

Meeting No. 906

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

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August 13-14, 1997

Richardson, Texas

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MEETING NO. 906

WEDNESDAY, AUGUST 13, 1997.--The members of the Board of Regents of The University of Texas System convened at 3:40 p.m. on Wednesday, August 13, 1997, in the Johnson Room of The Westin Hotel in Dallas, Texas, with the following in attendance:

ATTENDANCE.--

| <u>Present</u>            | <u>Absent</u>           |
|---------------------------|-------------------------|
| Chairman Evans, presiding | *Vice-Chairman Loeffler |
| Vice-Chairman Clements    |                         |
| Regent Hicks              |                         |
| Regent Lebermann          |                         |
| Regent Oxford             |                         |
| Regent Riter              |                         |
| Regent Sanchez            |                         |
| Regent Smiley             |                         |

Executive Secretary Dilly

Chancellor Cunningham  
Executive Vice Chancellor Duncan  
Executive Vice Chancellor Mullins  
Executive Vice Chancellor Burck

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

RECESS TO EXECUTIVE SESSION.--At 3:45 p.m., Chairman Evans announced that the Board would recess to convene in Executive Session pursuant to Texas Government Code, Chapter 551, Section 551.074 to consider those matters listed on the Executive Session agenda.

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\*Vice-Chairman Loeffler was excused because of a previous commitment.

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

#### EXECUTIVE SESSION OF THE BOARD OF REGENTS

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

1. U. T. System: Approval of Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein.--Upon motion of Regent Riter, seconded by Regent Hicks, the Board:
  - a. Approved the personnel aspects of the Operating Budgets for The University of Texas System for the Fiscal Year ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans
  - b. Authorized the Chancellor to make editorial corrections in these budgets and for subsequent adjustments to be ratified by the U. T. Board of Regents through the institutional Dockets as appropriate to Docket requirements.

See Page 59 for approval of non-personnel aspects of the Fiscal Year 1998 Operating Budgets.

2. U. T. Medical Branch - Galveston: Appointment of John David Stobo, M.D., as President (Chief Administrative Officer) and Approval to Discharge the Advisory Committee for the Selection of a President.--Regent Smiley moved that John David Stobo, M.D., currently Vice Dean for Research and Technology, Chairman of Johns Hopkins HealthCare LLC, and Professor of Medicine at The Johns Hopkins University School of Medicine, Baltimore, Maryland, be elected President of The University of Texas Medical Branch at Galveston effective at a date and compensation to be negotiated with Executive Vice Chancellor Mullins and reported to the Board via the usual budgetary procedures. Dr. Stobo was one of the candidates recommended to the Board by the Advisory Committee for the Selection of a President for that component.

Regent Smiley further moved that the Board discharge the Advisory Committee for the Selection of a Chief Administrative Officer for U. T. Medical Branch - Galveston with sincere appreciation for the diligence and careful thought it brought to this search process.

Regent Oxford seconded the motions which prevailed by unanimous vote.

Dr. Stobo and his wife, Mary Ann, were introduced by Chairman Evans and welcomed to The University of Texas System family.

RECESS.--At 5:20 p.m., the Board recessed to reconvene in open session at 9:00 a.m. on Thursday, August 14, 1997, in Galaxy Room 2.602B of the Student Union Building at The University of Texas at Dallas.

THURSDAY, AUGUST 14, 1997.--The members of the Board of Regents of The University of Texas System reconvened in regular session at 9:00 a.m. on Thursday, August 14, 1997, in Galaxy Room 2.602B of the Student Union Building at The University of Texas at Dallas, Richardson, Texas, with the following in attendance:

ATTENDANCE.--

| <u>Present</u>            | <u>Absent</u>           |
|---------------------------|-------------------------|
| Chairman Evans, presiding | *Vice-Chairman Loeffler |
| Vice-Chairman Clements    |                         |
| Regent Hicks              |                         |
| Regent Lebermann          |                         |
| Regent Oxford             |                         |
| Regent Riter              |                         |
| Regent Sanchez            |                         |
| Regent Smiley             |                         |

Executive Secretary Dilly

Chancellor Cunningham  
Executive Vice Chancellor Duncan  
Executive Vice Chancellor Mullins  
Executive Vice Chancellor Burck

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

WELCOME BY DR. FRANKLYN G. JENIFER, PRESIDENT OF THE UNIVERSITY OF TEXAS AT DALLAS.--Chairman Evans stated that the Board was pleased to be meeting at The University of Texas at Dallas and was especially delighted to have had the opportunity to meet with many of this component's friends and supporters at last evening's (August 13) very nice social event. He expressed the Board's appreciation to the Dallas community for its ongoing and generous support of this institution. Mr. Evans then called on Dr. Franklyn G. Jenifer, President of U. T. Dallas, for any welcoming remarks on behalf of the host institution.

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\*Vice-Chairman Loeffler was excused because of a previous commitment.

On behalf of the faculty, staff, and students of the institution, President Jenifer welcomed the members of the Board and other guests to U. T. Dallas.

U. T. BOARD OF REGENTS: APPROVAL OF MINUTES OF REGULAR MEETING HELD ON MAY 7-8, 1997, AND SPECIAL MEETINGS HELD ON JULY 14, 1997 AND AUGUST 5, 1997.--Upon motion of Regent Smiley, seconded by Regent Lebermann, the Minutes of the regular meeting of the Board of Regents of The University of Texas System held on May 7-8, 1997, in San Antonio, Texas, were approved as distributed by the Executive Secretary. The official copy of these Minutes is recorded in the Permanent Minutes, Volume XLIV, Pages 1091 - 1690.

Upon motion of Regent Hicks, seconded by Regent Smiley, the Minutes of the special meetings of the Board of Regents of The University of Texas System held on July 14, 1997 and August 5, 1997, in Austin, Texas, were approved as distributed by the Executive Secretary. The official copies of these Minutes are recorded in the Permanent Minutes, Volume XLIV, Pages 1691 - 1710.

#### SPECIAL ITEMS

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendment to Chapter II, Section 13, Subsection 13.1, Subdivision 13.13 (Chief Administrative Officers of Component Institutions).--Upon recommendation of Regent Lebermann, Chairman of the Advisory Committee for the Selection of a President for The University of Texas at Austin, approval was given to amend the Regents' Rules and Regulations, Part One, Chapter II, Section 13, Subsection 13.1, Subdivision 13.13, relating to the submission of candidates to serve as chief administrative officers of The University of Texas System component institutions, to read as set forth on Page 6.

Sec. 13. Chief Administrative Officers of Component Institutions.

13.1 The Board selects the chief administrative officer of each component institution.

. . .

13.13 Finally, the Advisory Committee shall submit, through its Chairman, a recommended list of not less than five or more than ten candidates with no preference indicated. If fewer names are provided, the Committee shall provide reasons and the submission of less than five candidates is to be with the concurrence of the Regental representatives on the Committee. Candidates submitted shall have received a majority vote of the Committee. The recommended list should be developed and submitted without regard to the Advisory Committee's assessment of the potential availability of any candidate. If none of the names submitted in the report of the Advisory Committee is satisfactory to the Board, then the Board in its discretion may either name a new committee or proceed to select a chief administrative officer under such other procedures as in its discretion it may deem proper and appropriate.

. . . . .

This amendment to the Regents' Rules and Regulations clarifies the circumstances under which the Advisory Committee has the flexibility to submit fewer than five names for a component presidency. This change is in keeping with a recommendation resulting from discussion by the Advisory Committee for the Selection of a President for U. T. Austin at its May 20, 1997 meeting.



2. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval of Amendments to Chapter I, Section 1 (Gifts to The University of Texas System), Subsection 1.3 and Chapter II, Section 1 (Types of Funds), Subsection 1.4.--The Board amended the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.3, relating to the authority of the Chancellor to accept certain gifts on behalf of The University of Texas System, and Chapter II, Section 1, Subsection 1.4, clarifying the authority of the Office of Development and External Relations to administer certain gifts with a reserved income interest, as set forth below:

a. Chapter I (General), Section 1, Subsection 1.3 was amended to read as follows:

Sec. 1. Gifts to The University of Texas System.

. . . .

1.3 The Board delegates to the Chancellor, the chief administrative officer, or a designee specified in writing, authority to accept gifts that are not processed or administered by the Office of Development and External Relations and that conform to all relevant laws and Board policies, including but not limited to the System Gifts Policy Guidelines and approved institutional policies, provided that such gifts have a value of \$500,000 or less (in cash or in kind). Such gifts that have a value of more than \$500,000 (in cash or in kind) must be submitted to the Board for approval via the docket.

. . . .

- b. Chapter II (Accounting, Auditing, Reporting, and Budgetary Control), Section 1, Subsection 1.4 was amended to read as follows:

Sec. 1. Types of Funds.

. . .

- 1.4 Charitable Remainder Trusts and Pooled Income Funds.--Gift funds given to the Board of Regents of The University of Texas System, as Trustee, such as Charitable Remainder Trusts and Pooled Income Funds in which the donor has reserved an income interest either for the life of one or more individuals or for a term of years shall be administered by the Office of Development and External Relations.

. . . .

The U. T. Board of Regents' authority to accept certain gifts made to the U. T. System, not a component institution, in an amount of \$500,000 or less and that are not a planned gift or bequest and do not set up an endowment has not been previously delegated by the U. T. Board of Regents. The purpose of the change to the Regents' Rules and Regulations, Part Two, Chapter I, Section 1, Subsection 1.3 is to delegate this authority to the Chancellor.

The amendment to the Regents' Rules and Regulations, Part Two, Chapter II, Section 1, Subsection 1.4 clarifies the authority of the Office of Development and External Relations to administer gifts with a reserved income interest, such as Charitable Remainder Trusts and Pooled Income Funds.

3. U. T. System: Approval of Amendments to the Guidelines for Periodic Performance Evaluation of Tenured Faculty.--Chairman Evans reported that The University of Texas System Guidelines for Periodic Evaluation of Tenured Faculty were approved by the U. T. Board of Regents at the November 1996 meeting and called on Chancellor Cunningham to review the proposed changes to the Guidelines which were before the Board.

Chancellor Cunningham noted that the proposed revisions to the Guidelines are in compliance with Senate Bill 149, passed by the 75th Texas Legislature, Regular Session, which added Section 51.942 to the Texas Education Code concerning periodic performance evaluation of tenured faculty. The proposed revisions include the terminology "periodic performance evaluation," the use of administrative service within the measures of evaluation, change the required time for evaluation from "at least every five years" to "at least every six years," and change the effective date of the review policy from September 1997 to January 1998, all as included in the new law. Section 51.942 also provides in part that a governing board may not waive periodic evaluation for any tenured faculty member. The proposed revisions make clear that, while deferrals of the process may be appropriate under limited circumstances, no waivers will be made.

Dr. Cunningham further noted that the proposed revisions to the Guidelines also respond to a requirement that a faculty member subject to termination on the basis of the periodic evaluation process be given an opportunity for referral of the matter to alternative dispute resolution. See Page 65 related to an amendment to the Regents' Rules and Regulations to include this requirement in text related to termination of tenured faculty for cause.

Section 51.942 requires that advice and comments from faculty be sought and given the utmost consideration by the governing board prior to the adoption of rules and procedures for periodic performance evaluation. Substantial faculty input was garnered and comments from members of the U. T. System Faculty Advisory Council were considered prior to adoption of the Guidelines in November 1996 and comments on the proposed revisions to the Guidelines have been received from the U. T. System Faculty Advisory Council. Additional advice and comments from faculty will be obtained prior to consideration of institutional policies by the U. T. Board of Regents in November 1997.

Chancellor Cunningham reported that evaluation of tenured faculty was also the subject of a rider to the General Appropriations Act. Item 42 of Article III of the Act (entitled "Post Tenure Review") requires that a governing

board enact post tenure review policies for tenured faculty prior to the expenditure of any funds appropriated by the Act.

Following Dr. Cunningham's review of the proposed revisions, Chairman Evans introduced Dr. Michael Siciliano, Chairman of the U. T. System Faculty Advisory Council and holder of the Muller Professorship in Molecular Genetics at The University of Texas M.D. Anderson Cancer Center, who had requested permission to speak to the proposed amendments to the Guidelines for the review of tenured faculty.

Dr. Siciliano noted that of all the great sacred cows that exist in academia there is none so sacred as tenure, and the reason for tenure being so protected is that it is the key to academic freedom. He pointed out that any kind of post tenure review, if it detracts from academic freedom, would be unacceptable to faculty within the U. T. System. Dr. Siciliano stated that the faculty would prefer that the administration look at annual reviews of faculty members. As the component institutions produce their individual policies for post tenure review, Dr. Siciliano suggested that the institutions emphasize a good annual review system. He noted that if good annual reviews are in place then hopefully the system would have a seamless process to determine when a faculty member should be terminated.

In closing, Dr. Siciliano stated that he was prepared to say that academic freedom is alive and well within the U. T. System as a result of the proposed revisions to the Guidelines and noted the faculty's support of the revisions.

On behalf of the Board, Chairman Evans expressed appreciation to Dr. Siciliano for his comments and involvement in the U. T. System and higher education. Mr. Evans noted that he supported annual performance reviews for all employees within the U. T. System to ensure each employee understands his/her performance relative to established benchmarks.

Without objection, the Board amended the U. T. System Guidelines for Periodic Performance Evaluation of Tenured Faculty to read as set forth on Pages 11 - 15.

# The University of Texas System

## Guidelines for Periodic Performance Evaluation of Tenured Faculty

### Preamble

The U. T. Board of Regents recognizes the time-honored practice of tenure for university faculty as an important protection of free inquiry, open intellectual and scientific debate, and unfettered criticism of the accepted body of knowledge. Academic institutions have a special need for practices that protect freedom of expression, since the core of the academic enterprise involves a continual reexamination of ideas. Academic disciplines thrive and grow through critical analysis of conventions and theories. Throughout history, the process of exploring and expanding the frontiers of learning has necessarily challenged the established order. That is why tenure is so valuable, not merely for the protection of individual faculty members but also as an assurance to society that the pursuit of truth and knowledge commands our first priority. Without freedom to question, there can be no freedom to learn.

The U. T. Board of Regents supports a system of periodic evaluation of all tenured faculty. Periodic evaluation is intended to enhance and protect, not diminish, the important guarantees of tenure and academic freedom. The purpose of periodic evaluation is to provide guidance for continuing and meaningful faculty development; to assist faculty to enhance professional skills and goals; to refocus academic and professional efforts, when appropriate; and to assure that faculty members are meeting their responsibilities to the University and the State of Texas. The U. T. Board of Regents is pledged to regular monitoring of this system to make sure that it is serving its intended purposes and does not in any way threaten tenure as a concept and practice. In implementing the plan, component institutions shall maintain an appropriate balance of emphasis on teaching, research, service, and other duties of faculty.

## Guidelines

Each component institution of The University of Texas System will develop an institutional policy and plan consistent with the following guidelines for the periodic performance evaluation of tenured faculty effective January 1, 1998, with actual evaluation to begin no later than the Fall Semester 1998. Institutional policies are to be developed with appropriate faculty input, including consultation with and guidance from faculty governance organizations, and are to be included in each institutional Handbook of Operating Procedures after review and appropriate administrative approval and submission to the U. T. Board of Regents for review and final approval. Periodic evaluations, while distinct from the annual evaluation process now required of all employees, may be integrated with the annual evaluation process to form a single comprehensive faculty development and evaluation process. Nothing in these guidelines or the application of institutional evaluation policies shall be interpreted or applied to infringe on the tenure system, academic freedom, due process, or other protected rights nor to establish new term-tenure systems or to require faculty to reestablish their credentials for tenure.

Institutional Handbook of Operating Procedures policies should be drafted to establish a streamlined, efficient process and should include the following minimum elements for periodic evaluation:

1. Evaluation of tenured faculty will continue to be performed annually with a comprehensive periodic evaluation of all tenured faculty performed every six years. The evaluation may not be waived for any tenured faculty member but may be deferred in rare circumstances when the review period will coincide with approved leave, comprehensive review for tenure, promotion, or appointment to an endowed position. No deferral of review of an active faculty member may extend beyond one year from the scheduled review. Institutional policy may specify that periods when a faculty member is on leave need not be counted in calculating when the comprehensive evaluation is required.

The requirement of periodic review does not imply that individuals with unsatisfactory annual evaluations may not be subject to further review and/or appropriate administrative action.

2. The evaluation shall include review of the faculty member's professional responsibilities in teaching, research, service, patient care, and administration.
3. Reasonable individual notice of at least six months of intent to review will be provided to a faculty member.
4. The faculty member being evaluated shall submit a résumé, including a summary statement of professional accomplishments, and shall submit or arrange for the submission of annual reports and teaching evaluations. The faculty member may provide copies of a statement of professional goals, a proposed professional development plan, and any other additional materials the faculty member deems appropriate.
5. In accordance with institutional policy, initial evaluation of the faculty member's performance may be carried out by the department, department chair (or equivalent), dean, or peer review panel, but in any event must be reported to the chair (or equivalent) and dean for review. Evaluation shall include review of the current résumé, student evaluations of teaching for the review period, annual reports for the review period, and all materials submitted by the faculty member.
6. If peer review is not required by institutional policy, the peer review process may be initiated by the faculty member, department chair (or equivalent) or dean. If peer committees are involved, the members shall be representative of the college/school and will be appointed, on the basis of their objectivity and academic strength, by the dean in consultation with the tenured faculty in the college/school or pursuant to other process as

defined in institutional policies. If peer review is involved, the faculty member will be provided with an opportunity to meet with the committee or committees.

7. Results of the evaluation will be communicated in writing to the faculty member, the department chair/dean, the chief academic officer, and the president for review and appropriate action.

Possible uses of the information contained in the report should include the following:

- For individuals found to be performing well, the evaluation may be used to determine salary recommendations, nomination for awards, or other forms of performance recognition.
- For individuals whose performance indicates they would benefit from additional institutional support, the evaluation may be used to provide such support (e.g., teaching effectiveness assistance, counseling, or mentoring in research issues/service expectations).
- For individuals found to be performing unsatisfactorily, review to determine if good cause exists for termination under the current Regents' Rules and Regulations may be considered. All proceedings for termination of tenured faculty on the basis of periodic performance evaluation shall be only for incompetency, neglect of duty or other good cause shown and must be conducted in accordance with the due process procedures of the Regents' Rules and Regulations, Part One, Chapter III, Section 6 including an opportunity for referral of the matter to alternative dispute resolution. Such proceedings must also include a list of specific charges by the chief administrative officer and an opportunity for a hearing before a faculty tribunal. In all such cases, the burden of proof shall be on the institution, and the rights of a faculty member to due process and academic freedom shall be protected.



The acceptance and success of periodic evaluation for tenured faculty will be dependent upon a well-executed, critical process and an institutional commitment to assist and support faculty development. Thus, remediation and follow-up review for faculty who would benefit from such support, as well as the designation of an academic administrator with primary responsibility for monitoring such needed follow-up activities, are essential.

4. U. T. System: Adoption of a Trademark Policy.--In 1981, the U. T. Board of Regents approved a trademark protection and licensing program for The University of Texas System. In 1983, the Office of General Counsel developed rules and regulations to administer the program (the Trademark Policy). Since the program has grown in importance and revenue generation and now requires some modification to and formal approval by the U. T. Board of Regents of the Trademark Policy, the Board adopted the U. T. System Trademark Policy as set out on Pages 16 - 20.

The Trademark Policy explains the features of the trademark license, the need for and character of use restrictions, and creates a structure that will allow the U. T. System to allocate responsibility for trademark agreement review and revision to component institutions with appropriate guidance from the Office of General Counsel, much as patent and technology license agreements are currently handled.

## TRADEMARK POLICY

In 1981, the Board of Regents of The University of Texas System approved a program to protect and license trademarks of its component institutions. That program included the following elements:

- a. Authorization to file applications for state and federal registration of University trademarks, such as the names, seals, logos and mascots of all component institutions, in the name of the Board of Regents.
- b. Approval of a standard trademark license agreement permitting commercial use of University trademarks on products with a royalty on the sale of such products.
- c. Delegation of authority to execute trademark license agreements on behalf of the Board of Regents.
- d. Authorization for component institutions to use royalties that exceed the expenses of registration and administration of licensing to establish appropriate scholarship programs.

The Regents' Rules and Regulations place responsibility for administering the trademark licensing program in the Office of General Counsel.

### TRADEMARK LICENSING GUIDELINES

The standard trademark license agreement contains the following provisions:

**License Grant**--A nonexclusive right to use the licensed marks in the United States on and in connection with licensed products of quality acceptable to the Board of Regents.

**Term of Agreement**--Three (3) years unless licensee wants a shorter term.

**Payments by Licensee**--A license issue fee at the time the agreement is executed; a continuing royalty on all licensed products sold; and a minimum annual royalty.

**Exemptions from Royalty Payments**--There shall be no exemptions from royalty payments on licensed products, including those products sold to a University-owned

entity by the licensee and products purchased solely for the purpose of resale, except as provided in these Guidelines.

**Quarterly Reports**--Licensees must submit quarterly reports stating the total sales of all licensed products for that period and remit at that time the amount of royalties due from those sales.

**Delinquent Payments**--Assessed a late charge at the maximum rate of interest permitted by law.

**Right to Audit Licensees**--To examine the licensee's books of account and records related to the licensed products to determine the accuracy of the statements submitted by licensees. If an examination reveals underpayment by more than five percent (5%) of the total due, the licensee shall bear the costs of the audit.

**Default and Termination**--If a default is not cured within thirty (30) days of notice, a notice of termination shall be served on licensee.

**Sublicensing or Transferring Rights**--No right to sublicense and any change or proposed change in the ownership or control of licensee's business must be provided to the Board of Regents.

**Quality Control of Licensed Products**--All licensed products shall be products of quality as determined by the Board of Regents or its representative. Licensees are required to furnish to the Board of Regents or its representative, for approval and free of cost, a sample of each licensed product before sale or distribution.

**Packaging and Advertising of Licensed Products**--All packaging and advertising bearing any licensed mark shall be subject to prior approval by the Board of Regents or its representative.

**Indemnification by Licensee**--Licensees are wholly responsible for all products manufactured or sold by them and must indemnify and hold harmless The University of Texas System, its Regents, officers, employees and agents for any liability, loss, damage, cost or expense attributable to any of licensee's products bearing the trademarks of any component institution of the System.

## **TRADEMARK USE RESTRICTIONS**

To fully protect The University of Texas System trademarks so that they remain valuable assets for years to come, System registers the marks and manages them through licensing. These two steps would not be sufficient, however, if System licensed the marks for any and every proposed use. For example, some uses would harm the very reputation that the marks represent. In other cases, the nature of goods and services may pose such significant legal risks that they should not be licensed, and some uses may potentially harm the marks unless they are carefully controlled. To protect its marks, System has developed the following use restrictions:

### **The following uses will not be licensed:**

**Stationery**--Business-size, letterhead paper using the name or seal of a component institution of The University of Texas System.

**Alcoholic Beverages**--Distilled alcohol liquors, wines and malt liquors.

**Inherently Dangerous Products**--Such as firearms, explosives, fuels and paints.

**Obscene or Disparaging Products**--Including, but not limited to, nude photographs, caricature poster art or designs that would tend to lower the reputation or degrade the goodwill of the University as represented by the trademarks.

**Sexually Suggestive Products**--Including, but not limited to, inappropriate slogans imprinted on clothing and the configuration of certain novelty items.

**Health Related Products**--All types.

**Staple Foods, Meats and Natural Agricultural Products**--All types.

**Business Names and/or Logos**--All types.

### **System marks licensed for the following uses are limited as described:**

**Services**--Only in accordance with the special requirements of the Office of General Counsel applicable to services.

**Academic Related Products**--Only for the following types of publications:

1. **Sports publications** approved by the institutional chief administrative officer or designee, providing the licensee agrees to include the following disclaimer in the publication:

"Not an Official Publication of The University of Texas (component)".

2. **Literary works** that generally provide historical information about and promote the goodwill of the U. T. System or component institution. System marks may be licensed for such use by permission letter after review by the appropriate institutional officers.

**Advertising**--System marks may be used in the following kinds of advertising, so long as the uses also conform to the special requirements of the Office of General Counsel contained in guidelines, checklists and interactive electronic forms applicable in each case. These are designed to help component institutions conform their agreements to standard expectations regarding both the form and substance of the agreements and the approval of ad copy and layout design.

1. **Licensed product advertisements**, pursuant to the terms of a trademark license agreement.

2. **Informational, congratulatory or "team spirit" advertisements**, pursuant to a permission letter for one-time only use.

3. Corporate **advertisements that focus on the academic and athletic achievements of students and alumni** of a component institution, pursuant to a permission letter for one-time only use with prior approval from the chief administrator or designee.

4. Corporate advertisements that utilize appropriate System trademarks in **official programs** sold or distributed at Intercollegiate Athletic events, pursuant to the terms of an Advertising Agreement.

5. **Promotional activities** utilizing appropriate System trademarks, pursuant to the terms of a Promotional License Agreement. Promotional activities

are activities such as advertising or offering promotional products to further the growth, development, acceptance and/or sale of goods or services.

5. U. T. System: Approval to Restructure the Investment and Educational Purpose Fees for the Long Term Fund (LTF) and Other Endowment and Trust Funds Effective September 1, 1997.--In order to restructure The University of Texas System investment and educational purpose fees for the Long Term Fund (LTF) and other endowment and trust funds effective September 1, 1997, the Board:
  - a. Reduced the current assessment of the LTF fee for investment management from its currently assessed rate of six-hundredths of one percent (0.06%) of the market value of such funds to zero percent (0.00%) of the market value of the LTF
  - b. Authorized the payment of LTF investment management fees from accumulated fund balances in account # Endowment Investment Fee - Management Expense, until such time as such fund balances are depleted
  - c. Authorized the payment of LTF investment management fees from accumulated fund balances in the Quasi-Endowment for Investment Excellence account # until such time as such fund balances are depleted
  - d. Reduced the current assessment of the Administrative Charge to Trust Funds from its currently assessed rate of \$300,000 per year to \$0 per year
  - e. Reduced the current assessment of the LTF fee for educational purposes from its currently assessed rate of four-hundredths of one percent (0.04%) to two-hundredths of one percent (0.02%) of the market value of the LTF.

On December 8, 1988, the U. T. Board of Regents authorized the assessment of an investment fee for all endowments and trusts managed by the U. T. System Office of Asset Management at an annual rate equal to one-tenth of

one percent of the fund's market value which was to be used to fund the Quasi-Endowment for Investment Excellence (Q.E.I.E.) and authorized use of income from the Q.E.I.E. to provide performance compensation for investment professionals employed by the Office of Asset Management.

On August 10, 1995, the U. T. Board of Regents, effective for Fiscal Year 1995-96, (a) maintained the assessment of the investment fee at one-tenth of one percent (0.10%) of the market value of the LTF, (b) discontinued the use of the fee to fund the Q.E.I.E., (c) authorized the use of the fee to fund educational purposes at U. T. System Administration in an amount equal to four-hundredths of one percent (0.04%) of the market value of the LTF, and (d) authorized the use of the fee to fund expenses related to the management of endowments and trusts by the Office of Asset Management in an amount equal to six-hundredths of one percent (0.06%) of the market value of the LTF.

The restructuring of the fees will provide eventually for the payment of all LTF investment management expenses directly from the LTF and consolidate all current assessments by the U. T. System for educational purposes into a single fee.

6. U. T. System: Report of Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for March 1, 1997 Through May 31, 1997.--Vice Chancellor for Development and External Relations Perry reviewed the Summary of Gift Acceptance and Related Administrative Actions Conforming to Board Policy for The University of Texas System for the period March 1, 1997 through May 31, 1997, as set forth on Pages 22 - 26.

Vice Chancellor Perry reported that during this period 101 items conforming to Board policy were approved including the acceptance of \$15,066,659 in gifts. Other matching contributions from previously accepted Board-held matching funds totaled \$2,030,000 and previously reported gifts totaled \$38,919.

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

**ACCEPTANCE OF GIFTS HELD BY BOARD**

| #ALL<br>ITEMS | COMPONENT<br>INSTITUTION | ASSET TYPES  |              |                |              |          |              |              | MATCHING<br>FUNDS | TOTAL VALUE |
|---------------|--------------------------|--------------|--------------|----------------|--------------|----------|--------------|--------------|-------------------|-------------|
|               |                          | CASH         | SECURITIES   | REAL<br>ESTATE | PLEDGES      | OTHER    | TRANSFERS    |              |                   |             |
| 6             | U. T. Arlington          | \$ 377,191   | \$           | \$             | \$ -         | \$ -     | \$ 13,080    | \$           | \$ 390,271        |             |
| 33            | U. T. Austin             | \$ 5,124,010 | \$ 110,591   | \$ 12,450      | \$ 30,000    | \$ 3,162 | \$ 13,538    | \$ 45,000    | \$ 5,274,832 *    |             |
| 1             | U. T. Brownsville        | \$ 25,000    | \$           | \$             | \$           | \$ -     | \$           | \$ -         | \$ 25,000         |             |
| 5             | U. T. El Paso            | \$ 107,129   | \$ 110,319   | \$             | \$ -         | \$ -     | \$ 863       | \$           | \$ 218,311        |             |
| 6             | U. T. Permian Basin      | \$ 34,223    | \$ 591,000   | \$             | \$ 15,000    | \$       | \$ 777       | \$           | \$ 641,000        |             |
| 1             | U. T. Tyler              | \$ 30,000    | \$           | \$ -           | \$ -         | \$ -     | \$           | \$ -         | \$ 30,000         |             |
| 15            | U. T. SWMC-Dallas        | \$ 887,250   | \$           | \$ -           | \$ 25,000    | \$       | \$ 200,000   | \$ 2,005,000 | \$ 1,112,250 *    |             |
| 11            | U. T. M.B.-Galveston     | \$ 869,385   | \$           | \$ -           | \$ 43,000    | \$       | \$ 2,019,100 | \$           | \$ 2,931,485      |             |
| 13            | UTHSC-Houston            | \$ 1,095,000 | \$           | \$             | \$ 1,355,000 | \$       | \$ 926,622   | \$           | \$ 3,376,622      |             |
| 4             | UTHSC-San Antonio        | \$ 76,058    | \$ 5,942     | \$             | \$ 130,000   | \$       | \$ 30,000    | \$           | \$ 242,000        |             |
| 3             | UTMDACC                  | \$ 1,000     | \$ 682,878   | \$             | \$ 100       | \$       | \$           | \$ -         | \$ 683,978        |             |
| 3             | UTHC-Tyler               | \$ 35,000    | \$ 100,910   | \$             | \$ -         | \$ -     | \$ 5,000     | \$           | \$ 140,910        |             |
| 101           | TOTAL                    | \$ 8,661,246 | \$ 1,601,640 | \$ 12,450      | \$ 1,598,100 | \$ 3,162 | \$ 3,208,980 | \$ 2,050,000 | \$ 15,066,659 *   |             |

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- Not included in total: U. T. Austin - \$38,919 of previously reported gifts and \$25,000 of Board-held matching funds;  
U. T. SWMC-Dallas - \$2,005,000 of Board-held matching funds.

NOTE: Compiled by Office of Development and External Relations



**CLASSIFICATION OF GIFTS AND OTHER ACTIONS**

| <u>COMPONENT<br/>INSTITUTION</u> | <u>ENDOWMENTS</u> | <u>CHARITABLE<br/>REMAINDER<br/>TRUSTS</u> | <u>POOLED<br/>INCOME<br/>FUND</u> | <u>REMAINDER<br/>INTERESTS</u> | <u>HELD IN<br/>TRUST<br/>BY OTHERS</u> | <u>CURRENT<br/>PURPOSE</u> | <u>OTHER</u> |
|----------------------------------|-------------------|--|-----------------------------------|--------------------------------|--|----------------------------|--------------|
| U. T. Arlington                  | 6                 | ---  | ---                               | ---                            | ---                                    | 1                          | ---          |
| U. T. Austin                     | 29                | 1  | ---                               | ---                            | 3                                      | 1                          | ---          |
| U. T. Brownsville                | 1                 | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| U. T. El Paso                    | 3                 | ---  | 1                                 | ---                            | 1                                      | ---                        | ---          |
| U. T. Permian Basin              | 4                 | ---  | ---                               | ---                            | 2                                      | ---                        | ---          |
| U. T. Tyler                      | 1                 | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| U. T. SWMC-Dallas                | 12                | ---  | ---                               | ---                            | 4                                      | 2                          | ---          |
| U. T. M.B.-Galveston             | 11                | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| UTHSC-Houston                    | 13                | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| UTHSC-San Antonio                | 4                 | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| UTMDACC                          | 2                 | 1  | ---                               | ---                            | ---                                    | ---                        | ---          |
| UTHC-Tyler                       | 3                 | ---  | ---                               | ---                            | ---                                    | ---                        | ---          |
| <b>TOTAL</b>                     | <b>89</b>         | <b>2</b>                                   | <b>1</b>                          | <b>---</b>                     | <b>10</b>                              | <b>4</b>                   | <b>---</b>   |

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**PURPOSES OF GIFTS HELD BY BOARD AND OTHERS**

| COMPONENT<br>INSTITUTION | ENDOWMENT      |          |                    |           |                       |                        |           |           | CURRENT<br>PURPOSE | OTHER<br>PURPOSE |
|--------------------------|----------------|----------|--------------------|-----------|-----------------------|------------------------|-----------|-----------|--------------------|------------------|
|                          | DIST.<br>CHAIR | CHAIR    | DIST.<br>PROF'SHIP | PROF'SHIP | FACULTY<br>FELLOWSHIP | GRADUATE<br>FELLOWSHIP | SCHOLAR   | OTHER     |                    |                  |
| U. T. Arlington          | ---            |          | ---                | ---       | ---                   | ---                    | 6         | ---       | 1                  | ---              |
| U. T. Austin             | ---            | 2        | ---                | 4         | ---                   | 2                      | 18        | 3         | 1                  | 1                |
| U. T. Brownsville        | ---            | ---      | ---                | ---       | ---                   | ---                    | 1         | ---       | ---                | ---              |
| U. T. El Paso            | ---            | ---      | ---                | ---       | ---                   | ---                    | 2         | ---       | ---                | 2                |
| U. T. Permian Basin      | ---            | 1        | ---                | ---       | ---                   | ---                    | 3         | ---       | ---                | 2                |
| U. T. Tyler              | ---            | ---      | ---                | ---       | ---                   | ---                    | 1         | ---       | ---                | ---              |
| U. T. SWMC-Dallas        | 1              | 2        | 1                  | 2         | ---                   | ---                    | 1         | 6         | 2                  | ---              |
| U. T. h&B.-Galveston     | 1              | ---      | 7                  | ---       | ---                   | ---                    | 1         | 1         | ---                | ---              |
| UTHSC-Houston            | ---            | 1        | 5                  | 1         | ---                   | ---                    | ---       | 4         | ---                | ---              |
| UTHSC-San Antonio        | ---            | ---      | ---                | 2         | ---                   | ---                    | ---       | 2         | ---                | ---              |
| <b>UTMDACC</b>           |                | ---      | ---                | ---       | ---                   | ---                    | ---       | 1         |                    | 1                |
| UTHC-Tyler               | ---            | ---      | ---                | ---       | ---                   | ---                    | 1         | 2         | ---                | ---              |
| <b>TOTAL</b>             | <b>2</b>       | <b>6</b> | <b>13</b>          | <b>9</b>  | <b>---</b>            | <b>2</b>               | <b>34</b> | <b>19</b> | <b>4</b>           | <b>6</b>         |

Total purposes may not equal the total number of items **because** some items pertain to multiple purposes.

**OTHER ADMINISTRATIVE ACTIONS**

| <u>COMPONENT<br/>INSTITUTION</u> | <u>ESTABLISH<br/>ENDOWMENT</u> | <u>REDESIGNATE<br/>ENDOWMENT LEVEL</u> | <u>OTHER<br/>REDESIGNATION</u> | <u>DISSOLVE<br/>ENDOWMENT</u> | <u>APPROVE/ALLOCATE<br/>MATCHING</u> | <u>ACCEPT<br/>TRUSTEESHIP</u> | <u>OTHER</u> |
|----------------------------------|--------------------------------|--|--------------------------------|-------------------------------|--------------------------------------|-------------------------------|--------------|
| U. T. Arlington                  | 6                              | ---                                    | ---                            | ---                           | ---                                  | ---                           | ---          |
| U. T. Austin                     | 24                             | 1                                      | 6                              | ---                           | 3                                    | 1                             | ---          |
| U. T. Brownsville                | 1                              | ---                                    | ---                            | ---                           | ---                                  | ---                           | ---          |
| U. T. El Paso                    | 2                              | ---                                    | 1                              | ---                           | ---                                  | ---                           | ---          |
| U. T. Permian Basin              | 4                              | ---                                    | ---                            | I-                            | -                                    | ---                           | ---          |
| U. T. Tyler                      | 1                              | ---                                    | ---                            | ---                           | ---                                  | ---                           | ---          |
| <b>U. T. SWMC-Dallas</b>         | 13                             | ---                                    | ---                            | ---                           | 9                                    | ---                           | ---          |
| <b>U. T. M.B.-Galveston</b>      | 10                             | ---                                    | 1                              | ---                           | ---                                  | ---                           | ---          |
| UTHSC-Houston                    | 11                             | 1                                      | 1                              | ---                           | 8                                    | ---                           | ---          |
| UTHSC-San Antonio                | 4                              | ---                                    | ---                            | ---                           | 2                                    | ---                           | --           |
| <b>UTMDACC</b>                   | 1                              | ---                                    | 1                              | ---                           | ---                                  | 1                             | ---          |
| UTHC-Tyler                       | 3                              | ---                                    | ---                            | ---                           | ---                                  | ---                           | ---          |
| <b>TOTAL</b>                     | 80                             | 2                                      | 10                             | ---                           | 22                                   | 2                             | ---          |

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

| COMPONENT<br>INSTITUTION | FY 1996<br>FULL YEAR | FISCAL YEAR 1997     |                      |                      | FULL YEAR |
|--------------------------|----------------------|----------------------|----------------------|----------------------|-----------|
|                          |                      | 9/1/96 - 11/30/96    | 12/1/96 - 2/28/97    | 3/1/97 - 5/31/97     |           |
| U. T. System             | \$ 40,000            | \$ ---               | \$ ---               | \$ ---               |           |
| U. T. Arlington          | \$ 157,630           | \$ ---               | \$ ---               | \$ 390,271           |           |
| U. T. Austin             | \$ 11,922,027        | \$ 3,220,599         | \$ 1,197,147         | \$ 5,274,832         |           |
| U. T. Brownsville        | \$ ---               | \$ ---               | \$ ---               | \$ 25,000            |           |
| U. T. Dallas             | \$ 770,000           | \$ ---               | \$ 67,313            | \$ ---               |           |
| U. T. El Paso            | \$ 627,444           | \$ 2,115,682         | \$ 343,080           | \$ 218,311           |           |
| U. T. Pan American       | \$ ---               | \$ 150,000           | \$ 469,025           | \$ ---               |           |
| U. T. Permian Basin      | \$ 362,077           | \$ ---               | \$ ---               | \$ 641,000           |           |
| U. T. San Antonio        | \$ 645,959           | \$ 25,000            | \$ 55,500            | \$ ---               |           |
| U. T. Tyler              | \$ 886,046           | \$ 25,000            | \$ ---               | \$ 30,000            |           |
| U. T. SWMC-Dallas        | \$ 13,409,431        | \$ 4,107,068         | \$ 5,772,153         | \$ 1,112,250         |           |
| U. T. M.B.-Galveston     | \$ 7,392,043         | \$ 1,933,594         | \$ 3,258,170         | \$ 2,931,485         |           |
| UTHSC-Houston            | \$ 2,872,941         | \$ 465,914           | \$ 620,000           | \$ 3,376,622         |           |
| UTHSC-San Antonio        | \$ 1,525,008         | \$ 631,753           | \$ 1,465,454         | \$ 242,000           |           |
| UTMDACC                  | \$ 3,267,099         | \$ 741,404           | \$ ---               | \$ 683,978           |           |
| U. T. HC-Tyler           | \$ 1,064,117         | \$ ---               | \$ ---               | \$ 140,910           |           |
| UTEP and UTMB            | \$ 1,028,125         | \$ ---               | \$ ---               | \$ ---               |           |
| U. T. Austin/UTMDACC     | \$ ---               | \$ ---               | \$ 28,048            | \$ ---               |           |
| <b>TOTAL</b>             | <b>\$ 45,969,947</b> | <b>\$ 13,416,014</b> | <b>\$ 13,275,890</b> | <b>\$ 15,066,659</b> |           |

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7. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Authorization to Amend Chapter II (Administration), Section 3 (Chancellor); Delete Section 4 (Executive Vice Chancellor for Academic Affairs); Renumber Sections 5 and 6 (Executive Vice Chancellor for Health Affairs and Executive Vice Chancellor for Business Affairs); and Add New Section 6 (Vice Chancellor for Academic Affairs) Effective September 1, 1997, and Authorization for the Executive Secretary to the Board, in Consultation with the Vice Chancellor and General Counsel, to Make Such Editorial Changes in the Remainder of the Regents' Rules and Regulations as are Appropriate.--After careful review by the Chancellor, in consultation with Mr. Donald L. Evans, Chairman of the U. T. Board of Regents, and Mr. Lowell H. Lebermann, Jr., Chairman of the Academic Affairs Committee, a decision was made to restructure the reporting responsibilities related to the academic affairs programs in The University of Texas System to be effective September 1, 1997.

In order to reflect the organizational change in the management of the U. T. System Office of Academic Affairs, the Board amended the Regents' Rules and Regulations, Part One, Chapter II (Administration) as set forth below and authorized the Executive Secretary to the Board of Regents, in consultation with the Vice Chancellor and General Counsel, to make any editorial changes in the remainder of the Regents' Rules and Regulations as are appropriate to be consistent with the organizational and administrative changes set forth in these amendments.

- a. Section 3 (Chancellor) was amended to read as set forth below:

Sec. 3. Chancellor.

The Chancellor is the chief executive officer of The University of Texas System. The Chancellor reports to and is responsible to the Board of Regents of The University of Texas System. The Chancellor has direct line responsibility for all aspects of the U. T. System's operations and has direct operational responsibility for the management and conduct of the academic affairs of the

System. The chief administrative officers of the general academic institutions shall report to and are responsible to the Chancellor.

. . . .

- b. Present Section 4 (Executive Vice Chancellor for Academic Affairs) was deleted in its entirety.
- c. Present Section 5 (Executive Vice Chancellor for Health Affairs) and Section 6 (Executive Vice Chancellor for Business Affairs) were renumbered as Sections 4 and 5, respectively.
- d. A new Section 6 (Vice Chancellor for Academic Affairs) was added to read as follows:

Sec. 6. Vice Chancellor for Academic Affairs.

The Vice Chancellor for Academic Affairs reports to and is responsible to the Chancellor. The Vice Chancellor for Academic Affairs is responsible for the programs of the System related to academic affairs. The Vice Chancellor for Academic Affairs has direct access to the Board of Regents and is expected to work directly with the appropriate committees of the Board in discharging the duties of the office.

6.1 Appointment and Tenure.

The Vice Chancellor for Academic Affairs shall be appointed by the Board after nomination by the Chancellor. The Vice Chancellor for Academic Affairs shall hold office without fixed term, subject to the pleasure of the Chancellor. The Chancellor's actions concerning the Vice Chancellor for Academic Affairs are subject to review and approval by the Board.

6.2 Duties and Responsibilities.

The primary responsibilities of the Vice Chancellor for Academic Affairs include:

- 6.21 The provision of staff assistance to the Chancellor and the Executive Vice Chancellors in the execution of their responsibilities.

- 6.22 Submitting recommendations to the Chancellor regarding the maintenance of high academic quality in the general academic components of the System.
- 6.23 Reviewing and making recommendations on the budgets, academic planning and programs, facilities planning and construction, and personnel (both academic and nonacademic) of the academic components.
- 6.24 In consultation with the Chancellor, ensuring that appropriate internal controls are implemented and monitored in the general academic components of the System.
- 6.25 Ensuring that the governance requirements for accreditation not specifically covered elsewhere in these policies, procedures, and Rules and Regulations are met.
- 6.26 Reporting the accreditation status of the academic institutions to the Chancellor and to the Board of Regents periodically.
- 6.27 Performing such other duties as may be assigned by the Chancellor.

It was noted that the chief administrative officers of the academic components will report to and be responsible to the Chancellor. The position of Executive Vice Chancellor for Academic Affairs will be eliminated, and the Office of Academic Affairs will be managed by a Vice Chancellor for Academic Affairs who will provide staff assistance to the Chancellor regarding all aspects of academic affairs as outlined in the new Section 6, Chapter II, Part One of the Regents' Rules and Regulations. As a result of this reorganization, Dr. James P. Duncan has resigned his position as Executive Vice Chancellor for Academic Affairs effective August 31, 1997.

Chancellor Cunningham noted that Dr. Duncan has provided invaluable leadership for the U. T. System since 1983. His guidance, counseling, and support of the academic presidents and the diverse missions of the component institutions will continue to be of enormous benefit to the U. T. System and higher education in Texas for many years. After a year of administrative leave to prepare, Dr. Duncan will return to teaching as a member of the faculty of the College of Education at The University of Texas at Austin.

Chairman Evans pointed out that Dr. Duncan has provided invaluable leadership to the academic institutions and his leadership and dedicated service will have a lasting, positive effect on higher education.

Regent Lebermann stated that the decision to restructure the U. T. System Office of Academic Affairs came about after reviewing the policies of other universities and colleges and was designed to reduce administrative costs and make operations more efficient.

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

U. T. System: Report on Investments for the Fiscal Quarter Ended May 31, 1997.--On behalf of The University of Texas Investment Management Company (UTIMCO), Regent Hicks, Chairman of the UTIMCO Board, summarized the Report on Investments for The University of Texas System for the fiscal quarter ending May 31, 1997, for the Permanent University Fund, Long Term Fund, Short/Intermediate Term Fund, and Separately Invested Assets.

Report by Regent Hicks on Behalf of UTIMCO

Mr. Chairman and members of the Board, I am pleased to summarize on behalf of UTIMCO the investments for The University of Texas System for the fiscal quarter ending May 31, 1997.

Item a on Page 33 presents the summary report for Permanent University Fund (PUF) investments. The PUF began the quarter with a market value of \$5.824 billion. During the quarter, income from the production of minerals on PUF Lands added \$26.4 million of new contributions to the Fund versus \$20.2 million for the second quarter of this fiscal year. In addition, total investment return was \$265.6 million of which \$66.9 million was income return and \$198.7 million was price return. Cash income of \$69.8 million was distributed to the Available University Fund (AUF) resulting in a quarter-end market value of \$6.049 billion.



During the period, \$26.4 million of new contributions and \$33.8 million of bond runoff were allocated to international equities, small cap value equities, alternative equities and the Fund's liquidity reserve. Period-end asset allocation was 62% broadly defined equities and 38% fixed income versus an unconstrained neutral allocation of 80% equities and 20% fixed income. Within equities, period-end allocation to equities was 43% U. S. large and mid cap stocks, 6% U. S. small cap stocks, 7% non-U. S. equities and 6% alternative assets.

PUF income distributions to the AUF of \$69.8 million for the quarter increased by a nominal rate of 4.0% over the May 1996 fiscal quarter and by an inflation adjusted rate of 1.8%. Interest income from fixed income securities, which represents approximately 70% of total income generated, increased by only 0.4%. Dividend income continued to grow increasing by 9.0% primarily due to dividend increases. Finally, income from alternative equities increased by 43% to \$3.0 million from \$2.1 million for the prior May 1996 fiscal quarter.

Total investment return (unannualized) for the quarter was 4.6%. Fixed income as an asset class continued to perform poorly versus equities with the Salomon Broad Bond Index generating a total return of 1.3%. The Fund's fixed income portfolio at 1.2% slightly under performed the index. Equities, as an asset class, continued to generate higher relative returns with the S&P 500 Index and Russell 3000 Index posting returns of 7.8% and 7.0%, respectively. The PUF's equity (including international) portfolios produced a 7.5% return. Finally, alternative investments produced a -0.4% return for the quarter (below their benchmark returns) due to the "j-curve effect" experienced in initiating or expanding such investment programs.

Item b on Page 34 reports summary activity for the Long Term Fund (LTF). During the quarter, net contributions totaled \$17.7 million. Net investment return was \$94.2 million of which \$19.9 million was paid to the 4,375 endowment and other accounts underlying the LTF. The Fund's market value closed the quarter at \$2.016 billion versus \$1.924 billion for the preceding quarter-end. On a per unit basis, each endowment's ownership in the LTF increased from an average of \$4.27 per share to \$4.43 a share.

Asset allocation at quarter-end was 24% fixed income and 76% broadly defined equities (of which 57% was U. S. equities, 15% was non-U. S. equities and 4% was private market assets). For the nine months to date, total unannualized investment return for the Fund was 17.54% and net 12.4% after expenses of 0.18%, inflation of 1.8% and spending of 3.14%.

Item c on Page 35 presents quarterly activity for the Short/Intermediate Term Fund. During the quarter, the Fund received net contributions of \$69 million. It earned \$21.6 million in total return, incurred expenses of \$0.1 million and paid \$23.7 million to U. T. System component institutions. Total return on the Fund was 1.4% for the quarter versus the Fund's performance benchmark of 1.5%.

Item d on Page 36 presents book and market value of cash, fixed income, equity and other securities held in funds outside of internally managed investment pools. Total cash and equivalents consisting primarily of component operating funds held in the money market fund increased by \$20 million to \$587 million at quarter-end. Asset values for the remaining asset types were fixed income securities: \$58 million; equities: \$27 million; and other investments of \$5.8 million.

a. PERMANENT UNIVERSITY FUND

Summary Investment Report at May 31, 1997, --

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

|  | FY95-96      |         |         | FY96-97 |         | Year-To-<br>Date |
|--|--------------|---------|---------|---------|---------|------------------|
|  | Full<br>Year | 1st Qtr | 2nd Qtr | 3rd Qtr |         |                  |
| Beginning Market Value   | 4,958.5      | 5,292.1 | 5,757.0 | 5,823.8 | 5,292.1 |                  |
| PUF Lands Receipts(2)  | 65.7         | 23.9    | 20.2    | 26.4    | 70.5    |                  |
| Investment Income(3)   | 254.2        | 65.1    | 63.8    | 66.9    | 195.8   |                  |
| Change in Undistributed Income<br>Payable to the Available<br>University Fund(3) | (0.6)        | 3.8     | (2.7)   | 2.9     | 4.0     |                  |
| Investment Income Distributed<br>on Cash Basis(3)                                | (253.6)      | (68.9)  | (61.1)  | (69.8)  | (199.8) |                  |
| Realized Gains (Losses)  | 196.8        | 45.4    | 55.2    | 43.8    | 144.4   |                  |
| Change in Unrealized Gains (Losses)  | 71.1         | 395.6   | (8.6)   | 154.9   | 541.9   |                  |
| Ending Market Value  | 5,292.1      | 5,757.0 | 5,823.8 | 6,048.9 | 6,048.9 |                  |
| Distributed to the AUF:  |              |         |         |         |         |                  |
| Investment Income  | 253.6        | 68.9    | 61.1    | 69.8    | 199.8   |                  |
| Surface Income   | 4.8          | 1.1     | 1.5     | 0.8     | 3.4     |                  |
| Total  | 258.4        | 70.0    | 62.6    | 70.6    | 203.2   |                  |

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

- (1) Excludes PUF Lands mineral and surface interests with estimated June 30, 1996 values of \$410.1 million and \$158.7 million, respectively.
- (2) As of May 31, 1997: 902,489 acres under lease; 520,438 producing acres; 2,950 active leases; and 2,054 producing leases.
- (3) Change in presentation to reflect investment income earned as well as cash income distributed to the AUF.

b. LONG TERM FUND

Summary Investment Report at May 31, 1997.

LONG TERM FUND  
SUMMARY REPORT  
(\$ millions)

|   | FY95-96     |             | FY96-97     |             |         | Year-To-<br>Date |
|---|-------------|-------------|-------------|-------------|---------|------------------|
|   | Full Year   | 1st qtr     | 2nd Qtr     | 3rd Qtr     |         |                  |
| Beginning Net Assets                                  | 1,558.8     | 1,712.1     | 1,876.9     | 1,924.0     | 1,712.1 |                  |
| Net Contributions                                     | 54.1        | 24.7        | 21.4        | 17.7        | 63.8    |                  |
| Investment Return                                     | 182.3       | 160.8       | 46.6        | 95.4        | 302.8   |                  |
| Expenses  | (3.7)       | (1.1)       | (1.1)       | (1.2)       | (3.4)   |                  |
| Distributions (Payout)                                | (76.4)      | (19.5)      | (19.7)      | (19.9)      | (59.1)  |                  |
| Distribution of Gain<br>on Participant<br>Withdrawals | (3.0)       | (0.1)       | (0.1)       | (0.3)       | -       |                  |
| Ending Net Assets                                     | 1,712.1     | 1,876.9     | 1,924.0     | 2,015.7     | 2,016.2 |                  |
| Net Asset Value per Unit                              | 3.897       | 4.211       | 4.269       | 4.432       |         |                  |
| No. of Units (End of<br>Period)                       | 439,352,911 | 445,668,754 | 450,718,468 | 454,803,542 |         |                  |
| Distribution Rate per Unit                            | 0.175       | 0.04375     | 0.04375     | 0.04375     |         |                  |

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

c SHORT/INTERMEDIATE TERM FUND

Summary Investment Report at May 31, 1997.--

SHORT/INTERMEDIATE TERM FUND  
SUMMARY REPORT  
(\$ millions)

|                         | <u>FY95-96</u>   | <u>FY96-97</u> |                |                | <u>Year-To-<br/>Date</u> |
|-------------------------|------------------|----------------|----------------|----------------|--------------------------|
|                         | <u>Full Year</u> | <u>1st Qtr</u> | <u>2nd Qtr</u> | <u>3rd Qtr</u> |                          |
| Beginning Net Assets    | 1,129.5          | 1,332.1        | 1,405.6        | 1,499.9        | 1,332.1                  |
| Net Contributions       | 216.7            | 40.9           | 111.8          | 69.0           | 221.7                    |
| Investment Return       | 58.2             | 52.9           | 4.2            | 21.6           | 78.7                     |
| Expenses                | (0.2)            | (0.1)          | (0.1)          | (0.1)          | (0.3)                    |
| Distributions of Income | <u>(72.1)</u>    | <u>(20.2)</u>  | <u>(21.6)</u>  | <u>(23.7)</u>  | <u>(65.5)</u>            |
| Ending Net Assets       | 1,332.1          | 1,405.6        | 1,499.9        | 1,566.7        | 1,566.7                  |

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

d. SEPARATELY INVESTED ASSETS

Summary Investment Report at May 31, 1997.--

**SEPARATELY INVESTED ASSETS  
SUMMARY REPORT  
(\$ thousands)**

| ASSET TYPES                    | FUND TYPE       |               |               |               |              |                 |                |               |              |               |                 |               |             |               |
|--------------------------------|-----------------|---------------|---------------|---------------|--------------|-----------------|----------------|---------------|--------------|---------------|-----------------|---------------|-------------|---------------|
|                                | CURRENT PURPOSE |               |               |               | ENDOWMENT &  |                 | ANNUITY & LIFE |               | AGENCY FUNDS |               | OPERATING FUNDS |               | TOTAL       |               |
|                                | DESIGNATED      | RESTRICTED    | SIMILAR FUNDS | INCOME FUNDS  | AGENCY FUNDS | OPERATING FUNDS | TOTAL          | TOTAL         | TOTAL        | TOTAL         | TOTAL           | TOTAL         | TOTAL       | TOTAL         |
| <b>Cash &amp; Equivalents:</b> | <u>BOOK</u>     | <u>MARKET</u> | <u>BOOK</u>   | <u>MARKET</u> | <u>BOOK</u>  | <u>MARKET</u>   | <u>BOOK</u>    | <u>MARKET</u> | <u>BOOK</u>  | <u>MARKET</u> | <u>BOOK</u>     | <u>MARKET</u> | <u>BOOK</u> | <u>MARKET</u> |
| Beginning value 3/1/97         | 3,423           | 3,423         | 2,178         | 2,178         | 28,915       | 28,915          | 1,366          | 1,366         | 3            | 3             | 530,999         | 530,999       | 566,884     | 566,884       |
| Increase/(Decrease)            | (197)           | (197)         | 566           | 566           | (5,443)      | (5,443)         | (953)          | (953)         | 127          | 127           | 26,015          | 26,015        | 20,115      | 20,115        |
| Ending value 5/3 1/97          | 3,226           | 3,226         | 2,744         | 2,744         | 23,472       | 23,472          | 413            | 413           | 130          | 130           | 557,014         | 557,014       | 586,999     | 586,999       |
| <b>Debt Securities:</b>        |                 |               |               |               |              |                 |                |               |              |               |                 |               |             |               |
| Beginning value 3/1/97         | 9,576           | 9,582         | 7             | 4             | 42,721       | 43,170          | 8,047          | 8,282         | .            | .             | 6,473           | 6,522         | 66,824      | 67,560        |
| Increase/(Decrease)            | (2,879)         | (2,879)       | .             | .             | (628)        | (714)           | 389            | 332           | .            | .             | (6,473)         | (6,522)       | (9,591)     | (9,783)       |
| Ending value 5/3 1/97          | 6,697           | 6,703         | 7             | 4             | 42,093       | 42,456          | 8,436          | 8,614         | .            | .             | .               | .             | 57,233      | 57,777        |
| <b>Equity Securities:</b>      |                 |               |               |               |              |                 |                |               |              |               |                 |               |             |               |
| Beginning value 3/1/97         | 52              | 1,492         | 166           | 166           | 14,522       | 20,069          | 2,589          | 2,887         | .            | .             | .               | .             | 17,329      | 24,614        |
| Increase/(Decrease)            |                 | (479)         | (8)           | (8)           | 1,471        | 2,217           | 1,159          | 1,336         | .            | .             | .               | .             | 2,622       | 3,066         |
| Ending value 5/3 1/97          | 52              | 1,013         | 158           | 158           | 15,993       | 22,286          | 3,748          | 4,223         | .            | .             | .               | .             | 19,951      | 27,680        |
| <b>Other:</b>                  |                 |               |               |               |              |                 |                |               |              |               |                 |               |             |               |
| Beginning value 3/1/97         |                 |               | 658           | 658           | (658)        | (658)           | 5,365          | 5,535         | .            | .             | .               | .             | 5,365       | 5,535         |
| Increase/(Decrease)            |                 |               | 31            | 31            | (30)         | (30)            | (76)           | 271           | .            | .             | .               | .             | (75)        | 272           |
| Ending value 5/3 1/97          |                 |               | 689           | 689           | (688)        | (688)           | 5,289          | 5,806         | .            | .             | .               | .             | 5,290       | 5,807         |

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

RECESS FOR COMMITTEE MEETINGS AND COMMITTEE REPORTS TO THE BOARD.--At 9:40 a.m., the Board recessed for the meetings of the Standing Committees, and Chairman Evans announced that at the conclusion of each committee meeting the Board would reconvene to approve the report and recommendations of that committee.

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

REPORTS AND RECOMMENDATIONS OF STANDING COMMITTEES

REPORT OF EXECUTIVE COMMITTEE (Page 38 ).--In compliance with Section 7.14 of Chapter I of Part One of the Regents' Rules and Regulations, Chairman Evans reported that there were no items referred from the Executive Committee to the Board.



REPORT AND RECOMMENDATIONS OF THE BUSINESS AFFAIRS AND AUDIT COMMITTEE (Pages 39 - 63).--Committee Chairman Riter reported that the Business Affairs and Audit Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Business Affairs and Audit Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Approval of Chancellor's Docket No. 90 (Catalog Change).--In considering Chancellor's Docket No. 90, Committee Chairman Riter pointed out that on Page A - 37 of The University of Texas at Austin Docket there is a request to approve a new Learning Equipment Fee in the amount of \$16 per semester credit hour for each College of Communication course for which a student is registered. Mr. Riter noted that the members of the Board had received letters and newspaper clippings regarding this fee and realize there has been considerable concern about this fee within the U. T. Austin student body. He then called on President ad interim Flawn to frame the issue and discuss his recommendation.

Dr. Flawn pointed out that outdated equipment has long been a problem in the College of Communication and each department within the College has been in dire need of new equipment. The proposed Learning Equipment Fee is the first long overdue step to correct this problem, and there is general agreement among faculty and students that new equipment is needed. Dr. Flawn pointed out that equipment purchases from the new fee will be distributed throughout each department within the College over the next few years. Without legislative resources and with limited fund-raising potential, this fee is the only way to initiate a program for much needed technological upgrades in the College.

Dr. Flawn introduced the following individuals from U. T. Austin, several having requested permission to speak on the advantages and disadvantages of the proposed fee:

Mr. Randy Cooke, Vice President, Student Government

Mr. Carlo Longino, Vice President, Student Council,  
College of Communication

Mr. Marlen D. Whitley, President, Student Government

Ms. Lisa Henken, Chair, Cabinet of College Councils

Ms. Maggie Solomon, Student, Department of Advertising

Ms. Lara Foss, Student, Department of Radio-Television-Film

Mr. Donald Heider, Faculty member, Department of Journalism

Dr. Ellen Wartella, Dean, College of Communication

Following presentations in favor of and opposed to the recommended fee, Dr. Flawn noted that the administration shared the students' concerns in rising student fees but if the College of Communication is to offer a quality education, then the new fee would be a progressive and necessary step to provide the students with the basic tools for their education.

After a detailed discussion of the proposed fee and the need for a constant flow of revenue to keep the equipment technologically current to ensure the students are on the "cutting edge," Chairman Evans thanked the student representatives for their comments.

Upon motion of Regent Riter, seconded by Regent Hicks, the Board approved Chancellor's Docket No. 90 in the form distributed by the Executive Secretary, which includes the new Learning Equipment Fee for the College of Communication at U. T. Austin. It is attached following Page 102 in the official copies of the Minutes and is made a part of the record of this meeting.

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

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

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendment to Chapter VII, Section 7, Subsection 7.1 (Conflict of Interest, Performance of Services, and Use of University Facilities).--Approval was given to amend the Regents' Rules and Regulations, Part One, Chapter VII, Section 7, Subsection 7.1, regarding conflict of interest, performance of services, and use of university facilities, to read as set forth below:

Sec. 7. Conflict of Interest, Performance of Services, and Use of University Facilities.

- 7.1 Unless authorized by the Chancellor, no officer or employee of The University of Texas System or its component institutions shall accept remuneration from or serve as an officer, director, employee, or agent of an external nonprofit corporation or an external entity that has as its primary objective the provision of funds or services for the furtherance of the purposes and duties of the System or its components.

. . . .

This amendment to the Regents' Rules and Regulations permits approval by the Chancellor of work performed by an employee in addition to employment at The University of Texas System and will establish control over an employee's service to a supporting organization while permitting the employee to be appropriately compensated for his/her service.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 1 (Receipts, Admission Tickets, and Charges).--In order to require payment of certain oil and gas royalties to the U. T. Board of Regents by electronic funds transfer, the Board, upon recommendation of the Business Affairs and Audit Committee, amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 1, relating to receipts, admission tickets, and charges, by adding a new Subsection 1.4 and renumbering present Subsections 1.4 and 1.5 as Subsections 1.5 and 1.6 as follows:

Sec. 1. Receipts, Admission Tickets, and Charges.

. . .

- 1.4 Any person who paid oil and gas royalties to the Board in a total amount of \$250,000 or more during a fiscal year, being September 1 to August 31, shall make timely oil and gas royalty payments to the Board by means of electronic funds transfer during the subsequent calendar year. Any person required to submit payments electronically shall also file the required Royalty Payment Summary (Form UT-3) by means of electronic transmission in a manner compatible with the equipment and facilities of the University Lands Accounting Office. The payor shall timely take all actions necessary to facilitate payment of oil and gas royalties by electronic funds transfer and electronic filing of the Form UT-3, including completing any documents required by the Comptroller of the State of Texas and the University Lands Accounting Office. Electronic funds transfers shall be made in accordance with applicable laws, including Section 404.095, Texas Government Code. This Subsection applies only to oil and gas royalties from Permanent University Fund lands to the extent authorized by Section 404.095, Texas Government Code.
- 1.5 Admission tickets, including complimentary tickets, shall have the price of admission indicated thereon, and all such tickets shall be prenumbered, except for certain events where the section, row, and seat number are shown. Admission tickets and coupon books shall be purchased for delivery to the institutional business office and issued to the department

concerned. Unused tickets or books shall be returned along with a prescribed ticket report to the business office within 30 days from the date of the event, and a list showing the names of all persons receiving complimentary tickets shall be a part of the prescribed ticket report. The chief business officer may authorize an exception to the 30-day time limit for submitting ticket reports for a specified event or series of events, provided that the exception must be in writing, and must specify both the reason for the exception and the alternate due date for those ticket reports.

- 1.6 All unpaid (including complimentary, free, or discounted) charges for sales or service of auxiliary enterprises, organized activities, or service departments or similar activities shall be reported to and recorded by the chief business officer or his or her delegate under appropriate internal accounting controls. A list or other documentation showing the authorization and names of all persons receiving complimentary, free, or discounted goods or services and the values thereof shall be furnished to the business office within 30 days from the date such goods were issued or such services were rendered by any auxiliary enterprise, organized activity, or service department or similar activity.

These amendments to the Regents' Rules and Regulations will provide a higher degree of internal control over a greater percentage of oil and gas royalties paid to the Permanent University Fund. In addition, payments made by electronic transfer are received by The University of Texas System University Lands Accounting Office for use in a more timely manner. The long-range plan is to require payors who pay oil and gas royalties of \$60,000 or more per year to make royalty payments by electronic funds transfer and provide the monthly payment summary report in an electronic format. This process will be implemented in stages to accommodate requirements of the State Comptroller's Office.

4. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III (Receipt, Custody, and Disbursement of Moneys; Travel Authorization, Reimbursement, and Institutional Regulations), Section 4 and Chapter IX (Matters Relating to Investments, Trusts, and Lands), Sections 4 and 5.--Upon recommendation of the Business Affairs and Audit Committee, the Board amended the Regents' Rules and Regulations, Part Two, Chapters III and IX as follows:
- a. Chapter III, Section 4 (Local Institutional Funds), Subsection 4.13 was amended to read as set forth below:
- 4.13 Local institutional funds shall be invested in funds approved by UTIMCO based on, at a minimum, the criteria specified in The University of Texas System Investment Policy Statements. UTIMCO shall administer pooled investment funds for the investment of local institutional funds as authorized by the Board. The chief business officer of any component institution may add or withdraw local institutional funds of the component to or from (i) demand deposits, time deposits, or non-negotiable certificates of deposit as set forth in Subsection 4.11 of this Section, (ii) any common trust fund or money market fund approved by UTIMCO or (iii) any investment pool administered by UTIMCO for the investment of such funds on any established addition or withdrawal date of the pool.
- b. Chapter IX, Section 4 (Policy for Investment and Management of U. T. Investment Pools) was amended by deleting present Subsection 4.3 in its entirety, amending present Subsection 4.5, and renumbering present Subsections 4.4 and 4.5 as Subsections 4.3 and 4.4 to read as follows:
- 4.3 The Medical Liability Self-Insurance Fund shall be administered in a manner consistent with all provisions of the Plan for Professional Medical Liability Self-Insurance.
- 4.4 Each pooled income fund established by U. T. shall be administered according to The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, its trust indenture and applicable law.

- c. Chapter IX, Section 5, was amended to read as set forth below:

Sec. 5. Policy for Investment and Management of Endowment, Trust, and Other Accounts Invested Through or Separate from U. T. Investment Pools.

- 5.1 Endowment funds and funds functioning as endowments will be managed in a manner consistent with the U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Uniform Management of Institutional Funds Act (Title 10, Chapter 163, Texas Property Code). These funds will be managed separately and not commingled with the Long Term Fund if the terms of the instrument by which the fund was created preclude investment through the Long Term Fund. In addition, nonmarketable securities held by an endowment fund may be recorded as separately invested. All other endowment funds and funds functioning as endowments will be invested through the Long Term Fund.
- 5.2 Trust funds and other life income accounts will be invested and administered consistent with The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement, U. T. System Gifts Policy Guidelines, prudent person investment standards, and the Texas Trust Code (Title 9, Subtitle B, Texas Property Code).
- 5.3 The provisions of Sections 3.2, 3.3, and 3.4 with respect to the investment and management of the PUF, shall likewise apply to endowment and trust funds except that Subsection 3.21 shall be applied only when such funds are invested through a U. T. investment pool.

- 5.4 Other Accounts as defined in The University of Texas System Separately Invested Endowment, Trust, and Other Accounts Investment Policy Statement shall be invested and administered\_ consistent with that policy.

In February 1997, the U. T. Board of Regents approved new Investment Policy Statements for the various funds under management by The University of Texas Investment Management Company (UTIMCO). These changes to the Regents' Rules and Regulations, Part Two, Chapters III and IX are necessary to conform with the definitions contained in the Investment Policy Statements.

- 5. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Amendments to Chapter III, Section 10 (Travel Authorization, Reimbursement, and Institutional Regulations), Subsection 10.1, Subdivision 10.12.--The Business Affairs and Audit Committee recommended and the Board amended the Regents' Rules and Regulations, Part Two, Chapter III, Section 10, Subsection 10.1, Subdivision 10.12, regarding travel authorization, reimbursement, and institutional regulations, by deleting present Subdivision 10.12 in its entirety and renumbering present Subdivision 10.13 as Subdivision 10.12 as follows:

Sec. 10. Travel Authorization, Reimbursement, and Institutional Regulations.

- 10.1 Authorization for Travel.--Authorization for travel from the city or town where the officer or employee is regularly stationed will be granted by the Board or as hereinafter delegated by the Board, only in advance, as follows:

- 10.11 Requests for authorization to travel shall be transmitted through proper administrative channels to the chief administrative officer or designee for advance written approval.

- 10.12 Requests for authorization to travel by administrative officers and staff of System Administration shall be approved by the Chancellor, appropriate Executive Vice Chancellor, or appropriate Vice Chancellor or designee.

. . . . .



The deletion of current Subdivision 10.12, Subsection 10.1, Section 10, Chapter III, Part Two of the Regents' Rules and Regulations recognizes that the 75th Texas Legislature eliminated the requirement that all foreign travel (except to Mexico or Canada) be approved in advance by the Governor's Office.

6. U. T. Board of Regents - Regents' Rules and Regulations, Part Two: Approval to Amend Chapter IV, Section 5 (Purchase from or Sale to an Officer or Employee).--The Board amended the Regents' Rules and Regulations, Part Two, Chapter IV, Section 5, related to purchase from or sale to an officer or employee, as set forth below:

Sec. 5. Purchase from or Sale to an Officer or Employee.--Purchase from, or sale to, any officer or employee of the System or a component of any supplies, materials, services, equipment, or property must have the prior approval of the chief administrative officer and the appropriate Executive Vice Chancellor or the Chancellor. Any such purchases shall be made only if the cost is less than from any other known source. This Section does not apply to sales or purchases made at public auction and to a purchase(s) of \$1,000 or less of artwork or other product(s) created or crafted by an employee if the work is to be displayed on campus or is to be an award or memento.

This revision to the Regents' Rules and Regulations simplifies the approval of the purchase of unique artwork and other materials created by an employee if the purchased materials are to be displayed on campus or given in recognition or appreciation of service or contributions and if the purchase price is \$1,000 or less.

7. U. T. Board of Regents: Adoption of Second Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System and Authorization for Officers and Employees of the Office of Business Affairs to Execute Documents Relating Thereto.--Upon recommendation of the Business Affairs and Audit Committee, the Board:
- a. Adopted the Second Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System substantially in the form set out on Pages 49 - 55 to authorize the additional revenues as specified in Subchapter B, Chapter 54, Texas Education Code, Section 54.0513
  - b. Authorized the officers and employees of the Office of Business Affairs to take any and all steps necessary to carry out the intentions of the U. T. Board of Regents to complete the transaction.

The 75th Texas Legislature amended Section 54.004 of the Texas Education Code by adding Section 54.0513 to redesignate the building use fee as tuition. Section 55.01 was also amended to redefine revenue funds to include the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income from those funds. With Section 54.0513, the pledged revenues as identified in the Master Resolution Establishing The University of Texas System Revenue Financing System are expanded.

SECOND AMENDED AND RESTATED MASTER **RESOLUTION**  
ESTABLISHING **THE** UNIVERSITY OF TEXAS SYSTEM  
REVENUE FINANCING SYSTEM

WHEREAS, the Board of Regents (the "Board") of The University of Texas System (the "System") adopted the Amended and Restated the Master Resolution Establishing The University of Texas System Revenue Financing System on the 14th day of **February** 1991, and adopted a resolution amending such resolution on the 8th day of October 1993 (the "Master Resolution") to establish a new System-wide financing structure for revenue supported indebtedness which would provide reduced costs and increased borrowing capacity to the components of the System, additional security to the credit markets, and greater **financial** flexibility to the Board; and

WHEREAS, terms used herein and not otherwise defined have the meanings given in the Master Resolution and references to various Sections refer to Sections of the Texas Education Code (the "Code"); and

WHEREAS, pursuant to the Master Resolution, the Board has issued its Revenue Financing System bonds and notes (the "Outstanding Parity Debt"); and

WHEREAS, the Master Resolution provides that it may be amended without the consent of the Holders to supplement the security for the Outstanding Parity Debt; and

WHEREAS, the Legislature of the State of Texas **in** the Seventy **Fifth** Regular Legislative Session passed Senate Bill 1907 ("S.B. 1907") which amends the provisions of the Code concerning the financing of improvements for institutions of higher education, particularly Chapters 54 and 55 of the Code; and

WHEREAS, S.B. 1907 substantially changed the laws under which the Board issues its bonds and notes by combining the general use fees into tuition and granting to the Board the ability to expand the pledge given for the benefit of the Outstanding Parity Debt; specifically, S.B. 1907 redesignated the "general use fee" authorized by Section 55.16 of the Code as "tuition" under a new Section 54.0513 and broadened the definition of revenue funds (under Section 55.01) which could be pledged to the payment of bonds and notes to include (i) every item of the Board's revenue included in the definition of Pledged Revenues and (ii) other fees and charges authorized under Chapter 54 which had previously been restricted to certain uses other than the payment of debt service on the Board's obligations. In addition, S.B. 1907 made a number of conforming amendments to the Code, including amending Section 55.16 to provide that the unlimited general use fee previously authorized by that Section is replaced with an ability of the Board to establish and collect at each institution that amount of **all** "necessary fees, tuition, rentals, rates, and other charges," i.e., Pledged Revenues, including tuition," when and to the extent required by the resolution authorizing the issuance of the bonds in any amount required to provide revenue funds sufficient for the payment of the principal of and interest on the bonds, regardless of any other provision or limitation provided by" the provisions of Code; and

WHEREAS, S.B. 1907 also contains comprehensive provisions ensuring that its provisions will not in any manner impair the contractual rights of any party to a contract with the Board, including any Holders of the **Board's** Outstanding Parity Debt; and

WHEREAS, the Board deems it necessary and desirable and beneficial to the owners of the Outstanding Parity Debt, the Financing System Members, the System, and the Board to amend the Master Resolution in a manner consistent with the changes made to the Code by S.B. 1907, and the staff of the System and the Board's Bond Counsel, McCall, Parkhurst & Horton L.L.P. have recommended the adoption of this resolution amending the Master Resolution to strengthen the credit of the Revenue Financing System by supplementing the security for the Outstanding Parity Debt and to cure the inconsistencies between the Master Resolution and the Code, as amended; and

WHEREAS, most of the provisions of S.B. 1907 become effective on August 1, 1997, for the 1997-1998 academic year, it is necessary at this time to make the amendments contained in this resolution; and

WHEREAS, notwithstanding the amendments hereafter made and the (intention of the Board to follow the desires of the State Legislature, as expressed in S.B. 1907, by establishing tuition at a level equal to not more than what would have been charged as the total of tuition and the general use fee, the Board acknowledges its obligation with respect to the Outstanding Parity Debt to comply with the provisions of the Master Resolution as they existed prior to this amendment to the extent necessary to prevent a default in the Board's obligations under the Outstanding Parity Debt.

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

Section 1. AMENDMENT OF MASTER RESOLUTION DEFINITIONS. Exhibit A of the Master Resolution is hereby amended in the following **manner**:

(a) The definitions of Pledged General Fee, Pledged General Tuition, Pledged Revenues, Pledged Tuition Fee, and Prior Encumbered Obligations are amended to read as follows:

“Pledged General Fee” means the gross collections of a student use fee to be fixed, charged, and collected pursuant to Section 55.16, Texas Education Code as it existed prior to the effective date of S.B. 1907, **from** the students (excepting, with respect to each series or issue of Parity Debt issued prior to such date, any student in a category which , at the time of the adoption of the Supplement relating to such Parity Debt, was exempt by law from paying fees) regularly enrolled at the institutions and branches thereof now or hereafter constituting a Member of the Financing System, respectively, for the general use and availability of the such institutions or branches thereof, respectively, in the manner and amounts, at the times, and to the extent provided in this Resolution, and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered General Fee.

“Pledged General Tuition” means all of the aggregate amount of student tuition charges now or hereafter required or authorized by law to be imposed on students enrolled

at each and every institution, branch, and school, now or hereafter constituting a Member of the Financing System, but specifically excluding and excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt (1) was exempt by law from paying such tuition, (2) the amount of tuition scholarships provided for by law at the time of the adoption of each Supplement, and (3) the Prior Encumbered Tuition Fees; and it is provided by law and hereby represented and covenanted that the aggregate amount of student tuition charges which are now required or authorized by law to be imposed, and which are pledged to the payment of the Parity Debt, shall never be reduced or abrogated while such obligations are outstanding; it being further covenanted that the aggregate amount of student tuition charges now required or authorized by law to be imposed on students enrolled at each and every institution, branch, and school operated by or under the jurisdiction of the Board are set forth in the Texas Education Code, as amended, to which Code reference is hereby made for all purposes.

“Pledged Revenues” means, subject to the provisions of the Prior Encumbered Obligations, the Revenue Funds, including all of the **funds** and balances now or hereafter lawfully available to the Board and derived **from** or attributable to any Member of the Financing System which are lawfully available to the Board for payments on Parity Debt; provided, however, that the following shall not be included in Pledged Revenues unless and to the extent set forth in a Supplement: (a) the interest of The University of Texas System in the Available University Fund under Article 7, Section 18 of the Constitution of the State of Texas, including the income **therefrom** and any **fund** balances relating thereto; (b) amounts received on **behalf of** any Member under Article 7, Section 17 of the Constitution of the State of Texas, including the income **therefrom** and any **fund** balances relating thereto; (c) except to the extent so specifically appropriated, general revenue funds appropriated to the Board by the Legislature of the State of Texas; and (d) Practice Plan Funds of any Member, including the income **therefrom** and any fund balances relating thereto not included in Pledged Practice Plan Funds.

“Pledged Tuition Fee” means, as authorized by Section 55.17, Texas Education Code as it existed prior to the effective date of S.B. 1907, the following specified amounts out of the tuition charges now or **hereafter** required or permitted by law to be imposed on each tuition paying student enrolled at each and every institution or branch thereof now or hereafter constituting a Member of the Financing System (excepting the Health Institutions), and including, subject to the provisions of the Prior Encumbered Obligations, the Prior Encumbered Tuition Fees, respectively:

\$5.00 **from** each enrolled student for each regular semester, and  
\$2.50 from each enrolled student for each summer term of each  
summer session.

“Prior Encumbered Obligations” means the Board of Regents of The University of Texas System General Tuition Revenue Refunding Bonds, Series 1986, the Board of Regents of The University of Texas System General Tuition Revenue **Refunding** Bonds, New Series 1992, and those bonds or other obligations of an institution outstanding on the date it

becomes a Member of the Financing System and which are secured by a lien on and pledge of the Prior Encumbered General Fee, the Prior Encumbered Revenues, the Prior Encumbered Tuition Fee, the Prior Encumbered General Tuition, and/or the Prior Encumbered Practice Plan Funds charged and collected at such institution and all existing obligations of the Board secured by a lien on a portion of the Pledged Revenues which is superior to the lien established by this Resolution on behalf of Parity Debt.

(b) Exhibit A of the Master Resolution is further amended by adding thereto the following definitions:

“Revenue Funds” means the ‘revenue funds’ of the Board (as defined in Section 55.01 of the Texas Education Code to mean the revenues, incomes, receipts, rentals, rates, charges, fees, grants, and tuition levied or collected from any public or private source by an institution of higher education, including interest or other income **from** those funds) derived by the Board **from** the operations of each of the Members, including specifically the Pledged General Tuition and, to the extent and subject to the provisions of this Resolution, the Pledged General Fee **and** the Pledged Tuition Fee. Revenue Funds does not include, with respect to each series or issue of Parity Debt, any tuition, rentals, rates, fees, or other charges attributable to any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying such tuition, rentals, rates, fees, or other charges.

“S.B. 1907” means Senate Bill 1907 passed by the State Legislature in the **Seventy-fifth** Regular Legislative Session.

Section 2. AMENDMENT OF SECTION 3 OF MASTER RESOLUTION. Section 3 of the Master Resolution in hereby amended to read as follows:

“Section 3. RATE COVENANT: PLEDGED REVENUES. (a) Rate Covenant. In each Fiscal Year, the Board shall establish, charge, and use its reasonable efforts to collect at each Member the Pledged Revenues which, if collected, would be sufficient to meet all financial obligations of the Board relating to the Financing System including all deposits or payments due on or with respect to Outstanding Parity Debt for such Fiscal Year.

(b) Pledged Revenues. (i) Pledged General Fee. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution and any Supplement, the Board covenants and agrees at all times to fix, levy, charge, and collect at each Member which has students the Pledged General Fee from each student (excepting, with respect to each series or issue of Parity Debt, any student in a category which, at the time of the adoption of the Supplement relating to such Parity Debt, is exempt by law from paying fees) enrolled at each Member, respectively, at each regular fall and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as will be at least sufficient at all times, together with other legally available funds, including other Pledged Revenues, to provide the money, to make or pay the principal

of, interest on, and other payments or deposits with respect to the Parity Debt Outstanding on August 1, 1997, when and as required. The Pledged General Fee shall be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due **all** payments and deposits in connection with such Outstanding Parity Debt. The Board may fix, levy, charge, and collect the Pledged General Fee in any manner it may determine within its discretion, and in different amounts **from** students enrolled in different Members, respectively, and in addition it may totally suspend the collection of the Pledged General Fee **from** the students enrolled in any Member, so long as total Pledged Revenues are sufficient, together with other legally available funds, to meet **all** financial obligations of the Board relating to the Financing System including all payments and deposits in connection with such Outstanding Parity Debt. All changes in the Pledged General Fee shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof Notwithstanding the foregoing, it is recognized that certain Members do not and will not **enroll** students, and, therefore, the Board **will** not levy or **collect** the Pledged General Fee at such Member. Notwithstanding the foregoing provisions, so long as there is no default or anticipated default in the payment of the Outstanding Parity Debt referenced above, the Board does not intend to and will not assess and collect the Pledged General Fee.

(ii) Pledged General Tuition and Other Pledged Revenues. Subject to the provisions of the resolutions authorizing Prior Encumbered Obligations and to the other provisions of this Resolution and any Supplement, the Board covenants and agrees at **all** times to fix, levy, charge, and **collect** at each Member which **has** students the Pledged General Tuition and other Pledged Revenues **from** each student **enrolled** at each Member, respectively, at each regular **fall** and spring semester and at each term of each summer session, for the use and availability of such institution or branch thereof, respectively, in such amounts, without any limitation whatsoever, as **will** be at least **sufficient** at **all** times, together with other legally available **funds**, including **other** Pledged Revenues, to provide the money to make or pay the **principal** of, interest on, and other payments or deposits with respect to the Parity Debt then Outstanding when and as required. The Pledged General Tuition and the other rentals, rates, fees, and charges included in Pledged Revenues **shall** be adjusted, if and when permitted or required by this Resolution or any Supplement, to provide Pledged Revenues sufficient to make when due **all** payments and deposits in connection with the Parity Debt then Outstanding. The Board may **fix**, levy, charge, and collect the Pledged Revenues in any manner it may determine within its discretion, and in **different** amounts **from** students enrolled in different Members, respectively, and in addition it may totally suspend the collection of any item included in Pledged Revenues from the students enrolled in any Member, so long as **total** Pledged Revenues are sufficient, together with other legally available funds, to meet **all** financial obligations of the Board relating to the Financing System including all payments and deposits in connection with the Parity Debt then Outstanding. All changes in the Pledged General Tuition shall be made by a resolution of the Board, but such procedure shall not constitute or be regarded as an amendment of this Resolution or any Supplement, but merely the carrying out of the provisions and requirements hereof Notwithstanding the foregoing,

it is recognized that certain Members do not and will not enroll students, and, therefore, the **Board** will not levy or collect the Pledged General Tuition at such Member.

(c) Annual Obligation. **If**, in the judgment of the Board, any Member has been or will be unable to **satisfy** its Annual Obligation, the Board shall fix, **levy**, charge, and collect rentals, rates, fees, and charges for goods and services furnished by such Member and, with respect to Member with enrolled students, the Pledged General Tuition, and, if necessary pursuant to subsection (b)(i) above, the Pledged General Fee, effective at the next succeeding regular semester or semesters or summer term or terms, in amounts sufficient, without limit (subject to the provisions of(e) below), together with other legally available **funds**, including other Pledged Revenues attributable to such Member, to enable it to make its Annual Obligation payments.

(d) Anticipated Deficit If the Board determines, for any reason whatsoever, (i) that there are not anticipated to be **sufficient** legally available funds, including Pledged Revenues, to meet all financial obligations of the Board relating to the Financing System, including the deposits and payments due on or with respect to the Parity Debt Outstanding at that time as the same mature or come due, or (ii) that any Member will be unable to pay its Annual Direct Obligation in full, then the Board shall fix, levy, charge, and collect the Pledged General Tuition, and, if necessary pursuant to subsection (b)(i) above, the Pledged General Fee, at each Member with enrolled students, **effective** at the next succeeding regular semester or semesters or summer term or terms, in such amounts, without any limitation whatsoever (other than as provided in (e) below), as will be at least **sufficient** to provide, together with other legally available **funds**, including other Pledged Revenues, the money for making when due all financial obligations of the Board relating to the Financing System including all payments and deposits due on or with respect to Outstanding Parity Debt when and as required by this Resolution or any Supplement.

(e) Economic Effect of Adjustments. Any adjustments in the rate or manner of charging for any rentals, rates, fees, tuition, or other charges included in Pledged Revenues, including the Pledged General Tuition **and the** Pledged General Fee, if any, at any of the Members pursuant to (c) or (d) above will be based upon a **certificate** and recommendation of a U.T. System Representative, delivered to the **Board**, as to the rates and anticipated collection of the Pledged Revenues at the various Members (**after** taking into account the anticipated effect the proposed adjustments in such rentals, rates, **fees**, tuition, or other charges would have on enrollment and the receipt of Pledged Revenues and other funds at each Member) which will be anticipated to result in (i) Pledged Revenues attributable to each Member being **sufficient** (to the extent possible) to **satisfy** the Annual Obligation of such Member and (ii) Pledged Revenues being sufficient, together with other legally available funds, to meet all financial obligations of the Board relating to the Financing System including all deposits and **payments** due on or in connection with Outstanding Parity Debt when and as required by this Resolution and any Supplement.

Section 3. **CHANGES.** Prior to the effective date of this resolution, the Assistant Vice Chancellor for Finance, the Director of Finance, and the General Counsel are authorized to approve



any technical amendments to this Resolution requested by the rating agencies as a condition to their issuance or maintenance of a rating on Parity Debt or by the Attorney General of the State of Texas as a condition to the approval of an issue of Parity Debt.

Section 4. FURTHER PROCEDURES. The Executive Vice Chancellor for Business Affairs and the other officers, employees, and agents of the System, and each of them, shall be and they are hereby expressly authorized, empowered, and directed **from** time to time and at any time to do and perform all such acts and things and to execute, acknowledge, and deliver in the name and under the corporate seal and on behalf of the Board all such instruments, whether or not herein mentioned, as may be necessary or desirable in order to carry out the intent, the terms, and the provisions of this Resolution and the Director of **Finance**, as the U.T. System Representative, is hereby authorized and directed to give such notices as are required to implement this Resolution.

Section 5. NO IMPAIRMENT OF OUTSTANDING PARITY DEBT. As provided in Section 55.24 **of the** Code, as amended by S.B. 1907, the changes made by S.B. 1907 shall not affect any pledge or any covenants with respect to outstanding bonds and notes and all such pledges and covenants shall remain in full force and effect in accordance with the terms and provisions thereof. In furtherance of Section 55.24 and notwithstanding the provisions of this amending resolution supplementing the security for the Outstanding Parity Debt, the Board covenants for the benefit of the Holders of the Outstanding Parity Debt to comply with each and every covenant in the Master Resolution and the Supplements thereto existing as of the date of issuance of such Outstanding Parity Debt so long as such Outstanding Parity Debt are Outstanding to the extent necessary to prevent a default in connection with any payment due with respect to such Outstanding Parity Debt.

Section 6. EFFECTIVE DATE. This Resolution is immediately effective. Other than set forth in this Resolution, the Master Resolution is not amended, altered, or rescinded and is in full force and effect.

Section 7. PUBLIC NOTICE. It is hereby found and determined that each of the officers and members of the Board was duly and sufficiently **notified** officially and personally, in advance, of the time, place, and purpose of the Meeting at which this Resolution was adopted, and that this Resolution would be introduced and considered for adoption at said Meeting; that said Meeting was open to the public, and public notice of the time, place, and purposed of said Meeting was given, all as required by Chapter 551, Texas Government Code.

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8. U. T. System: Approval of a Qualified Governmental Excess Benefit Arrangement for Employees Participating in the Optional Retirement Program Effective October 1, 1997.--The Business Affairs and Audit Committee recommended and the Board approved The University of Texas System Qualified Governmental Excess Benefit Arrangement for employees participating in the Optional Retirement Program, effective October 1, 1997, as set forth below:

General Provision - In accordance with the provisions of Senate Bill 1460, enacted by the 75th Texas Legislature, the Board hereby establishes a Qualified Governmental Excess Benefit Arrangement (QGEBA) as provided under Section 415(m) of the Internal Revenue Code of 1986, as amended, (the Code), for Optional Retirement Program (ORP) participants. The Board hereby delegates implementation of the QGEBA and authority to execute any necessary and required documents to the Chancellor or his delegate.

The Small Business Job Protection Act enacted in August 1996 created the Qualified Governmental Excess Benefit Arrangement under Section 415(m) of the Code. This provision allows employees to receive the retirement benefits they would otherwise be entitled to under the Optional Retirement Program, notwithstanding the limitations under Section 415 of the Code.

In effect, this arrangement removes the \$30,000 tax deferred limitation under Section 415 of the Code for employees enrolled in the ORP.

The 75th Texas Legislature adopted the Section 415(m) provisions in S.B. 1460 which was signed by Governor Bush on June 17, 1997. Implementation of the QGEBA will allow the U. T. System to implement the changes to the Code to reflect this benefit.

9. U. T. System: Authorization for an Aggregate Amount of Equipment Financing for Fiscal Year 1998 and Approval of Use of Revenue Financing System Parity Debt, Receipt of Certificate, and Finding of Fact with Regard to Financial Capacity.--The Board, upon recommendation of the Business Affairs and Audit Committee, approved an aggregate financed amount of \$21,681,000 under the Revenue Financing System for equipment to be purchased in Fiscal Year 1998 by the following component institutions of The University of Texas System:

|                                       |             |
|---------------------------------------|-------------|
| U. T. Austin                          | \$5,000,000 |
| U. T. El Paso                         | 710,000     |
| U. T. San Antonio                     | 1,259,000   |
| U. T. Medical Branch - Galveston      | 8,000,000   |
| U. T. Health Science Center - Houston | 2,200,000   |
| U. T. M.D. Anderson Cancer Center     | 3,272,000   |
| U. T. Health Center - Tyler           | 1,040,000   |
| U. T. System Administration           | 200,000     |

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and Amended on October 8, 1993 (the "Master Resolution"), and upon delivery of the Certificate of an Authorized Representative as set out on Page 58, the Board resolved that:

- a. Parity Debt shall be issued to pay the project's cost paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the financial obligations of the U. T. System including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System and to meet all financial obligations of the Board relating to the Financing System
- c. To finance equipment, the component institutions which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$21,681,000 for the purchase of equipment

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

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the "**Master** Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity Debt" pursuant to the Master Resolution to finance equipment cost at U. T. Austin, U. T. El Paso, U. T. San Antonio, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. M.D. Anderson Cancer Center, U. T. Health Center - Tyler, U. T. System Administration, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, the First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, the First Supplemental Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution.

EXECUTED this 14<sup>th</sup> day of August, 1997

John A. Roan  
Assistant Vice Chancellor for Finance

10. U. T. System: Approval of Non-Personnel Aspects of the Operating Budgets for the Fiscal Year Ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and Authorization for the Chancellor to Make Editorial Corrections Therein; and Approval of Permanent University Fund Bond Proceeds Reserve Allocation for Library, Equipment, Repair and Rehabilitation Projects.--Chancellor Cunningham presented a comprehensive overview of the proposed Operating Budgets for The University of Texas System for the Fiscal Year ending August 31, 1998. A copy of [Chancellor Cunningham's report](#) is on file in the Office of the Board of Regents.

Following Dr. Cunningham's presentation and upon recommendation of the Academic Affairs, Health Affairs, and Business Affairs and Audit Committees, the Board approved the non-personnel aspects of the U. T. System Operating Budgets as listed below for the Fiscal Year ending August 31, 1998, Including Auxiliary Enterprises, Grants and Contracts, Designated Funds, Restricted Current Funds, and Medical and Dental Services, Research and Development Plans and authorized the Chancellor to make editorial corrections therein with subsequent adjustments to be ratified by the U. T. Board of Regents through the institutional dockets:

The University of Texas System Administration  
(including the Available University Fund)  
The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Brownsville  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas - Pan American  
The University of Texas of the Permian Basin  
The University of Texas at San Antonio  
The University of Texas at Tyler  
The University of Texas Southwestern Medical  
Center at Dallas  
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 San Antonio  
The University of Texas M.D. Anderson  
Cancer Center  
The University of Texas Health Center  
at Tyler

These budgets are a part of the Minutes of this meeting and the official copy is in bound Volume LII entitled Annual Budget for 1997-1998.

Further, Permanent University Fund Bond Proceeds in the amount of \$41,000,000 were appropriated from reserves to fund Library, Equipment, Repair and Rehabilitation Projects for Fiscal Year 1998.

In addition, the U. T. System component institutions were authorized to purchase approved equipment items and library materials and to contract for repair and rehabilitation projects following standard purchasing and contracting procedures within approved dollar limits. Substitute equipment purchases are to receive prior approval by the Chancellor and appropriate Executive Vice Chancellor and, where required, the U. T. Board of Regents. Transfers by the 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 Board established procedures for construction projects.

Fiscal Year 1998 funds from these reserves not expended or obligated by contract/purchase order within six months after the close of Fiscal Year 1998 are to be available for future System-wide reallocation unless specific authorization to continue obligating the funds is given by the Executive Vice Chancellor for Business Affairs on recommendation of the chief administrative officer and the appropriate Executive Vice Chancellor.

See Page 2 related to approval of the personnel aspects of the Operating Budgets for the Fiscal Year ending August 31, 1998.

See Page 89 regarding the extension of the six-year Capital Improvement Program and approval of the Capital Budget for Fiscal Years 1998 and 1999.

11. U. T. System: Approval of Transfer of Funds Between Legislative Appropriation Items During the Biennium Beginning September 1, 1997.--In order to provide for the most effective utilization of the General Revenue Appropriations during the biennium beginning September 1, 1997, the following standard resolution was adopted by the Board:

RESOLUTION

Pursuant to the appropriate transfer provisions of the General Appropriations Act of the 75th Legislature, it is hereby resolved that the State Comptroller be requested to make necessary transfers within the Legislative Appropriations (and/or Cost Centers) from the General Revenue Fund for each of the following components as authorized by the Chief Financial Officers of The University of Texas System institution concerned:

The University of Texas at Arlington  
The University of Texas at Austin  
The University of Texas at Brownsville  
The University of Texas at Dallas  
The University of Texas at El Paso  
The University of Texas - Pan American  
The University of Texas of the Permian Basin  
The University of Texas at San Antonio  
The University of Texas at Tyler  
The University of Texas Southwestern Medical  
Center at Dallas  
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 San Antonio  
The University of Texas M.D. Anderson  
Cancer Center  
The University of Texas Health Center  
at Tyler

12. U. T. System: Adoption of Resolution to Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California, to Guarantee Payments Under a Rolling Owner Controlled Insurance Program (ROCIP).--Upon recommendation of the Business Affairs and Audit Committee, the Board adopted the resolution to Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California, to insure The University of Texas System under a Rolling Owner Controlled Insurance Program (ROCIP) as set forth below:

RESOLUTION

WHEREAS, Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California, will insure The University of Texas System and other persons under a Rolling Owner Controlled Insurance Program (ROCIP) for various construction projects managed by the Office of Facilities Planning and Construction;

WHEREAS, Pursuant to this ROCIP, Argonaut will issue one or more workers' compensation insurance policies and comprehensive general liability insurance policies that contain combined \$250,000 per occurrence deductibles that include allocated costs and indemnity payments; however, such deductibles are subject to aggregate limits of \$2,959,057 for the ROCIP;

WHEREAS, The Board of Regents of The University of Texas System understands and agrees that this large deductible ROCIP requires the prompt reimbursement of sums advanced by Argonaut to adjust or pay claims within the deductibles, and the Board desires to guaranty to Argonaut the prompt reimbursement of the deductibles for the ROCIP; now, therefore, be it

RESOLVED, That the Board hereby guarantees to Argonaut the prompt repayment of the sums advanced by Argonaut to adjust or pay claims within the deductibles for the ROCIP, subject to the aggregate deductible limits for the Program. This guaranty shall remain fully binding although Argonaut may waive one or more defaults of the insured or fail to



exercise any rights against the insured or modify one or more terms of the ROCIP as required by law or with the consent of The University of Texas System; and, be it further

RESOLVED, That the Board represents and warrants to Argonaut that the funds necessary to reimburse Argonaut for the aggregate deductible liability of the insured for the ROCIP are included in the appropriations for the project heretofore approved by the Board.

In an effort to effect greater cost control of construction projects within The University of Texas System, the Office of Business Affairs has recommended participation in a Rolling Owner Controlled Insurance Program (ROCIP) for various construction projects managed by the Office of Facilities Planning and Construction. A ROCIP can be the most effective and inexpensive method of insuring liability exposures for large construction projects. The ROCIP is attractive because it is economical and can provide contractors, as well as the owner, with uniform coverage, higher limits, improved claims administration, and continuity of coverage through contract term.

A detailed explanation of the ROCIP, the need and purpose for the resolution, the benefits of a ROCIP, and the potential premium cost savings for the projects had been presented earlier to the Business Affairs and Audit and Facilities Planning and Construction Committees.

#### INFORMATIONAL REPORT

U. T. System: Presentation of the June 1997 Monthly Financial Report.--Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, reviewed the June 1997 Monthly Financial Report for The University of Texas System and emphasized that in this ten-month period there were no variances from budget which did not have reasonable explanations.

A copy of [The University of Texas System Monthly Financial Report](#) as of June 1997 is on file in the Office of the Board of Regents.

REPORT AND RECOMMENDATIONS OF THE ACADEMIC AFFAIRS COMMITTEE (Pages 64 - 83).--Committee Chairman Lebermann reported that the Academic Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Academic Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendment to Chapter III, Section 1, Subsection 1.8, Subdivision 1.83 (Academic Titles).--Upon recommendation of the Academic Affairs and Health Affairs Committees, the Board amended the Regents' Rules and Regulations, Part One, Chapter III, Section 1, Subsection 1.8, Subdivision 1.83, regarding academic titles, to read as set forth below:

1.8 Academic Titles.

. . .

- 1.83 The following academic titles may also be used within University of Texas System component institutions. Tenure cannot be awarded to a person appointed to these ranks and, with the exception of the ranks of Instructor and Technical Instructor, academic service within these ranks cannot be counted toward the satisfaction of any required probationary period. Appointments to these titles shall be for a period of time not to exceed one academic year except in the case of Lecturer or Senior Lecturer when, in individual cases, appointment may be for periods of time not to exceed three academic years. In individual cases, as determined by a component institution, full-time appointment to a clinical or research position with a title authorized by Subdivision 1.83(i) or Subdivision 1.83(j) may be for periods of time not to exceed three academic years. With the exception of the titles of Instructor and Technical Instructor, such appointments shall terminate at the expiration of the stated period of appointment without the notification of nonrenewal required by Subsection 6.7 of this Chapter. If a component institution

determines that it is to the benefit of the institution, it may offer reappointments to these titles.

. . . .

This amendment to the Regents' Rules and Regulations provides the opportunity for the appointment of clinical or research faculty at academic components with health-related clinical programs and at health components for periods up to three years. The revision allows the retention of superior clinical or research faculty within The University of Texas System by providing more job security than the current annual appointment system permits and allows additional flexibility to respond to the needs of nontenured faculty in health programs. It is anticipated that only senior faculty will be offered multiple year appointments. These appointments will not be considered as tenure or term tenure.

2. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Approval to Amend Chapter III, Section 6, Subsection 6.3 (Tenure, Promotion, and Termination of Employment).--The Board, upon recommendation of the Academic Affairs and Health Affairs Committees, amended the Regents' Rules and Regulations, Part One, Chapter III, Section 6, Subsection 6.3, regarding tenure, promotion, and termination of employment, to read as follows:

Sec. 6. Tenure, Promotion, and Termination of Employment.

. . . .

- 6.3 Termination by an institution of the employment of a faculty member who has been granted tenure and of all other faculty members before the expiration of the stated period of appointment, except as is otherwise provided in Subdivision 6.26 and Subsections 6.(11) and 6.(12) or by resignation or retirement, will be only for good cause shown. In each case the issue will be determined according to the equitable procedures provided in this Subsection.

6.31 The chief administrative officer shall assure that all allegations against a faculty member that involve the potential for termination are reviewed under the direction of the chief academic officer unless another officer is designated by the chief administrative officer. The faculty member who is the subject of the allegations shall be given an opportunity to be interviewed prior to a determination by the chief academic officer whether the allegations are supported by evidence that constitutes good cause for termination. The chief academic officer will recommend to the chief administrative officer whether to proceed with charges for termination. A tenured faculty member who is recommended for termination on the basis of periodic evaluation must be given the opportunity for referral of the matter to nonbinding alternative dispute resolution, as required by Texas Education Code Section 51.942 and in compliance with applicable U. T. System and institutional policies and procedures for alternative dispute resolution, prior to referral of the charges to a hearing tribunal under Subsection 6.33. A faculty member under review for matters that may result in charges for termination may file a grievance pursuant to a faculty grievance procedure only if the subject of the grievance is not involved in the review. A pending grievance may proceed only if it does not involve a subject under review.

. . . .

Senate Bill 149, passed by the 75th Texas Legislature, Regular Session, adds a new Section 51.942 to the Texas Education Code, requiring the periodic performance evaluation of tenured faculty, consistent with Regental Guidelines for Periodic Performance Evaluation of Tenured Faculty. The legislation requires that a faculty member subject to termination on the basis of the periodic evaluation process be provided an opportunity for referral of the matter to a nonbinding alternative dispute resolution process.

Senate Bill 694, also passed by the 75th Texas Legislature, Regular Session, encourages each state agency to adopt policies and procedures for alternative dispute resolution "that are consistent with the policies and procedures of other state agencies." The Office of General Counsel is currently reviewing the development of appropriate alternative dispute resolution policies.

See Page 8 related to the revision of the Guidelines for Periodic Performance Evaluation of Tenured Faculty.

3. U. T. Board of Regents - Regents' Rules and Regulations, Part One: Amendments to Chapter VI, Section 6, Subsection 6.6, Subdivisions 6.61 and 6.62 (Solicitation) and Section 10 (Anonymous Publications).--The Academic Affairs and Health Affairs Committees recommended and the Board amended the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, Subdivisions 6.61 and 6.62, regarding solicitation, and Section 10, regarding anonymous publications, to read as set forth below:

Sec. 6. Use of University Facilities. This Section applies only to property, buildings, and facilities owned or controlled by the U. T. System or component institutions that are maintained and used for programs and activities related to the role and mission of the U. T. System or component institutions.

. . .

6.6 Solicitation.--The term "solicitation" means the sale, lease, rental or offer for sale, lease, rental of any property, product, merchandise, publication, or service, whether for immediate or future delivery; an oral statement or the distribution or display of printed material, merchandise, or products that is designed to encourage the purchase, use, or rental of any property, product, merchandise, publication, or service; the oral or written appeal or request to support or join an organization other than a registered student, faculty, or staff organization; the receipt of or request for any gift or contribution; or the request to support or oppose or to vote for or against a candidate, issue, or proposition appearing on the ballot at any election held pursuant to state or federal law or local ordinances.

6.61 No solicitation shall be conducted on any property, street, or sidewalk, or in any building, structure, or facility owned or controlled by any component institution or the U. T. System unless permitted by the Regents' Rules and Regulations. The following activities shall not be deemed solicitations prohibited by this Subsection when conducted in accordance with the approved rules and regulations of the U. T. System or the component institution. Such activities must be conducted in a manner that does not disturb or interfere with the academic programs or administrative activities of the U. T. System or the component institution or any program or activity that is conducted by or is authorized by the U. T. System or component institution; does not interfere with entry to or exit from a building, structure, or facility; does not interfere with the flow of pedestrians or vehicular traffic on sidewalks or streets or at places of ingress and egress to and from property, buildings, or facilities; does not harass, embarrass, or intimidate the person or persons being solicited; and does not violate applicable state, federal, or local laws or regulations:

. . .

(f) The collection of contributions or the sale of merchandise, food, or nonalcoholic beverages by the students' association or by a registered student, faculty, or staff organization. A students' association or a registered student, faculty, or staff organization may not conduct such solicitation activities on behalf of or for the benefit of any individual, association, organization, corporation, or group of individuals that is not registered as a student, faculty, or staff organization or that is not otherwise qualified under the criteria of Item (i) of Subdivision 6.61 to conduct solicitation. In the case of specific drives for disaster relief, the chief student affairs officer of the institution may approve a drive that complies with all other requirements of Subsection 6.6.

. . .

(p) The distribution or presentation to officers and employees of the U. T. System and component institutions of material related to health benefit plans, life insurance, tax sheltered annuities, retirement plans or programs, or other benefits that are available to such officers and employees through employee benefit plans or programs offered by or approved by the U. T. System. Such material may be distributed or presented only at the Office of Human Resources of the U. T. System or component institutions, at the benefits office of a health profession practice plan of a health component institution, or at meetings scheduled for that purpose pursuant to guidelines established by the U. T. System Office of Human Resources.

. . .

- (s) The display and distribution of printed material from tables or booths by providers of services that are commonly utilized by students, faculty, and staff of a component institution, such as financial institutions, long distance telephone carriers, utilities, housing locators, printers and duplicators, tutors, or employment agencies. A component institution may designate no more than two one-day periods each academic year during which all authorized providers may engage in such activities in an area selected by the component institution. The number of providers authorized to participate on each of the two one-day periods will be determined by the component institution. The activities of a provider must be limited to the time and place designated by the component institution and must be conducted in compliance with Subdivision 6.61 and other guidelines specified by the component institution. A provider may not make sales of or take orders for services. The component institution shall charge an appropriate fee for the privilege of conducting such activities. Any provider who violates the Regents' Rules and Regulations or the rules and regulations of the component institution in the course of such activities or who has violated a provision of the Regents' Rules and Regulations or the rules and regulations of the component institution during the twelve-month period preceding a day designated by the component institution for activities authorized by this subdivision shall not be permitted to participate in such activities.



(t) A component institution may designate a reasonable number of areas immediately adjacent to the exterior of a facility used for intercollegiate athletic events and may authorize such areas to be used for the display of motor propelled vehicles and for the location of booths, tables, or kiosks to be used for the display of merchandise, the distribution of free samples of merchandise, and the display and distribution of printed material related to merchandise, products, or services. Such activities may be authorized only on the day before and the day of an intercollegiate athletic event or an event that is related to athletics that takes place in the facility. A component institution may designate a reasonable number of areas inside a facility used for intercollegiate athletic events for such activities if the designation and use of the area is approved by the safety officer of the component institution. All persons engaged in or associated with such displays and distributions must conduct those activities in compliance with Subdivision 6.61 and with other guidelines specified by the component institution. Such persons may not make sales of or take orders for such vehicles, merchandise, products, or services. The component institution shall charge an appropriate fee for the privilege of using such areas. If persons engaged in such activities violate the Regents' Rules and Regulations or the rules and regulations of the component institution, such persons and any entity that they are acting for shall not be permitted to engage in activities under this subdivision for a twelve-month period.

- (u) In the course of an election process held pursuant to the approved constitution, bylaws, or election code of the faculty governance organization or of the student government organization of a component institution or an election held pursuant to the approved rules, regulations, or policies of a component institution, requests may be made to support or to vote for or against a qualified candidate for an office or position to be filled at such election or to support or to vote for or against a proposition to be decided at such election. Such request may be made only by the candidates for an office or position; by a registered student, faculty, or staff organization and its members; or by a student, faculty member, or staff member. Individuals and organizations making such requests must conduct all activities in compliance with the approved time, place, and manner regulations of the component institution; the provisions of the constitution, bylaws, election code, rules, regulations, or policies authorizing the election; and Subdivision 6.61. No faculty member, staff member, or student employee may engage in such activities during any period that he or she is being paid to perform services for a component institution.
- (v) The request to support or to vote for or against a candidate for an elective position or office or for or against a proposition on a ballot for a public election held pursuant to federal, state, or local laws when such request is made by a registered student, faculty, or staff organization, or by a student, faculty member, or staff member. Persons or organizations must conduct such activities in

compliance with Subdivision 6.61; with the time, place, and manner regulations of the component institution; with the provisions of federal, state, or local laws governing such election; and may not use any equipment, supplies, or services of a component institution. No faculty member, staff member, or student employee may engage in such activities during any period that he or she is being paid to perform duties for a component institution. No registered student, faculty, or staff organization that receives state funds from any source may engage in such activities.

6.62 All permissible solicitation must be conducted in compliance with Subdivision 6.61 and the time, place, and manner regulations of the component institution. If, after reasonable investigation, it is determined that impermissible solicitation is being or has been conducted or that permissible solicitation is being or has been conducted in violation of the Regents' Rules and Regulations or the approved rules and regulations of the U. T. System or component institution (1) a student, a faculty member, or a staff member will be subject to such disciplinary penalty as may be appropriate, and (2) a students' association or a registered student, faculty, or staff organization shall be prohibited from solicitation for such period or periods of time as may be appropriate. In the case of repeated violations, the registered status of the organization may be cancelled or other appropriate penalties may be imposed. Any penalty or penalties must be imposed pursuant to the due process procedures of applicable Regents' Rules and Regulations or approved rules and regulations of the U. T. System or component institution.

. . . .

Sec. 10. Anonymous Publications.--Anonymous publications are prohibited, and any individual or organization publishing or aiding in publishing, or circulating or aiding in circulating, any anonymous publication will be subject to disciplinary action.

. . . .

These amendments to the Regents' Rules and Regulations, Part One, Chapter VI, Section 6, Subsection 6.6, regarding solicitation, eliminate duplicative provisions and clarify a major revision of the Regents' Rules and Regulations adopted by the U. T. Board of Regents in May 1996. Provisions permitting additional specific solicitation activities as requested by The University of Texas System component institutions have also been added.

The amendments to Section 10 regarding anonymous publications clarify that expectations with regard to anonymous publications apply to all members of the University community.

4. U. T. System: Delegation of Authority to Chief Administrative Officers for Limited Waiver of Fees for Distance Learning or Other Off-Campus Courses.--In compliance with House Bill 1907 passed by the 75th Texas Legislature, Regular Session, the Board, upon recommendation of the Academic Affairs and Health Affairs Committees, pending development of a System-wide policy, delegated to the chief administrative officer at each component institution of The University of Texas System authority for the limited waiver of an institution's fees under the following conditions:
  - a. A student is enrolled only in distance learning courses or other off-campus courses of the institution
  - b. The student cannot reasonably be expected to use the activities, services, or facilities on which the fee is based, and
  - c. The waiver of the fee will not materially impair the ability of the institution either to service any debt on which the fee is based or to offer or operate the particular activity, service, or facility supported by the fee.

The Vice Chancellor for Telecommunications and Information Technology will work with representatives of the component institutions during the Fall Semester 1997 to develop a System-wide policy for the charging of fees related to the provision of courses using the distance learning format to include waiver provisions.

5. U. T. System: Adoption of a Regental Policy on Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships.--  
The 75th Texas Legislature, Regular Session, passed House Bill 588 which added Subchapter S (Sections 51.801-51.809) to the Texas Education Code. Subchapter S specifies the parameters for admission of new freshman students and requires governing boards to adopt written policies for transfer admissions, admission to graduate and professional programs, and the award of competitive scholarships and fellowships. The admissions policies and criteria for award of scholarships/fellowships are to be effective beginning with applications for admission in the Fall Semester 1998. Thus, requirements that the admissions policies be published a year prior to the semester for which a student applies cannot practically be met in the first year. The intention is that proposed institutional policies will be submitted for administrative approval in late September 1997 for inclusion, as recommended catalog changes, in the respective institutional dockets for the November 1997 U. T. Board of Regents' meeting.

The proposed Regental policy specifies that the institutional admissions and scholarship policies must comply with the new law and specifically assigns to the chief administrative officers the responsibility for an annual consideration of the percentage of new freshman students to be admitted automatically. Criteria proposed for the award of scholarships and fellowships must be consistent with any conditions placed on a private gift or endowment by the donor(s).

In accordance therewith and upon recommendation of the Academic Affairs and Health Affairs Committees, the Board adopted the Regental policy on Procedures for Establishing Admissions Policies and Criteria for Award of Scholarships and Fellowships within The University of Texas System as set out on Pages 76 - 77.

Procedures for Establishing Admissions Policies and  
Criteria for Award of Scholarships and Fellowships

- I. The Texas Education Code (Chapter 51, Section 51.352) assigns responsibility to governing boards to "set campus admission standards consistent with the role and mission of the institution and considering the admission standards of similar institutions. . . ." In addition, Chapter 51 (Subchapter S) establishes guidelines for admission of freshman students and requires that institutions of higher education adopt guidelines for admission of students to other programs and for awarding of competitive scholarships and fellowships.

The policies governing admission to academic programs and award of institutional competitive scholarships and fellowships shall be designed to maximize opportunity and access for all Texans, within parameters established by applicable laws.

II. Admissions Criteria

- A. Each covered institution shall adopt a policy for admission of first-time freshman students that incorporates criteria that are consistent with the Texas Education Code, Sections 51.803, 51.804, and 51.805. The admissions policy must provide, in keeping with regulations promulgated by the Texas Higher Education Coordinating Board, for automatic admission for students who have graduated in the top ten percent of the graduating class from an accredited Texas high school. For students who do not qualify for automatic admission, the policy shall specify the criteria which will be considered in making the admission decision.
- B. Each covered institution shall also adopt policies for admission of transfer students and for admission to graduate, postgraduate, and/or professional programs.

III. Award of Scholarships and Fellowships

For the award of institutional competitive scholarships and fellowships, each covered institution shall adopt policies that identify the criteria to be considered in making the awards.

- IV. In keeping with the requirement of the Texas Education Code, Section 51.804, that governing boards determine for each academic year whether automatic admission to a general academic component shall be granted to students who graduate in the top 25 percent of their graduating class, the responsibility for this annual determination is delegated to the chief administrative officer of each institution covered by this policy. If a change in the admissions policy is proposed, U. T. Board of Regents' approval would follow established procedures for administrative approval and inclusion in the institutional docket.
- V. The admissions policies and criteria for award of scholarships and fellowships shall be included in the institutional catalog(s) and shall otherwise be available to the public on request. Changes in admission policies must be made and publicized a year prior to the beginning of the semester or term for which persons are being admitted. Changes in policies for award of competitive scholarships/fellowships must be adopted and publicized prior to the deadline for which the applications are received.
- VI. Regental approval of the initial policies and subsequent amendments, if any, shall be made via administrative review and approval by the appropriate Executive Vice Chancellor for inclusion in the institutional catalog(s).

6. U. T. System: Approval of a Regental Policy on Student Participation in Selection and Monitoring of Food Service Contractors.--Approval was given to the Regental policy on Student Participation in Selection and Monitoring of Food Service Contractors for The University of Texas System as set forth below:

Student Participation in Selection  
and Monitoring of Food Service Contractors

- I. As required by the Texas Education Code, Section 51.945, each U. T. System general academic component institution and each health component institution which offers degree programs shall include as part of the respective institutional Handbook of Operating Procedures by December 1, 1997, a policy and procedure for student participation in the selection and monitoring of food service vendors which contract to provide regular and ongoing food or beverage services for students. The policies, at a minimum, shall provide for:
- A. Meaningful input from student patrons in the initial selection or the renewal of a contract of a food service vendor, including input in the development of desired qualifications of food service providers.
  - B. Inclusion in a food service contract of a commitment by the vendor to hold periodic meetings or forums for student patrons to discuss the performance of the food service provider.
- II. The policies are intended to cover contracts for food and beverage services located in or in conjunction with student unions, residence halls, or campus-wide cafeterias, and contracts for vending machine food and beverage services. Contracts with vendors for concessions at athletic facilities, food services for special events, hospital food services, or faculty/staff dining facilities do not require policies for student involvement.



III. The institutional policies and procedures which implement this requirement are subject to approval by the appropriate Executive Vice Chancellor for inclusion in the institutional Handbook of Operating Procedures.

The 75th Texas Legislature, Regular Session, added Section 51.945 to the Texas Education Code to be effective September 1, 1997. The Act requires that a governing board of an institution of higher education develop and implement policies that provide for students at the institution to have an opportunity to appear before a committee or other entity that determines whether a food service provider should be selected or retained. The new law also states that a contract with a food service provider shall include a provision for periodic student input into the performance of the contractor. Similar to other policy delegations, the implementation of this Regental policy will be delegated to the chief administrative officers and the appropriate Executive Vice Chancellor.

7. U. T. Austin: Approval to Establish the Center for American History Advisory Council [Regents' Rules and Regulations, Part One, Chapter VII, Section 3 (The Advisory Councils of a Component Institution)].--Upon recommendation of the Academic Affairs Committee, the Board established the Center for American History Advisory Council at The University of Texas at Austin, with 30 members, pursuant to the Regents' Rules and Regulations, Part One, Chapter VII, Section 3, regarding the advisory councils of a component institution.

The mission of the Center for American History Advisory Council at U. T. Austin will be:

- a. To assist the Center for American History in promoting throughout the state and nation the Center's library, archive, and museum collections and its programs on the historical development of the United States
- b. To assist the Center in identifying sources of private funding to support and expand those collections and programs, giving special attention to creating endowments for the acquisition of collections and the implementation of special programs that require funding beyond standard budget sources

- c. To help identify, solicit, and acquire historical collections appropriate for the Center
  - d. To provide advice on Center programs.
8. U. T. Dallas: Authorization to Establish a Master of Science in Applied Economics, a Master of Science in Geographic Information Sciences, and a Master of Science and a Master of Arts in Applied Sociology and to Submit the Degree Programs to the Coordinating Board for Approval (Catalog Change).--Authorization was granted to establish four Master's degree programs at The University of Texas at Dallas, including a Master of Science in Applied Economics, a Master of Science in Geographic Information Sciences, and a Master of Science and a Master of Arts in Applied Sociology, and to submit the proposed programs to the Texas Higher Education Coordinating Board for review and appropriate action. The degree programs are consistent with U. T. Dallas' approved Table of Programs and the institutional strategic plan.

The Master's-level programs were developed by the U. T. Dallas School of Social Sciences and will require from 34 to 36 semester credit hours of work with 12 to 30 hours of required core courses and the remainder in prescribed electives. Courses which are part of the required core in one program may also serve as prescribed elective courses in one or more of the other programs. The three Master of Science programs are designed to prepare professional practitioners while the Master of Arts degree is designed as a terminal degree of a more general nature. In all of the programs, there is an interdisciplinary social science emphasis. All are closely linked to the corresponding undergraduate programs.

Only three new regular, organized classes will be added to the curriculum to support these four degree programs. One additional course designation for independent study will be established and three new courses added to the curriculum for other purposes will be made available to support the M.S. in Applied Economics. The remaining courses for these four degree programs are already part of the University's graduate course inventory. Consequently, the collective cost of adding the four programs is less than \$200,000 per year when all programs are fully operational.

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

9. U. T. El Paso: Establishment of a Doctor of Philosophy Degree in History and Authorization to Submit the Degree Program to the Coordinating Board for Approval (Catalog Change).--The Board, upon recommendation of the Academic Affairs Committee, established a Doctor of Philosophy degree in History at The University of Texas at El Paso and authorized submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The degree is consistent with U. T. El Paso's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs.

The Ph.D. in History at U. T. El Paso will focus on the history and culture of the U. S./Mexico border lands and will prepare scholars both for college teaching and public history positions. All students in the program will be required to do original research for a dissertation related to the history of the U. S./Mexico border area. To prepare for that research, students will take blocks of courses in Border History and Methods of Historical Research. In addition, students will take courses in two other teaching fields such as U. S. or Latin American history and will master a language appropriate for the research project.

The University, which has 18 professors in history who will participate in the program, plans to hire only one additional faculty member. In addition, the University has identified 12 distinguished faculty in closely related fields who will contribute to the program.

Upon Coordinating Board approval, the next appropriate catalog published at U. T. El Paso will be amended to reflect this action.

10. U. T. Pan American: Approval to Establish a Master of Science Degree in Nursing with a Family Nurse Practitioner Track and to Submit the Degree Program to the Coordinating Board for Approval (Catalog Change).-- Approval was given to establish a Master of Science degree in Nursing with a Family Nurse Practitioner track at The University of Texas - Pan American and to submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. The degree program complements the existing Master of Science in Nursing and is consistent with U. T. Pan American's approved Table of Programs and institutional plans for offering quality degree programs to meet student needs.

The curriculum for this new track builds on the existing Master of Science in Nursing program, but adds to its clinically oriented courses a minimum of 750 hours of supervised clinical practice. Students admitted to the program are required to have had a minimum of one year of experience as a practicing registered nurse prior to admission. The curriculum meets all of the standards of the State of Texas and of leading national organizations.

The University plans to admit only twelve new students each year, a number which is determined by the limited capacity to provide appropriate clinical education.

The University has an adequately prepared faculty to initiate the program. Three doctorally qualified nurse practitioner faculty will carry the primary responsibility for the program while additional master's-level prepared nurse practitioners will play critical roles, especially in the supervision of student nurses in the advanced practice phase of the curriculum.

Upon approval by the Coordinating Board, the next appropriate catalog published at U. T. Pan American will be amended to conform to this action.

11. U. T. San Antonio: Establishment of a Doctor of Education Degree in Educational Leadership and Authorization to Submit the Degree Program to the Coordinating Board for Approval (Catalog Change).--Upon recommendation of the Academic Affairs Committee, the Board established a Doctor of Education degree in Educational Leadership at The University of Texas at San Antonio and approved submission of the proposal to the Texas Higher Education Coordinating Board for review and appropriate action. While the degree program is consistent with the Table of Programs approved by the U. T. Board of Regents, the Table of Programs approved by the Texas Higher Education Coordinating Board for U. T. San Antonio will require amendment.

The Doctor of Education in Educational Leadership will be administered in the Division of Education of the College of Social and Behavioral Sciences at U. T. San Antonio through a doctoral studies committee comprised of faculty qualified to supervise dissertations in this field. Minimum requirements for the degree are a satisfactory doctoral dissertation and 60 semester credit hours of regular formal course work, including 9 semester credit hours of a cultural core and 18 semester credit hours of leadership core courses. In addition, students will take 12 semester credit hours in either Administrative Leadership or Instructional Leadership. Students will enter the program as a cohort and will proceed through the initial part of the program in the cohort before beginning a more individualized portion of study.

Upon Coordinating Board approval, the next appropriate catalog published at U. T. San Antonio will be amended to reflect this action.

12. U. T. Board of Regents: Presentation of Certificate of Appreciation (Withdrawn).--The item related to presentation of a certificate of appreciation was withdrawn.

REPORT AND RECOMMENDATIONS OF THE HEALTH AFFAIRS COMMITTEE (Pages 84 - 88).--In the absence of Committee Chairman Loeffler, who was excused because of a previous commitment, Regent Oxford, a member of the Health Affairs Committee, reported that the Health Affairs Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Health Affairs Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. Health Science Center - Houston: Redesignation of the Adrien and Gladys Drouilhet Lecture Series in Ophthalmology as the Adrien and Gladys Drouilhet Visiting Professorship in Ophthalmology.--Upon recommendation of the Health Affairs Committee, the Adrien and Gladys Drouilhet Lecture Series in Ophthalmology at The University of Texas Health Science Center at Houston was redesignated as the Adrien and Gladys Drouilhet Visiting Professorship in Ophthalmology. Funds for the endowment will continue to be held and administered by the Hermann Eye Fund, Houston, Texas (an external foundation).

The endowment was established by John H. and Adrien F. Drouilhet to honor their parents by bringing a noted ophthalmic clinician or vision scientist as a visiting professor to the annual ophthalmology alumni conference held at the component institution. Although the designation of an endowment as a Visiting Professorship is an exception to U. T. Board of Regents' policy, this redesignation will better serve the original intentions of the donors and the Department of Ophthalmology of the U. T. Medical School - Houston by insuring the ability to continue to attract outstanding professionals to this annual conference.

2. U. T. Board of Regents: Presentation of Certificate of Appreciation to Thomas N. James, M.D., President of The University of Texas Medical Branch at Galveston.--Regent Oxford noted that this would be the last time that Thomas N. James, M.D., President of The University of Texas Medical Branch at Galveston, would be representing that institution before the Board of Regents and called on Chairman Evans to present a certificate of appreciation to Dr. James.

Comments by Chairman Evans  
Regarding President Thomas N. James

In the decade that Tom James has been President of The University of Texas Medical Branch at Galveston, a remarkable renaissance has taken place. Although always a center of innovation in academic medicine -- and especially recognized for its fine teaching and patient-care programs -- UTMB over the most recent decade has also emerged as a major center of scientific research. Recent advances in scientific investigation on the campus -- advances due in large part to the dedicated efforts of Dr. James -- have elevated the University to new levels of international renown and have been among the University's most notable achievements.

- In collaboration with The Sealy & Smith Foundation, there has been the creation of a \$50 million research endowment on the UTMB campus and an almost threefold increase in external funding for research.
- Four World Health Organization Collaborating Centers have been created on the campus to further investigations in cardiovascular research, international health, tropical disease and nursing development through primary health care.
- Two eminent virologists from Yale University have joined UTMB and with them came their internationally renowned arbovirus laboratory.
- An unprecedented expansion of research facilities has been completed, including the construction of an 11-story medical research tower designed specifically for laboratories requiring high-tech research support.

Private fund development at UTMB has also experienced substantial advancement under Tom's leadership.

- The number of endowments has more than doubled to fund University programs that otherwise might not receive the support they need to survive. These endowments are valued at over \$130 million.
- Dr. James also directed the planning and implementation of the University's year-long Centennial celebration and with it the successful completion of the \$276 million Centennial Campaign.
- The addition of 23 new academic chairs and 16 new professorships for the University's distinguished faculty represents an accomplishment of which Tom is especially proud.

Ever the dedicated physician, Dr. James has also sought ways to improve and build UTMB's patient-care resources with the most technologically advanced emergency room facility in the world, a new \$40 million Shriners Burns Institute, and a network of community-based clinics planned with special attention to the underserved.

Under President James' direction, UTMB has been recognized as a national model for other medical universities as a result of a number of innovative academic, patient-care, research and community service programs.

President James has not been alone in his work on behalf of the University, however. His lifelong helpmate and partner, Gleaves, has been a leader in her own right as the "first lady of UTMB." Together they have joined in support of the Ronald McDonald House, the American Cancer Society and the American Heart Association and have shared a leadership role in preserving and showcasing Galveston's history.

Academic medicine today is about the "survival of the fittest" and thanks to Tom's distinguished service as President, UTMB is among the "fittest" of our nation's medical universities. At a time when the future of many centers of academic medicine may hang in the balance,



the Medical Branch -- because of Tom's leadership -- can face the future with strength, pride and confidence, as well as the resources to continue its vital role in health professions education, patient care and research.

We could not be more pleased that you have chosen to remain a part of the UTMB community and to continue as a distinguished member of the faculty.

Please accept this certificate of appreciation as a small token of our sincere gratitude for your dedicated and exceptional service to the U. T. Medical Branch - Galveston.

CERTIFICATE OF APPRECIATION

The Board of Regents

Expresses to

THOMAS N. JAMES, M.D., M.A.C.P.

Its Sincere Appreciation for His

Distinguished Service and Outstanding Contributions

to

The University of Texas System

as

President

Professor of Internal Medicine

Professor of Pathology

and

Director, World Health Organization Cardiovascular Center

at

The University of Texas Medical Branch at Galveston

1987 - 1997

Adopted by unanimous vote this 14th day of August 1997

(signed by all members of the Board)

President James received a standing ovation and graciously accepted this accolade and expressed his sincere appreciation to the Board for the opportunity to serve The University of Texas System.

REPORT AND RECOMMENDATIONS OF THE FACILITIES PLANNING AND CONSTRUCTION COMMITTEE (Pages 89 - 97).--Committee Chairman Clements reported that the Facilities Planning and Construction Committee had met in open session to consider those matters on its agenda and to formulate recommendations for the U. T. Board of Regents. Unless otherwise indicated, the actions set forth in the Minute Orders which follow were recommended by the Facilities Planning and Construction Committee and approved in open session and without objection by the U. T. Board of Regents:

1. U. T. System: Authorization to Extend the Six-Year Capital Improvement Program (CIP) Through Fiscal Year 2003; Approval of the Capital Budget for Fiscal Years 1998 and 1999; Appropriation of Additional Funds for Previously Approved Projects with Increased Total Project Cost; Appropriation of Funds for Renovation Projects Initiated in the Capital Budget; and Approval of Use of Revenue Financing System Parity Debt for Renovation Projects Initiated in the Capital Budget for Which Revenue Financing System Bonds are Identified as a Funding Source, Receipt of Parity Debt Certificate, and Finding of Fact with Regard to Financial Capacity.-- Executive Vice Chancellor Burck reviewed the proposed Capital Improvement Program (CIP) through Fiscal Year 2003 and the Capital Budget for The University of Texas System for Fiscal Years 1998 and 1999 which were before the Board in a separate volume entitled "[The University of Texas System Capital Improvement Program 1998-2003 \(Including Capital Budget for FY 1998 & FY 1999\)](#)" which is on file in the Office of the Board of Regents.

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

- a. Extended the U. T. System Capital Improvement Program through Fiscal Year 2003
- b. Approved the Capital Budget for Fiscal Year 1998 and Fiscal Year 1999
- c. Appropriated additional funding for previously approved projects with increased total project cost for The University of Texas at Arlington, The University of Texas Health Science Center at Houston, and The University of Texas M.D. Anderson Cancer Center as set forth on Page 90 .

|   | <u>Increased_</u><br><u>Project_</u><br><u>Cost</u> | <u>Funding</u><br><u>Source</u> |
|---|---|---------------------------------|
| U. T. Arlington<br>Campus Asbestos Abatement                                    | \$141,952   | PUF-Special<br>Program          |
| U. T. Health Science Center -<br>Houston<br>Addition to Student Apartments      | \$424,000   | Revenue<br>Bonds                |
| U. T. M.D. Anderson Cancer<br>Center<br>Bertner Complex and LeMaistre<br>Clinic | \$20,000,000  | Hospital<br>Revenues            |

- d. Appropriated funding in an aggregate amount of \$245,320,137 for renovation projects initiated in the FY 1998-1999 Capital Budget as reflected in the FY 1998-2003 Capital Improvement Program
- e. Approved the use of Revenue Financing System Parity Debt for renovation projects initiated in the FY 1998-1999 Capital Budget for which Revenue Financing System Bonds have been identified as all or a portion of the funding for the U. T. System component institutions as set forth on Page 91 .

| Component Institution                      | Renovation Project Expenditures | Revenue Bonds | Tuition Bonds |
|--|---------------------------------|---------------|---------------|
| U. T. Arlington                            | \$17,011,555                    | -0-           | \$16,000,000  |
| U. T. Austin                               | 32,367,000                      | -0-           | -0-           |
| U. T. Brownsville                          | -0-                             | -0-           | -0-           |
| U. T. Dallas                               | 3,940,000                       | -0-           | 3,100,000     |
| U. T. El Paso                              | 16,000,000                      | -0-           | 14,000,000    |
| U. T. Pan American                         | 10,500,000                      | 8,500,000     | -0-           |
| U. T. Permian Basin                        | 6,500,000                       | 700,000       | 5,800,000     |
| U. T. San Antonio                          | 523,900                         | -0-           | -0-           |
| U. T. Tyler                                | 5,829,682                       | -0-           | 5,000,000     |
| U. T. Southwestern Medical Center - Dallas | 12,800,000                      | -0-           | -0-           |
| U. T. Medical Branch - Galveston           | 102,998,000                     | -0-           | -0-           |
| U. T. Health Science Center - Houston      | 28,150,000                      | -0-           | -0-           |
| U. T. Health Science Center - San Antonio  | -0-                             | -0-           | -0-           |
| U. T. M.D. Anderson Cancer Center          | 8,700,000                       | -0-           | -0-           |
| U. T. Health Center - Tyler                | -0-                             | -0-           | -0-           |
| Total                                      | \$245,320,137                   | \$9,200,000   | \$43,900,000  |

Further, the U. T. System Administration was authorized, in consultation with the component institutions, to proceed with planning for projects contained in the Capital Budget portion of the Capital Improvement Program and to bring recommendations to the U. T. Board of Regents in accordance with the revised process for Regental review approved at the December 1994 meeting.

In accordance with the campus planning rules of the Texas Higher Education Coordinating Board, the Chairman of the U. T. Board of Regents must certify that the need for new construction that will require formula funding is at least equal to the need to acquire additional or more modern instructional and research equipment. Since the capital budgeting process used by the U. T. System to develop the Capital Improvement Program ensures that such a determination or prioritization is considered and endorsed by the U. T. Board of Regents on behalf of each new project, the Executive Secretary to the Board was authorized, on behalf of the Chairman, to issue the certification as required by the Texas Higher Education Coordinating Board for all new construction contained in the Capital Improvement Program.

In compliance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System, adopted by the U. T. Board of Regents on February 14, 1991, and amended on October 8, 1993 (the "Master Resolution"), and upon delivery of the Certificate of an Authorized Representative as set out on Page 94, the Board resolved that:

- a. Parity Debt shall be issued to pay the projects' cost including any project costs paid prior to the issuance of such Parity Debt
- b. Sufficient funds will be available to meet the 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 Board relating to the Financing System
- c. The component institutions, which are "Members" as such term is used in the Master Resolution, possess the financial capacity to satisfy their direct obligation as defined in the Master Resolution relating to the issuance by the U. T. Board of Regents of tax-exempt Parity Debt in the aggregate amount of \$53,100,000 for the financing of renovation projects initiated in the Capital Budget and \$424,000 for the addition to the Student Apartments at U. T. Health Science Center - Houston
- d. This resolution satisfies the official intent requirements set forth in Section 1.150-2 of the U. S. Treasury Regulations.

Additional funding in the amount of \$141,952 for the previously approved Campus Asbestos Abatement project at U. T. Arlington will cover additional abatement work including temporary relocation of personnel. Increased funding in the amount of \$424,000 for the previously approved Addition of Student Apartments project at the U. T. Health Science Center - Houston will cover cost

escalation and site related expenses. Additional funding in the amount of \$20,000,000 for the previously approved Bertner Complex and Charles A. LeMaistre Clinic at U. T. M.D. Anderson Cancer Center will pay for the finishing-out of much needed shell space in the Research Building, the LeMaistre Clinic and other project related costs.

See Page 59 related to the Fiscal Year 1998 appropriation of Permanent University Fund Bond Proceeds from reserves provided in the six-year Capital Improvement Program for Library, Equipment, Repair and Renovation projects.

PARITY DEBT CERTIFICATE OF U. T. SYSTEM REPRESENTATIVE

I, the undersigned Assistant Vice Chancellor for Finance of The University of Texas System, a U. T. System Representative under the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System adopted by the Board on February 14, 1991 and amended on October 8, 1993 (the "**Master** Resolution"), do hereby execute this certificate for the benefit of the Board of Regents pursuant to Section 5 (a) (ii) of the Master Resolution in connection with the authorization by the Board to issue "Parity **Debt**" pursuant to the Master Resolution at U. T. Arlington, U. T. **Dallas** U. T. El Paso, U. T. Pan American, U. T. Permian Basin, U. T. Tyler, U. T. Health Science Center - Houston, and do certify that to the best of my knowledge the Board of Regents is in compliance with all covenants contained in the Master Resolution, the First Supplemental Resolution Establishing an Interim Financing Program, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution and is not in default of any of the terms, provisions and conditions in said Master Resolution, the First Supplemental Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution, the Fourth Supplemental Resolution, and the Fifth Supplemental Resolution.

EXECUTED this 14<sup>th</sup> day of August, 1997

John A. Roan  
Assistant Vice Chancellor for Finance



2. U. T. Pan American: Approval to Name Planetarium as the H-E-B Planetarium (Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, Naming of Buildings and Other Facilities).--In accordance with the Regents' Rules and Regulations, Part One, Chapter VIII, Section 1, regarding naming of buildings and other facilities, and upon recommendation of the Facilities Planning and Construction Committee, the Board approved the naming of the Planetarium at The University of Texas - Pan American as the H-E-B Planetarium to recognize the ongoing financial support by the H-E-B Grocery Company to U. T. Pan American.

As part of the new Science Building project, the Planetarium is being restored as a feature of the courtyard. The Planetarium is used by U. T. Pan American faculty, staff, and students and has become a favorite attraction for public school students on field trips to the campus. The generous gifts from the H-E-B Grocery Company, including more than \$136,000 to scholarship funds and various programs over the last ten years and a pledge of continued support in the amount of \$20,000 a year for the next seven consecutive years, far exceed the cost of the Planetarium restoration.

3. U. T. M.D. Anderson Cancer Center: Determination of Necessity and Authorization to Acquire Through Condemnation Proceedings a Seven Percent Interest in 1.2517 Acres Out of the P. W. Rose Survey, Abstract No. 645 of Wortham Linear Park (Previously Known as Holcombe Boulevard Linear Park Plaza - Phase III) in Houston, Harris County, Texas, and Authorization for the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to Execute All Documents Related Thereto.-- At its October 1989 meeting, the U. T. Board of Regents authorized, on behalf of The University of Texas M.D. Anderson Cancer Center, the purchase of two tracts along Holcombe Boulevard directly across from the main entrance to M.D. Anderson totaling 2.2517 acres. The first tract of one acre was acquired in December 1990 and in October 1996 a 93 percent undivided interest was acquired in the remaining 1.2517 acres. At its meeting in April 1994, the U. T. Board of Regents authorized the construction of a linear park along Holcombe Boulevard from Fannin Street on the west to Braes Bayou on the east.

At the same meeting, the U. T. Board of Regents authorized acquisition of the remaining seven percent interest of the 1.2517 acre tract through condemnation proceedings if efforts to negotiate with the owner were unsuccessful. Six written offers have been submitted to the owner of the seven percent interest and all offers were rejected.

Additional condemnation authority from the U. T. Board of Regents is necessary since use of the property to be condemned will include an office building as well as the Linear Park.

In accordance therewith and upon recommendation of the Facilities Planning and Construction Committee, the Board:

- a. Determined that it is necessary for U. T. M.D. Anderson Cancer Center to acquire, through condemnation proceedings if necessary, an outstanding seven percent interest in 1.2517 acres out of the P. W. Rose Survey, Abstract No. 645 of Wortham Linear Park (previously known as Holcombe Boulevard Linear Park Plaza - Phase III) which is located between Bertner Avenue and the Jesse H. Jones Rotary House International in Houston, Harris County, Texas
- b. Authorized U. T. M.D. Anderson Cancer Center to acquire the subject property, through condemnation proceedings if necessary, for institutional purposes including without limitation the construction of an office building and a section of the Wortham Linear Park
- c. Authorized the Executive Vice Chancellor for Business Affairs or the Executive Director of Real Estate to take all steps necessary to acquire the property; to execute all documents, instruments, and other agreements; to initiate a condemnation action, if necessary, through the Office of General Counsel and the Office of the Attorney General; and take all such actions as deemed necessary to carry out the purpose and intent of these transactions.

\* \* \* \* \*

At the conclusion of the Facilities Planning and Construction Committee meeting, Committee Chairman Clements reported that since the last regular meeting the Chancellor had approved eight (8) general construction contracts totaling \$42,900,000 which included a 16.3% participation by Historically Underutilized Businesses, 4.8% by women-owned firms and 11.5% by minority-owned firms. In addition, three (3) architect/engineer contracts totaling \$3,600,000 have been awarded since the last meeting and these indicate a 33.8% participation by Historically Underutilized Businesses, 28.4% by women-owned firms and 5.4% by minority-owned firms.

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

ITEM FOR THE RECORD

Winedale Stagecoach Inn Fund: Report of Dissolution.--At the meeting on February 6, 1997, the U. T. Board of Regents, acting in its capacity as the Board of Trustees for the Winedale Stagecoach Inn Fund, "authorized (the) dissolution of the Winedale Stagecoach Inn Fund . . . and (with) court approval authorized the U. T. Board of Regents to hold the various corporate assets as the Winedale Stagecoach Inn Fund Endowment to be invested in the Long Term Fund for purposes in conformance with the donor's expressed wishes."

Pursuant to the U. T. Board of Regents' request, on April 3, 1997, a Court Order was entered in the 201st Judicial District Court of Travis County wherein the Winedale Stagecoach Inn Fund Trust was terminated and all assets were transferred to the Board of Regents of The University of Texas System for the use and benefit of the Winedale Stagecoach Inn Fund Endowment. The Court Order further provided that all income from the investments from the Winedale Endowment shall be used in conformance with the purposes set forth in the Indenture creating the Winedale Stagecoach Inn Fund Trust.

REPORT OF BOARD FOR LEASE OF UNIVERSITY LANDS

1. Board for Lease of University Lands: Report of Meeting Held on May 13, 1997.--Regents Lebermann and Smiley, as members of the Board for Lease of University Lands, submitted the following report on behalf of that Board:

Report

The Board for Lease of University Lands met on May 13, 1997, at the Center for Energy and Economic Diversification in Midland, Texas, for a general business meeting and to hold Regular Oil and Gas Lease Sale No. 91 on Permanent University Fund lands.

Following is a report on the results of the Regular Oil and Gas Lease Sale No. 91:

A total of 120,695.225 acres (420 tracts) of Permanent University Fund lands was nominated for lease. Bonuses of \$7,462,951 were paid for 161 tracts covering a total of 51,291.177 acres. The bonuses paid were the largest since February 3, 1982, when total bonuses paid were \$17,842,000. No bids were received on 69,404.048 acres (259 tracts). The average bonus paid per acre was \$145.50, with the high bid per acre being \$1,118.50. The single highest bid was \$185,000.00 for 165.4 acres in Andrews County, Texas.

Following is a report on the general business meeting:

- a. Approved the Minutes of the Board for Lease meeting of November 12, 1996
- b. Approved tracts offered and approved lease awards to highest bidders in Regular Oil and Gas Lease Sale No. 91
- c. Approved procedures and terms for Regular Oil and Gas Lease Sale No. 92 to be held on November 19, 1997

- d. Received a report from Mr. William O. Strange with the accounting firm of Deloitte & Touche LLP, Houston, Texas, on the results of an internal accounting control survey. The overall results showed that the practices and procedures of the University Lands Accounting Office (ULAO) meet or exceed acceptable internal accounting controls. Mr. Strange also reported that Deloitte & Touche LLP completed an audit of ULAO's practices and procedures and concluded that West Texas Operations has maintained an effective internal control structure and the statement of Deposits and Funds Transferred to the Permanent and Available University Funds is fairly stated. The members agreed that the audit report should be presented to the Board of Regents of The University of Texas System. See Page 101.
- e. Received a report on the take in-kind crude oil sale held April 16, 1997, approved contracts dated June 1, 1997, approved continuation of the take in-kind crude oil royalty program as currently managed, and approved the addition of 45 properties to the oil royalty take in-kind program. The oil royalty take in-kind program has resulted in net revenue enhancement of approximately \$6.4 million.
- f. Received a report on the take in-kind gas royalty sales held January 21, 1997, and April 21, 1997; approved contracts dated effective February 1, 1997, and May 1, 1997, respectively; and approved continuation of the take in-kind gas royalty program as currently managed. The gas royalty take in-kind program has resulted in net revenue enhancement of approximately \$83,000 since September 1995.
- g. Approved terms for pooled unit agreements with Sage Energy Company, Fasken Oil and Ranch, Ltd., Pennzoil Exploration and Production Company, Leede Operating Company, L.L.C., Union Pacific Resources, and Conoco, Inc.

- h. Received a report on legislation affecting changes to the Texas Education Code, Chapter 66, Subchapter D, as it relates to the functions of the Board for Lease
    - i. Authorized the publication of a web site for the Board for Lease of University Lands.
- 2. Board for Lease of University Lands: Report on University Lands - West Texas Operations by Mr. William O. Strange, Partner, Deloitte & Touche LLP, Houston, Texas.--Mr. R. D. Burck, Executive Vice Chancellor for Business Affairs, introduced Mr. William O. Strange, Partner, Deloitte & Touche LLP, Houston, Texas, to present the results of two studies conducted for University Lands - West Texas Operations: (a) A Comparative Study of the Accounting and Internal Control Practices Over Royalty Income from Oil and Gas Leases and (b) A Report of Independent Accountant Regarding Internal Control Structure.

Mr. Strange confirmed the effectiveness of the internal control structure for the West Texas Operations regarding financial reporting, operations, and compliance with applicable laws and regulations as of August 31, 1996. He also confirmed that the internal control procedures used in the West Texas Operations were, in general, comparable to those in effect in the States of Louisiana, New Mexico, Wyoming, and the Texas General Land Office.

A copy of the [studies conducted by Deloitte & Touche LLP](#) is on file in the Office of the Executive Vice Chancellor for Business Affairs.

SCHEDULED MEETING.--Chairman Evans announced that the next scheduled meeting of the U. T. Board of Regents would be held on November 13, 1997, at The University of Texas at Brownsville.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 11:50 a.m.

/s/ Arthur H. Dilly  
Executive Secretary

August 22, 1997