregate Index (35.0%)	2.0%	37.0%
	Credit-Related	(0.0%)	4.0%	4.0%
Real Assets	Real Estate	FTSE EPRA/NAREIT Developed Index (5.0%)	0.0%	5.0%
	Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index (7.5%)	1.0%	8.5%
Equity	Developed Country	MSCI World Index with Net Dividends (10.0%)	23.0%	33.0%
	Emerging Markets	MSCI EM Index with Net Dividends (7.5%)	5.0%	12.5%
<b>Total</b>		<b>65.0%</b>	<b>35.0%</b>	<b>100.0%</b>

 Hedge Fund Research  
 Indices Fund of Funds  
 Composite Index

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

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

**Purpose**

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

**STF Organization**

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

**STF Management**

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

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

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

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

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

### **STF Administration**

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

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

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

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

The funds of a foundation 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 institutions, may purchase units in the STF provided that a contract between the Board of Regents and the foundation has been executed authorizing investment of foundation funds in the STF.

### **STF Investment Objectives**

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

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

## **Asset Class Allocation and Policy**

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

STF assets shall be allocated to the following broad Asset Class:

Cash and Cash Equivalents – Short-term, highly liquid investments that are readily convertible to known amounts of cash, and which are subject to a relatively small risk of changes in value.

## **Performance Measurement**

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

## **Investment Guidelines**

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

Investment guidelines include the following:

### General

- All investments will be U.S. dollar denominated assets.
- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of STF assets in such investments.
- No securities may be purchased or held which jeopardize the STF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.



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

#### Cash and Cash Equivalents

Holdings of cash and cash equivalents may include the following:

- unaffiliated liquid (Money Market Funds) investment funds rated AAA<sub>M</sub> by Standard & Poor's Corporation or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- the Custodian's late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody's Investor Service, Inc. (P1 or P2) or Standard & Poor's Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps,
- 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, and
- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve Bank as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent:
  - Each approved counterparty shall execute the Standard Public Securities Association (PSA) Master repurchase agreement with UTIMCO.
  - Eligible Collateral Securities for repurchase agreements are limited to U.S. Treasury securities and U.S. Government Agency securities with a maturity of not more than 10 years.
  - The maturity for a repurchase agreement may be from one day to two weeks.
  - The value of all collateral shall be maintained at 102% of the notional value of the repurchase agreement, valued daily.

- All collateral shall be delivered to the STF custodian bank. Tri-party collateral arrangements are not permitted.
- The aggregate amount of repurchase agreements with maturities greater than seven calendar days may not exceed 10% of the STF's total assets.
- Overnight repurchase agreements may not exceed 50% of the STF's total assets.

## **Compliance**

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

## **STF Distributions**

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

## **STF Accounting**

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

## **Valuation of Assets**

All investments are stated at amortized cost, which in most cases approximates the market value of securities. The objective of the fund is to maintain a stable \$1.00 net asset value; however, the \$1.00 net asset value is neither guaranteed nor insured by UTIMCO.

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

### **Purchase of STF Units**

Purchase of STF units may be made on each business day upon payment of cash to the STF or contribution of assets approved by UTIMCO's Chief Investment Officer, at the net asset value per unit of the STF as of the most recent valuation date.

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

### **Redemption of STF Units**

Redemption of units may be made on each business day at the net asset value per unit.

### **Securities Lending**

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

### **Investor Responsibility**

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

### **Amendment of Policy Statement**

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

### **Effective Date**

The effective date of this policy shall be September 1, 2010.

## **THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED FUNDS INVESTMENT POLICY STATEMENT**

### **Purpose**

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

### **Investment Management**

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

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

Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the assets for the Accounts shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b)

determine specific Asset Class allocation targets, ranges and performance benchmarks consistent with the Accounts objectives, and if appropriate c) monitor the Accounts' performance against Accounts objectives. UTIMCO shall invest the Accounts' assets in conformity with this Policy Statement.

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

### **Accounts Administration**

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

### **Investment Objectives**

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

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

Other Accounts – These are all accounts which are not Endowment Accounts or Trust Accounts that hold assets not invested in one of the pooled investment vehicles. These accounts include agency funds, institution current purpose accounts, and tech stock accounts.

### **Asset Class Allocation**

Asset Class allocation is the primary determinant of the volatility of investment return and subject to the Asset Class allocation ranges specified herein, is

the responsibility of UTIMCO. Specific Asset Class allocation positions may be changed from time to time based on the economic and investment outlook.

The Accounts' assets shall be allocated among the following broad Asset Classes based upon their individual return/risk characteristics and relationships to other Asset Classes:

Asset Classes:

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

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

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

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

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

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

In addition, life insurance and variable annuities may be acceptable investments.

**Asset Class Allocation Policy**

The Asset Class allocation policy and ranges for the Accounts are dependent on the terms and conditions of the applicable trust/endowment or trust document. If possible, the Accounts' assets shall be diversified among different types of assets whose returns are not closely correlated in order to enhance the return/risk profile of the Accounts.

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

### **Performance Measurement**

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

### **Investment Guidelines**

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

Investment guidelines include the following:

#### General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of SIF assets in such investments.
- All investments will be U.S. dollar denominated assets unless held by an internal or external portfolio manager with the authority to invest in foreign currency denominated securities.
- No securities may be purchased or held which would jeopardize, if applicable, the Account's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized by the UTIMCO Board.

The Account may utilize derivatives only in accordance with the Derivative Investment Policy.

### Investment Grade Fixed Income

Permissible securities for investment include the securities within the component categories of the Barclays Aggregate Bond Index (BAGG). These component categories include investment grade government and corporate securities, agency mortgage pass-through securities, and asset-backed securities. These sectors are divided into more specific sub-sectors:

- 1) Government: Treasury and Agency;
- 2) Corporate: Industrial, Finance, Utility, and Yankee;
- 3) Mortgage-backed securities: GNMA, FHLMC, and FNMA;
- 4) Asset-backed securities;
- 5) Taxable Municipal securities; and
- 6) Commercial Mortgage-backed securities.

In addition to the permissible securities listed above, the following securities shall be permissible:

- a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the BAGG 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 BAGG 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 BBB- or better by Fitch Investors Service at the time of acquisition.
  - Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.
  - Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.
  - Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.
  - International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.
  - Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's Chief Investment Officer.



- Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's Chief Investment Officer.

### Credit-Related Fixed Income

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

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

- Not more than 25% of the market of equity securities may be invested in any one industry or industries (as defined by the standard industry classification code and supplemented by other reliable data sources) at cost.
- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.
- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

The provisions concerning investment in Investment Grade Fixed Income, Credit-Related Fixed Income, and Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity shall not apply to Accounts when expressly prohibited by the terms and conditions of the applicable trust/endowment or trust document. To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

### **Distributions**

Distributions of income or amounts from the Accounts to the beneficiaries shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts.

### **Accounting**

The fiscal year of the Accounts shall begin on September 1st and end on August 31st. Trusts will also have a tax year end which may be different than August 31st. Market value of the Accounts shall be maintained on an accrual basis in compliance with Generally Accepted Accounting Principles ("GAAP"), Governmental Accounting Standards Board Statements, industry guidelines, or federal income tax laws, whichever is applicable. Significant asset write-offs or

write-downs shall be approved by UTIMCO's Chief Investment Officer and reported to the UTIMCO Board. Assets deemed to be "other than temporarily impaired" as defined by GAAP shall be written off and reported to UTIMCO's Chief Investment Officer and the UTIMCO Board when material.

### **Valuation of Assets**

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but determination may be longer under certain circumstances.

### **Compliance**

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

### **Securities Lending**

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

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

### **Investor Responsibility**

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

### **Amendment of Policy Statement**

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

### **Effective Date**

The effective date of this policy shall be September 1, 2010.

# The University of Texas Investment Management Company

## Derivative Investment Policy

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Effective Date of Policy: August 12, 2010

Date Approved by U. T. System Board of Regents: August 12, 2010

Date Approved by UTIMCO Board: July 14, 2010

Supersedes: Derivative Investment Policy approved August 20, 2009

### **Purpose:**

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

### **Objective:**

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

### **Scope:**

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both exchange traded derivatives and over the counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

### **External Managers:**

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

### **Definition of Derivatives:**

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, including mortgage backed securities, structured notes, convertible bonds, exchange traded funds (ETFs), and foreign currency contracts that settle within thirty (30) days. Derivatives may be purchased through a national or

## The University of Texas Investment Management Company Derivative Investment Policy

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international exchange or through an OTC direct arrangement with a counterparty. Refer to the attached Exhibit A for a glossary of terms.

### **Permitted Derivative Applications:**

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash market securities;
- To hedge and control risks; or
- To facilitate transition trading;

provided however, that after implementing any Derivative Investment, the Funds' projected downside deviation is within the Funds' projected downside deviation range and risk bounds, and the Asset Class and Investment Type exposures are within permissible ranges as set forth in the Funds' Investment Policy Statements.

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding, with respect to any Derivative Investment, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a UTIMCO Board meeting is warranted before engaging in the Derivative Investment.

### **Documentation and Controls:**

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of internally managed and of externally managed accounts operating under an Agency Agreement that utilize derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

### **Additional Limitations:**

**Leverage:** Leverage is inherent in derivatives since only a small cash deposit is required to establish a much larger economic impact position. Thus, relative to the Cash markets, where in most cases the cash outlay is equal to the asset acquired, Derivative Investments offer the possibility of establishing substantially larger market risk exposures with the same amount of cash as a traditional Cash market portfolio. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

## The University of Texas Investment Management Company Derivative Investment Policy

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**Counterparty Risks:** In order to limit the financial risks associated with Derivative Investments, rigorous counterparty selection criteria and netting agreements shall be required to minimize counterparty risk for over the counter (OTC) derivatives. Any counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In the event a counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements, The net market value, net of collateral postings, of all OTC derivatives for any individual counterparty may not exceed 1% of the total market value of the Funds.

### **Risk Management and Compliance:**

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

### **Reporting:**

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

**The University of Texas Investment Management Company**  
**Derivative Investment Policy**

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**Derivative Investment Policy Exhibit A**  
**Glossary of Terms**

**Agency Agreement** – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

**Basket** – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

**Cash market** - The physical market for a commodity or financial instrument.

**Counterparty** - The offsetting party in an exchange agreement.

**Derivative Investment** – An investment in a futures contract, forward contract, swap, and all forms of options.

**Exchange traded derivatives** - A Derivative Investment traded on an established national or international exchange. These derivatives “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 futures contracts and Goldman Sachs Commodities Index futures contracts.

**Forward contract** - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

**Futures contract** - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

**ISDA Netting Agreement** - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted “Master Agreements,” a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each counterparty. These netting agreements require that exposures between counterparties will be “netted” so that payables and receivables under all existing derivatives between two counterparties are offset in determining the net exposure between the two counterparties.

**Limited Liability Entity** – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors’ investment in the entity.

**Option** - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

**Over the counter (OTC) derivatives** - A derivative which results from direct negotiation between a buyer and a counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and forward contracts, interest rate swaps, and collars.

## The University of Texas Investment Management Company Derivative Investment Policy

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**Replicating Derivatives** – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash market security.

**Swap** - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.



# The University of Texas Investment Management Company

## Derivative Investment Policy

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### Derivative Investment Policy Exhibit B

#### Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally futures contracts and swaps on a passive index, Basket or commodity.
2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash index being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced index be within a certain range and may also include the selling of put options.
3. Derivative Investments whereby the maximum loss is limited to the premium paid for the Derivative Investment, regardless of notional value. The aggregate prorated annual premium of all Derivative Investments under this provision shall not exceed 25 basis points of the Fund value.
4. Futures contracts and forward contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.
5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling futures contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Notwithstanding the delegated authority set forth above, if the notional value of a new Derivative Investment exceeds thirty-three percent (33%) of the overall Fund value, UTIMCO's Chief Investment Officer must request approval from the UTIMCO Chairman before entering into the new Derivative Investment. If the new Derivative Investment is approved by the UTIMCO Chairman and executed, UTIMCO's Chief Investment Officer shall make a presentation to the UTIMCO Board regarding the details of the Derivative Investment at its next regularly scheduled meeting.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

10. U. T. System Board of Regents: Approval of amendments to The University of Texas Investment Management Company (UTIMCO) Code of Ethics

Upon recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO), the Board approved the revised UTIMCO Code of Ethics in the form set forth on Pages 153 - 174.

Section 66.08 of the *Texas Education Code* requires that The University of Texas System Board of Regents approve the UTIMCO Code of Ethics (Code) and any changes thereto. The changes were based on the joint efforts of the UTIMCO staff, Andrews Kurth LLP (UTIMCO outside counsel), and U. T. System staff. U. T. System General Counsel found that the changes were consistent with *Texas Education Code* Section 66.08. These amendments to the Code of Ethics were approved at the July 14, 2010 meeting of the UTIMCO Board.

The most significant change to the Code was the deletion of provisions permitting UTIMCO Directors and UTIMCO to hold private investments in the same business entity so long as a Director's private investment does not constitute a pecuniary interest as defined in the Code. Only certain private investments acquired before a Director assumes his position on the UTIMCO Board are now permitted. The definition of "Key Employee" has also been narrowed to limit it to UTIMCO officers: Chief Executive Officer and Chief Investment Officer, President and Deputy Chief Investment Officer, Senior Managing Director, Treasurer and Secretary, Managing Directors, and Assistant Secretary.

Other changes include reorganization, clarification, and standardization of existing provisions as follows:

- Subchapter A, Section 1.02(11); narrowed the definition of "Key Employee" to only include UTIMCO officers.
- Subchapter A, Section 1.02(12); moved the definition of "pecuniary interest" from Section 3.01 to the definitions section and added "any private investment in a business entity" to the definition of pecuniary interest.
- Subchapter A, Section 1.15; deleted because of redundancy as the definition of Key Employee has been narrowed to include only UTIMCO officers, who are designated annually by the UTIMCO Board.
- Subchapter C, Section 3.01; added phrase to Subsection (a) "Except as provided in Sections 3.04 and 3.05;" Subsection(a)(4) has been moved and renumbered as (a)(3) and Subsection (a)(3) has been renumbered as Subsection (b) and the following language added "UTIMCO or UTIMCO entity may not enter into an agreement or transaction with;" deleted prior

Subsection (b) as definition of "pecuniary interest" has been moved to Section 1.02(12); and added new Subsection (c) to read "The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee."

- Subchapter C, Section 3.02; renumbered prior Section 3.02 as Subchapter B, Section 2.09 and a new "Section 3.02. Prohibitions Related to Directors" was added.
- Subchapter C, Section 3.03; renumbered as Section 3.04 and added a new "Section 3.03. Prohibitions Related to Employees." New Section 3.04 outlines exceptions for investment in private investments also held by a Director.
- Subchapter C, prior Section 3.04; deleted as provisions have been incorporated into new Section 3.02.
- Subchapter C, prior Section 3.05; deleted as provisions have been incorporated into new Section 3.03.
- Subchapter C, Section 3.06; renumbered as Section 3.05 and amended to add references to "Director" and "Director entity" regarding divestment of private investments owned prior to the date on which the Director assumed a position on the UTIMCO Board.
- Subchapter C, Section 3.08; renumbered as Section 3.07 and Section 3.07(g) changed "financial futures, and options on futures" to "interest rate, currency, commodity, and stock index futures, and options on those futures" for clarification.
- Subchapter C, Section 3.10; renumbered as Section 3.09 and Section 3.09(b) changed "A Key Employee" to "An Employee" since all employees are now required to obtain advance written approval from the CEO for any outside employment or business.
- Subchapter C, Section 3.12; renumbered as Section 3.11 and Subsections (b) and (c) renumbered as Section 3.11(c) and (f), respectively; added new Subsections (b), (d), and (e) to incorporate State law provisions and penalties provided in *Texas Education Code* Subsections 66.08(l)-(o).
- Subchapter D, Sections 4.03 and 4.05; changes to standardize the due dates of filing extensions for annual ethics compliance statements required by the Code.

- Subchapter D, Section 4.03(f); changed to provide that all ethics compliance statements will be maintained by the Chief Compliance Officer, consistent with UTIMCO practice.
- Subchapter D, Section 4.04; Subsections (a) and (b) combined as language regarding the responsibilities of Director's and Employee's with respect to certification of pecuniary interests and ownership of private investments in a business entity with which UTIMCO seeks to do business was deleted.
- Subchapter D, Section 4.09; changed "Key Employees" to "Employees" since all employees are now required to obtain advance written approval from the CEO for any outside employment or business.



**THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY**

# CODE OF ETHICS

Approved by the Board of Regents August 12, 2010

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

**Subchapter A. GENERAL PROVISIONS**

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

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

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

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

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

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

**Sec. 1.02. Definitions.** In this Code:

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

- (10) “General Counsel” means the lawyer or firm of lawyers designated from time to time as the external General Counsel of UTIMCO.
- (11) “Key Employee” means an Employee who has been designated by the Board as an officer of UTIMCO.
- (12) “Pecuniary interest” in a business entity means:
- (A) ownership of five percent or more of the voting stock or shares of the business entity; or
  - (B) ownership of five percent or more of the fair market value of the business entity; or
  - (C) receipt of more than five percent of the person’s gross income for the preceding calendar year from the business entity; or
  - (D) any private investment in the business entity.
- (13) “Personal securities transactions” means:
- (A) transactions for a Director’s or Employee’s own account, including an individual retirement account; or
  - (B) transactions for an account, other than an account over which the Director or Employee has no direct or indirect influence or control, in which the Director or Employee, or the Director’s or Employee’s spouse, minor child, or other dependent Relative:
    - (i) is an income or principal beneficiary or other equity owner of the account; or
    - (ii) receives compensation for managing the account for the benefit of persons other than such person or his or her family.
- (14) “Private investment” means any debt obligation or equity interest that is not a publicly traded security, including a “private investment” in a publicly traded company.
- (15) “Publicly traded company” means a business entity with a class of securities that consists of publicly traded securities.



- (16) “Publicly traded securities” means securities of a class that is listed on a national securities exchange or quoted on the NASDAQ national market system in the United States or that is publicly traded on any foreign stock exchange or other foreign market.
- (17) “Relative” means a person related within the third degree by consanguinity or the second degree by affinity determined in accordance with Sections 573.021 – 573.025, *Government Code*. For purposes of this definition:
- (i) examples of a relative within the third degree by consanguinity are a child, grandchild, great-grandchild, parent, grandparent, great-grandparent, brother, sister, uncle, aunt, niece, or nephew;
  - (ii) examples of a relative within the second degree by affinity are a spouse, a person related to a spouse within the second degree by consanguinity, or a spouse of such a person;
  - (iii) a person adopted into a family is considered a relative on the same basis as a natural born family member; and
  - (iv) a person is considered a spouse even if the marriage has been dissolved by death or divorce if there are surviving children of that marriage.
- (18) “UTIMCO” means The University of Texas Investment Management Company.
- (19) “UTIMCO entity” means an investment fund or other entity controlled by UTIMCO.

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

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

**Sec. 1.04. Decision-Making Based on Merit.** (a) UTIMCO Directors and Employees shall base UTIMCO business transactions on professional integrity and competence, financial merit and benefit to UTIMCO, and, if required or prudent, on a competitive basis.

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

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

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

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

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

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

- (1) accept or solicit any gift, favor, or service that might reasonably tend to influence the Director or Employee in the discharge of his or her duties for UTIMCO or that the Director or Employee knows or should know is being offered with the intent to influence the Director's or Employee's conduct on behalf of UTIMCO;
- (2) accept other employment or engage in a business or professional activity that the Director or Employee might

reasonably expect would require or induce the Director or Employee to disclose confidential information acquired by reason of his or her position with UTIMCO;

- (3) accept other employment or compensation that could reasonably be expected to impair the Director's or Employee's independence of judgment in the performance of his or her duties for UTIMCO;
- (4) make personal investments that could reasonably be expected to create a substantial conflict between the Director's or Employee's private interest and the interests of UTIMCO; or
- (5) intentionally or knowingly solicit, accept, or agree to accept any benefit for having exercised the Director's or Employee's authority or performed the Director's or Employee's duties at UTIMCO in favor of another.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

the personal benefit of the Director or Employee as well as to gifts to third parties.

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

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

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

withheld for elaborate entertainment events such as ski trips, hunting trips, or stays at expensive resorts.

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

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

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

### **Subchapter B. CONFLICTS OF INTEREST**

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

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

**Sec. 2.02. Duty to Avoid Conflicts of Interest.** (a) Directors and Employees should avoid personal, employment, or business relationships that create conflicts of interest.

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

**Sec. 2.03. Duty to Disclose and Cure Conflicts.** A Director or Employee who becomes aware of a conflict of interest has an affirmative duty to disclose and cure the conflict in a manner provided for in this Code.

**Sec. 2.04. Curing Conflicts of Interest.** (a) A Director or Employee who becomes aware, or reasonably should have become aware, of a conflict of interest shall cure the conflict by promptly eliminating it, except as provided by Subsection (b).

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

- (1) the Director or Employee may be and is effectively separated from influencing the action taken;
- (2) the action may properly be taken by others;
- (3) the nature of the conflict is not such that the Director or Employee must regularly and consistently withdraw from decisions that are normally the Director's or Employee's responsibility with respect to UTIMCO; and
- (4) the conflict is not a prohibited transaction resulting from a Director or Employee having a pecuniary interest in a business entity as defined in Section 1.02(12) of this Code.

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

**Sec. 2.05. Disclosing and Refraining from Participation.** (a) A Director must disclose any conflicts of interest regarding matters that are before the Board, absent himself or herself from any relevant deliberations, and refrain from voting on the matter.

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

**Sec. 2.06. Waivers of Conflicts of Interest.** (a) The Board shall decide at an official meeting whether to waive any conflict of interest disclosed under Section 2.05(b) of this Code.

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

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

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

**Sec. 2.07. Procedures for Director's Disclosure of Conflict of Interest.** A Director must disclose conflicts of interest in writing to the General Counsel before a UTIMCO Board meeting. If disclosure is made at a Board meeting, the minutes of the meeting must include the disclosure of the conflict.

**Sec. 2.08. Procedures for Employee's Disclosure of Conflict of Interest.**

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

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

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

**Sec. 2.09. Procedures for Preventing Conflicts Related to Publicly Traded Companies.** UTIMCO and UTIMCO entities shall implement procedures and safeguards to insure that none of the funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager is invested by UTIMCO or a UTIMCO entity in the publicly traded securities of a publicly traded company in which a Director or Employee has a pecuniary interest.

**Sec. 2.10. Exceptions for Minimal Stock Ownership.** It is not a conflict of interest solely because a Director or Employee has an investment in the stock of a publicly traded company that is owned, purchased, sold, or otherwise dealt with by UTIMCO if the Director's or Employee's interest in the stock is not more than five percent of any class and if the Director or Employee is not a director or officer of the company.



**Sec. 2.11. Referrals.** Referral of information from a Director related to investment opportunities outside of a posted open meeting of the Board must be made using the procedures provided by the Regents' *Rules and Regulations*, Rule 70201, Section 12.

### **Subchapter C. PROHIBITED TRANSACTIONS AND INTERESTS**

**Sec. 3.01. Prohibitions Related to UTIMCO.** (a) Except as provided in Sections 3.04 and 3.05, UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with:

- (1) a Director or Employee acting in other than an official capacity on behalf of UTIMCO;
- (2) a Director entity, Employee entity, or other business entity in which a Director or Employee has, or is in the process of acquiring, a pecuniary interest; or
- (3) an investment fund or account managed by a Director, Director entity, Employee, or Employee entity as a fiduciary or agent for compensation, other than funds for which the Board of Regents has investment responsibility and for which UTIMCO has been appointed as investment manager.

(b) UTIMCO or a UTIMCO entity may not enter into an agreement or transaction with a former Director or Employee, an investment fund or other entity controlled by a former Director or Employee, or a business entity in which a former Director or Employee has a pecuniary interest, on or before the first anniversary of the date the person ceased to be a Director or Employee.

(c) The prohibitions provided by this section apply to the spouse, minor children, or other dependent Relatives of a current or former Director or Employee.

**Sec. 3.02. Prohibitions Related to Directors.** (a) Except as provided in Sections 3.04 and 3.05, a Director or a Director entity may not enter into an agreement or transaction with:

- (1) UTIMCO or an Employee acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Employee entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or an Employee has, or is in the process of acquiring, a pecuniary interest.

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

**Sec. 3.03. Prohibitions Related to Employees.** (a) Except as provided in Sections 3.04 and 3.05, an Employee or Employee entity may not enter into an agreement or transaction with:

- (1) UTIMCO or a Director acting in other than an official capacity on behalf of UTIMCO; or
- (2) a UTIMCO entity, Director entity, or other business entity in which UTIMCO owns, or is in the process of acquiring, a private investment or a Director has, or is in the process of acquiring, a pecuniary interest.

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

**Sec. 3.04. UTIMCO Investments in Private Investments of Certain Business Entities.** UTIMCO or a UTIMCO entity may invest in the private investments of a business entity when a Director or Director entity then owns a private investment in the same business entity if:

- (1) the Director or Director entity acquired the private investment before the date on which the Director assumed a position with UTIMCO;
- (2) the Director's private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(12)(A)-(C) of this Code; and
- (3) the Board approves the investment by UTIMCO or the UTIMCO entity by a vote of two-thirds of the membership of the Board after a full disclosure in an open meeting of the relevant facts and a finding by the Board that the investment will not benefit the director or director entity financially.

**Sec. 3.05. Divestment Not Required For Certain Private Investments.** A Director, Director entity, Employee or Employee entity that owns a private investment in a business entity on the date on which the Director or Employee assumes a position with UTIMCO is not required by Section 3.02 or 3.03 of this Code to divest that private investment as long as the private investment does not constitute a pecuniary interest in a business entity as defined in Section 1.02(12)(A)-(C) of this Code. Any

transactions concerning the private investment that might occur after that date are subject to this Code.

**Sec. 3.06. Director Personal Securities Transactions.** (a) A Director or Director entity may buy or sell a publicly traded security of an issuer that is held by UTIMCO but may not engage in a personal securities transaction if the Director has actual knowledge that an internal portfolio manager of UTIMCO has placed a buy/sell order for execution.

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

**Sec. 3.07. Employee Personal Securities Transactions.** (a) Employees are prohibited from using advance knowledge of a UTIMCO decision to buy or sell a security for the personal financial gain of the Employee.

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

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

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

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

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

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

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

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

**Sec. 3.08. Interest in Brokerage Firm** (a) A Director may not direct trades or exercise discretion over the selection of brokerage firms.

(b) An Employee may not have stock or other ownership or profit sharing interest in a brokerage firm selected by the Employee for UTIMCO business if the Employee has the discretion to direct trading and therefore the discretion to select brokerage firms.

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

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

accounts involving the spouse, minor child, or other dependent Relative.

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

**Sec. 3.09. Employee's Outside Employment or Business Activity.** (a) An Employee may not engage in outside employment, business, or other activities that detract from the ability to reasonably fulfill the full-time responsibilities to UTIMCO.

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

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

**Sec. 3.10. Further Restrictions on Directors and Employees.** A Director or Employee may not:

- (1) participate in a matter before UTIMCO that involves a business, contract, property, or investment held by the person if it is reasonably foreseeable that UTIMCO action on the matter would confer a benefit to the person by or through the business, contract, property, or investment;
- (2) recommend or cause discretionary UTIMCO business to be transacted with or for the benefit of a Relative;
- (3) accept offers by reason of the person's position with UTIMCO to trade in any security or other investment on terms more favorable than available to the general investing public;
- (4) borrow from investment managers, outside service providers, professional advisors or consultants, banks, or other financial institutions with which UTIMCO has a business

relationship unless the entity is normally engaged in such lending in the usual course of business, in which case the transaction must be on customary terms offered to others under similar circumstances to finance proper and usual activities; or

- (5) represent any person in any action or proceeding before or involving the interests of UTIMCO except as a duly authorized representative or agent of UTIMCO.

**Sec. 3.11. Former Directors and Employees.** (a) A former Director or Employee may not make any communication to or appearance before a current Director or Employee before the second anniversary, in the case of a former Director, or the first anniversary, in the case of a former Employee, of the date the former Director or Employee ceased to be a Director or Employee if the communication is made:

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

(b) State law provides that a former Director who violates subsection (a) commits an offense. An offense under this subsection is a Class A misdemeanor.

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

(d) A former officer or Employee may not represent any person or receive compensation for services rendered on behalf of any person regarding a particular matter in which the former officer or Employee participated during the period of service or employment with the corporation, either through personal involvement or because the particular matter was within the officer's or Employee's responsibility. In this subsection:

- (1) "Participated" means to have taken action as an officer or Employee through decision, approval, disapproval, recommendation, giving advice, investigation, or similar action.
- (2) "Particular matter" means a specific investigation, application, request for a ruling or determination,

rulemaking proceeding, contract, claim, charge, accusation, arrest, or judicial or other proceeding.

(e) State law provides that a former officer or Employee who violates subsection (d) commits an offense. An offense under this subsection is a Class A misdemeanor.

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

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

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

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

(c) The Employee Ethics and Compliance Committee shall:

- (1) provide ethics training for UTIMCO personnel; and
- (2) issue opinions on the proper interpretation of this Code.

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

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

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

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

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

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

(b) Directors and Employees shall sign, date, and file the ethics compliance statements not later than the 30<sup>th</sup> day after the date of appointment or employment. Thereafter, any person who is a Director or Employee on December 31 of any year must file the compliance statement not later than April 30 of the following year. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

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

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

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

(f) The Chief Compliance Officer shall maintain the Directors' and Employees' signed statements.

**Sec. 4.04. Certification of No Pecuniary Interest.** Before the Board enters into an agreement or transaction with a business entity each Director and Key Employee shall certify that he or she does not have a pecuniary interest, as defined by Section 1.02(12) of this Code, in the business entity.



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

(b) Directors and Key Employees must file the disciplinary action disclosure statement with the Chief Compliance Officer not later than April 30 of the first year of designation as a Director or Key Employee and not later than April 30 of each year thereafter. The CEO may postpone a filing deadline for not more than 60 days on the written request of a Director or Employee (other than the CEO), or for an additional period for good cause as determined by the chair of the Board. A CEO's request to postpone his/her filing deadline must be approved by the chair of the Board.

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

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

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

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

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

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

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

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

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

- (1) any approval given for outside employment by Employees, including the nature of the employment; and
- (2) any disciplinary action disclosed by Directors or Key Employees.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 175 - 182).--Committee Chairman Stillwell reported that the Academic Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Academic Affairs Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. Pan American: Approval to rename the Biology Annex as the Behavioral Neuroscience Building

The Board approved the renaming of the Biology Annex at The University of Texas – Pan American as the Behavioral Neuroscience Building to better reflect the use of the building by the Department of Psychology and Anthropology.

The Biology Annex was originally built in 1984. During its 26 years of service, the 4,752 square foot building was primarily used as an animal care facility under the Department of Biology. By Summer 2008, the building was in disrepair and almost completely vacated. Renovation and improvements to the building are underway and are scheduled to be completed by Fall 2010.

Since Fall 2008, the faculty of the Department of Psychology and Anthropology prepared, equipped, and used this facility for training graduate students in an Experimental Psychology program with a concentration in applied behavior analysis. The department plans to increase the use of the equipment and rooms by providing upper-division undergraduate students with similar training experiences to stimulate their interests in behavioral neuroscience and applied behavioral analysis.

2. U. T. Austin: Honorific naming of the Nano Science and Technology Building as the Larry R. Faulkner Nanoscience and Technology Building

The Board approved the honorific naming of the Nano Science and Technology Building at The University of Texas at Austin as the Larry R. Faulkner Nanoscience and Technology Building to recognize former President Faulkner's leadership role in bringing the University's nanotechnology program to its status as a national leader.

The 82,463 square foot building is located at 102 East 24th Street adjacent to the site of the future Norman Hackerman Building. This state-of-the-art educational and research facility, approved by the Board of Regents on August 12, 2004, was completed in 2006, and houses several affiliated programs for the promotion of nanoscience and nanotechnology.

Dr. Faulkner served as President of U. T. Austin from April 1998 through January 2006. Significant achievements during his tenure include a \$1.6 billion capital campaign, construction of the Jack S. Blanton Museum of Art, acquisition of the world-renowned Suida-Manning art collection, and creation of innovative scholarship programs that helped to restore the University's minority student enrollment. Previously, he served on the chemistry faculties of Harvard University, the University of Illinois at Urbana-Champaign, and U. T. Austin. He is the co-author of the prominent text *Electrochemical Methods: Fundamentals and Applications*. Dr. Faulkner has received numerous prestigious awards and honors, including election into the American Academy of Arts and Sciences. He serves as President of the Houston Endowment, Inc., and is President Emeritus at U. T. Austin.

3. U. T. San Antonio: Authorization to enter into the following agreements with the City of San Antonio, Texas, and Bexar County, Texas, related to the funding, construction, operation, and use of U. T. San Antonio's Athletics Complex, Phase 1: a funding agreement with the City of San Antonio for \$5.55 million in funding by the City for the construction of infrastructure in Phase 1 and for the future granting of easements to the City for the construction of Kyle Seale Parkway and the widening of Hausman Road; a grant and development agreement with Bexar County, Texas, for \$15 million in funding by the County for the construction of the athletic facilities in Phase 1; a funding agreement for \$1.5 million in Bexar County funding through the San Antonio Sports Foundation for athletic facilities in Phase 1; and an operating agreement with Bexar County, Texas, to provide Bexar County assurance that the Athletics Complex, Phase 1, will be used for the intended public purpose for the expected life of the facilities

On behalf of The University of Texas at San Antonio, the Board granted authorization to

- a. enter into the following agreements with the City of San Antonio, Texas, and Bexar County, Texas, related to the funding, construction, operation, and use of U. T. San Antonio's Athletics Complex, Phase 1:
- a funding agreement with the City of San Antonio for \$5.55 million in funding by the City for the construction of infrastructure in Phase 1 and for the future granting of easements to the City for the construction of Kyle Seale Parkway and the widening of Hausman Road
  - a grant and development agreement with Bexar County, Texas, for \$15 million in funding by the County for the construction of the athletic facilities in Phase 1

- a funding agreement for \$1.5 million in Bexar County funding through the San Antonio Sports Foundation for athletic facilities in Phase 1
  - an operating agreement with Bexar County, Texas, to provide Bexar County assurance that the Athletics Complex, Phase 1, will be used for the intended public purpose for the expected life of the facilities;
- b. authorize President Romo to conclude negotiation of and execute grant and funding agreements and all other documents, instruments, and other agreements necessary to receive City and County funding for the Athletics Complex, Phase 1, subject to approval of all documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing actions; and
- c. authorize the Executive Director of Real Estate to execute the easements at the appropriate time, subject to approval of the easements as to legal form by the Office of General Counsel.

As noted in the U. T. San Antonio Campus Master Plan, presented to the Board on August 20, 2009, "The UTSA Athletic Department continues to grow and evolve. The department has recently added football to the athletic program, and has the goal of competing in a major Division 1 athletic conference in all the sports it offers. The current facilities are not at the level of quality to meet current or future needs. New athletic facilities will be required to meet the University's goals."

The Campus Master Plan contemplates that new athletics facilities will be constructed on UTSA Park West, a location that can accommodate all of the needed facilities and will be more easily accessible for large groups than the central area of the Main Campus. UTSA Park West is located one mile southwest of the central area of the U. T. San Antonio Main Campus. Locating all or most of the athletic facilities together offers an opportunity to create a sporting destination that will, in addition to meeting the needs of the U. T. San Antonio athletics department, support economic development and provide opportunities for citizens of the City and County to participate in or otherwise enjoy sporting events.

With funding from the City and the County, U. T. San Antonio will begin the development of its UTSA Park West Athletics Complex.

The Athletics Complex, when fully built out, is anticipated to include athletic stadiums/venues for soccer, track, baseball, tennis, and softball, along with one or more football practice fields, a multipurpose team and training facility, and a parking garage. Phase 1 of the Athletics Complex provides for the

design and construction of a portion of the Athletics Complex and consists of soccer and track facilities, a roadway, a surface parking lot, and infrastructure. The estimated cost of the Phase 1 project is \$22.05 million to be funded from bond proceeds from the City of San Antonio (\$5.55 million for infrastructure) and Bexar County, Texas (\$16.5 million for facilities).

To serve the Athletics Complex, roadway improvements are needed on Hausman Road to the south of the complex. In addition, the City desires to construct a roadway through UTSA Park West consistent with the City's Major Thoroughfare Plan. To accommodate these needs, the City Funding Agreement provides for two easements that will be granted to the City if the City obtains firm funding commitments for the roadways within the first five years of the agreement: an 86-foot wide easement linking the two ends of Kyle Seale Parkway for the purpose of allowing Kyle Seale Parkway to be extended by the City through the Park West Campus; and a six-foot wide easement along Hausman Road to allow for widening of the roadway.

As consideration for the above described funding, U. T. San Antonio will sponsor, cosponsor, and host athletic competitions and similar events open to the general public, providing recreational facilities for sports-related functions for the citizens of Bexar County and enhancing economic development in Bexar County and the neighborhoods surrounding the Athletics Complex. U. T. San Antonio will offer a reduced ticket price program to area public school students for U. T. San Antonio's collegiate events, and will make the facilities available to the County for its use for five days each calendar year. These special conditions will apply for the respective terms of the agreements with the City and the County: 25 years from the date of the agreement with the City; 30 years from the date of the agreement with the County.

To accomplish the operation of the facility as required under the agreements, President Romo will designate the Complex as a "special use facility" as authorized under Regents' *Rules and Regulations*, Rule 80106, which allows use of designated facilities by external groups or entities under certain limited circumstances.

The terms and conditions of the funding agreements, operating agreement, and easements are specified in the transaction summary on the following pages.

Transaction Summary

**Funding Agreements (funding from the City and County to U. T. San Antonio)**

Athletics Complex, Phase 1 Funding Summary:

Funding from:

City of San Antonio	\$ 5,550,000	(includes \$300,000 to be retained by the City for construction management services)
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Bexar County, Texas	15,000,000	
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Bexar County, Texas	<u>1,500,000</u>	(via the San Antonio Sports Foundation)
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Total Funding	<u>\$22,050,000</u>	
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Improvements to be constructed:	Soccer and track facilities, roadway, surface parking lot, and other infrastructure to be owned by the Board of Regents
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Location:	U. T. San Antonio Park West Campus
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Term:	City of San Antonio:	25 years
	Bexar County, Texas:	30 years

Uses/Consideration:	Construction of U. T. San Antonio athletic sports venues for soccer and track, sponsorship, cosponsorships and host athletic competitions and similar events open to the general public, providing recreational facilities for sports-related functions for the citizens of Bexar County and enhancing economic development in Bexar County and the neighborhoods surrounding the Athletics Complex. The facilities will be made available to the County for its use five days each calendar year.
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Roadway Easements to the City (contingent on the City having firm funding commitments for roadway construction within five years):

- 1) 86-foot wide easement for Kyle Seale Parkway extension
- 2) six-foot wide easement for widening of Hausman Road

Assignability:	The funding and grant agreements are assignable, with the approval of the party providing the funding.
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**Operating Agreement**

Other party: Bexar County, Texas

Purpose: To assure Bexar County that, once constructed, U. T. San Antonio will use, maintain, and operate the Athletics Complex, Phase 1, facilities for the intended public purpose

Term: 30 years

U. T. San Antonio's responsibilities:

- 1) maintenance and repairs of the facilities;
- 2) financial management; and
- 3) facilities use management.

Ownership remains in the Board of Regents and maintenance and management of the facilities is the responsibility of U. T. San Antonio (or approved assigns), respectively, at all times.



4. U. T. Dallas: Authorization to establish a Ph.D. in Arts and Technology

Pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, the Board granted authority to

- a. establish a Ph.D. degree in Arts and Technology (ATEC) at The University of Texas at Dallas; and
- b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

U. T. Dallas offers B.A., M.A., and Master of Fine Arts (M.F.A.) degrees in ATEC. In 2007, The University of Texas System awarded its Innovation in Education Award to the ATEC program. The doctoral program will foster advanced research at the convergence of engineering and technology with the arts and humanities. The degree, offered as a partnership between the Erik Jonsson School of Engineering and Computer Science and the School of Arts and Humanities, will be the first of its kind in Texas. The program will encompass and integrate into a coherent curriculum such areas as computer visualization/animation, interaction design, digital sound design, computer simulation and serious game design, and online worlds. The goal of the doctoral program is to create a premier talent pool of digital content designers, developers, and scholars with advanced capabilities for research and application for commercial, cultural, and educational purposes.

The Ph.D. program will consist of a minimum of 54 credit hours of course work. The curriculum will be designed to permit students, after fulfilling required courses that establish a shared theoretical context, to pursue a customized degree plan emphasizing one or a combination of the component areas. The purpose of this customized approach, which has proven successful at the master's level, is to foster the combination of focused expertise and intellectual agility that will prepare graduates to respond to inevitable changes in technology and the opportunities that they present.

The ATEC doctoral faculty will include 12 tenured or tenure-track faculty members from the School of Arts and Humanities as well as participation by four faculty members from the Erik Jonsson School of Engineering and Computer Science. All are active researchers who have the knowledge and experience to offer graduate-level courses and to supervise dissertations.

The ATEC program has guaranteed funding of more than \$1,000,000 for 2010-2011: approximately \$600,000 from the United States Army to develop interactive training games for the Department of Defense/Troop Cultural Awareness on foreign countries and more than \$400,000 from other funding sources.

The five-year expenditures of the program are anticipated to be \$1,687,000. This includes new costs of \$216,000 for three faculty positions, \$318,000 for one endowed chair, \$208,000 for an increase in teaching/research assistant stipends, and \$50,000 for one administrative position over the first five years. Reallocation expenses include \$507,000 for teaching/research assistant positions, \$169,000 in existing salaries, and \$219,000 in equipment, library resources, and travel. These costs will be met from credit hour formula funding, a gift from the O'Donnell Foundation with matching Texas Research Incentive Program (TRIP) funds for the endowed chair, and reallocation of university resources. Total five-year funding is projected at \$2,112,236, which includes \$370,236 in anticipated formula funding. External funds will cover an increasing portion of the program's cost after the initial development period.

5. U. T. System: Report on the Science and Technology Acquisition and Retention (STARs) Program

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

6. U. T. System: Discussions on academic leadership matters related to the impact of budget cuts

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

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 183 - 193).--Committee Chairman Longoria reported that the Health Affairs Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Health Affairs Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. Health Science Center – Houston: Honoring naming of the Department of Neurosurgery as the Vivian L. Smith Department of Neurosurgery

The Board approved the honoring naming of the Department of Neurosurgery at The University of Texas Health Science Center at Houston as the Vivian L. Smith Department of Neurosurgery to recognize the significant contributions and commitment of the Vivian L. Smith Foundation to neurologic research.

Mrs. Vivian L. Smith was married to Houston oilman and investor Mr. R. E. "Bob" Smith, who died in 1973. She partnered with her husband in a variety of business enterprises, including oil and gas exploration, ranching, and land investing and development, and she continued to be active in business and charitable affairs until her death in 1989. The Vivian L. Smith Foundation has contributed over \$7.3 million to the Department of Neurosurgery and is committed to continuing its support to advance science and develop therapies to enhance the quality of life for those afflicted with neurologic illnesses.

The Vivian L. Smith name will continue to be used on the Center for Neurologic Research, which was established in the Department of Neurosurgery in 1996 to recognize the vision of Mrs. Smith.

2. U. T. Medical Branch – Galveston: Approval of new logo and brand identity

The Board approved the new logo and brand identity, *utmb* Health, for The University of Texas Medical Branch at Galveston as set forth on Page 184. The new tagline is "Working together to work wonders." (See Committee Minutes for President Callender's presentation of the new logo and brand identity.)

U. T. Medical Branch – Galveston  
**Logo Comparison**



3. U. T. System: Approval to set The University of Texas System Professional Medical Liability Benefit Plan premium rates for Fiscal Year 2011, distribute a portion of Plan premium returns, and amend Article II (Definitions of Plan Participants) of the Plan

The Board approved that

- a. The University of Texas System Professional Medical Liability Benefit Plan (Plan) premium rates for faculty and residents for Fiscal Year 2011 be reduced by an average of 35% from the rates for Fiscal Year 2010 (Exhibit 1 on Pages 187 - 189);
- b. the premium rates for all other coverage options offered under the Plan for Fiscal Year 2011 remain unchanged from the rates for Fiscal Year 2010;
- c. \$20 million be distributed from the Plan reserves as follows for Fiscal Year 2011: \$16 million to participating U. T. System institutions based on the institution's loss ratio and \$4 million set aside for allocation by the Plan Management Committee for continued patient safety efforts (Exhibit 2 on Page 190); and
- d. the Plan be amended as set forth on the next page to make coverage available to eligible participants from any school within a health institution and permit participation in the Plan by faculty physicians and dentists with less than full-time appointments.

The Plan amendment permits physicians and dentists who are in schools other than the medical and dental schools (for example, the School of Public Health) to be eligible for Plan professional liability coverage. Additionally, the amendment specifically permits physicians and dentists who are employed on less than a full-time basis to be eligible for coverage.

On March 26, 2008, the Board of Regents endorsed a three-year plan forwarded by the Plan Management Committee to reduce the reserves held in the Plan in accordance with generally accepted industry standards. The premium rates are based on the average 35% reduction. The premium reductions and distribution are in keeping with the plan to reduce reserves.

The methodology for distributions from the Plan has evolved over the years so that recent distributions have been based solely on each participating institution's loss ratio. The distribution also employs this methodology. In a continuing effort to encourage patient safety and systemic remediation, the \$16 million distribution to the institutions for this year is based entirely on each institution's loss ratio.

In addition to the \$16 million to be distributed to participating institutions, \$4 million will support patient safety initiatives. Under the discretion of the Plan Management Committee, this funding will support Systemwide efforts to improve patient safety, including a grant program for evidence-based research to improve clinical services and to encourage collaboration among institutions.

THE UNIVERSITY OF TEXAS SYSTEM

PROFESSIONAL MEDICAL LIABILITY BENEFIT PLAN

ARTICLE II

DEFINITIONS

...

A. Plan Participant shall mean:

1. Staff physicians and dentists who are medical doctors, oral surgeons, oral pathologists, dentists, doctors of osteopathy, or podiatrists appointed to the faculty of a health institution of the System, medical doctors employed in health services at and by a general academic institution of the System;

.....

Exhibit 1

**The University of Texas System Professional Medical Liability Benefit Plan**  
Summary of Recommended Annual Rates by Risk Class by Institution

**Physician Risk Class 1**

Institution	Recommended Rates for 9/1/2010	
	Faculty	Resident
UTMDACC	\$ 360	\$ 324
UTSWMC	372	348
UTMB	468	432
UTHSCH	528	492
UTHSCSA	444	408
UTHSCT	492	456
UTAustin	444	408
UTD	444	408
UTA	444	408
UTSA	444	408

**Physician Risk Class 2**

Institution	Recommended Rates for 9/1/2010	
	Faculty	Resident
UTMDACC	\$ 564	\$ 528
UTSWMC	588	552
UTMB	732	696
UTHSCH	828	792
UTHSCSA	696	660
UTHSCT	768	732
UTAustin	696	660
UTD	696	660
UTA	696	660
UTSA	696	660

**Physician Risk Class 3**

Institution	Recommended Rates for 9/1/2010	
	Faculty	Resident
UTMDACC	\$ 888	\$ 828
UTSWMC	924	864
UTMB	1,164	1,092
UTHSCH	1,320	1,236
UTHSCSA	1,104	1,032
UTHSCT	1,224	1,140
UTAustin	1,104	1,032
UTD	1,104	1,032
UTA	1,104	1,032
UTSA	1,104	1,032

Exhibit 1 (cont'd)

**The University of Texas System Professional Medical Liability Benefit Plan**  
Summary of Recommended Annual Rates by Risk Class by Institution

**Physician Risk Class 4**

<u>Institution</u>	<b>Recommended Rates for 9/1/2010</b>	
	Faculty	Resident
UTMDACC	\$1,668	\$1,560
UTSWMC	1,740	1,632
UTMB	2,172	2,028
UTHSCH	2,460	2,304
UTHSCSA	2,064	1,932
UTHSCT	2,280	2,136
UTAustin	2,064	1,932
UTD	2,064	1,932
UTA	2,064	1,932
UTSA	2,064	1,932

**Physician Risk Class 5**

<u>Institution</u>	<b>Recommended Rates for 9/1/2010</b>	
	Faculty	Resident
UTMDACC	\$2,460	\$2,316
UTSWMC	2,568	2,412
UTMB	3,204	3,024
UTHSCH	3,636	3,420
UTHSCSA	3,048	2,868
UTHSCT	3,372	3,168
UTAustin	3,048	2,868
UTD	3,048	2,868
UTA	3,048	2,868
UTSA	3,048	2,868

**General Dentist Risk Class A**

<u>Institution</u>	<b>Recommended Rates for 9/1/2010</b>	
	Faculty	Resident
UTMDACC	\$ 120	\$120
UTSWMC	132	120
UTMB	168	156
UTHSCH	192	168
UTHSCSA	156	144
UTHSCT	168	156
UTAustin	156	144
UTD	156	144
UTA	156	144
UTSA	156	144



Exhibit 1 (cont'd)

**The University of Texas System Professional Medical Liability Benefit Plan**  
Summary of Recommended Annual Rates by Risk Class by Institution

**Oral Surgery Risk Class B**

Institution	Recommended Rates for 9/1/2010	
	Faculty	Resident
UTMDACC	\$ 564	\$528
UTSWMC	588	552
UTMB	732	696
UTHSCH	828	792
UTHSCSA	696	660
UTHSCT	768	732
UTAustin	696	660
UTD	696	660
UTA	696	660
UTSA	696	660

Exhibit 2  
**The University of Texas System Professional Medical Liability Benefit Plan**  
Proposed Distribution of Plan Reserves

<u>Institution</u>	<u>FY2007-FY2009 Premiums Paid</u>	<u>FY2007-FY2009 Claims</u>	<u>Loss Ratio<sup>1</sup></u>	<u>Distribution (Based on Loss Ratio)</u>
UTMDACC	6,013,941	1,290,760	21%	2,219,131
UTSWMC	9,627,096	2,857,872	30%	2,568,373
UTMB	12,640,972	2,203,841	17%	5,742,367
UTHSCH	5,777,174	2,594,324	45%	1,018,866
Medical Foundation	3,416,290	1,534,135	45%	602,499
UTHSCSA	8,493,185	1,626,197	19%	3,513,002
UTHSCT	446,843	48,983	11%	322,833
UT Austin	95,717	192,913	202%	3,761
UTA	4,468	-	0%	3,228
UTD	1,422	-	0%	1,027
UTSA	6,800	-	0%	4,913
Subtotal	<u>\$46,523,908</u>	<u>\$12,349,025</u>	27%	<u>\$ 16,000,000</u>
Patient Safety Initiatives				<u>\$ 4,000,000</u>
<b>TOTAL PROPOSED DISTRIBUTION</b>				<b><u>\$ 20,000,000</u></b>

<sup>1</sup> For academic institutions with a 0% loss ratio, the best health institution loss ratio was applied (UTHSCT).

4. U. T. M. D. Anderson Cancer Center: Authorization for the institution to join the Worldwide Innovative Network (WIN) Association

The Board

- a. authorized the negotiation and closing of a transaction for The University of Texas M. D. Anderson Cancer Center to become a member of the Worldwide Innovative Network (WIN) Association; and
- b. authorized the President of U. T. M. D. Anderson Cancer Center or his delegate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

Purpose and Mission of WIN

The WIN consortium will be an international research and technology development consortium that will involve a number of research institutions around the world as well as commercial partners. Its goal will be to foster and facilitate cooperation among cancer centers and create partnerships with technology providers, pharmaceutical companies, patient advocacy groups, governmental institutions, and other stakeholders in the field of early diagnosis and personalized treatment of cancer patients. Its purpose will be to promote basic and applied cancer research plus state-of-the-art methods and technologies to expedite progress in the field of personalized cancer medicine and to take groundbreaking discoveries made in personalized cancer medicine from the bench to the bedside.

Organization of the WIN Association

Establishment of the consortium will entail the formation of a French nonprofit association (the Association) pursuant to Articles of Organization that will be filed in France. The Association, which will be based in Paris, will provide a formal legal entity through which the consortium can operate, administer assets, and seek grant funding, and provide a mechanism for having an employed administrative staff who will handle the day-to-day administrative needs of the Association. The Association will be governed by the Articles of Organization and it will operate pursuant to a Supplemental Agreement.

As a member of the Association, U. T. M. D. Anderson Cancer Center will have certain voting rights and an obligation for certain dues. Unless the amount is subsequently increased or decreased, the annual dues for U. T. M. D. Anderson Cancer Center will be 50,000 Euros (\$64,665 calculated on exchange rates posted July 22, 2010). The consortium has no preset

expiration and the Association will exist unless and until dissolved by its Members, although a Member will have the right at any time to terminate involvement and withdraw from the Association.

5. U. T. M. D. Anderson Cancer Center: Presentation of strategic vision plan for 2010-2015

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

6. U. T. System: Discussion of the State of Texas' 2010 Health-Related Institutions Formula Advisory Committee's report to the Commissioner of Higher Education

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

7. U. T. System: Quarterly report on health matters, including Cancer Prevention and Research Institute of Texas funding and health care working group activities

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

8. U. T. M. D. Anderson Cancer Center: Authorization to loan sufficient funds to M. D. Anderson Services Corporation to establish a permanent endowment for the use and benefit of the institution

This additional agenda item was posted with the Secretary of State and was available on yellow paper.

With Regent Stillwell abstaining from vote due to his employment relationship with the donor, the Board authorized The University of Texas M. D. Anderson Cancer Center to

- a. loan sufficient funds from existing cash reserves to M. D. Anderson Services Corporation to establish a permanent endowment for the use and benefit of U. T. M. D. Anderson Cancer Center; and
- b. execute all documents, instruments, and other agreements, subject to approval of all such documents by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

On February 7, 2007, The University of Texas System Board of Regents approved a \$50 million philanthropic donation to U. T. M. D. Anderson Cancer Center, with a proviso to increase the corpus of the donation to \$500 million through matching or investment funds to create a permanent endowment to generate income for the use and benefit of the institution. The \$50 million donation was delivered to M. D. Anderson Services Corporation, a charitable corporation under the control of the U. T. System Board of Regents and dedicated to furthering the public mission of U. T. M. D. Anderson Cancer Center.

Through a quasi-endowment held by the U. T. System Board of Regents, U. T. M. D. Anderson Cancer Center has accumulated sufficient funds and earnings to fully finance the balance needed to create the permanent endowment. To fund the permanent endowment, it will be necessary for funds to be transferred from the quasi-endowment and the institution to M. D. Anderson Services Corporation. To meet the legal requirements for the fund transfer, U. T. M. D. Anderson Cancer Center will loan the funds to M. D. Anderson Services Corporation with the obligation for M. D. Anderson Services Corporation to repay the loan through transfer of all annual earnings generated by the new permanent endowment to U. T. M. D. Anderson Cancer Center for its use and benefit to further its public purpose of conducting research to advance the diagnosis and cure of cancer diseases.

9. U. T. System: Panel discussion with U. T. System health institution presidents on the impact of recently enacted health care legislation on the provision of health care and on the administration of Medicaid in Texas

This item was for consideration only by the Committee (see Minutes of the Special Health Affairs Committee meeting).

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 194 - 215).--Committee Chairman Gary reported that the Facilities Planning and Construction Committee met in open session to consider those matters on its agenda and to formulate recommendations for The University of Texas System Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders that follow were recommended by the Facilities Planning and Construction Committee and approved in open session by the U. T. System Board of Regents.

1. U. T. System: Capital Improvement Program Update

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

2. U. T. System Board of Regents: Amendment of Section 3 regarding definition of criteria of major projects in Regents' *Rules and Regulations*, Rule 80301 (Capital Improvement Program); Rule 80402 (Major Construction and Repair and Rehabilitation Projects); and Rule 80404 (Institutional Management of Major Construction and Repair and Rehabilitation Projects)

The Board amended the Regents' *Rules and Regulations*, Rule 80301 (Capital Improvement Program), Rule 80402 (Major Construction and Repair and Rehabilitation Projects), and Rule 80404 (Institutional Management of Major Construction and Repair and Rehabilitation Projects) by revising the definition of a Major Project to read as follows:

3. Definitions

Major Project – Any project that meets one or more of the following criteria: 1) new building construction with a value of \$4 million or more, 2) road, paving, and repair and rehabilitation projects with a value of \$4 million or more, 3) any project determined by the Board to be architecturally or historically significant, 4) any project that is debt financed [Revenue Financing System (RFS), Tuition Revenue Bond (TRB), Permanent University Fund (PUF)] regardless of dollar value except those projects appropriated through the Library, Equipment, Repair and Rehabilitation (LERR) budget, and 5) any campus planning efforts that are intended to result in a capital project meeting one or more of these criteria.

This amendment aligns with the revised Capital Expenditure Policy to exempt debt financed projects approved through the LERR budget from the Capital Improvement Program.

The changes were effective September 1, 2010.

3. U. T. Arlington: FY 11 High Priority Fire and Life Safety Corrections - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the FY 11 High Priority Fire and Life Safety Corrections project at The University of Texas at Arlington as follows:

Project No.:	301-581				
Institutionally Managed:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
Project Delivery Method:	Competitive Sealed Proposals				
Substantial Completion Date:	August 2012				
Total Project Cost:	<table><tr><td><u>Source</u></td><td><u>Current</u></td></tr><tr><td>Permanent University Fund Bond Proceeds</td><td>\$1,300,000</td></tr></table>	<u>Source</u>	<u>Current</u>	Permanent University Fund Bond Proceeds	\$1,300,000
<u>Source</u>	<u>Current</u>				
Permanent University Fund Bond Proceeds	\$1,300,000				

- a. approve a total project cost of \$1,300,000 with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. appropriate funds; and
- c. authorize U. T. Arlington to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$1,300,000 from PUF Bond Proceeds for Fiscal Year 2011 for the project.

Project Description

The project is the final phase of three allocations to address various fire and life safety deficiencies identified as high priority items. The scope of the project will address means of egress deficiencies in the Science Hall, Fine Arts Building fire sprinkler system, egress lighting in several other buildings with associated electrical infrastructure upgrades, tiered lecture room handrail installations, and additional minor items on campus.

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

4. U. T. Austin: FY 11 High Priority Fire and Life Safety Corrections - Phase 3 - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the FY 11 High Priority Fire and Life Safety Corrections - Phase 3 project at The University of Texas at Austin as follows:

Project No.:	102-582	
Institutionally Managed:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2012	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$4,700,000

- a. approve a total project cost of \$4,700,000 with funding from Permanent University Fund (PUF) Bond Proceeds;
- b. appropriate funds; and
- c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$4,700,000 from PUF Bond Proceeds for Fiscal Year 2011 for the project.

Project Description

The project continues various fire and life safety deficiencies identified as high priority items including fire protection systems. The project will include design and installation of fire sprinkler and fire alarm systems, and correction of egress deficiencies including emergency lighting and door hardware. The buildings in the Phase 3 project include the Animal Resources Center,



Facilities Complex Building 1, Goldsmith Hall, Jackson Geological Sciences Building, Homer Rainey Hall, Pharmacy North Building, West Mall Office Building, and the Main Building.

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

5. U. T. Medical Branch – Galveston: FY 09/FY 10 High Priority Fire and Life Safety Projects - University Hospital Clinics Building - Amendment of the FY 2010-2015 Capital Improvement Program to redesignate the project as the FY 09/FY 10/FY 11 High Priority Fire and Life Safety Project - University Hospital Clinics Building; approval to increase the total project cost; and appropriation of additional funds (Final Board approval)

The Board approved the recommendations for the FY 09/FY 10 High Priority Fire and Life Safety Projects - University Hospital Clinics Building at The University of Texas Medical Branch at Galveston as follows:

Project No.:	601-454		
Institutionally Managed:	Yes	<input checked="" type="checkbox"/>	No <input type="checkbox"/>
Project Delivery Method:	Competitive Sealed Proposals		
Substantial Completion Date:	September 2012		
Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$1,200,000	\$1,800,000
	Hospital Revenues	<u>\$ 600,000</u>	<u>\$ 600,000</u>
		\$1,800,000	\$2,400,000

- a. amend the Fiscal year 2010-2015 Capital Improvement Program to redesignate the project as the FY 09/FY 10/FY 11 High Priority Fire and Life Safety Project - University Hospital Clinics Building;
- b. increase the total project cost from \$1,800,000 to \$2,400,000; and
- c. appropriate additional funding of \$600,000 from Permanent University Fund (PUF) Bond Proceeds.

Previous Board Actions

On August 14, 2008, the Board approved the allocation of \$600,000 from PUF Bond Proceeds for each Fiscal Year 2009, 2010, and 2011. On November 13, 2008, the project was included in the CIP with a total project cost of \$1,200,000 with funding of \$600,000 from PUF Bond Proceeds and

\$600,000 from Hospital Revenues and authorized institutional management. On August 19, 2009, the total project cost was increased from \$1,200,000 to \$1,800,000 and redesignated as the FY 09/FY 10 High Priority Fire and Life Safety Project - University Hospital Clinics Building.

Project Description

This institutionally managed project addresses installation of fire sprinklers on all floors of the University Hospital Clinics Building. The Fiscal Year 2011 allocation will be combined with the Fiscal Year 09/Fiscal Year 10 project, increasing the total project cost. The additional work will complete the repairs and renovations needed to upgrade the building to current life safety codes.

Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

6. U. T. Health Science Center – San Antonio: FY 11 Fire and Life Safety Projects - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the FY 11 Fire and Life Safety Projects at The University of Texas Health Science Center at San Antonio as follows:

Project No.:	402-578				
Institutionally Managed:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>				
Project Delivery Method:	Competitive Sealed Proposals				
Substantial Completion Date:	February 2012				
Total Project Cost:	<table><tr><td><u>Source</u></td><td><u>Current</u></td></tr><tr><td>Permanent University Fund Bond Proceeds</td><td>\$1,700,000</td></tr></table>	<u>Source</u>	<u>Current</u>	Permanent University Fund Bond Proceeds	\$1,700,000
<u>Source</u>	<u>Current</u>				
Permanent University Fund Bond Proceeds	\$1,700,000				

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

Previous Board Action

On August 14, 2008, the Board approved the allocation of \$1,700,000 from PUF Bond Proceeds for Fiscal Year 2011 for the project.

Project Description

The project will install a sprinkler system in the Cafeteria Building and begin designing and installing a sprinkler system in the Dental School Building. The buildings are adjacent to each other on the Joe R. and Teresa Lozano Long Campus. These are the next projects in the U. T. Health Science Center – San Antonio plan to address high priority fire and life safety issues on campus.

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

7. U. T. Arlington: Energy Conservation Measures 2010-2011 - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the Energy Conservation Measures 2010-2011 project at The University of Texas at Arlington as follows:

Project No.:	301-583	
Institutionally Managed:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Project Delivery Method:	Performance Contract	
Substantial Completion Date:	January 2012	
Total Project Cost:	<u>Source</u> Grants	<u>Current</u> \$9,901,000

- a. approve a total project cost of \$9,901,000 with funding from an American Recovery and Reinvestment Act (ARRA) Grant;
- b. appropriate funds; and
- c. authorize U. T. Arlington to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

## Project Description

The project consists of two roof replacements with major insulation upgrades; high efficiency pump/fan motor replacements; replacement of one chiller in the Thermal Energy Plant; continuous commissioning in the Thermal Energy Plant and other campus facilities; and replacement of selected domestic hot water pumps.

This project, funded by the ARRA, the Texas State Comptroller, and the Texas State Energy Conservation Office, is a continuation of U. T. Arlington's energy conservation program. The objective of the energy cost savings is to make needed infrastructure improvements, and reduce utility, maintenance, and operating costs. The grants are actually loans, paid back at 2% interest, and self-funded through energy savings.

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

8. U. T. Austin: Darrell K Royal - Texas Memorial Stadium - Athletics Offices Infill and Stadium Maintenance and Renovation - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and resolution regarding parity debt (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the Darrell K Royal - Texas Memorial Stadium - Athletics Offices Infill and Stadium Maintenance and Renovation project at The University of Texas at Austin as follows:

Project No.:	102-577	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	September 2012	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$12,000,000
	Gifts	<u>\$ 5,700,000</u>
		\$17,700,000

- a. approve a total project cost of \$17,700,000 with funding of \$12,000,000 from Revenue Financing System Bond Proceeds and \$5,700,000 from Gifts;

- b. appropriate funds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$12,000,000.

#### Debt Service

The \$12,000,000 in Revenue Financing System debt will be repaid from athletic revenues. Annual debt service on the \$12,000,000 Revenue Financing System debt is expected to be \$781,000. The institution's debt service coverage is expected to be at least 1.6 times and average 1.8 times over Fiscal Year 2011-2016. The gift funding authorized for expenditure is fully collected or committed at this time, and the institution possesses sufficient local funds to cover any shortfall.

#### Project Description

The project will include infill of the North End Zone seventh floor at Darrell K Royal - Texas Memorial Stadium (Stadium). The area is currently an open shell space. The infill will provide new offices for Intercollegiate Athletics and vacate current space in L. Theo Bellmont Hall, which will be made available to the campus for academic and other uses. In addition, the project will include structural repairs, waterproofing, and other maintenance and renovation work, and bleacher replacement to the older sections of the Stadium.

The construction of the Athletics Offices will consolidate staff into contiguous space in the North End Zone, thus reducing operating expenses and streamlining operations. The repair work in the grandstands is necessary to maintain safety and extend the useful life of the facility.

This repair and rehabilitation project has been approved by University of Texas System staff and meets the criteria for inclusion in the CIP. Design development plans and authorization of expenditure of funding will be approved by the Chancellor at a later date.

9. U. T. Dallas: Academic Laboratory and Support Space Renovations - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the Academic Laboratory and Support Space Renovations project at The University of Texas at Dallas as follows:

Project No.:	302-584	
Institutionally Managed:	Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	May 2012	
Total Project Cost:	<u>Source</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$ 7,900,000
	Unexpended Plant Funds	<u>\$ 3,500,000</u>
		\$11,400,000

- a. approve a total project cost of \$11,400,000 with funding of \$7,900,000 from Revenue Financing System Bond Proceeds and \$3,500,000 from Unexpended Plant Funds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service

Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,900,000.

#### Debt Service

The \$7,900,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the \$7,900,000 Revenue Financing System debt is expected to be \$581,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.3 times over FY 2011-2016.

#### Project Description

This project will convert and update existing space into fully functional modular research laboratories, offices, and support spaces. Construction will renovate portions of the existing research space in the Founders Building and build-out of laboratory space in the Research and Operations Center Building. The project is needed to support the continually changing needs of existing faculty researchers as well as the requirements of new faculty hires. Technology improvements in various research devices require modernization of building infrastructure to support the equipment.

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

10. U. T. Dallas: Renovation of the Student Union Phase I - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; authorization of institutional management; appropriation of funds; and resolution regarding parity debt (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the Renovation of the Student Union Phase I project at The University of Texas at Dallas as follows:

Project No.: 302-585  
Institutionally Managed: Yes  No   
Project Delivery Method: Competitive Sealed Proposals  
Substantial Completion Date: April 2011  
Total Project Cost: 

<u>Source</u>	<u>Current</u>
Revenue Financing System Bond Proceeds	\$1,850,000

- a. approve a total project cost of \$1,850,000 with funding from Revenue Financing System Bond Proceeds;
- b. authorize U. T. Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts;
- c. appropriate funds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$1,850,000.



## Debt Service

The \$1,850,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the \$1,850,000 Revenue Financing System debt is expected to be \$136,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.3 times over FY 2011-2016.

## Project Description

The project will renovate space located on the first floor of the south wing of the Student Union Building for various student organizations, consolidate all student media functions, and create additional general meeting space. Several departments are relocating to the new Student Services Building allowing for this phase of the project to construct necessary repairs and improvements to the building for optimal utilization for the occupants.

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

11. U. T. San Antonio: John Peace Library Building Renovations - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the John Peace Library Building Renovations project at The University of Texas at San Antonio as follows:

Project Delivery Method: Competitive Sealed Proposals

Institutionally Managed: Yes  No

Substantial Completion Date: December 2010

Total Project Cost:	<u>Source</u>	<u>Current</u>
	Designated Funds	\$5,500,000

- a. approve a total project cost of \$5,500,000 with funding from Designated Funds;
- b. appropriate and authorize expenditure of funds; and

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

Project Description

The project will renovate approximately 225,891 gross square feet in the existing John Peace Library Building to improve functionality and appearance. This portion of the work will renovate areas to incorporate student services including the Tomás Rivera Center for Student Success, Supplemental Instruction, and the Judith G. Gardener Center for Writing Excellence currently housed in other buildings on campus. The work will update electrical equipment, built-in specialties and equipment, and interior finishes.

Completed construction includes demolition and reconstruction of existing second floor public service areas, including the circulation desk, construction of data closets, and renovation of technical services area, and student and staff lounge areas. Future renovations are planned for the remaining areas of the building when non-library groups are relocated.

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

- 12. U. T. M. D. Anderson Cancer Center: Clinical Research Building Animal Area Renovation - Amendment of the FY 2010-2015 Capital Improvement Program to include project; approval of total project cost; appropriation of funds; and authorization of institutional management (Final Board approval)

The Board amended the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to include the Clinical Research Building Animal Area Renovation project at The University of Texas M. D. Anderson Cancer Center as follows:

Institutionally Managed:	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	August 2012	
Total Project Cost:	<u>Source</u> Hospital Revenues	<u>Current</u> \$10,000,000

- a. approve a total project cost of \$10,000,000 with funding from Hospital Revenues;
- b. appropriate funds; and
- c. authorize U. T. M. D. Anderson Cancer Center to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

Project Description

The project will renovate existing space that will be used for an animal facility. The renovation project will address the existing animal housing deficiencies of the main campus through two specific initiatives. The first initiative will renovate and expand the U. T. M. D. Anderson Cancer Center North Campus Vivarium (NCV) housing, procedure, and support facilities by converting 31,000 square feet of existing animal housing and procedure rooms to increase the capacity by approximately 8,500 cages of mice and add critically needed quarantine and specialized rodent procedure space. The second initiative will augment the NCV infrastructure by semiautomating the cage wash operations through the use of robotics, constructing a new materials management corridor, extending electronic facility environmental monitoring and task management systems into the newly renovated space, and relocating administrative office space out of the existing facility.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

- 13. U. T. El Paso: University Parking Garage II – Amendment of the FY 2010-2015 Capital Improvement Program to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

The Board approved the recommendations for the University Parking Garage II project at The University of Texas at El Paso as follows:

Project No.:	201-553
Project Delivery Method:	Design Build
Substantial Completion Date:	December 2011

Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Unexpended Plant Funds	\$ 7,000,000	\$ 7,430,000
	Revenue Financing System Bond Proceeds	\$ 5,000,000	\$ 5,000,000
		\$12,000,000	\$12,430,000

Investment Metrics:

By 2011

- Increase in University parking capacity in a developing area of campus
- Ease campus arterial traffic congestion on Schuster Avenue and related parking lots

- amend the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to increase the total project cost from \$12,000,000 to \$12,430,000;
- approve design development plans;
- appropriate funds and authorize expenditure of \$7,430,000 from Unexpended Plant Funds and \$5,000,000 from Revenue Financing System Bond Proceeds;
- approve the evaluation of alternative energy economic feasibility; and
- resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,000,000.

Debt Service

The \$5,000,000 in Revenue Financing System debt will be repaid from parking revenues. Annual debt service on the \$5,000,000 Revenue Financing System debt is expected to be approximately \$289,000. The institution's debt service coverage is expected to be at least 1.2 times and average 2.1 times over FY 2011-2016.

Previous Board Action

On November 12, 2009, the project was included in the CIP with a total project cost of \$12,000,000 with funding of \$7,000,000 from Unexpended Plant Funds and \$5,000,000 from Revenue Financing System Bond Proceeds.

Project Description

The parking garage project will contain approximately 248,467 gross square feet and will consist of a new multistory facility containing approximately 694 parking spaces. The facility will be located in the southeast quadrant of the campus to accommodate the demand for additional parking in that area due to the addition of the new College of Health Sciences – School of Nursing Building and the new Chemistry and Computer Science Building. The increase in the total project cost will ensure that the level of Bhutanese architectural detailing for this facility is consistent with other buildings on campus, namely the existing Sun Bowl Parking Garage.

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

14. U. T. Southwestern Medical Center – Dallas: New University Hospital - Amendment of the FY 2010-2015 Capital Improvement Program to revise the funding sources; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt (Final Board approval)

With Regent Gary abstaining from discussion and vote on this item as he has preexisting interest in real property near the proposed hospital site, the Board approved the recommendations for the New University Hospital project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No: 303-366  
Institutionally Managed: Yes  No   
Project Delivery Method: Construction Manager at Risk  
Substantial Completion Date: September 2014

Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Revenue Financing System Bond Proceeds	\$400,000,000	\$434,000,000
	Gifts	\$200,000,000	\$200,000,000
	Designated Funds	<u>\$200,000,000</u>	<u>\$166,000,000</u>
		\$800,000,000	\$800,000,000

Investment Metrics:

- To reach 150,000 hospital patient days by 2020
  - To reach 24,000 hospital inpatient admissions by 2020
- a. amend the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to revise the funding sources from \$400,000,000 from Revenue Financing System Bond Proceeds, \$200,000,000 from Gifts, and \$200,000,000 from Designated Funds to \$434,000,000 from Revenue Financing System Bond Proceeds, \$200,000,000 from Gifts, and \$166,000,000 from Designated Funds;
  - b. approve design development plans;
  - c. appropriate funds and authorize expenditure of funds;
  - d. approve the evaluation of alternative energy economic feasibility; and
  - e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that:
    - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
    - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
    - U. T. Southwestern Medical Center – Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$434,000,000.

Debt Service

The \$434,000,000 in aggregate Revenue Financing System debt will be repaid from hospital revenues. Annual debt service on the \$434,000,000 Revenue Financing System debt is expected to be \$23,500,000. The

institution's debt service coverage is expected to be at least 1.7 times and average 2.4 times over FY 2011-2016. Not all of the gift funding authorized for expenditure is fully collected or committed at this time; however, the Office of Finance has determined that the institution possesses sufficient local funds to cover any shortfall.

#### Previous Board Actions

On August 23, 2007, the project (formerly known as Clinical Campus Phase 2) was included in the CIP with a total project cost of \$360,000,000 with funding of \$100,000,000 from Gifts, \$50,000,000 from Revenue Financing System Bond Proceeds, \$50,000,000 from Interest on Local Funds, \$80,000,000 from Unexpended Plant Funds, and \$80,000,000 from Medical Services Research and Development Plan funds. On November 12, 2009, the Board approved the increase in the total project cost to \$800,000,000 and revised the funding sources to \$200,000,000 from Gifts, \$400,000,000 from Revenue Financing System Bond Proceeds, and \$200,000,000 from Designated Funds, appropriated \$48,000,000 from Designated Funds to begin demolition, and redesignated the project as the New University Hospital.

#### Project Description

The original project was anticipated to be a 224-bed addition to St. Paul University Hospital. During the programming of the project, it became evident that the scale, location, and cost would need to be changed to serve the current needs of the institution and patients. The traffic congestion at this site and continued use of the older sections of St. Paul University Hospital, as well as a lack of teaching space, patient flow issues, and the disruption caused by construction activity over many years, were of particular concern. In addition, the site would not allow later expansion to accommodate future relocation of clinical programs at Zale Lipshy University Hospital when that facility eventually needs to be replaced.

The New University Hospital is planned to be a 12-story, 424-bed facility that will replace the existing St. Paul University Hospital. The hospital will contain approximately 1,462,750 gross square feet and will be a full service tertiary hospital that will include 24 operating rooms, 40 emergency rooms, 6 endoscopy rooms, and 12 catheterization/interventional rooms, imaging services rooms, and ultrasound rooms. Support space includes dietary, pharmacy, laboratories, materials management, on-call rooms, admitting, and administration. Ancillary facilities include a thermal energy plant with an underground utility tunnel, a helicopter-pad, a 450-car parking garage, surface parking, roads, and utilities. The hospital will provide significant space and resources for medical education and clinical research.

The hospital will be located on 32 acres of land across from the North Campus. Prior to beginning the hospital construction, the occupants of three existing buildings will need to be relocated and those buildings demolished.

The timing of this project is significant from a debt financing perspective. The Office of Finance is concerned about the impact that rising interest rates could have on this project and the possibility that the Build America Bond program may not be extended beyond its scheduled December 31, 2010, expiration date, or if extended, the program may be renewed at a lower subsidy level in subsequent years. The traditional methodology would be to issue floating-rate commercial paper to fund construction and then issue long-term fixed-rate bonds at the end of construction in 2015. However, the preferred approach for this project is to issue some or all of the debt in the form of fixed rate Build America Bonds later this year to lock in a fixed interest rate of less than 4.0% on the bonds. The primary result of this approach is to increase capitalized interest during construction while significantly reducing budgeted debt service over the next 30-year life of the bonds. Based on current interest rates and subsidy levels, the Office of Finance and U. T. Southwestern management are planning to proceed with this approach. To internally fund a portion of the Build America Bond program interest expense during construction, the internal funds component has been reduced by \$34 million. U. T. Southwestern will pay interest during construction partially from bond proceeds and from its institutional funds.

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

15. U. T. M. D. Anderson Cancer Center: Demolish Old Spanish Trail (OST) Buildings - Amendment of the FY 2010-2015 Capital Improvement Program to increase the total project cost and appropriation of additional funds (Final Board approval)

The Board approved the recommendations for the Demolish Old Spanish Trail (OST) Buildings project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.: 703-X13  
Institutionally Managed: Yes  No   
Project Delivery Method: Competitive Sealed Proposals



Substantial Completion Date: November 2011

Total Project Cost:	<u>Source</u>	<u>Former</u>	<u>Current</u>
	Hospital Revenues	\$4,000,000	\$5,500,000

- a. amend the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to increase the total project cost from \$4,000,000 to \$5,500,000; and
- b. appropriate additional funding of \$1,500,000 from Hospital Revenues.

#### Previous Board Action

On August 23, 2007, the project was included in the CIP with a total project cost of \$4,000,000 with funding from Hospital Revenues.

#### Project Description

The project will demolish the former military facilities (Army, Navy, and Marines) located on Old Spanish Trail (OST) allowing for the expansion of research facilities at the South Campus area. The Campus Master Plan anticipates demolishing the six buildings on the site, allowing for future site development. The increase to the total project cost more accurately reflects the cost of demolishing the OST buildings.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

16. U. T. M. D. Anderson Cancer Center: Houston Main Building Demolition and Infrastructure - Amendment of the FY 2010-2015 Capital Improvement Program to increase the total project cost and appropriation of additional funds (Final Board approval)

The Board approved the recommendations for the Houston Main Building Demolition and Infrastructure project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.: 703-X19  
Institutionally Managed: Yes  No   
Project Delivery Method: Design Build  
Substantial Completion Date: May 2011

Total Project Cost:	<u>Source</u> Hospital Revenues	<u>Former</u> \$10,000,000	<u>Current</u> \$17,500,000
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- a. amend the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to increase the total project cost from \$10,000,000 to \$17,500,000; and
- b. appropriate additional funding of \$7,500,000 from Hospital Revenues.

Previous Board Action

On August 7, 2003, the project was included in the CIP with a total project cost of \$10,000,000 with funding from Hospital Revenues.

Project Description

This project will demolish the existing Houston Main Building. Renovation of the existing building to meet current life safety, accessibility, and energy efficiency standards is not economically feasible. The facility is not equipped with sprinklers and fails to meet current life safety and Americans with Disabilities Act (ADA) code requirements. The air conditioning and electrical systems are antiquated and expensive to upgrade. The site will then be used for the construction of new patient care facilities. The revised total project cost is the result of a better defined scope and will allow demolition to commence.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

- 17. U. T. M. D. Anderson Cancer Center: South Campus Vivarium Retrofit - Amendment of the FY 2010-2015 Capital Improvement Program to increase the total project cost and appropriation of additional funds (Final Board approval)

Following a presentation by Provost and Executive Vice President DuBois on the details of the proposed changes to the scope of the South Campus Vivarium Retrofit project that was deferred at the Committee meeting on August 11, 2010, the Board approved the recommendations for the project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.: 703-X47  
 Institutionally Managed: Yes  No   
 Project Delivery Method: Competitive Sealed Proposals  
 Substantial Completion Date: August 2012

Total Project Cost:	<u>Source</u> Hospital Revenues	<u>Former</u> \$4,000,000	<u>Current</u> \$14,000,000
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- a. amend the Fiscal Year 2010-2015 Capital Improvement Program (CIP) to increase the total project cost from \$4,000,000 to \$14,000,000; and
- b. appropriate additional funding of \$10,000,000 from Hospital Revenues.

Previous Board Actions

On August 23, 2007, the project was included in the CIP with a total project cost of \$4,000,000 with funding from Hospital Revenues. On June 23, 2010, the Executive Vice Chancellor for Health Affairs approved the nonhonorific renaming of the project from the South Campus Vivarium Imaging Facility to the South Campus Vivarium Retrofit.

Project Description

The project will renovate, expand, and equip animal housing and procedure areas in the older vivarium space in the R. E. "Bob" Smith Research Building along with the build out of shell space in the South Campus Vivarium encompassing approximately 18,500 gross square feet. This project will build out two areas. One space is located within existing but currently unusable vivarium space and will include rodent housing rooms, general use procedure rooms, locker rooms, a pass-through materials transfer station, and a vaporized hydrogen peroxide decontamination room. The second space to be built out is previously shelled space in the South Campus Vivarium that will include an imaging suite, quarantine housing room, procedure rooms, and rodent housing rooms. Additional enhancements include semiautomation of cage wash operations through the use of robotics and other systems in the newly renovated space.

The revised total project cost is the result of an expanded scope of work and will encompass renovation of additional space. The need for additional rodent housing is based on animal population projections, trends in grant funding, and surveys of research faculty.

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. Design development plans and authorization of expenditure of funding will be approved by the President at a later date.

APPROVAL OF STANDING COMMITTEE RECOMMENDATIONS.--At 12:18 p.m., the Board voted and approved the Standing Committee recommendations.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on November 10-11, 2010, in Austin, Texas.

ADJOURNMENT.--Prior to adjournment, Chairman McHugh recognized Mrs. Holly Wright, Assistant to the General Counsel to the Board, upon her retirement from over three decades of dedicated service to The University of Texas System.

There being no further business, the meeting was adjourned at 12:20 p.m.

/s/ Carol A. Felkel  
Secretary to the Board of Regents

November 9, 2010

**THE UNIVERSITY OF TEXAS SYSTEM ADMINISTRATION  
DOCKET NO. 143**

July 21, 2010

TO MEMBERS OF THE FINANCE AND PLANNING COMMITTEE:

The Docket for The University of Texas System Administration and the Dockets recommended by the respective presidents and prepared by the institutions listed below are submitted for discussion and appropriate action regarding approval of the Docket at the meeting of the U. T. System Board of Regents on August 12, 2010. The Chancellor, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel concur in these recommendations.

<u>Institutions</u>	<u>Pages</u>
The University of Texas System Administration	Docket 1 - 3
The University of Texas at Arlington	Docket 4 - 20
The University of Texas at Austin	Docket 21 - 34
The University of Texas at Brownsville	Docket 35 - 39
The University of Texas at Dallas	Docket 40 - 44
The University of Texas at El Paso	Docket 45 - 52
The University of Texas – Pan American	Docket 53 - 60
The University of Texas of the Permian Basin	Docket 61 - 64
The University of Texas at San Antonio	Docket 65 - 75
The University of Texas at Tyler	Docket 76 - 79
The University of Texas Southwestern Medical Center at Dallas	Docket 80 - 85
The University of Texas Medical Branch at Galveston	Docket 86 - 92
The University of Texas Health Science Center at Houston	Docket 93 -116
The University of Texas Health Science Center at San Antonio	Docket 117 -119
The University of Texas M. D. Anderson Cancer Center	Docket 120 -124
The University of Texas Health Science Center at Tyler	Docket 125

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**U. T. SYSTEM ADMINISTRATION**  
**AMENDMENTS TO THE 2009-10 BUDGET**

**TRANSFERS OF FUNDS**

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
LIBRARY SPECIAL COLLECTIONS RESERVE		
1. Amount of Transfer:	\$116,735	145

From: U. T. System Administration

To: U. T. Arlington

Transfer funds from the Library Special Collections Reserve to U. T. Arlington for the purchase of ten Mexican War-era collections. The collections will be added to the holdings of the U. T. Arlington Library's Special Collections to complement a prominent and comprehensive collection of Mexican War research materials.

## OTHER MATTERS

### APPROVAL OF NEWLY COMMISSIONED U. T. SYSTEM PEACE OFFICERS

In accordance with Chapter 51.203 of the *Texas Education Code*, the U. T. System Board of Regents is requested to approve the commissioning of the individuals listed below as peace officers effective June 11, 2010. The following officers have completed a course of training that included mandated Texas Commission on Law Enforcement Officer Standards and Education courses at The University of Texas System Police Training Academy and have successfully passed the State of Texas Peace Officer Licensing Examination.

<u>Name</u>	<u>Institution</u>
Angel I. Balderas	U. T. Pan American
Gilbert V. Bernal	U. T. Austin
Michael Curry	U. T. Medical Branch – Galveston
Robert DeRohn	U. T. San Antonio
Brian Dillenberger	U. T. Austin
Alberto L. Gomez	U. T. Brownsville
Natalie M. Huttash	U. T. Southwestern Medical Center – Dallas
Aldo Vara	U. T. Pan American
Brad Williams	U. T. Dallas

# REAL ESTATE REPORT

## THE UNIVERSITY OF TEXAS SYSTEM SEPARATELY INVESTED ASSETS Managed by U. T. System

Summary Report at May 31, 2010

	FUND TYPE							
	Current Purpose Restricted		Endowment & Similar Funds		Annuity & Life Income Funds		TOTAL	
	Book	Market	Book	Market	Book	Market	Book	Market
<b>Land &amp; Buildings:</b>								
Ending Value 2/28/10	\$ 3,420,045	\$ 28,248,472	\$ 97,544,763	\$ 260,331,910	\$ 1,843,260	\$ 3,984,785	\$ 102,808,068	\$ 292,565,167
Increase or Decrease	(325,000)	(126,183)	1	(108,676)	(37,258)	(407,776)	(362,257)	(642,635)
Ending Value 5/31/10	\$ 3,095,045	\$ 28,122,289	\$ 97,544,764	\$ 260,223,234	\$ 1,806,002	\$ 3,577,009	\$ 102,445,811	\$ 291,922,532
<b>Other Real Estate:</b>								
Ending Value 2/28/10	\$ 64,264	\$ 64,264	\$ 149,107	\$ 149,107	\$ -	\$ -	\$ 213,371	\$ 213,371
Increase or Decrease	(1,957)	(1,957)	(7,348)	(7,348)	-	-	(9,304)	(9,304)
Ending Value 5/31/10	\$ 62,308	\$ 62,308	\$ 141,759	\$ 141,759	\$ -	\$ -	\$ 204,067	\$ 204,067

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

Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

## U. T. ARLINGTON

### CHANGES TO ADMISSIONS CRITERIA

The following proposed changes to the admission criteria and criteria for the award of institutional competitive scholarships or fellowships are shown in congressional style and are proposed for inclusion in the Graduate Catalog at The University of Texas at Arlington. The changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

In each program's admission requirements, the proposed changes are to factors that exist as part of a larger set of published admission factors that each program weighs in making admission decisions. Applicants submitting standardized test results that do not meet specified levels are eligible for admission and consideration for scholarships or fellowships if they meet remaining published criteria.

#### Proposed Changes to Admission Criteria

##### 1. Master's Program in Finance and Real Estate

Along with the grade point average and GMAT or GRE scores, admission criteria include the following:

1. An undergraduate grade point average (GPA) of 3.0 on a 4.0 scale, as calculated by the Graduate School, is typical of a successful candidate. This will be integrated into a formula or index that multiplies the GPA by 200 and adds the resulting value to the GMAT Score. An index score greater than ~~4420~~ 1070 or higher is typical of a successful candidate.
2. GMAT sub scores (verbal and quantitative) are also considered in the admission decision. GMAT sub scores greater than the 30th percentiles are typical of a successful candidate.
3. A GRE quantitative percentile greater than the 30th percentile and Verbal percentile greater than the 30th percentile is typical of a successful applicant.
4. International applicants must submit a score of at least 550 on the paper-based TOEFL, a score of at least 213 on the computer-based TOEFL, a minimum score of 40 on the TSE, a minimum score of 6.5 on the IELTS, or a minimum TOEFL iBT total score of 79 with sectional scores that meet or exceed 22 for the writing section, 21 for the speaking section, 20 for the reading section, and 16 for the listening section to meet this requirement.
5. Grades in specified undergraduate business and non-business courses (math, accounting, economics, statistics, for example)

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

6. Educational objectives and quality of written expression of the 200 word application essay.
7. Letters (2 are required) of recommendation from two persons familiar with the applicant's academic background and/or work experience who can assess the applicant's potential success in graduate school.
8. General and specific program accreditation status of degree-granting institution.
9. Professional work experience.
10. Professional certification or licensure.

Due to the specialized nature of the MSRE, provisional and probationary admission decisions are infrequent options. Furthermore, please note that these are admission decision criteria and not application options (i.e., no one applies for provisional or probationary admissions).

### **Unconditional Admission**

For unconditional admission, the applicant's composite total from the index must be ~~4420~~ 1070 or higher and items 1 through 5 above should strongly indicate potential for successful academic performance as a graduate real estate student.

Students who are unconditionally admitted, have a minimum undergraduate grade point average of 3.0 as calculated by the Graduate School (or 3.0 at the graduate level), and enroll for a minimum of six semester credit hours will be eligible for available fellowship and/or scholarship support. A standardized test score (GMAT) will not be used as the primary criterion for determining fellowship and/or scholarship eligibility.

### **Probationary Admission**

For an applicant with an index score below ~~4420~~ 1070, probationary admission may be available when at least three items of 1 through 5 above strongly indicate potential for successful academic performance as a graduate real estate student. Items 6 through 9 will also be used to identify positive indicators for admission. Students who are admitted on probation will have one or more conditions specified, such as no grade less than 'B' for the first 12 hours of graduate study.

### **Provisional, Deferred and Denied Admission**

A provisional decision to admit may be granted when the applicant meets criteria for unconditional or probationary status but one or more applicant credentials are incomplete. A deferred decision may be made when an applicant's file is not sufficiently complete to make a final admission decision.

For an applicant with an index score less than 1000 and at least three items of 1 through 5 indicate lack of potential for academic success as a graduate real estate

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

student, admission will likely be denied. However, all applicant data will be carefully reviewed before an admission denial is made.

### 2. Master's Program in Kinesiology

- Current GRE score of at least ~~400~~ 500 on the verbal test of the GRE and a score of at least ~~600~~ 500 on the quantitative test of the GRE.
- 3.0 GPA for the degree and/or 3.0 GPA during the last 60 hours of undergraduate work
- Undergraduate and/or graduate course work related to exercise physiology.
- 3.0 GPA on all graduate work
- 3 letters of reference on file

### Probationary Admission

Applicants failing to meet the unconditional admission GRE criteria or having a GPA less than 3.0 may be considered for probationary admission in which case the following additional criteria will also be considered by the Graduate Studies Committee:

- Professionally relevant experience
- A sample of technical writing may be requested

Applicants admitted on probation will be required to maintain a B or better average during their first 12 hours of graduate study.

### 3. Master's of Music- Performance

#### Unconditional Admission

1. Bachelor's degree in music or its demonstrated equivalent (such as music conservatory degree, a bachelor's degree in some other discipline with substantial undergraduate hours in music, etc.). A person with a bachelor degree in a major other than music must have the equivalent of 18 hours of upper level music courses and must score a 75% or better on the Music Theory Barrier exam. Three letters of recommendation are required, speaking to the student's potential for success from references familiar with the student's academic background.
- ~~2. In compliance with HB 1641, the Music Department does not assign a specific weight to any one factor being considered, and does not use standardized tests (i.e., the GRE) in the admissions or competitive fellowship or scholarship process as the sole criterion for consideration or as the primary criterion to end consideration of an applicant to enter the M.M. program. However, the GRE (Verbal and Analytical Writing measure only) is required and used as a criterion,~~

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

~~without specific weight, in the Department's evaluation of candidates for admission to programs at each of three levels: Unconditional, Provisional, and Probationary Admission. A minimum 3.0 GPA in the last 60 hours of undergraduate work as calculated by the Graduate School is required.~~

3. A minimum 3.0 GPA in the last 60 hours of undergraduate work as calculated by the Graduate School.
4. Applicants whose native language is not English must demonstrate proficiency in English by earning a score of at least 550 on the paper-based Test of English as a Foreign Language (TOEFL), or a score of at least 213 on the computer-based test, or a minimum score of 40 on the Test of Spoken English (TSE). The Internet-based TOEFL examination (TOEFL iBT) will be accepted as an alternative to the paper and computer-based TOEFL for admission purposes. Students taking TOEFL iBT must attain a minimum total test score of 79 and meet or exceed the following scores on each of the sections of the test:
  - o Writing: 22
  - o Speaking: 21
  - o Reading: 20
  - o Listening: 16

Those who do not meet the English proficiency requirement must satisfactorily complete courses in the ESOL area, as approved by the program and the Graduate School.

5. Applicants must audition (in person or by submitting a tape) with repertoire of at least college senior recital level. A repertoire list must be submitted for evaluation at the time of the audition. For further information contact the Graduate Advisor.

All admission criteria will be considered equally. Students meeting all four criteria will be granted unconditional admission.

### Probationary Status

A student not meeting the above criteria but who shows promise for successful graduate study may be admitted probationally. This period of probation is not to exceed one semester and the conditions of probation must be resolved during the first semester. The conditions will be in the offer letter of admission. (The Music department does not have the authority to lower University TOEFL score requirements for any student.)

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### 4. Civil Engineering

#### Master's Program

A student must meet the following requirements for unconditional admission:

1. A Bachelor's Degree in Civil Engineering (Applicant with an appropriate Bachelor's Degree in another discipline is considered, subject to satisfactory completion of deficiency courses for area of interest.)
2. An undergraduate GPA of 3.0 on a 4.0 scale, as calculated by the Graduate School, is typical of a successful applicant.
3. A Graduate Record Exam (GRE) Quantitative score of ~~600~~ 650 or higher is typical of a successful applicant.
4. A Graduate Record Exam Verbal score of ~~450~~ 400 or higher is typical of a successful applicant.
5. For applicants whose native language is not English, a minimum score of 558 on the written Test of English as a Foreign Language (TOEFL), 220 on the computer TOEFL, 83 on TOEFL iBT, 40 on the TSE-A, 50 on the SPEAK, ~~450~~ 400 on Verbal GRE, 85 on METLAB (Michigan English Language Assessment Battery), or 7 on the IELTS (International English Language Testing System). (METLAB and IELTS are used only when other tests are not available in the applicant's country.)
6. Favorable letters of recommendation from people familiar with the applicant's academic work.

#### Probationary Admission

If applicants do not meet a majority of standards for unconditional admission outlined above, they may be considered for probationary admission after careful examination of their application materials. Probationary admission may require that the applicant receive a B or better in at least their first 9 hours of graduate coursework applicable to their degree being sought at UT Arlington, take additional English courses, and/or deficiency courses as required.



## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### Doctoral Program

#### Unconditional Admission

A student must meet the following requirements for unconditional admission:

1. A Master's Degree or at least 30 hours of graduate coursework in Civil Engineering. (Applicant with a Master's Degree in another discipline is considered, subject to satisfactory completion of deficiency courses for the CE area of interest.)
2. No specific GPA requirement (application considered as a whole). However, a graduate coursework GPA of 3.5 on a 4.0 scale, as calculated by the Graduate School, is typical of a successful applicant.
3. A Graduate Record Exam (GRE) Quantitative score of 700 or higher is typical of a successful applicant.
4. ~~A Graduate Record Exam Verbal score of 500 or higher is typical of a successful applicant.~~ A competitive Graduate Record Examination Verbal score. A successful applicant typically has a Verbal score of 425.
5. For applicants whose native language is not English, a minimum score of ~~558~~ 563 on the written Test of English as a Foreign Language (TOEFL), ~~220~~ 222 on the computer TOEFL, ~~83~~ 84 on TOEFL iBT, 40 on the TSE-A, 50 on the SPEAK, ~~500~~ 425 on Verbal GRE, ~~85~~ 86 on METLAB (Michigan English Language Assessment Battery), or 7 on the IELTS (International English Language Testing System). (METLAB and IELTS are used only when other tests are not available in the applicant's country.)
6. Favorable letters of recommendation from people familiar with the applicant's academic work and/or professional work.

#### Probationary Admission

If applicants do not meet a majority of standards for unconditional admission outlined above, they may be considered for probationary admission after careful examination of their application materials. Probationary admission may require that the applicant receive a B or better in at least their first 9 hours of graduate coursework applicable to their degree being sought at U. T. Arlington, take additional English courses, and/or deficiency courses as required.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### 5. Master's Program in Engineering Management

#### Unconditional Admission

Unconditional admission into the Engineering Management Program is granted if all of the following conditions are met.

- A GPA of at least 3.0 in the last 60 hours of undergraduate coursework or in all prior graduate work
- A minimum score of ~~550~~ 600 on the GRE quantitative section and ~~350~~ 400 on the GRE verbal section
- A minimum score of 500 on the handwritten TOEFL (213 on the computer-based version or 79 on the TOEFL iBT) if English is not the applicant's native language
- Adequate preparation in mathematics, science, and engineering or other appropriate field. Industrial experience is preferred.

#### Probationary Admission Criteria

Prospective Engineering Management students not meeting the conditions for unconditional admission may be granted probationary admission if their GPA is 2.6 or greater. Students granted probationary admission must maintain a GPA of at least 3.0 for the first 9 hours completed at U. T. Arlington. Other conditions, such as deficiency courses, may be specified by the Graduate Advisor.

### 6. Industrial and Manufacturing Systems Engineering

#### Master's and Ph.D. Programs in Industrial Engineering

#### Unconditional Admission Criteria

Unconditional Admission into the M.S. and Ph.D. programs in Industrial Engineering is granted if all of the following conditions are met.

- A GPA of at least 3.0 in the last 60 hours of undergraduate coursework ~~or prior graduate work~~
- A GPA of at least 3.0 in all prior graduate work for Masters students or a GPA of at least 3.3 in all prior graduate work for Ph.D. students
- A minimum score of 600 for Masters students or 700 for PhD students on the GRE Quantitative section and a minimum score of 400 for Masters students or 450 for Ph.D. students on the GRE Verbal section.
- ~~A minimum score of 550 on the GRE Quantitative section and 350 on the GRE Verbal section~~

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

- ~~• A minimum score of 3 on the analytical writing section for GRE's taken after October 2002.~~
- A minimum score of 500 on the handwritten TOEFL (213 on the computer-based version or 79 on the TOEFL iBT) if English is not the applicant's native language.
- Adequate preparation in mathematics, science, and industrial engineering

### Probationary Admission Criteria

Prospective students not meeting the conditions for unconditional admission may be granted probationary admission if their GPA is 2.6 or greater. Students granted probationary admission must achieve a GPA of at least 3.0 for the first 9 hours completed at U. T. Arlington. Unconditional admission may then be granted. Other conditions, such as deficiency courses, may be specified by the Graduate Advisor.

### 7. Master's Program in Logistics

#### Unconditional Admission

Unconditional admission into the M.S. Logistics program is granted if all of the following conditions are met.

- A GPA of at least 3.0 in the last 60 hours of undergraduate coursework or prior graduate work
- A minimum score of ~~550~~ 600 on the GRE quantitative section and ~~350~~ 400 on the GRE verbal section or 500 on the GMAT
- ~~• A minimum score of 3 on the GRE analytical writing section for GREs taken after October 2002.~~
- A minimum score of 500 on the handwritten TOEFL (213 on the computer-based version or 79 on the TOEFL iBT) if English is not the applicant's native language
- Adequate preparation in mathematics, science, and engineering or other appropriate field, and three years of experience

#### Probationary Admission Criteria

Prospective students not meeting the conditions for unconditional admission may be granted probationary admission if their GPA is 2.6 or greater. Students granted probationary admission must maintain a GPA of at least 3.0 for the first 9 hours completed at UT Arlington. Other conditions, such as deficiency courses, may be specified by the Graduate Advisor.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### 8. Mechanical Engineering

#### Admission Criteria for Master's and Ph.D. Programs

Admission to the graduate program in ME is based on equal weighting of the following ~~six~~ five criteria:

1. An overall GPA, as calculated by the Graduate School, of 3.0 or higher in undergraduate coursework is required for admission to the M.S. program. A 3.3 GPA is required for admission to the Ph.D. program. (For some international applicants where GPA calculations based on a 4.0 system are not performed, a minimum performance level of 65 percentile for M.S. applicants and 70 percentile is expected for Ph.D. applicants. This minimum expectation may be higher for some countries, where less stringent grading criteria are used.) Performance in core Mechanical Engineering courses is of particular importance.
- ~~2. Relevance of the student's previous degrees to the ME curriculum.~~
- ~~3. Reputation of the universities or colleges the student has attended.~~
2. A GRE score of at least 400 (verbal) and ~~650~~ 700 (quantitative) for M.S. applicants, and at least ~~500~~ 450 (verbal) and 750 (quantitative) for Ph.D. applicants. For those applicants whose GRE scores fall below 400 (M.S. applicants) 450 (Ph.D. applicants), high TOEFL scores may be considered to offset the GRE Verbal score.
3. Three satisfactory written recommendation forms from prior professors or supervisors.
4. A written essay on the student's goals and reasons for pursuing graduate studies.
5. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. For M.S. applicants, minimum performance levels expected for each test are: paper-based TOEFL score of 550 with a TWE of 3.5, computer-based TOEFL score of 223, TSE-A score of 45, IELTS score of 6.5, or TOEFL iBT total score of 84 with sectional scores that meet or exceed 22 for the writing section, 21 for the speaking section, 20 for the reading section, and 20 for the listening section. For Ph.D. applicants, minimum performance levels expected for each test are: paper-based TOEFL score of ~~550~~ 560 with a TWE of 3.5, computer-based TOEFL score of ~~223~~ 230, TSE-A score of 45, IELTS score of ~~6.5~~ 7.0, or TOEFL iBT total score of ~~84~~ 89 with sectional scores that meet or exceed ~~22~~ 23 for the writing section, 21 for the speaking section, ~~20~~ 24 for the reading section, and ~~20~~ 21 for the listening section.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### Admission Status

1. Unconditional Admission: ~~Applicants who show by meeting all of the above criteria that they are fully prepared to start immediately on their selected graduate program of interest will be admitted unconditionally. To be unconditionally admitted, an applicant must at least meet conditions 1, 2, 3, and 4.~~
2. Probationary Admission: M.S. applicants who fail to meet the conditions for unconditional admission, but satisfy at least four of the six criteria listed above any three of items 1, 2, 3 and 4, will be considered for probationary admission. ~~The graduate advisor normally identifies areas of deficiency that must be removed by successfully completing assigned remedial courses before the admission status is changed to unconditional.~~
3. Provisionary Admission: Applicants who are unable to supply all of the required documentation prior to the admission deadline, but who otherwise appear to meet the admission criteria, may be granted provisional admission.
4. Denial: Applicants who fail to meet ~~at least four of the six~~ two of the first four admission criteria will normally be denied admission.
5. Deferral: A deferred decision may be granted when an application file is incomplete or when a denied decision is not appropriate.

### Admission Requirements for B.S. to Ph.D. Track

1. An overall GPA, as calculated by the Graduate School, of ~~3.0~~ 3.3 or higher in undergraduate coursework.
2. A GRE score of at least ~~500~~ 450 (verbal) and 750 (quantitative). For those applicants whose GRE scores fall below 450, high TOEFL scores may be considered to offset the GRE Verbal score.
3. Three satisfactory written recommendation forms from prior professors or supervisors.
4. A written essay on the student's goals and reasons for pursuing graduate studies.
5. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of ~~550~~ 560 with a TWE of 3.5, computer-based TOEFL score of ~~223~~ 230, TSE-A score of 45, IELTS score of ~~6.5~~ 7.0, or TOEFL iBT total score of ~~84~~ 89 with sectional scores that meet or exceed ~~22~~ 23 for the writing section, 21 for the speaking section, ~~20~~ 24 for the reading section, and ~~20~~ 21 for the listening section.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### Probationary Admission

Probationary admission into the Mechanical Engineering Program may be permitted under the following conditions for each degree program:

### Masters Program

1. If the applicant meets any three of the items 1, 2, 3 and 4 above for the masters program.
2. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of 550 with a TWE of 3.5, computer-based TOEFL score of 223, TSE-A score of 45, IELTS score of 6.5, or TOEFL iBT total score of 84 with sectional scores that meet or exceed 22 for the writing section, 21 for the speaking section, 20 for the reading section, and 20 for the listening section.

### Doctoral Program and BS to PhD track

1. If an applicant meets any three of the items 1, 2, 3, and 4 above for the doctoral program or BS to PhD track.
2. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of 560 with a TWE of 3.5, computer-based TOEFL score of 230, TSE-A score of 45, IELTS score of 7.0, or TOEFL iBT total score of 89 with sectional scores that meet or exceed 23 for the writing section, 21 for the speaking section, 24 for the reading section and 21 for the listening section.

### 9. Master's Program in Systems Engineering

#### Unconditional Admission

Unconditional admission into the M.S. Systems Engineering program is granted if all of the following conditions are met.

- A GPA of at least 3.0 in the last 60 hours of undergraduate coursework or prior graduate work
- A minimum score of ~~550~~ 600 on the GRE Quantitative section and ~~350~~ 400 on the GRE Verbal section
- A minimum score of 500 on the handwritten TOEFL (213 on the computer-based version or 79 on the TOEFL iBT) if English is not the applicant's native language.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### Admission Status

1. Unconditional Admission: Applicants who show by meeting all of the above criteria that they are fully prepared to start immediately on their selected graduate program of interest will be admitted unconditionally. To be unconditionally admitted, an applicant must at least meet conditions 1, 2, 3, and 4.
2. Probationary Admission: M.S. applicants who fail to meet the conditions for unconditional admission, but satisfy at least four of the six criteria listed above any three of items 1, 2, 3 and 4, will be considered for probationary admission. The graduate advisor normally identifies areas of deficiency that must be removed by successfully completing assigned remedial courses before the admission status is changed to unconditional.
3. Provisionary Admission: Applicants who are unable to supply all of the required documentation prior to the admission deadline, but who otherwise appear to meet the admission criteria, may be granted provisional admission.
4. Denial: Applicants who fail to meet at least four of the six two of the first four admission criteria will normally be denied admission.
5. Deferral: A deferred decision may be granted when an application file is incomplete or when a denied decision is not appropriate.

### Admission Requirements for B.S. to Ph.D. Track

1. An overall GPA, as calculated by the Graduate School, of ~~3.0~~ 3.3 or higher in undergraduate coursework.
2. A GRE score of at least ~~500~~ 450 (verbal) and 750 (quantitative). For those applicants whose GRE scores fall below 450, high TOEFL scores may be considered to offset the GRE Verbal score.
3. Three satisfactory written recommendation forms from prior professors or supervisors.
4. A written essay on the student's goals and reasons for pursuing graduate studies.
5. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of ~~550~~ 560 with a TWE of 3.5, computer-based TOEFL score of ~~223~~ 230, TSE-A score of 45, IELTS score of ~~6.5~~ 7.0, or TOEFL iBT total score of ~~84~~ 89 with sectional scores that meet or exceed ~~22~~ 23 for the writing section, 21 for the speaking section, ~~20~~ 24 for the reading section, and ~~20~~ 21 for the listening section.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

## **Probationary Admission**

Probationary admission into the Mechanical Engineering Program may be permitted under the following conditions for each degree program:

### **Masters Program**

1. If the applicant meets any three of the items 1, 2, 3 and 4 above for the masters program.
2. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of 550 with a TWE of 3.5, computer-based TOEFL score of 223, TSE-A score of 45, IELTS score of 6.5, or TOEFL iBT total score of 84 with sectional scores that meet or exceed 22 for the writing section, 21 for the speaking section, 20 for the reading section, and 20 for the listening section.

### **Doctoral Program and BS to PhD track**

1. If an applicant meets any three of the items 1, 2, 3, and 4 above for the doctoral program or BS to PhD track.
2. An applicant whose native language is not English must submit TOEFL, TSE, or IELTS English proficiency test scores. Minimum performance levels expected for each test are: paper-based TOEFL score of 560 with a TWE of 3.5, computer-based TOEFL score of 230, TSE-A score of 45, IELTS score of 7.0, or TOEFL iBT total score of 89 with sectional scores that meet or exceed 23 for the writing section, 21 for the speaking section, 24 for the reading section and 21 for the listening section.

## **9. Master's Program in Systems Engineering**

### **Unconditional Admission**

Unconditional admission into the M.S. Systems Engineering program is granted if all of the following conditions are met.

- A GPA of at least 3.0 in the last 60 hours of undergraduate coursework or prior graduate work
- A minimum score of ~~550~~ 600 on the GRE Quantitative section and ~~350~~ 400 on the GRE Verbal section
- A minimum score of 500 on the handwritten TOEFL (213 on the computer-based version or 79 on the TOEFL iBT) if English is not the applicant's native language.



## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

- Adequate preparation in mathematics, science, and engineering, or other appropriate field.
- A minimum of two years of industry experience

### Probationary Admission Criteria

Prospective students who do not meet the conditions for unconditional admission are granted probationary admission if their GPA is 2.6 or greater. Students granted probationary admission must achieve a GPA of at least 3.0 for the first 9 hours completed at U. T. Arlington. Unconditional admission may then be granted. Other conditions, such as deficiency courses, may be specified by the Graduate Advisor.

### 10. M.S. in Interdisciplinary Studies, Sustainability Track

#### Unconditional Admission

1. A minimum GPA of 3.0 for the last 60 hours of undergraduate work ~~toward the bachelor's degree~~ as calculated by the Graduate School.
2. A Professional Goal Statement: a short narrative that establishes a clear relationship between the applicant's academic and career goals and ~~his or her Tentative Program of Work~~ this program.
- ~~3. A Tentative Program of Work: a complete list of the applicant's intended courses to be taken. No more than half the courses may be in one discipline. The courses should clearly support the applicant's professional/academic goal.~~
- ~~3. Acceptable scores on the GRE. If the applicant's proposed Program of Work indicates a quantitative focus, the applicant would be expected to score a minimum of 500 on the quantitative portion. If the focus is verbal, the applicant would be expected to score a minimum of 500 on the verbal portion. For example, if the focus is interdisciplinary business administration and applicant submits a GMAT score, applicant would be expected to score a minimum of 500 and/or an equivalent percentile range of the GRE scores expected for the quantitative and verbal focuses.~~
3. A minimum score of 500 on the verbal and quantitative subsets of the GRE or GMAT scores equivalent on a percentile basis to the minimum GRE subtest scores or the applicant has three or more years of progressive work experience documented by a resume.
4. Three letters of recommendation from former professors or, when appropriate, from professional supervisors.
5. International applicants must submit a score of at least 550 on the paper-based TOEFL, a score of at least 213 on the computer-based TOEFL, a minimum score of 40 on the TSE, a minimum score of 6.5 on the IELTS, or a minimum TOEFL iBT total score of 79 with sectional scores that meet or exceed 22 for the writing section, 21 for the speaking section, 20 for the reading section, and 16 for the listening section to be considered for Unconditional Admission.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

### **Probationary Admission**

~~If applicants meet any 4 of the 5 requirements for Unconditional Admission, then they can be granted Probationary Admission status. Students on academic probation must make no grade lower than a "B" in the first 12 hours of their graduate work in order to stay in the program.~~

If the applicant does not meet the requirements for unconditional admission, then admission may be granted when items 1 through 4 above strongly indicate potential for successful academic performance as a graduate student upon approval of the Academic Advisor. Students on academic probation must make no grade lower than a "B" in the first 12 hours of their graduate work in order to stay in the program.

### **Deferred Admission**

If an applicant does not present adequate evidence of meeting requirements for Unconditional or Probationary Admission, the admission decision may be deferred. The applicant, in consultation with the Graduate Advisor/Coordinator, can resubmit revised material for reconsideration (for example, a rewritten Professional Goal Statement or improved GRE scores). To minimize the possibility of Deferred Admission and having to resubmit material, applicants should consult with the Graduate Advisor/Coordinator before applying. See the Graduate Catalog for more information on Deferred Admission.

### **Provisional Admission**

~~Provisional admission to the graduate Interdisciplinary Studies program are rarely be granted. Applicants should submit all required materials before the deadline for admission.~~

A provisional decision to admit may be granted when the applicant meets criteria for unconditional or probationary status but one or more applicant credentials are incomplete.

### **Denial**

~~Typically, failure to meet three or more of the requirements for Unconditional Admission will result in denial of admission.~~

If the applicant fails to show evidence for academic success at the graduate level, their admission will likely be denied.

## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS

The following personnel actions involving new award of tenure and emeritus appointments have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business</b>		
Finance and Real Estate Vincent Apilado	Professor (T)	Professor Emeritus (NT)
Management Liliana Nordtvedt	Assistant Professor (NT)	Associate Professor (T)
Marketing Fernando Jaramillo Carl McDaniel	Assistant Professor (NT) Professor (T)	Associate Professor (T) Professor Emeritus (NT)
<b>College of Education</b>		
Curriculum and Instruction Joohi Lee	Assistant Professor (NT)	Associate Professor (T)
Kinesiology Cynthia Trowbridge	Assistant Professor (NT)	Associate Professor (T)
<b>College of Engineering</b>		
Bioengineering Digant Dave Kytai Nguyen	Assistant Professor (NT) Assistant Professor (NT)	Associate Professor (T) Associate Professor (T)
Civil Engineering MD Sahadat Hossain Melanie Sattler	Assistant Professor (NT) Assistant Professor (NT)	Associate Professor (T) Associate Professor (T)
Electrical Engineering Dan O. Popa	Assistant Professor (NT)	Associate Professor (T)
Mechanical and Aerospace Engineering Brian Dennis Haiying Huang Roger Goolsby	Assistant Professor (NT) Assistant Professor (NT) Professor (T)	Associate Professor (T) Associate Professor (T) Professor Emeritus (NT)

**NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts</b>		
English		
Neill Matheson	Assistant Professor (NT)	Associate Professor (T)
Jacqueline Stodnick	Assistant Professor (NT)	Associate Professor (T)
Modern Languages		
Sonia Kania	Assistant Professor (NT)	Associate Professor (T)
Music		
Dan Cavanagh	Assistant Professor (NT)	Associate Professor (T)
Theatre Arts		
David Navalinsky	Assistant Professor (NT)	Associate Professor (T)
<b>College of Science</b>		
Physics		
Nail Fazleev	Assistant Professor (NT)	Associate Professor (T)
John Fry	Professor (T)	Professor Emeritus (NT)
<b>School of Architecture</b>		
Architecture		
David Hopman	Assistant Professor (NT)	Associate Professor (T)
<b>School of Urban and Public Affairs</b>		
Urban and Public Affairs		
Maria Martinez-Cosio	Assistant Professor (NT)	Associate Professor (T)
Ivonne Audirac	Associate Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	12	23	35	97
b. To keep proper sequence				
c. New program	0	0	0	0
d. Cross listed	0	0	0	20
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	12	23	35	117
h. Voluntarily offered	2	0	2	7
Total	14	23	37	124
Semester Credit Hours generated in small classes	148	538	686	2,084
Percentage of Total Semester Credit Hours offered in small classes	0.07%	0.29%	0.18%	0.49%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	48	59	107	77
b. To keep proper sequence	0	0	0	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	60
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	48	59	107	137
h. Voluntarily offered	0	0	0	0
Total	48	59	107	137
Semester Credit Hours generated in small classes	380	396	776	1,078
Percentage of total Semester Credit Hours offered in small classes	0.42%	0.57%	0.49%	1.37%

## U. T. AUSTIN

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS COMING IN

- Agency: IMG Communications, Inc., dba IMG College  
Funds: Estimated \$1,500,000 for the initial term and all renewal terms. For the rights granted to IMG College by U. T. Austin under this agreement, IMG College shall pay U. T. Austin a royalty as follows: 1) for corporate sponsorships negotiated by IMG College, IMG College shall pay U. T. Austin 75% of IMG College gross revenue; 2) for corporate sponsorships negotiated by U. T. Austin for which IMG College will provide fulfillment, IMG College shall pay U. T. Austin 85% of IMG College gross revenue.

Period: November 1, 2009 through July 31, 2010 with automatic renewal for two additional two-year periods (each a "renewal term"). The contract will automatically renew unless at least 90 calendar days prior to the expiration of the initial term or any renewal term either party provides written notice to the other party of its intent not to renew.

Description: IMG College will 1) develop, market, and promote University Interscholastic League (UIL) marketing and corporate sponsorship agreements; 2) when requested by UIL, negotiate radio, television and Internet broadcast rights agreements for UIL championship events; 3) secure sponsor recognition in championship event programs; and 4) develop, produce, and market mutually agreeable specialty marketing properties promoting the UIL and UIL championship events.

## CONTRACTS (CONTINUED)

### GENERAL CONTRACTS (CONTINUED)

#### FUNDS COMING IN (CONTINUED)

2. Agency: Texas Higher Education Coordinating Board  
Funds: \$1,798,002  
Period: September 1, 2010 through August 31, 2013  
Description: Interagency Cooperation Contract between U. T. Austin and the Texas Higher Education Coordinating Board. U. T. Austin will maintain ApplyTexas, the Texas Common Application System for admission into college. Since 1998, U. T. Austin has developed and maintained this statewide electronic application system (as prescribed in *Texas Education Code*, Section 51.762(g)), on behalf of the Texas Higher Education Coordinating Board and general academic teaching institutions and community colleges in Texas. U. T. Austin will provide the computer programming and data storage capabilities for applications for: undergraduate, graduate, two-year college, and international admissions; scholarships; transfers; and online admission payments using credit cards. In addition, an administrative suite of tools for university administrators and a system for high school counselors to check the status of applications filled out by students at their high schools will be provided.

#### FUNDS GOING OUT

3. Agency: Capital Metropolitan Transportation Authority  
Funds: Estimated \$60,000,000 including all renewal options  
Period: September 1, 2010 through August 31, 2012 with eight one-year renewal options  
Description: Agreement between U. T. Austin and the Capital Metropolitan Transportation Authority to provide shuttle bus service for the University.



**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>COLLEGE OF COMMUNICATION</b>					
Advertising					
1. John D. Leckenby					3567
From: Professor and Everett D. Collier Centennial Chair in Communication (T)		100	09	101,749	
Chair Supplement		SUPLT	09	24,851	
To: Everett D. Collier Centennial Chair Emeritus in Communication	9/1-5/31				0
<b>COLLEGE OF LIBERAL ARTS</b>					
Germanic Studies					
2. Frank E. Donahue					3563
From: Professor (T)		100	09	68,231	
To: Professor Emeritus	9/1-5/31				0
Middle Eastern Studies					
3. Abraham Zilkha					3507
From: Associate Professor (T)		50	09	62,800	
To: Associate Professor Emeritus	9/1-5/31				0

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TENURE APPOINTMENTS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF LIBERAL ARTS (Continued)					
Philosophy					
4. Ignazio A. Angelelli					3564
From: Professor (T)		50	09	75,000	
To: Professor Emeritus	9/1-5/31			0	
COLLEGE OF NATURAL SCIENCES					
Physics					
5. C. Fred Moore					3565
From: Professor (T)		50	09	90,487	
To: Professor Emeritus	9/1-5/31			0	
6. Takeshi Udagawa					3566
From: Professor (T)		50	09	89,140	
To: Professor Emeritus	9/1-5/31			0	

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
<b>AUXILIARY ENTERPRISES FUNDS</b>		
Frank C. Erwin, Jr. Special Events Center		
7. Amount of Transfer:	2,000,000	3508

From: Operating Income

To: Other Expenses

Temporary budget transfer needed to provide spending authority for the Frank C. Erwin, Jr. Special Events Center expense account through the end of Fiscal Year 2010. Payments to producers of events will be offset by ticket proceeds from the Texas Box Office. Additionally, income from the Host Communications advertising contract and the Sodexo Food and Beverage annual settlement will be recorded before year end, resulting in a surplus ending balance.

**PLANT FUNDS**

Project Management and Construction Services		
8. Amount of Transfer:	2,140,000	3532

From: Housing and Food Services  
General Repair and Replacement Reserve

To: LTD – Maintenance Improvements  
All Expenses

Supplemental funds for the summer 2010 maintenance project at the Littlefield Dormitory.

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TRANSFERS OF FUNDS (CONTINUED)**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
LIBRARY, EQUIPMENT, REPAIR AND REHABILITATION ALLOCATION (LERR) Project Management and Construction Services		
9. Amount of Transfer:	336,038	3549
From: Library, Equipment, Repair and Rehabilitation Project for Indoor Mass Notification System		
To: University Teaching Center Emergency Egress Project		

Transfer funds from the previously approved LERR project for the Indoor Mass Notification System project to the capital project University Teaching Center High Priority Fire and Life Safety Renovation. The Indoor Mass Notification System Project was partially complete when functional and contractual problems were encountered. These problems will not be resolved before the August 31, 2010, deadline for expenditure of the funds. U. T. Austin is requesting that these funds be transferred to the University Teaching Center project where they can be expended by the deadline. The University Teaching Center project is currently underway and will have sufficient expenditures paid before the August 31, 2010, expiration. This funds transfer will not delay the Indoor Mass Notification System project as other available funds will be allocated to the project.

## FEEES AND MISCELLANEOUS CHARGES

### ENVIRONMENTAL SERVICE FEE

Approval is recommended for the following environmental service fee to be effective from the 2011 Fall semester through the 2016 Summer session. The fee will end after the 2016 Summer session unless extended in accordance with the enabling legislation. This fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs and an affirmative vote by students was received on March 3, 2010. The proposed rates are consistent with applicable statutory requirements under *Texas Education Code*, Section 54.5041.

Following Regental approval, the appropriate institutional catalog will be amended to reflect this new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular semester</u>			
Per semester	n/a	5.00	n/a
<u>For each summer session</u>			
Per term of six weeks or less	n/a	2.50	n/a
Per term of nine weeks	n/a	5.00	n/a

## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS

The following personnel actions involving new award of tenure and emeritus appointments have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
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### **Red McCombs School of Business**

Accounting

Shuping Chen	Assistant Professor (NT)	Associate Professor (T)
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Finance

Bing Han	Assistant Professor (NT)	Associate Professor (T)
Alok Kumar	Assistant Professor (NT)	Associate Professor (T)

Information, Risk, and  
Operations Management

Kumar Muthuraman	Assistant Professor (NT)	Associate Professor (T)
Maytal Saar-Tsechansky	Assistant Professor (NT)	Associate Professor (T)

Management

Caroline A. Bartel	Assistant Professor (NT)	Associate Professor (T)
Melissa E. Graebner	Assistant Professor (NT)	Associate Professor (T)
David Harrison	New Hire	Charles and Elizabeth Prothro Regents Chair in Business Administration (T)

### **College of Communication**

Advertising

LeeAnn Kahlor	Assistant Professor (NT)	Associate Professor (T)
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Communication Studies

George E. Cheney	New Hire	John T. Jones, Jr. Centennial Professor in Communication (T)
Joshua G. Gunn	Assistant Professor (NT)	Associate Professor (T)
Sally K. Planalp	New Hire	Professor (T)

**NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Communication (Continued)</b>		
Journalism		
Glenn C. Frankel	New Hire	G.B. Dealey Regents Professor in Journalism (T)
Thomas J. Johnson	New Hire	Professor (T)
Radio, Television, Film		
Stuart D. Kelban	Assistant Professor (NT)	Associate Professor (T)
Kathleen R. Tyner	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education</b>		
Curriculum and Instruction		
Christopher P. Brown	Assistant Professor (NT)	Associate Professor (T)
Kinesiology and Health Education		
Marlene A. Dixon	Assistant Professor (NT)	Associate Professor (T)
<b>Cockrell School of Engineering</b>		
Electrical and Computer Engineering		
Christine L. Julien	Assistant Professor (NT)	Associate Professor (T)
Sarfraz Khurshid	Assistant Professor (NT)	Associate Professor (T)
Mechanical Engineering		
Adela Ben-Yakar	Assistant Professor (NT)	Associate Professor (T)
<b>College of Fine Arts</b>		
Art and Art History		
David Shields	Assistant Professor (NT)	Associate Professor (T)
Theatre and Dance		
Brant Pope	New Hire	Z. T. Scott Family Chair in Drama (T)
<b>School of Information</b>		
Information		
Willis B. Lukenbill	Professor (T)	Professor Emeritus (NT)
Ronald Wyllys	Professor (T)	Professor Emeritus (NT)

**NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Law</b>		
Law		
Jens C. Dammann	Assistant Professor (NT)	Professor (T)
John M. Golden	Assistant Professor (NT)	Professor (T)
Emily E. Kadens	Assistant Professor (NT)	Professor (T)
<b>College of Liberal Arts</b>		
Anthropology		
Enrique R. Rodriguez	Assistant Professor (NT)	Associate Professor (T)
Asian Studies		
Oliver Freiburger	Assistant Professor (NT)	Associate Professor (T)
Herman Van Olphen	Professor (T)	Professor Emeritus (NT)
Classics		
Michael Gagarin	Professor (T)	James R. Dougherty, Jr. Professor Emeritus (NT)
English		
Oscar H. Casares	Assistant Professor (NT)	Associate Professor (T)
James H. Cox	Assistant Professor (NT)	Associate Professor (T)
French and Italian		
Cinzia Russi	Assistant Professor (NT)	Associate Professor (T)
Helene Tissieres	Assistant Professor (NT)	Associate Professor (T)
Geography		
Robin Doughty	Professor (T)	Professor Emeritus (NT)
Government		
Kenneth F. Greene	Assistant Professor (NT)	Associate Professor (T)
Daniel Brinks	New Hire	Associate Professor (T)
Eric L. McDaniel	Assistant Professor (NT)	Associate Professor (T)
Patrick J. McDonald	Assistant Professor (NT)	Associate Professor (T)



## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts (Continued)</b>		
History		
Tiffany M. Gill	Assistant Professor (NT)	Associate Professor (T)
Frank A. Guridy	Assistant Professor (NT)	Associate Professor (T)
Alberto A. Martinez	Assistant Professor (NT)	Associate Professor (T)
Karl H. Miller	Assistant Professor (NT)	Associate Professor (T)
Linguistics		
Patience L. Epps	Assistant Professor (NT)	Associate Professor (T)
Psychology		
Christopher G. Beevers	Assistant Professor (NT)	Associate Professor (T)
Leslie B. Cohen	Professor (T)	Professor Emeritus (NT)
Sociology		
Ari Adut	Assistant Professor (NT)	Associate Professor (T)
Benjamin Carrington	Assistant Professor (NT)	Associate Professor (T)
Pamela M. Paxton	New Hire	Professor (T)
<b>College of Natural Sciences</b>		
Chemistry and Biochemistry		
Graeme A. Henkelman	Assistant Professor (NT)	Associate Professor (T)
Computer Sciences		
William R. Cook	Assistant Professor (NT)	Associate Professor (T)
Adam R. Klivans	Assistant Professor (NT)	Associate Professor (T)
Lili Qiu	Assistant Professor (NT)	Associate Professor (T)
Emmet Witchel	Assistant Professor (NT)	Associate Professor (T)
Yin Zhang	Assistant Professor (NT)	Associate Professor (T)
Human Ecology		
Timothy J. Loving	Assistant Professor (NT)	Associate Professor (T)
Section of Integrative Biology		
Molly E. Cummings	Assistant Professor (NT)	Associate Professor (T)
Johann A. Hofmann	Assistant Professor (NT)	Associate Professor (T)
Steven M. Phelps	New Hire	Associate Professor (T)
Richard Richardson	Professor (T)	Professor Emeritus (NT)

## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Natural Sciences (Continued)</b>		
Mathematics		
David J. Saltman	Professor (T)	Professor Emeritus (NT)
Lexing Ying	Assistant Professor (NT)	Associate Professor (T)
Section of Molecular Genetics and Microbiology		
Michael S. Trent	Associate Professor (NT)	Associate Professor (T)
Section of Neurobiology		
Alexander C. Huk	Assistant Professor (NT)	Associate Professor (T)
<b>School of Nursing</b>		
Nursing		
Tracie C. Harrison	Assistant Professor (NT)	Associate Professor (T)
<b>College of Pharmacy</b>		
Pharmacy		
John G. Kuhn	Professor (T)	Professor Emeritus (NT)
Edward M. Mills	Assistant Professor (NT)	Associate Professor (T)
Nathan P. Wiederhold	Assistant Professor (NT)	Associate Professor (T)
<b>LBJ School of Public Affairs</b>		
Public Affairs		
Cynthia Osborne Blaha	Assistant Professor (NT)	Associate Professor (T)
Catherine E. Weaver	Assistant Professor (NT)	Associate Professor (T)
<b>School of Social Work</b>		
Social Work		
Barbara L. Jones	Assistant Professor (NT)	Associate Professor (T)
Kirk L. Von Sternberg	Assistant Professor (NT)	Associate Professor (T)

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010**

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

**Organized Undergraduate Classes with  
Fewer than 10 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	56	68	124	113
b. To keep proper sequence	99	121	220	264
c. New program	4	4	8	22
d. Cross listed	0	0	0	0
e. First time offered	11	16	27	32
f. Accreditation or licensing standard	0	3	3	24
g. Limited facilities	47	30	77	135
Subtotal	217	242	459	590
h. Voluntarily offered	24	43	67	73
Total	241	285	526	663
Semester Credit Hours generated in small classes	3,650	3,946	7,596	10,718
Percentage of Total Semester Credit Hours offered in small classes	0.72%	0.83%	0.77%	1.11%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	22	10	32	42
b. To keep proper sequence	74	60	134	75
c. New program	1	0	1	5
d. Cross listed	0	0	0	0
e. First time offered	8	15	23	10
f. Accreditation or licensing standard	9	18	27	17
g. Limited facilities	4	15	19	9
Subtotal	118	118	236	158
h. Voluntarily offered	33	70	103	78
Total	151	188	339	236
Semester Credit Hours generated in small classes	1,076	1,192	2,268	1,737
Percentage of Total Semester Credit Hours offered in small classes	0.87%	1.00%	0.94%	0.73%

**U. T. BROWNSVILLE**  
**NEW AWARD OF TENURE**

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Applied Technology and General Studies</b>		
Office of Development Studies		
Arlene Ready	Assistant Master Technical Instructor (NT)	Associate Master Technical Instructor (T)
Karen Rendon	Assistant Master Technical Instructor (NT)	Associate Master Technical Instructor (T)
Leslie K. Jones	Associate Master Technical Instructor (NT)	Associate Master Technical Instructor (T)
<b>College of Education</b>		
Educational Psychology and Leadership Studies		
Janet Shefelbine	Assistant Professor (NT)	Associate Professor (T)
Vejoya Viren	Assistant Professor (NT)	Associate Professor (T)
Teaching, Learning and Innovation		
Cheng Chang Pan	Assistant Professor (NT)	Associate Professor (T)
<b>College of Liberal Arts</b>		
Criminal Justice		
Kevin Buckler	Assistant Professor (NT)	Associate Professor (T)
English		
Diana V. Dominguez	Assistant Professor (NT)	Associate Professor (T)
Amy Frazier	Assistant Master Technical Instructor (NT)	Associate Master Technical Instructor (T)
Susan Mills	Assistant Master Technical Instructor (NT)	Associate Master Technical Instructor (T)
John G. Newman	Assistant Professor (NT)	Associate Professor (T)
Lyon Rathbun	Assistant Professor (NT)	Associate Professor (T)
Yong-Kan Wei	Assistant Professor (NT)	Associate Professor (T)

**NEW AWARD OF TENURE (CONTINUED)**

College, Department, and Name                      From                      To

**College of Liberal Arts (Continued)**

Fine Arts

Allen Clark                      Associate Professor (NT)                      Associate Professor (T)

Government

Michael Putegnath                      Director of Institute for  
Public Service (NT)                      Assistant Professor  
Director of Institute  
for Public Service (T)

History

Helmut Langerbein                      Assistant Professor (NT)                      Associate Professor (T)  
James W. Mills                      Assistant Master                      Associate Master  
Technical Instructor (NT)                      Technical Instructor (T)

Communication

Kanon Jahn                      Associate Master                      Associate Master  
Technical Instructor (NT)                      Technical Instructor (T)

**College of Science,  
Mathematics and Technology**

Computer and Information  
Sciences

Lappoon R. Tang                      Assistant Professor (NT)                      Associate Professor (T)

Physics and Astronomy

Andres Hanke                      Assistant Professor (NT)                      Associate Professor (T)  
Soma Mukherjee                      Associate Professor (NT)                      Associate Professor (T)

Biological Sciences

Emilio Garrido                      Associate Professor (NT)                      Associate Professor (T)  
Eric Linder                      Associate Professor (NT)                      Associate Professor (T)

**School of Business**

Business Administration

Tom Coyle                      Assistant Professor (NT)                      Assistant Professor (T)

**School of Health Sciences**

Allied Health

Mahandran Rajasuriar                      Assistant Master                      Associate Master  
Technical Instructor (NT)                      Technical Instructor (T)  
Ariel Villanueva                      Assistant Master                      Associate Master  
Technical Instructor (NT)                      Technical Instructor (T)

**NEW AWARD OF TENURE (CONTINUED)**

College, Department, and Name                      From                      To

**School of Health Sciences (Continued)**

Nursing

Norma Silva

Technical Instructor (NT)

Assistant Master

Technical Instructor (T)

Eloisa G. Tamez

Associate Professor (NT)

Associate Professor (T)

Helen Dixon

Assistant Master

Assistant Master

Technical Instructor (NT)

Technical Instructor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	23	35	58	63
b. To keep proper sequence	8	7	15	42
c. New program	8	4	12	9
d. Cross listed	0	0	0	0
e. First time offered	1	1	2	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	2	4	6	2
Subtotal	42	51	93	117
h. Voluntarily offered	2	2	4	5
Total	44	53	97	122
Semester Credit Hours generated in small classes	767	912	1,679	2,293
Percentage of Total Semester Credit Hours offered in small classes	1.71%	2.46%	2.05%	2.98%



**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	5	6	11	9
b. To keep proper sequence	0	1	1	10
c. New program	1	4	5	2
d. Cross listed	0	0	0	0
e. First time offered	1	1	2	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	1
Subtotal	7	12	19	22
h. Voluntarily offered	0	4	4	0
Total	7	16	23	22
Semester Credit Hours generated in small classes	72	148	220	208
Percentage of total Semester Credit Hours offered in small classes	1.48%	3.27%	2.35%	2.50%

U. T. DALLAS

AMENDMENTS TO THE 2009-10 BUDGET

TENURE APPOINTMENTS

NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
ERIK JONSSON SCHOOL OF ENGINEERING AND COMPUTER SCIENCE Mechanical Engineering Louis Beecherl Jr. Chair and Professor 1. Hongbing Lu (T)	1/1-5/31	100	09	130,000	3461
SCHOOL OF NATURAL SCIENCES AND MATHEMATICS Chemistry Robert A. Welch Distinguished Chair in Chemistry #2 and Professor 2. Dennis W. Smith, Jr. (T)	5/1-5/31 5/1-5/31	100 SUPL	09 09	200,000 9,000	3529
SCHOOL OF ECONOMIC, POLITICAL, AND POLICY SCIENCES Public Affairs Associate Professor 3. Doug Goodman (T)	8/1-8/31	100	09	85,000	3546
SCHOOL OF MANAGEMENT Accounting Associate Professor 4. Daniel A. Cohen (T)	7/1-8/31	100	09	210,000	3573

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TENURE APPOINTMENTS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>SCHOOL OF ARTS AND HUMANITIES</b>					
Holocaust Studies					
Hillel Feinberg Endowed Chair and Professor					
5. David A. Patterson (T)	6/1-8/31	100	09	138,000	3574

**TRANSFERS OF FUNDS**

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
<b>TEXAS RESEARCH INCENTIVE PROGRAM</b>		
6. Texas Research Incentive Program State Sponsored Revenue	7,727,501	3853

From: Revenue

To: Various Principal Investigators 3,885,876  
 Various U. T. Dallas Endowments 3,841,625

Revenue and expense budgets received from the State of Texas as matching funds for gifts received from the Texas Research Incentive Program under House Bill 51, 81<sup>st</sup> Texas Legislature.

**PLANT FUNDS**

7. Campus Landscape Enhancement Project	5,600,000	3584
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From: Excellence In Education Fund 1,000,000  
 Investment Income 1,400,000  
 President's Discretionary Fund 3,200,000

To: Campus Landscape Enhancement Project 5,600,000

Transfer necessary to fund the total Campus Landscape Enhancement Project cost. Due to donated artwork that generated less than projected value at auction and gifts being received at a slower rate than originally anticipated.

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Arts and Humanities</b>		
Literary Studies		
Sean Cotter	Assistant Professor (NT)	Associate Professor (T)
<b>School of Engineering and Computer Science</b>		
Materials Science and Engineering		
Jiyoung Kim	Associate Professor (NT)	Associate Professor (T)
<b>School of Economic, Political and Policy Sciences</b>		
Public Affairs		
R. Paul Battaglio	Assistant Professor (NT)	Associate Professor (T)
Criminology		
Denise Boots	Assistant Professor (NT)	Associate Professor (T)
Political Science		
Patrick Brandt	Assistant Professor (NT)	Associate Professor (T)
Public Administration		
Jeremy Hall	Assistant Professor (NT)	Associate Professor (T)
<b>School of Management</b>		
Information Systems		
Huseyin Cavusoglu	Assistant Professor (NT)	Associate Professor (T)
Operations Research		
Ganesh Janakiraman	Associate Professor (NT)	Associate Professor (T)
Operations Management		
Ozalp Ozer	Associate Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	11	12	23	39
b. To keep proper sequence	16	22	38	31
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	4	6	10	4
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	31	40	71	74
h. Voluntarily offered	7	17	24	9
Total	38	57	95	83
Semester Credit Hours generated in small classes	663	1,044	1,707	1,424
Percentage of Total Semester Credit Hours offered in small classes	0.54%	0.89%	0.71%	0.62%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	0	1	1	2
b. To keep proper sequence	6	9	15	12
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	2	0	2	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	8	10	18	15
h. Voluntarily offered	0	3	3	2
Total	8	13	21	17
Semester Credit Hours generated In small classes	69	118	187	163
Percentage of total Semester Credit Hours offered in small classes	0.16%	0.26%	0.21%	0.21%

## U. T. EL PASO

### CONTRACTS

The following contract has been administratively approved by the President or her delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS GOING OUT

- Agency: Alpha Southwest Partnership  
Funds: \$2,341,497 in rent and estimated operating expenses payable over a 10-year term, which reflects a base rental rate of \$11.50 per square foot for the first lease year. The lease allows for two 5-year extension options at fair market rental. The estimated rent for the first extension option is \$1,510,035; the estimated rent for the second extension option is \$1,750,544. The landlord is providing a tenant improvement allowance of \$211,167.

Period: The lease is to commence the later of October 1, 2010 or upon completion of substantial improvements. The initial lease term is 10 years, with two 5-year options to extend the lease.

Description: A space lease agreement for U. T. El Paso to lease 9,500 feet of office space located at the University Towers, 1900 North Oregon Street, El Paso, Texas, for business and administrative support functions of the University.

## AMENDMENTS TO THE 2009-10 BUDGET

### TRANSFERS OF FUNDS

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
ROAD SHOWS AND SPECIAL EVENTS		
1. Amount of Transfer:	934,952	3561

From: Road Shows and Special Events Income

To: Road Shows and Special Events Expenses

Budget adjustment to reflect additional income and expenses related to increased event activity.



## FEES AND MISCELLANEOUS CHARGES

### ENVIRONMENTAL SERVICE FEE

Approval is recommended for the following environmental service fee to be effective from the 2011 Spring semester through the 2015 Fall semester. This fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs and an affirmative vote by students was received on April 22, 2010. The proposed rates are consistent with applicable statutory requirements under *Texas Education Code*, Section 54.5041.

Following Regental approval, the appropriate institutional catalog will be amended to reflect this new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular semester</u>			
Per Semester	n/a	3.00	n/a
<u>For each summer semester</u>			
Per Semester	n/a	1.50	n/a

The Environmental Service Fee, or Green Fund Fee as named by the student body, was approved for a period of five years.

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business Administration</b>		
Economics and Finance		
Feixue Xie	Assistant Professor (NT)	Associate Professor (T)
Marketing and Management		
Maria Fernanda Garcia	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education</b>		
Teacher Education		
Maria Teresa De la Piedra	Assistant Professor (NT)	Associate Professor (T)
Reynaldo Reyes	Assistant Professor (NT)	Associate Professor (T)
William Robertson	Assistant Professor (NT)	Associate Professor (T)
<b>College of Engineering</b>		
Civil Engineering		
Ruey Long Cheu	Associate Professor (NT)	Associate Professor (T)
Computer Science		
Eric Freudenthal	Assistant Professor (NT)	Associate Professor (T)
Electrical and Computer Engineering		
Stella Quiñones	Assistant Professor (NT)	Associate Professor (T)
Ricardo von Borries	Assistant Professor (NT)	Associate Professor (T)
Mechanical Engineering		
Ahsan Choudhuri	Associate Professor (NT)	Associate Professor (T)
<b>College of Health Sciences</b>		
Kinesiology		
Sandor Dorgo	Assistant Professor (NT)	Associate Professor (T)
Public Health		
Rodrigo X. Armijos	Associate Professor (NT)	Associate Professor (T)

## NEW AWARD OF TENURE (CONTINUED)

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Liberal Arts</b>		
Art		
Anne Giangiulio	Assistant Professor (NT)	Associate Professor (T)
Communication		
Richard D. Pineda	Assistant Professor (NT)	Associate Professor (T)
English		
Brian Yothers	Assistant Professor (NT)	Associate Professor (T)
Languages and Linguistics		
Jane Evans	Assistant Professor (NT)	Associate Professor (T)
Music		
Dominic Dousa	Assistant Professor (NT)	Associate Professor (T)
Oscar Macchioni	Assistant Professor (NT)	Associate Professor (T)
Erik Unsworth	Assistant Professor (NT)	Associate Professor (T)
Elisa Fraser Wilson	Assistant Professor (NT)	Associate Professor (T)
Psychology		
Theodore V. Cooper	Assistant Professor (NT)	Associate Professor (T)
Laura E. O'Dell	Assistant Professor (NT)	Associate Professor (T)
Ana I. Schwartz	Assistant Professor (NT)	Associate Professor (T)
Sociology and Anthropology		
Aurolyn Luykx	Associate Professor (NT)	Associate Professor (T)
<b>College of Science</b>		
Biological Sciences		
Kyle Leslie Johnson	Assistant Professor (NT)	Associate Professor (T)
Rosa A. Maldonado-Medina	Assistant Professor (NT)	Associate Professor (T)
Chemistry		
Katja Michael	Associate Professor (NT)	Associate Professor (T)
Physics		
Christian E. Botez	Assistant Professor (NT)	Associate Professor (T)
Felicia S. Manciu	Assistant Professor (NT)	Associate Professor (T)
Marian Manciu	Assistant Professor (NT)	Associate Professor (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' *Rules and Regulations*, Rule 30103 and is submitted for approval by the U. T. System Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Coronado with The University of Texas at El Paso. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University.

- |               |  |
|---------------|--|
| Name:         | Irasema Coronado, Ph.D.  |
| Title:        | Associate Provost  |
| Position:     | Member, Joint Public Advisory Committee of the Commission for Environmental Cooperation  |
| Period:       | May 13, 2010 through January 19, 2014  |
| Compensation: | None   |
| Description:  | President Obama appointed Dr. Coronado as a member of the Joint Public Advisory Committee of the Commission for Environmental Cooperation, an advisory committee to the Council of the Commission for Environmental Cooperation. The Joint Public Advisory Committee is comprised of representative members from the United States, Canada, and Mexico. The vision of the Joint Public Advisory Committee is to promote continental cooperation in ecosystem protection and sustainable economic development and to ensure public participation and transparency in the actions of the Commission. |

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	22	13	35	23
b. To keep proper sequence	23	13	36	17
c. New program	2	3	5	4
d. Cross listed	14	37	51	16
e. First time offered	1	4	5	0
f. Accreditation or licensing standard	0	0	0	4
g. Limited facilities	7	0	7	2
Subtotal	69	70	139	66
h. Voluntarily offered	21	26	47	21
Total	90	96	186	87
Semester Credit Hours generated in small classes	1,185	1,298	2,483	1,104
Percentage of Total Semester Credit Hours offered in small classes	0.62%	0.71%	0.66%	0.30%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	2	3	5	9
b. To keep proper sequence	4	14	18	12
c. New program	0	0	0	1
d. Cross listed	10	11	21	8
e. First time offered	2	1	3	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	18	29	47	30
h. Voluntarily offered	0	0	0	0
Total	18	29	47	30
Semester Credit Hours generated in small classes	171	175	346	220
Percentage of total Semester Credit Hours offered in small classes	0.74%	0.72%	0.73%	0.54%

**U. T. PAN AMERICAN  
CONTRACTS**

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

**GENERAL CONTRACTS**

**FUNDS COMING IN**

- |              |   |
|--------------|---|
| 1. Agency:   | Corpus Christi Vending, Inc., DBA South Texas Canteen   |
| Funds:       | \$1,250,000   |
| Period:      | July 19, 2010 through July 18, 2013, plus two optional one-year renewal terms   |
| Description: | Corpus Christi Vending, Inc. agrees to furnish and service food and beverage vending machines on the campus. <i>Texas Government Code</i> Section 2203.005(a) requires all vending machine agreements be approved by the Board. |

## CHANGES TO ADMISSIONS CRITERIA

The following proposed changes to the admission criteria and criteria for the award of institutional competitive scholarships or fellowships are shown in congressional style and are proposed for inclusion in the Undergraduate Catalog at The University of Texas – Pan American. The changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

### Proposed Changes to Admission Criteria

#### Freshman Admission

Applicants who have not attended a college or university after graduating from high school, or students transferring less than ~~30~~ 15 academic college hours, may seek admission as a freshman. Freshmen will be accepted to U. T. Pan American based on their high school class rank, high school curriculum, scores on the ACT or SAT exam, and GPA of all college work attempted.

#### Automatic Admission Requirements

1. Top 10% Applicants from Texas high schools.

Applicants who graduate from recognized public or private high schools in Texas with a class rank in the top 10% of their high school graduating class with a Texas recommended or advanced diploma or minimum ACT/SAT benchmark scores will be automatically admitted to U. T. Pan American.

2. International Baccalaureate Diploma Program Recipients.

Applicants who receive an International Baccalaureate Diploma will be automatically admitted to U. T. Pan American.

3. Other Applicants. Entering freshmen who achieve the following standards may also be automatically admitted to U. T. Pan American. ~~Applicants entering:~~

~~Fall 2007-Summer 2009~~

~~Minimum ACT composite of 16 (SAT of 760) and Texas distinguished or recommended diploma or equivalent. \*\*~~

~~Fall 2009-Summer 2011 Minimum ACT composite of 17 (SAT of 810) and Texas distinguished or recommended diploma or equivalent. \*\*~~



## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

Fall 2011 and after

a. Attain a minimum ACT composite of 18 (SAT of 850) and a Texas distinguished or recommended diploma or equivalent.

~~Fall 2009 or later:~~

b. ~~a. Attain an ACT composite of 17 (SAT of 810 and they a rank within the top 33% of their graduating class.~~

c. ~~b. Attain an ACT composite of 16 (SAT of 769) and they a rank within the top 25% of their graduating class.~~

Admission Review Requirements:

Selected applicants who do not qualify for automatic admission under criteria 1, 2, or 3 above may be eligible for admission through the University's Admission Review Program. Selected applicants must have successfully completed the curriculum requirements for the Recommended or Distinguished Achievement Plan or its equivalent. In addition to the required admission documents, applicants selected for review will be required to submit the following:

- Personal Letter of Qualifications
- Personal Resume
- Letters of Recommendation

Selected applicants will be individually reviewed with admissions approval or denial decisions based on a combination of the following holistic criteria:

- Applicant's Academic Record
- Applicant's Extracurricular Activities
- Applicant's Work Related Activities
- Applicant's Leadership Roles
- Applicant's Community Activities
- Performance Level of the Applicant's School
- Prior College Credit Earned

### Transfer Admission:

Applicants who last attended an accredited college or university (other than U. T. Pan American) after graduating from high school should seek admission as a transfer student by submitting their application at [www.applytexas.org](http://www.applytexas.org). Official transcripts must also be provided to Admissions and New Student Services. A cumulative GPA of 2.0 (on a 4.0 scale) is required on all academic coursework attempted. Students who are currently enrolled at another institution at the time of application will have their admission decision based on work completed at the time of application. In addition, the applicant must be in good academic standing at the transferring institution. Applicants transferring less than ~~30~~15 hours must also meet Freshman Admission requirements.

**AMENDMENTS TO THE 2009-10 BUDGET**

**TRANSFERS OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
HEALTH AND PHYSICAL EDUCATION		
1. Amount of Transfer:	659,668	3576

From: Auxiliary Funds

To: Unexpended Plant Funds

To record transfer of Auxiliary Funds to Unexpended Plant Funds for the repair and renovation of bleachers and flooring in the Health and Physical Education Building.

TEXAS GRANT PROGRAM

2. Amount of Transfer:	1,278,199	3469
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From: Texas Higher Education  
Coordinating Board

To: Texas GRANT Program

To record additional funds received from the Texas Higher Education Coordinating Board for the Texas GRANT Program.

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Education</b>		
Curriculum and Instruction Janine M. Schall	Assistant Professor (NT)	Associate Professor (T)
Educational Psychology Gregory S. Sparrow	Assistant Professor (NT)	Associate Professor (T)
<b>College of Science and Engineering</b>		
Biology John Trant	New Hire	Dean and Professor (T)
Chemistry Jose J. Gutierrez-Gonzales	Assistant Professor (NT)	Associate Professor (T)
Computer Science Andres F. Lozano	Assistant Professor (NT)	Associate Professor (T)
Manufacturing Engineering David Allen Kye-Hwan Lee Jianzhi Li	New Hire Assistant Professor (NT) Assistant Professor (NT)	Dean and Professor (T) Associate Professor (T) Associate Professor (T)
Physics and Geology Nicholas Dimakis	Assistant Professor (NT)	Associate Professor (T)
<b>College of Business Administration</b>		
Computer Information Systems and Quantitative Methods Bin Wang	Assistant Professor (NT)	Associate Professor (T)
Management, Marketing and International Business Sibin Wu	Assistant Professor (NT)	Associate Professor (T)

**NEW AWARD OF TENURE (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Arts and Humanities</b>		
Art		
Susan Fitzsimmons	New Hire	Chair and Professor (T)
English		
Matthew J. Christensen	Assistant Professor (NT)	Associate Professor (T)
Melynda S. Nuss	Assistant Professor (NT)	Associate Professor (T)
History and Philosophy		
Gregory D. Gilson	Assistant Professor (NT)	Associate Professor (T)
Stephen C. Leach	Assistant Professor (NT)	Associate Professor (T)
Modern Languages and Literature		
Elvia G. Ardalani	Assistant Professor (NT)	Associate Professor (T)
Jose E. Hernandez	Assistant Professor (NT)	Associate Professor (T)
<b>College of Health Sciences and Human Services</b>		
Rehabilitative Services		
Charlene J. Blankenship	Assistant Professor (NT)	Associate Professor (T)
Sandra E. Hansmann	Assistant Professor (NT)	Associate Professor (T)
Social Work		
Janis Feldman	Assistant Professor (NT)	Associate Professor (T)
Shirley Rombough	Associate Professor (NT)	Associate Professor (T)
<b>College of Social and Behavioral Sciences</b>		
Political Science		
Jessica Lavariega-Monforti	Assistant Professor (NT)	Associate Professor (T)
Psychology and Anthropology		
Miguel Diaz Barriga	New Hire	Professor (T)
Margaret Graham	Assistant Professor (NT)	Associate Professor (T)
Lynn Vincentnathan	Assistant Professor (NT)	Associate Professor (T)
Sociology		
Dejun Su	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	1	4	5	56
b. To keep proper sequence	7	11	18	11
c. New program	13	5	18	18
d. Cross listed	33	54	87	98
e. First time offered	0	0	0	2
f. Accreditation or licensing standard	1	0	1	4
g. Limited facilities	0	0	0	1
Subtotal	55	74	129	190
h. Voluntarily offered	57	47	104	165
Total	112	121	233	355
Semester Credit Hours generated in small classes	1,083	1,155	2,238	3,088
Percentage of Total Semester Credit Hours offered in small classes	0.57%	0.66%	0.61%	0.87%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	0	2	2	7
b. To keep proper sequence	0	1	1	5
c. New program	0	1	1	3
d. Cross listed	0	7	7	26
e. First time offered	0	0	0	2
f. Accreditation or licensing standard	0	0	0	1
g. Limited facilities	0	0	0	0
Subtotal	0	11	11	44
h. Voluntarily offered	25	31	56	87
Total	25	42	67	131
Semester Credit Hours generated in small classes	128	288	416	601
Percentage of Total Semester Credit Hours offered in small classes	0.77%	1.77%	1.27%	2.02%

**U. T. PERMIAN BASIN**  
**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
COLLEGE OF ARTS AND SCIENCES					
Math and Science					
Dean and Professor					
1. Mylan Redfern (T)	07/1-8/31	100	12	120,000	3575
	09/1-5/31	0	09	84,000	

## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS

The following personnel actions involving new award of tenure and emeritus appointments have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Business</b>		
Finance		
Prakash Pai	Assistant Professor (NT)	Associate Professor (T)
<b>School of Education</b>		
Education		
Jeannine Hurst	Assistant Professor (NT)	Associate Professor (T)
Elaine Wilmore	Professor (NT)	Professor (T)
<b>College of Arts and Sciences</b>		
Music		
Dan Keast	Assistant Professor (NT)	Associate Professor (T)
English		
Jason Lagapa	Assistant Professor (NT)	Associate Professor (T)
History		
Ana Martinez-Catsam	Assistant Professor (NT)	Associate Professor (T)
Duane Leach	Professor (T)	Professor Emeritus (NT)
Math		
Juli D'ann Ratheal	Assistant Professor (NT)	Associate Professor (T)
Communication		
Helen Sun	Assistant Professor (NT)	Associate Professor (T)



## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	9	15	24	24
b. To keep proper sequence	8	6	14	28
c. New program	3	1	4	3
d. Cross listed	0	0	0	0
e. First time offered	3	2	5	5
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	2	3	5	0
Subtotal	25	27	52	60
h. Voluntarily offered	0	0	0	0
Total	25	27	52	60
Semester Credit Hours generated in small classes	528	458	986	1,163
Percentage of Total Semester Credit Hours offered in small classes	1.58%	1.45%	1.52%	1.89%

\*Flex-entry students are included for this report.

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	0	0	0	1
b. To keep proper sequence	0	1	1	0
c. New program	0	0	0	1
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	0	1	1	3
h. Voluntarily offered	0	0	0	0
Total	0	1	1	3
Semester Credit Hours generated in small classes	0	12	12	33
Percentage of total Semester Credit Hours offered in small classes	0.00%	0.35%	0.17%	0.42%

\*Flex-entry students are included for this report.

## U. T. SAN ANTONIO

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS COMING IN

1. Agency: Bottling Group, LLC  
Funds: Estimated \$5,444,000 for the initial term and the optional renewal term (the total amount includes \$648,430 of in-kind value).  
Period: August 21, 2010 through August 21, 2015  
Initial term of five years with an option to renew for one additional five-year period.  
Description: Operation and management of campus-wide beverage vending and pouring rights.
2. Agency: Nelligan Sports Marketing, Inc.  
Funds: Estimated \$2,000,000 in revenue for the initial term and the renewal term.  
Period: Initial term of five years with an option to renew for one additional five-year period. (The agreement contains an automatic renewal clause if Nelligan provides the University with \$1,000,000 in net revenues during the initial term.)  
Description: Agreement for Athletic Revenue Development and Sports Marketing.

##### FOREIGN CONTRACT

3. Agency: Universidad Autonoma Chapingo  
Funds: \$15,000  
Period: June 15, 2010 through August 31, 2010 (Event to be held on August 22, 2010)  
Description: Organize and present seminar titled "How to Do Business in the U.S.," in Chapingo, Mexico.

## CHANGES TO ADMISSIONS CRITERIA

The following proposed changes to the admission criteria are shown in congressional style and are to be included in the Information Catalog of The University of Texas at San Antonio. The changes have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

U. T. San Antonio proposes changes to the admission requirements for First-Time Freshman applicants for admission. U. T. San Antonio will continue to participate in the U. T. System Enrollment Management Workgroup that supports institutions in their efforts to reach targets for the size and composition of the student body. Effective enrollment management will enable U. T. San Antonio to manage growth in light of financial, physical, and human (faculty, student, and staff) resources and constraints.

### Proposed Changes to Admission Criteria

#### Applying within Five Years of High School Graduation

An ApplyTexas Application, nonrefundable application fee, and sixth-semester or seventh-semester high school transcript should be forwarded to the Office of Admissions early in a student's senior year. Applicants for admission as first-time freshmen who are attending high school at the time of application ~~and who meet the rank-in-class and SAT/ACT requirements~~ may be admitted during their senior year ~~are admitted~~ pending certification of high school graduation. Applicants who do not meet the requirements before graduation may be reconsidered for admission upon submission of an updated transcript, ~~or~~ new test scores, or additional supporting documentation.

Admission is conditional for students who have not yet graduated from high school. An official copy of the final high school transcript reflecting graduation date must be provided to ensure enrollment, financial aid eligibility and registration for future semesters.

*In-State.* This category covers applicants who have graduated from an accredited Texas high school within five years of the date of application to U. T. San Antonio. An accredited high school is one that has been accredited by the Texas Education Agency or by an accrediting association approved by the Texas Education Agency. U. T. San Antonio will also consider any student who graduates from a high school accredited by any of the regional accrediting associations organized within the American Association of Colleges and Schools.

## CHANGES TO ADMISSIONS CRITERIA (CONTINUED)

The following table shows the minimum total scores required where applicable, based on high school rank-in-class and on either the SAT Reasoning Test of the College Board or the ACT Assessment.\*

High School Rank-in-Class	Minimum Combined SAT Scores of Math and Critical Reading	Minimum Total Composite ACT Score
Top 25%	Guaranteed Admission	Guaranteed Admission
Second 25%	<del>920</del> <u>960**</u>	<del>19</del> <u>20**</u>
Third 25%	<del>970</del> <u>Individual Review**</u>	<del>20</del> <u>Individual Review**</u>
Fourth 25%	<del>1020</del> <u>Individual Review**</u>	<del>24</del> <u>Individual Review**</u>
<u>Non-Ranking Programs:</u>  GED, Unaccredited High School, Home Schooled, Non-Ranking High School	<del>1020</del> <u>Individual Review**</u>	<del>24</del> <u>Individual Review**</u>

\* Minimum completion of the Texas Recommended Curriculum (or its documented equivalent), or satisfaction of ACT's College Readiness Benchmarks on the ACT assessment, or earning on the SAT assessment a combined score of at least 1,500 on the Math, Critical Reading, and Writing sections is a requirement for all first-time freshman admissions.

Texas resident students who are in the top 25 percent of their high school graduating class at an accredited high school are admitted without minimum score requirements on the ACT or SAT, but their scores must be submitted to U. T. San Antonio. ~~Students scoring a minimum composite score of 21 on the ACT or a combined score of 1020 on the math and critical reading portions of the SAT will be admitted~~

## **CHANGES TO ADMISSIONS CRITERIA (CONTINUED)**

~~contingent upon high school graduation. Students scoring below these minimums will be evaluated using the requirements for rank-in-class as shown in the above chart.~~

**\*\*Applicants from non-ranking programs, those ranked in the third and fourth high school quartile, and from those not meeting second quartile criteria will be considered by way of individual review.**

**AMENDMENTS TO THE 2009-10 BUDGET**

**TRANSFER OF FUNDS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>\$ Amount</u>	<u>RBC #</u>
Texas Higher Education Coordinating Board		
1. Amount of Transfer:	2,551,000	3462
From: Texas Higher Education Coordinating Board		
To: Texas GRANT Program		
To record revenues over budget for Texas GRANT Program received to date.		
2. Amount of Transfer:	1,425,324	3477
From: Texas Higher Education Coordinating Board Texas Research Incentive Program (Trip)		
To: Trip Matching Fund/Valero Gift –COB Trip Matching Fund/Valero Gift – COE Trip Matching Fund for AT&T – ITEC Prog Trip Matching Fund for Tobin EDW Gift		
To record Texas Research Incentive Program funding from the Texas Higher Education Coordinating Board.		

## FEEES AND MISCELLANEOUS CHARGES

### ENVIRONMENTAL SERVICE FEE

Approval is recommended for the following new environmental service fee to be effective from the 2011 Spring semester through the 2016 Fall session. This fee has been administratively approved by the Executive Vice Chancellor for Academic Affairs and an affirmative vote by students was received on April 23, 2010. The proposed rates are consistent with applicable statutory requirements under *Texas Education Code*, Section 54.5041.

Following Regental approval, the appropriate institutional catalog will be amended to reflect this new fee.

	<u>Current Rates \$</u>	<u>Proposed Rates \$</u>	<u>Percent Increase</u>
<u>For each regular semester</u>			
Per Semester	n/a	5.00	n/a
<u>For each summer semester</u>			
Per Semester	n/a	2.50	n/a



## NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS

The following personnel actions involving new award of tenure and emeritus appointments have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Business Administration</b>		
Marketing		
Yinlong Zhang	Assistant Professor (NT)	Associate Professor (T)
<b>College of Education and Human Development</b>		
Bicultural-Bilingual		
Patricia Sanchez	Assistant Professor (NT)	Associate Professor (T)
Counseling		
Shane Haberstroh	Assistant Professor (NT)	Associate Professor (T)
Heather Trepal	Assistant Professor (NT)	Associate Professor (T)
Educational Leadership and Policy Studies		
Encarnacion Garza	Assistant Professor (NT)	Associate Professor (T)
Mariela Rodriguez	Assistant Professor (NT)	Associate Professor (T)
Educational Psychology		
Norma Guerra	Assistant Professor (NT)	Associate Professor (T)
Sharon Nichols	Assistant Professor (NT)	Associate Professor (T)
Health and Kinesiology		
Jianmin Guan	Assistant Professor (NT)	Associate Professor (T)
Sara Oswalt	Assistant Professor (NT)	Associate Professor (T)
Tiffanye Tonsing	Assistant Professor (NT)	Associate Professor (T)
Interdisciplinary Learning and Teaching		
Kimberly Bilica	Assistant Professor (NT)	Associate Professor (T)
<b>College of Engineering</b>		
Civil and Environmental Engineering		
Drew Johnson	Assistant Professor (NT)	Associate Professor (T)
Md S Bin-Shafique	Assistant Professor (NT)	Associate Professor (T)

**NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Engineering (Continued)</b>		
Electrical and Computer Engineering		
Yufang Jin	Assistant Professor (NT)	Associate Professor (T)
<b>College of Liberal Arts</b>		
Anthropology		
Sonia Alconini	Assistant Professor (NT)	Associate Professor (T)
Jill Fleuriet	Assistant Professor (NT)	Associate Professor (T)
Art and Art History		
Richard Armendariz	Assistant Professor (NT)	Associate Professor (T)
Richard Martinez	Assistant Professor (NT)	Associate Professor (T)
Music		
Susan Bruenger	Assistant Professor (NT)	Associate Professor (T)
John Nix	Associate Professor (NT)	Associate Professor (T)
<b>College of Public Policy</b>		
Criminal Justice		
Byongook Moon	Assistant Professor (NT)	Associate Professor (T)
<b>College of Science</b>		
Biology		
Janakiram Seshu	Assistant Professor (NT)	Associate Professor (T)
Floyd Wormley	Assistant Professor (NT)	Associate Professor (T)
Chemistry		
Carlos Garcia	Assistant Professor (NT)	Associate Professor (T)
Judith Walmsley	Professor (T)	Professor Emeritus (NT)
Geological Sciences		
Janis Bush	Assistant Professor (NT)	Associate Professor (T)
Hongjie Xie	Assistant Professor (NT)	Associate Professor (T)
Physics and Astronomy		
Lorenzo Brancaleon	Assistant Professor (NT)	Associate Professor (T)
Andrey Chabonov	Assistant Professor (NT)	Associate Professor (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Academic Affairs in accordance with the Regents' *Rules and Regulations*, Rule 30103 and is submitted for approval by the U. T. System Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Potter with The University of Texas at San Antonio. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University.

- |               |  |
|---------------|--|
| Name:         | Lloyd Potter, Ph.D.  |
| Title:        | Professor and Interim Chair of Demography and Director of the Institute for Demographic and Socioeconomic Research   |
| Position:     | State Demographer  |
| Period:       | Serves at the pleasure of the Governor   |
| Compensation: | None   |
| Description:  | Governor Perry has appointed Dr. Potter as State Demographer to distribute census information for the state, as well as Texas population estimates and projections, and information from federal, state, and other government sources. |

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	20	6	26	37
b. To keep proper sequence	23	39	62	46
c. New program	2	5	7	7
d. Cross listed	10	22	32	51
e. First time offered	4	2	6	7
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	8	4	12	12
Subtotal	67	78	145	160
h. Voluntarily offered	14	12	26	22
Total	81	90	171	182
Semester Credit Hours generated in small classes	1,257	1,468	2,725	2,886
Percentage of Total Semester Credit Hours offered in small classes	0.46%	0.54%	0.50%	0.50%

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	17	13	30	25
b. To keep proper sequence	9	15	24	21
c. New program	2	2	4	8
d. Cross listed	3	3	6	17
e. First time offered	9	8	17	15
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	1	1	1
Subtotal	40	42	82	87
h. Voluntarily offered	4	4	8	8
Total	44	46	90	95
Semester Credit Hours generated in small classes	351	377	728	771
Percentage of total Semester Credit Hours offered in small classes	1.80%	1.80%	1.80%	1.70%

U. T. TYLER

NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS

The following personnel actions involving new award of tenure and emeritus appointments have been administratively approved by the Executive Vice Chancellor for Academic Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Arts and Sciences</b>		
Biology		
Blake Bextine	Assistant Professor (NT)	Associate Professor (T)
Srinivas Kambhampati	New Hire	Professor (T)
Lance Williams	Associate Professor (NT)	Associate Professor (T)
Don Killebrew	Professor (T)	Professor Emeritus (NT)
Chemistry		
Tanya Shtokyo	Assistant Professor (NT)	Associate Professor (T)
<b>College of Business and Technology</b>		
Accounting, Finance and Business Law		
Roger Lirely	New Hire	Professor (T)
Management and Marketing		
Stephen Bushardt	New Hire	Professor (T)
Human Resource Development and Technology		
Jerry Gilley	New Hire	Professor (T)
<b>College of Education and Psychology</b>		
School of Education		
Wesley Hickey	Assistant Professor (NT)	Associate Professor (T)
Genie Linn	Assistant Professor (NT)	Associate Professor (T)
Gary Wright	Professor (T)	Professor Emeritus (NT)
Psychology and Counseling		
Andrew Schmitt	Assistant Professor (NT)	Associate Professor (T)
Kirk Zinck	Assistant Professor (NT)	Associate Professor (T)
Robert McClure	Professor (T)	Professor Emeritus (NT)

**NEW AWARD OF TENURE AND EMERITUS APPOINTMENTS (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Engineering and Computer Science</b>		
Computer Science		
Leonard Brown	Assistant Professor (NT)	Associate Professor (T)
Mechanical Engineering		
Fredericka Brown	Assistant Professor (NT)	Associate Professor (T)
<b>College of Nursing and Health Sciences</b>		
Health and Kinesiology		
William Sorensen	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Academic Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	12	16	28	59
b. To keep proper sequence	15	11	26	18
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	1	1	2	4
f. Accreditation or licensing standard	0	0	0	1
g. Limited facilities	2	0	2	7
Subtotal	30	28	58	89
h. Voluntarily offered	12	8	20	8
Total	42	36	78	97
Semester Credit Hours generated in small classes	585	530	1,115	1,444
Percentage of Total Semester Credit Hours offered in small classes	0.95%	0.93%	0.94%	1.20%



**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	0	0	0	25
b. To keep proper sequence	1	0	1	3
c. New program	2	0	2	0
d. Cross listed	0	0	0	0
e. First time offered	0	1	1	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	3	1	4	28
h. Voluntarily offered	0	1	1	3
Total	3	2	5	31
Semester Credit Hours generated in small classes	21	21	42	267
Percentage of total Semester Credit Hours offered in small classes	0.35%	0.31%	0.33%	2.57%

## U. T. SOUTHWESTERN MEDICAL CENTER – DALLAS

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS COMING IN

1. Agency: Children's Medical Center at Dallas  
Funds: \$19,000,000  
Period: September 1, 2009 through August 31, 2010  
Description: To provide physician services. Last year's contract remains in effect on a month to month basis until the execution of the new contract, which will be effective September 1, 2009. Adjustments to amounts will be made retroactively once all required approvals are received. U. T. Southwestern received the final agreement from Children's Medical Center at Dallas for execution in July 2010.
  
2. Agency: U. T. Southwestern Moncrief Cancer Center  
Funds: \$4,034,071  
Period: September 1, 2010 through August 31, 2011  
Description: To provide professional and technical services to include lease of employees, support for cancer research, patient services including early detection screening and nutritional advice, and financial and administrative oversight.

**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>SOUTHWESTERN MEDICAL SCHOOL</b>					
Neurology					
Professor and Chairman					
1. Mark Goldberg (T)	6/1-8/31	100	12	340,000	3595
Neuroscience					
Professor					
2. Carla Green (T)	9/1-8/31	100	12	160,000	3486

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Advanced Imaging Research Center</b> Advanced Imaging Research Center Hanzhang Lu	Assistant Professor (NT)	Associate Professor (T)
<b>College of Anesthesiology and Pain Management</b> Anesthesiology and Pain Management Girish Joshi	Professor (NT)	Professor (T)
<b>College of Biochemistry</b> Biochemistry Richard Bruick Chuo Chen Qinghua Liu	Associate Professor (NT) Assistant Professor (NT) Assistant Professor (NT)	Associate Professor (T) Associate Professor (T) Associate Professor (T)
<b>College of Immunology</b> Immunology John Farrar	Assistant Professor (NT)	Associate Professor (T)
<b>College of Internal Medicine</b> Internal Medicine Ezra Burstein	Assistant Professor (NT)	Associate Professor (T)
<b>College of Microbiology</b> Microbiology David Hendrixson	Assistant Professor (NT)	Associate Professor (T)
<b>College of Molecular Biology</b> Molecular Biology Hui Zou	Assistant Professor (NT)	Associate Professor (T)

**NEW AWARD OF TENURE (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>College of Neurology</b> Neurology Ramon Diaz-Arrastia	Professor (NT)	Professor (T)
<b>College of Pathology</b> Pathology Diego Castrillon	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	8	3	11	19
b. To keep proper sequence	0	0	0	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	8	13	21	0
Subtotal	16	16	32	19
h. Voluntarily offered	0	0	0	0
Total	16	16	32	19

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	8	2	10	43
b. To keep proper sequence	0	0	0	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	24	29	53	41
Subtotal	32	31	63	84
h. Voluntarily offered	0	0	0	0
Total	32	31	63	84

## U. T. MEDICAL BRANCH – GALVESTON

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS COMING IN

1. Agency: Texas Commission on State Emergency Communications  
Funds: \$1,960,689  
Period: May 1, 2010 through August 31, 2011  
Description: U. T. Medical Branch – Galveston will promote the reduction of injuries occurring from poisons and toxic substance through public and professional education and seek to reduce medical costs incurred by Texas residents by providing treatment recommendations.
  
2. Agency: Texas Youth Commission (TYC)  
Funds: \$17,401,449  
Period: September 1, 2010 through August 31, 2011  
Description: Amendment to extend agreement in which U. T. Medical Branch – Galveston provides comprehensive health care services to all youth in TYC facilities.



**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>ACADEMIC ENTERPRISE</b>					
Faculty Practice Group					
Vice President and Chief Physician Executive					
Internal Medicine-Rheumatology					
1. Rex McCallum (T)	6/14-8/31	100	12	400,000	3588
Neuroscience and Cell Biology					
2. Claire Hulsebosch					3547
From: Professor (T)		100	12	176,599	
To: Professor Emeritus	6/1-8/31			0	
Pharmacology Faculty					
Professor and Chair					
3. Lawrence C. Sowers (T)	9/1-8/31	100	12	275,000	3551
Radiology - Administration					
Professor and Chairman					
4. Val M. Runge (T)	7/6-8/31	100	12	505,000	3550
School of Nursing, Nursing Ph.D. Program					
5. Diane Heliker					3586
From: Professor (T)		100	12	0	
To: Professor Emeritus	7/1-8/31			0	

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TENURE APPOINTMENTS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
ACADEMIC ENTERPRISE (Continued)					
School of Nursing, Tuition, Fees and Loans					
6. Virginia Rahr					3585
From: Clinical Associate Professor (T)		100	12	0	
To: Associate Professor Emeritus	6/1-8/31			0	

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Medicine</b>		
Internal Medicine		
Silvia Pierangeli	Professor (NT)	Professor (T)
Larry Denner	Professor (NT)	Professor (T)
Microbiology and Immunology		
Tonyia Eaves-Pyles	Associate Professor (NT)	Associate Professor (T)
David Beasley	Assistant Professor (NT)	Associate Professor (T)
Neurology		
Kelly Dineley	Assistant Professor (NT)	Associate Professor (T)
Obstetrics and Gynecology		
Mahmoud Ahmed	Professor (NT)	Professor (T)
Hassan Harirah	Associate Professor (NT)	Associate Professor (T)
Otolaryngology		
Vicente Resto	Assistant Professor (NT)	Associate Professor (T)
Pathology		
Barbara Bryant	Associate Professor (NT)	Associate Professor (T)
Slobodan Paessler	Associate Professor (NT)	Associate Professor (T)
Vladimir Motin	Associate Professor (NT)	Associate Professor (T)
Pediatrics		
Virginia Niebuhr	Professor (NT)	Professor (T)
Surgery		
Philip Thomas	Assistant Professor (NT)	Associate Professor (T)
<b>School of Nursing</b>		
Kathryn Fiantt	Professor (NT)	Professor (T)
Patricia Richard	Associate Professor (NT)	Associate Professor (T)

## OTHER MATTERS

### APPROVAL OF DUAL POSITIONS OF HONOR, TRUST, OR PROFIT

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with the Regents' *Rules and Regulations*, Rule 30103 and is submitted for approval by the U. T. System Board of Regents. It has been determined that the holding of this office or position is of benefit to the State of Texas and The University of Texas and there is no conflict between holding this position and the appointment of Dr. Godley with The University of Texas Medical Branch at Galveston. By approval of this item, the Board is also asked to find that holding this position is of benefit to the State of Texas and The University of Texas and there is no conflict between the position and the University.

- |               |   |
|---------------|---|
| Name:         | Bernard Godley, M.D., Ph.D., F.A.C.S.   |
| Title:        | Professor and Chair, Ophthalmology Department<br>Robertson – Poth Distinguished Chair in Ophthalmology  |
| Position:     | Member, National Advisory Eye Council   |
| Period:       | December 1, 2009 through November 30, 2013  |
| Compensation: | None  |
| Description:  | U.S. Secretary of Health and Human Services, Dr. Kathleen Sebelius, has appointed Dr. Bernard Godley as a member of the National Advisory Eye Council. Dr. Godley will participate in reviewing and making recommendations to the National Institutes of Health regarding grant applications to support biomedical research and research training activities as well as survey research and recommend action necessary to stimulate further research. |

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010**

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Health Affairs and is summarized as follows:

**Organized Undergraduate Classes with  
Fewer than 10 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	34	28	62	43
b. To keep proper sequence	9	4	13	13
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	43	32	75	57
h. Voluntarily offered	0	0	0	0
Total	43	32	75	57

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	14	12	26	31
b. To keep proper sequence	20	17	37	26
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	1
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	34	29	63	58
h. Voluntarily offered	5	4	9	9
Total	39	33	72	67

**U. T. HEALTH SCIENCE CENTER – HOUSTON**

**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>MEDICAL SCHOOL</b>					
Department of Otolaryngology-Head and Neck Surgery					
1. Robert A. Jahrsdoerfer					3541
From: Professor (T)		50	12	140,000	
Department of Otorhinolaryngology-Head and Neck Surgery					
To: Professor Emeritus	6/1-8/31				0
Department of Surgery, Division of Immunology and Organ Transplant					
2. Barry D. Kahan					3540
From: Professor (T)		100	12	437,500	
To: Professor Emeritus	6/1-8/31				0
Department of Biochemistry and Molecular Biology					
3. Barbara M. Sanborn					3538
From: Professor (T)		100	12	130,000	
To: Professor Emeritus	6/1-8/31				0

**AMENDMENTS TO THE 2009-10 BUDGET (CONTINUED)**

**TENURE APPOINTMENTS (CONTINUED)**

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>MEDICAL SCHOOL (Continued)</b>					
Department of Internal Medicine and Director of the Division of Hematology and of the Vascular Biology Research Center					
4. Kenneth K. Wu					3539
From: Professor (T)		100	12	234,104	
Department of Internal Medicine-Hematology					
To: Professor Emeritus	6/1-8/31			0	
<b>DENTAL BRANCH</b>					
Restorative Dentistry					
5. Kenneth H. Brady					3562
From: Professor (T)		100	12	128,096	
To: Professor Emeritus	6/1-8/31			0	



## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the Regents' *Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Medical School</b>		
Pediatrics		
Marcia A. Barnes	Professor (NT)	Professor (T)
Carolyn A. Denton	Associate Professor (NT)	Associate Professor (T)
Integrative Biology and Pharmacology		
Yi-Ping Li	Visiting Associate Professor (NT)	Associate Professor (T)
Michael Zhu	New Hire	Professor (T)
Nanomedicine and Biomedical Engineering		
David G. Gorenstein	Professor (NT)	Professor (T)
Surgery and Critical Care		
Lillian S. Kao	Associate Professor (NT)	Associate Professor (T)
Internal Medicine – Infectious Diseases		
Dorothy E. Lewis	New Hire	Professor (T)
Biochemistry and Molecular Biology		
Renhao Li	Assistant Professor (NT)	Associate Professor (T)
Microbiology and Molecular Genetics		
Michael C. Lorenz	Assistant Professor (NT)	Associate Professor (T)
Diagnostic and Interventional Imaging		
Eva M. Sevick	Professor (NT)	Professor (T)

**NEW AWARD OF TENURE (CONTINUED)**

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>School of Public Health</b>		
Health Promotion and Behavioral Sciences		
Pamela M. Diamond	Assistant Professor (NT)	Associate Professor (T)
Epidemiology and Disease Control		
Myriam Fornage	Associate Professor (NT)	Associate Professor (T)
Harold W. Kohl III	Professor (NT)	Professor (T)
Blanca I. Restrepo	Assistant Professor (NT)	Associate Professor (T)
Division of Biostatistics		
Adriana Perez	Associate Professor (NT)	Associate Professor (T)

## **OTHER MATTERS**

### **DENTAL SERVICE, RESEARCH AND DEVELOPMENT FACULTY PRACTICE PLAN BYLAWS**

The Amended and Restated Bylaws of U. T. Health Science Center – Houston Dental Service Research and Development (DSRDP) Faculty Practice Plan Bylaws are consistent with the template developed by U. T. System and have been reviewed by the Office of General Counsel. The Bylaws were reviewed and approved by the DSRDP Board of Directors at their meeting on May 19, 2010. The purpose of the DSRDP is to manage and hold in trust the professional income of faculty members at The University of Texas Dental Branch at Houston, a part of U. T. Health Science Center – Houston.

See Docket pages 98-114 for U. T. Health Science Center – Houston’s DSRDP Bylaws.

**AMENDED AND RESTATED BYLAWS  
OF U. T. HEALTH SCIENCE CENTER – HOUSTON  
DSRDP FACULTY PRACTICE PLAN**

**ARTICLE I**

**PURPOSE**

The Purpose of the Dental Service, Research and Development (DSRDP) Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas Dental Branch at Houston, a part of The University of Texas Health Science Center at Houston. The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

**ARTICLE II**

**DEFINITIONS**

- 2.1 **Board of Directors ("Board")** is the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents ("Regents")** is the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** is the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System is the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** is The University of Texas Health Science Center at Houston.
- 2.6 **Institutional Trust Fund** is the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Members** are faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.

- 2.8 **Plan** is this DSRDP Faculty Practice Plan, otherwise known as the Dental Service Research and Development Plan (“DSRDP”).
- 2.9 **President** is the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** is the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed. The Senior Clinical Administrator shall serve as the Chief Dental Officer as more described in section 4.2.2.A.

### ARTICLE III

#### MEMBERS

- 3.1 **Membership.** Membership in the Plan is mandatory for each clinical faculty member whose appointment is greater than 50% if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or his/her designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1 All Members shall be entitled to vote upon business brought before the membership and shall be eligible for election or appointment to a committee of the Plan.
- 3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.
- 3.1.3 All members must be credentialed by the Dental Branch and have a valid license and related permits issued by the Texas State Board of Dental Examiners.
- 3.2 **Memorandum of Appointment and Agreement of Participation.** A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.
- 3.3 **Meeting of the Members.** The Members shall meet in general session at least annually in the month of August at a place designated by the President, and at

other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least fourteen (14) days prior to the meeting.

- 3.3.1 Special meetings may be called by the Board, the President, or upon written petition of one-third of the Members, subject to 14 days notice in writing to all Members. The time, place, and date, of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.
- 3.3.2 The President or, in his or her absence, the Vice Chair shall preside.
- 3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.
- 3.3.4 One-half of the Members at the officially posted meeting shall constitute a quorum.
- 3.3.5 Proxies shall not be allowed. Each member shall have one (1) vote.
- 3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.
- 3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen (14) calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.
  - A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.
  - B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.
- 3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.
- 3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

## ARTICLE IV

### BOARD OF DIRECTORS

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

#### 4.2.1 Officers of the Board

- A. The Chair shall be the President of the Institution.
- B. The Vice Chair shall be the Dean of the Dental Branch or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as ex-officio, non-voting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

#### 4.2.2 Other Directors

- A. The Chief Dental Officer of the Plan shall be the Associate Dean for Patient Care.
- B. Two Chairpersons of clinical departments as elected by Department Chairs.
- C. One member from each Clinical Department and one member from the School of Dental Hygiene as elected within each Clinical Department and the School of Dental Hygiene. Such members may serve no more than two consecutive one-year terms, but may be eligible to serve again after an interval of one year. The Chief Legal Officer of the Institution shall serve as an ex-officio, non-voting member.
- D. The President of the Greater Houston Dental Society shall serve as an ex-officio, non-voting member.
- E. Other persons may be appointed by the President as ex-officio, non-voting members.

F. No clinical department shall have more than three voting Members of the Board.

- 4.3 **Annual Meeting.** The Board will assume its responsibilities annually at its August meeting.
- 4.4 **Meetings.** The Board shall meet at least quarterly, on call of the Chair, or on the written petition of 51% of the Board. Minutes of all meetings of the Board and its standing committees shall be recorded and a copy of these along with copies of committee reports and attendance rolls shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of 51% of the directors.
- 4.5 **Manner of Meetings.** Board meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall describe the action to be taken, and be signed by each director and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.
- 4.6 **Quorum.** One-half of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.
- 4.7 **Reports.** The Board shall report its actions in writing, in electronic or paper format to the Members at the Members' annual meeting. Posting such actions on a website satisfies this requirement.



## ARTICLE V

### THE PRESIDENT AND CHAIR OF THE BOARD

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or clinical service requirements. The President shall have the authority to:
- 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with representative faculty groups, such as the Faculty Compensation Advisory Committee and/or the Dental Branch Faculty Senate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## ARTICLE VI

### COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for two years and may be renewed for additional two year terms at the discretion of the President. All committees shall report to the Board, including Institutional Committees that perform the described duties on behalf of the Plan.

6.1.1 The **Executive Committee** shall be chaired by the President and shall include the officers of the Board and four additional Board Members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the Chief Business Officer of the Institution and shall also consist of the Dean of the Dental Branch, the Chief Dental Officer, the Executive Director of the Plan, the Dental Branch Director of Finance, a faculty representative who is a Member appointed by the Faculty Senate, and one (1) other member appointed by the President. At least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than \$5,000 for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;
- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Compliance and Ethics Committee** shall be chaired by the Dean of the Dental Branch and shall consist of four Members appointed by the President; at least one member shall not be a department chair. The Dental Branch Compliance Officer shall report to this Committee. If there is an Institutional Compliance Committee, that Committee may act as the Compliance and Ethics Committee of the Plan, in the discretion of the Board. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be chaired by the Chief Dental Officer and shall include four Members appointed by the President. At least one Member shall not be a department chair. If there is an Institutional Professional Affairs Committee, that committee may act as the Professional Affairs Committee of the Plan, at the discretion of the Board. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.5 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an external member with financial expertise. If the Institution has an Institutional Audit Committee, that

committee may serve as the Audit Committee of the Plan, at the discretion of the Board. If the Plan has its own Audit Committee, the Committee shall conduct its proceedings and decision-making consistent with the charter of the Institution's Audit Committee. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The chair of the committee shall be the Chief Dental Officer. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee.

6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.

6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

## ARTICLE VII

### BUSINESS OPERATIONS

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
- 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
- 7.2.2 The Executive Director shall cause to be prepared financial reports for the Plan, which shall be submitted to the Board at each regular meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.
- 7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.
- 7.3 **Chief Dental Officer.** The President, in consultation with the Board, shall appoint a Chief Dental Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Dental Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.
- 7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.
- 7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.
- 7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the

business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## ARTICLE VIII

### INSTITUTIONAL TRUST FUND

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of dental services to patients) generated for all patient care services rendered by full-time faculty regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of dental services to patients) generated for all patient care services rendered by part-time faculty who are Members, if such fees are generated in connection with the Member's appointment (derived from activities performed as a faculty member at the Institution while using institutional resources);
- C. Fees for all court appearances, depositions, expert testimony, or legal consultations regardless of where or when rendered or where or when the subject of the testimony or consultation occurred;

- D. Gifts of cash or cash equivalents provided in the context of patient-care activities; and
- E. Regular payments from pharmaceutical companies, even if characterized as honoraria or another term.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for service on scientific review panels related to granting agencies, foundations, and other non-profit organizations, occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible non-cash gifts, only as permitted by state law or The University of Texas System or Institutional Policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in Institutional policies governing such activities and the receipt of such payments. These policies shall also address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

- 8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.
- 8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.
- 8.4 **Reports.** Each Member shall file an annual report regarding outside professional activities from which the Member retained income in accordance with Institutional policies. The Institutional policies must be approved by the Executive Vice Chancellor for Health Affairs.
- 8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Any guidelines for discounting fees will be developed by the Board.

## ARTICLE IX

### FACULTY COMPENSATION

- 9.1 **Components of Faculty Compensation.** The Dental Branch's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of the following major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive Compensation. The term total compensation refers to the aggregate compensation derived from these components. The format and contents of the Compensation Plan shall be determined by the Institution and approved by the U. T. System Executive Vice Chancellor for Health Affairs. Amendments or changes to the Compensation Plan become official DSRDP policy coincident with their approval and supersede any previous versions of the Compensation Plan.
- 9.1.1 Base Salary. Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.
- 9.1.2 Supplemental Compensation. Supplemental Compensation is that part of a Members' annual compensation stated in the Memorandum of Appointment that is determined by a Members' area of practice or



specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

- 9.1.3. **Incentive Compensation.** Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied process that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.
- 9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.
- 9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

## ARTICLE X

### GENERAL PROVISIONS

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations. The principles of dental ethics of the American Dental Association are accepted as the governing code of ethics by the physician and dentist members of the Plan.
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with U. T. System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and Institution.
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Non-substantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.

10.3.1 Recommendations for amendments to these Bylaws may be made by 51% of the Members voting at a special meeting called for the purpose, or by the Board or the President.

10.3.2 Recommendation for substantive amendments to these Bylaws requires a two-thirds vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty (30) days prior to the meeting at which the amendment is brought to a vote.

10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

10.3.4 Amendments considered substantive include, but are not limited to, those pertaining to faculty compensation, plan membership, and board composition or authority, and other amendments as determined to be substantive by the President or the Board.

10.3.5 Substantive amendments shall become effective upon approval of the Regents. Non-substantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.

10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.

10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Board and the Regents retain the right to modify or terminate the Plan at any time.

Adopted by the Members: \_\_\_\_\_ May 19, 2010

Approved by The University of Texas System Board of Regents:

\_\_\_\_\_, 2010

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

Effective \_\_\_\_\_, 2010

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System Self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with state law, the Regents' <i>Rules and Regulations</i> , and Institutional Policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional Policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Dental Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional Policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System Policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional Policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional Policy

Authorized Business Expense

Maximum

- |     |   |  |
|-----|---|--|
| 11. | Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution  | In accordance with Institutional Policy  |
| 12. | Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings   | In accordance with U. T. System and Institutional Policy   |
| 13. | Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)   | In accordance with Institutional Policy  |
| 14. | Establishment or endowment of programs, professorships, or chairs   | In accordance with U. T. System Policy   |
| 15. | Support of academic programs and projects involving education, research or patient care   | In accordance with Institutional Policy  |
| 16. | Institutional participation in community, organizations or events   | In accordance with Institutional Policy  |
| 17. | Official Institutional Functions and Official Entertainment. Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U. T. System. | Prior presidential approval required for any expenditures greater than \$2,500. A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs. |
- No DSRDP funds may be expended for the benefit of any single individual person or member except as herein approved.
  - All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.

All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the Texas Higher Education Coordinating Board *Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in The University of Texas System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	2	2	4	6
b. To keep proper sequence	0	0	0	24
c. New program	0	0	0	0
d. Cross listed	12	12	24	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	7
g. Limited facilities	0	0	0	0
Subtotal	14	14	28	37
h. Voluntarily offered	3	4	7	1
Total	17	18	35	38

**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	9	11	20	27
b. To keep proper sequence	11	17	28	22
c. New program	3	0	3	0
d. Cross listed	68	87	155	9
e. First time offered	4	3	7	23
f. Accreditation or licensing standard	9	11	20	11
g. Limited facilities	0	0	0	10
Subtotal	104	129	233	102
h. Voluntarily offered	34	29	63	30
Total	138	158	296	132

Data reported reflects a change in assigning course designations. The change results in each course having its own designation based on the campus where the student is located. A course taught by a single instructor, but offered in real time at other locations would be captured as distinct in each location. Any location with fewer than five enrolled students would result in the course being included in this report.

**U. T. HEALTH SCIENCE CENTER – SAN ANTONIO**

**AMENDMENTS TO THE 2009-10 BUDGET**

**TENURE APPOINTMENTS**

**NEW APPOINTMENTS WITH TENURE, AWARD OF TENURE,  
AND EMERITUS APPOINTMENTS**

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
<b>DENTAL SCHOOL</b>					
Oral and Maxillofacial Surgery					
Professor and Chair					
Hugh B. Tilson Endowed Chair					
1. Edward Ellis (T)	4/1-8/31	100	12	400,000	3568
<b>SCHOOL OF MEDICINE</b>					
Pediatrics					
Professor					
2. Edward Brooks (T)	9/1-8/31	100	12	160,000	3496

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

Pursuant to Section 51.403 of the *Texas Education Code* and Section 5.26 of the *Texas Higher Education Coordinating Board Rules*, a report for the record regarding the teaching of small classes has been filed. The institution has reviewed the data in this report and, as appropriate, made administrative changes to ensure that teaching such small classes continues to be justified. The detailed listing of small classes is available in the U. T. System Office of Health Affairs and is summarized as follows:

### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	13	8	21	8
b. To keep proper sequence	5	3	8	5
c. New program	0	0	0	0
d. Cross listed	0	0	0	3
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	1	1	3
Subtotal	18	12	30	19
h. Voluntarily offered	5	4	9	12
Total	23	16	39	31



**SMALL CLASS REPORT, FALL 2009 AND SPRING 2010 (CONTINUED)**

**Organized Graduate Classes with  
Fewer than 5 Enrolled Students**

<u>Primary Reasons for Teaching</u>	<u>Fall</u>	<u>Spring</u>	<u>Total</u>	<u>Prior Year Total</u>
a. Required for graduation	15	23	38	20
b. To keep proper sequence	13	20	33	24
c. New program	1	0	1	5
d. Cross listed	0	0	0	3
e. First time offered	0	0	0	3
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	3
Subtotal	29	43	72	58
h. Voluntarily offered	1	0	1	17
Total	30	43	73	75

## U. T. M. D. ANDERSON CANCER CENTER

### CONTRACTS

The following contracts have been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and are recommended for approval by the U. T. System Board of Regents:

#### GENERAL CONTRACTS

##### FUNDS GOING OUT

1. Agency: Jaster-Quintanilla & Associates, Inc.  
Funds: Costs for projects selected for this vendor are based on negotiated hourly labor rates for various skill levels. It is now anticipated that total costs under the agreement will exceed \$2,500,000, although the maximum amount is indeterminable at this time.  
Period: The initial term of the contract was February 1, 2007 through January 31, 2008. Three additional 12-month renewals have been utilized, and the current renewal period ends January 31, 2011. The agreement may be renewed for one additional 12-month period.  
Description: Vendor will provide structural engineering and technical support services for renovations, repair, and minor construction projects of limited scope on a per-project basis. Services are on a non-exclusive, indefinite quantity basis, and there is no minimum amount of work required.
2. Agency: Surveying and Mapping, Inc.  
Funds: Costs for projects selected for this vendor are based on negotiated hourly labor rates for various skill levels. It is now anticipated that total costs under the agreement will exceed \$2,500,000 although the maximum amount is indeterminable at this time.  
Period: The initial term of the contract was February 1, 2007 through January 31, 2008. Three additional 12-month renewals have been utilized, and the current renewal period ends January 31, 2011. The agreement may be renewed for one additional 12-month period.  
Description: Vendor will provide land surveying and technical support services for projects of limited scope on a per-project basis. Services are on a non-exclusive, indefinite quantity basis, and there is no minimum amount of work required.

## CONTRACTS (CONTINUED)

### GENERAL CONTRACTS (CONTINUED)

#### FUNDS GOING OUT (CONTINUED)

3. Agency: Texas A&M University System Health Science Center  
Funds: Approximately \$1,855,330 in base rent, plus a proportionate share of operating expenses beginning in fiscal year 2012.  
Period: October 1, 2010 through May 31, 2014  
Description: A space lease agreement for U. T. M. D. Anderson Cancer Center to lease approximately 17,037 square feet of office and laboratory space located at 2121 W. Holcombe Boulevard, Houston, Texas.
4. Agency: Pricewaterhouse Coopers, LLP  
Funds: Projects selected for this vendor will be negotiated as separate statement(s) of work. No individual statement of work can exceed the approved amount without prior written approval from U. T. M. D. Anderson Cancer Center. Costs will be based on negotiated material and hourly labor rates for various skill levels. Initial amount of the agreement will not exceed \$20,000,000 without prior written approval from U. T. M. D. Anderson Cancer Center.  
Period: The initial term of the contract is from August 12, 2010 through August 11, 2013, with the option to renew for two additional 12-month terms.  
Description: Vendor will provide consulting services and act as an integration partner to aid in the standardization of business processes using PeopleSoft. Vendor will also assist with the establishment of a Project Management Office to support the Enterprise Resource Planning project that will consolidate human resources, financial, and supply chain management processes into a single suite of applications.

## AMENDMENTS TO THE 2009-10 BUDGET

### APPOINTMENTS AND PROMOTIONS

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

<u>Description</u>	<u>Effective Date</u>	<u>% Time</u>	<u>Full-time Salary</u>		<u>RBC #</u>
			<u>No. Mos.</u>	<u>Rate \$</u>	
RESEARCH STAFF Biochemistry and Molecular Biology Professor					
1. Elizabeth Tyler (T)	4/29-8/31	100	12	190,000	3494

## NEW AWARD OF TENURE

The following personnel actions involving new award of tenure and have been administratively approved by the Executive Vice Chancellor for Health Affairs. The personnel actions have been included in the 2011 Annual Operating Budget and are consistent with the *Regents' Rules and Regulations*, Rule 31007.

<u>College, Department, and Name</u>	<u>From</u>	<u>To</u>
<b>Neuro-Oncology</b> Frederick de Groot	Assistant Professor (NT)	Associate Professor (T)
<b>Epidemiology</b> Carol J. Etzel	Assistant Professor (NT)	Associate Professor (T)
<b>Biostatistics</b> Benjamin Nebiyou Bekele	Associate Professor (NT)	Associate Professor (T)
<b>Molecular and Cellular Oncology</b> Elsa Renee Flores	Assistant Professor (NT)	Associate Professor (T)
<b>Bioinformatics and Computational Biology</b> Yuan Ji	Associate Professor (NT)	Associate Professor (T)
<b>Radiation Oncology</b> Sunil Krishnan	Associate Professor (NT)	Associate Professor (T)
<b>Imaging Physics</b> Tinsu Pan	Associate Professor (NT)	Professor (T)
<b>Immunology</b> Kimberly Schluns	Assistant Professor (NT)	Associate Professor (T)

## SMALL CLASS REPORT, FALL 2009 AND SPRING 2010

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### Organized Undergraduate Classes with Fewer than 10 Enrolled Students

Primary Reasons for Teaching	Fall	Spring	Total	Prior Year Total
a. Required for graduation	5	4	9	9
b. To keep proper sequence	0	0	0	0
c. New program	0	0	0	0
d. Cross listed	0	0	0	0
e. First time offered	0	0	0	0
f. Accreditation or licensing standard	0	0	0	0
g. Limited facilities	0	0	0	0
Subtotal	5	4	9	9
h. Voluntarily offered	0	0	0	0
Total	5	4	9	9

## **U. T. HEALTH SCIENCE CENTER – TYLER**

### **CONTRACTS**

The following contract has been administratively approved by the President or his delegate and the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

#### **GENERAL CONTRACTS**

##### **FUNDS COMING IN**

1. Agency: The Good Shepherd Hospital, Inc.  
Funds: \$10,000,000  
Period: August 1, 2010 through July 31, 2020  
Description: Affiliation Agreement between U. T. Health Science Center – Tyler, as the Sponsoring Institution, and The Good Shepherd Hospital, Inc., to establish a strong academic medicine presence in Northeast Texas to include robust Graduate Medical Education programs to be accredited by the appropriate educational and professional accrediting agencies.