

Meeting No. 1,051

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

Pages 1 - 19

October 12, 2009

Austin, Texas

MEETING NO. 1,051

MONDAY, OCTOBER 12, 2009.--The members of the Board of Regents of The University of Texas System convened this special called meeting at 9:05 a.m. on Monday, October 12, 2009, in the Board Meeting Room, Ninth Floor, Ashbel Smith Hall, 201 West Seventh Street, Austin, Texas, with the following participation:

ATTENDANCE.--

Present

Chairman Huffines, presiding
Vice Chairman McHugh
Vice Chairman Foster
Regent Dannenbaum
Regent Gary
Regent Hicks
Regent Longoria
Regent Powell
Regent Stillwell
Regent Meijer, Student Regent, nonvoting

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

AGENDA ITEM

1. U. T. System and U. T. Southwestern Medical Center – Dallas: Authorization to enter into an affiliation agreement with Seton Healthcare to sponsor graduate medical education programs and related activities

Following discussion in Open Session and in Executive Session (see Item 1b on Page 6), the Board granted The University of Texas System Administration and The University of Texas Southwestern Medical Center at Dallas authority to finalize, execute, and implement an affiliation agreement among Seton Healthcare, the U. T. System Board of Regents, and U. T. Southwestern Medical Center – Dallas for the purpose of sponsoring and expanding graduate medical education programs, establishing clinical and medical research programs, and improving the health of Central Texans.

Chairman Huffines introduced Mr. Charles Barnett, President and Chief Executive Officer of the Seton Family of Hospitals; Mr. Jesus Garza, Executive Vice President and Chief Operating Officer, Seton Family of Hospitals and President and Chief Executive Officer of Brackenridge Hospital; and Sister Helen Brewer, Chairman of the Seton Family of Hospitals Board of Trustees, who were in attendance at the meeting. Chairman Huffines then called on Chancellor Cigarroa for remarks.

Chancellor Cigarroa said the affiliation agreement that has been negotiated represents a new day for health education, medical research, and patient care in Texas. He said this new partnership is a wonderful development for the people of Central Texas and for the U. T. System. For U. T. Southwestern Medical Center – Dallas, he said the partnership offers an ideal way to expand graduate medical education and clinical research programs. For U. T. System institutions, particularly The University of Texas at Austin, he said it provides significant opportunities for translational research and collaborations throughout Texas that will allow discoveries to transition more quickly from the laboratory bench to the patient's bedside.

Dr. Shine then provided the Board with an overview of the affiliation agreement. He said The University of Texas has had a long history of education in Central Texas. The University of Texas Medical Branch at Galveston (UTMB) has had medical students in Austin for many years; there are 180 students at the present time, mostly third and fourth year students, who receive their education largely in the Seton Family of Hospitals facilities. UTMB has also been involved in graduate medical education programs and currently has about 88 residents in the Austin area. In addition, the Seton Family of Hospitals also sponsors residency programs; there are 50 or 60 such residents at the present time.

Dr. Shine said the administration at UTMB made it clear approximately two years ago that the institution would like to continue to have third and fourth year medical students in clinical training in Austin, but the residency programs were not of the highest priority as there were opportunities to develop programs in the area between Galveston and Houston. U. T. Southwestern Medical Center – Dallas was approached about opportunities for medical education, in particular graduate medical education, in the Greater Austin area. Following a feasibility study, it was determined that the focus for U. T. Southwestern would be on graduate medical education to train interns, residents, and fellows in specialty areas such as cardiology, gastroenterology, cancer, or emergency medicine.

Dr. Shine said U. T. Southwestern is already present in Central Texas including cooperative activities with U. T. Austin at the Dell Pediatric Research Institute and at the Dell Children's Medical Center.

Dr. Shine said under the proposed agreement, U. T. Southwestern and Seton will be the primary partners for graduate medical education in clinical programs in Central Texas, noting there are mechanisms for participation by other institutions. The approximately 160 residents of UTMB and Seton would become residents in accredited programs under the direction of U. T. Southwestern and will dramatically increase U. T. Southwestern's reputation and opportunities. The faculty involved will be employed by Seton through a 501(a) corporation or corporations but they will be recruited and have academic appointments approved by U. T. Southwestern. A fraction of the faculty will continue to have joint appointments with UTMB so that they can participate in the continuing education of medical students.

Dr. Shine said the Seton Family of Hospitals has committed to a clinical research institute for which approximately 20 faculty will be recruited to teach and to conduct research. He said neither U. T. Southwestern nor U. T. Austin, which will benefit substantially from the development of these programs, have the financial resources to fund these activities. With the support of the Ascension System, the Seton Family of Hospitals has committed to cover all of the costs associated with these graduate medical education programs. Dr. Shine explained the Seton system has 13 outstanding facilities in Central Texas, including the Brackenridge Hospital, which is the leading hospital for uncompensated care in the Central Texas area. He said Seton is known for patient safety and quality of care and has a strong historical commitment to education and research and they have been major leaders in supporting clinical research activities in Central Texas.

In closing, Dr. Shine said he expects the number of residents in these programs to double over the next five to eight years and the development will be an important step forward for the health of the people not only in the Austin area but for the health of Texans.

Chairman Huffines then called on President Podolsky for comments. Dr. Podolsky said the shared vision of how to expand educational training programs in Central Texas in conjunction with the development of robust research programs will enhance quality in both of those arenas.

Vice Chairman McHugh asked Dr. Podolsky to discuss the significance of the research activities that will be impacted both now and in the future. Dr. Podolsky said there are opportunities such as development of a clinical research institute that will give immediate momentum to the areas of research that are closest to impacting health in the relatively near future and over the long term as well.

Regent Hicks commented on the long-term significance of the agreement that will benefit the people who live in the community.

Regent Powell asked Dr. Shine if other health care institutions will be able to work with the U. T. Southwestern/Seton system, whether in research or other programs. Dr. Shine responded affirmatively, saying that this agreement in no way impairs research activities carried out by any institution in or outside of the U. T. System. He said that as far as graduate medical education and clinical programs are concerned, a mechanism is in place by which other institutions can apply to the joint council constituted of both Seton and U. T. Southwestern representatives for graduate medical educational programs that would bear the name of U. T. Southwestern and/or Seton. In terms of actual clinical activities, Dr. Shine said this agreement in no way impairs the ability of physicians to consult or to interact with one another in clinical research programs.

In response to a question from Regent Meijer, Dr. Podolsky said U. T. Southwestern will have responsibility for recruitment, evaluation, and appointment of faculty. In addition, he said U. T. Southwestern will be responsible for the oversight and supervision of all the graduate medical education programs and for the appointment of appropriate individuals responsible for assuring that they are accredited, which is the same responsibility it has for its oversight of residency programs based in Dallas. Dr. Podolsky said the institution will not have the financial responsibility for the faculty, saying that is a practical distinction but programmatically, there will be no difference.

Regent Longoria asked about the benefits of the affiliation to U. T. Austin and Dr. Shine said U. T. Austin would like to expand the biomedical research capabilities to take basic science and translate it through clinical investigation to the bedside. The institution will have the qualified cadre to do this. The Seton group is financing this venture and no financial resources will be required from U. T. Austin. In return, the Seton Family of Hospitals is going to be able to recruit more qualified people. Regent Longoria emphasized that it is important to remember that the affiliation will not increase the cost to U. T. Austin.

Dr. Podolsky commented that while many vibrant opportunities exist at the interface between medicine, biomedical sciences, and other domains of general academic universities, the U. T. System's organizational structure is that the general academic campuses are separated from the health-related institutions. While some exceptional collaborations have developed, this agreement would add the dimension of geography to overcome through programmatic collaborations. He said he appreciates the willingness of the Seton Family of Hospitals to fund these efforts in their entirety, and he added the reassurance that this agreement will in no way impact the momentum of priorities being pursued at U. T. Southwestern.

Regent Dannenbaum asked about the benefits to the region, specifically in outreach to the military and Dr. Shine responded that this arrangement poses real opportunities.

Dr. Shine answered a question from Chairman Huffines about the impact on UTMB's activities in Austin by saying that UTMB will continue to have third and fourth year medical students in Austin and will continue to have UTMB-appointed faculty to teach them. Having accredited programs in Austin that identify with U. T. Southwestern will further strengthen the residency program and dramatically increase the size and scope so he expects medical students from Houston, San Antonio, or possibly U. T. Southwestern will choose to do a clerkship at one of these programs. Regent Dannenbaum asked who will referee those assignments and Dr. Podolsky answered the leadership would be under the auspices of a designated dean.

Dr. Shine said the agreement would be effective on November 30, 2009, and for the next year or so, the emphasis will be on making a smooth transition to obtain high-quality graduate programs.

Chairman Huffines said this Board has a strong commitment to transparency and disclosure and he asked Vice Chancellor Burgdorf if, at the appropriate time, the agreement documents would be released. Mr. Burgdorf responded that following discussion with the partners from Seton, the affiliation agreement will be available, if approved, after this meeting.

RECESS TO EXECUTIVE SESSION.--At 9:45 a.m., Chairman Huffines announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Sections 551.071 and 551.073 to consider those matters listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 10:25 a.m., the Board reconvened in open session and took the following actions on matters discussed in Executive Session.

- 1a. U. T. System Board of Regents: Discussion with Counsel on pending legal issues

No action was taken on this item.

- 1b. U. T. System and U. T. Southwestern Medical Center – Dallas: Discussion with Counsel on legal issues related to an affiliation agreement with Seton Healthcare

See Item 1 on Page 1.

2. U. T. Health Science Center – Houston: Approval of a negotiated gift with potential naming features

Vice Chairman McHugh moved that the Board of Regents authorize President Kaiser and Vice Chancellor Safady to conclude negotiations concerning a gift to benefit The University of Texas Health Science Center at Houston with potential naming features consistent with the terms outlined in Executive Session.

The motion was seconded by Regent Longoria and carried unanimously.

RECESS TO EXECUTIVE SESSION.--At 10:50 a.m., Chairman Huffines announced the Board would recess to convene in Executive Session pursuant to *Texas Government Code* Section 551.074 to consider the matter listed on the Executive Session agenda.

RECONVENE IN OPEN SESSION.--At 4:35 p.m., the Board reconvened in open session and took the following action on the matter discussed in Executive Session.

3. U. T. Pan American: Approval of Dr. Robert S. Nelsen as sole finalist for the position of president

Regent Longoria moved that Robert S. Nelsen, Ph.D., currently Associate Vice President for Academic Affairs at Texas A&M University – Corpus Christi and formerly Associate Provost and Vice Provost at The University of Texas at Dallas, be named as sole finalist for the position of President of The University of Texas – Pan American. The motion was seconded by Vice Chairman Foster and carried unanimously.

Chairman Huffines expressed appreciation to Dr. Charles A. Sorber, Interim President at U. T. Pan American, for filling in in leadership positions at many University of Texas System institutions. Dr. and Mrs. Sorber were in attendance and received a standing ovation.

AGENDA ITEMS, CONTINUED

2. U. T. System: Adoption of a Resolution related to a contract to hedge the price and sell a portion of the future oil royalty production from the Permanent University Fund Lands

The Board

- a. adopted the Resolution set forth on Pages 9 - 12 related to a contract to hedge the price and sell a portion of the future oil royalty production from the Permanent University Fund (PUF) Lands subject to approval of the recommended terms and conditions of the agreements with recommended parties by the Chairman and Vice Chairmen; and
- b. authorized appropriate officers and employees of The University of Texas System and The University of Texas Investment Management Company (UTIMCO) as set forth in the Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein.

At the meeting, Executive Vice Chancellor Kelley handed out a draft sensitivity analysis as set forth on Page 13. Regent Longoria asked if the request is for approval now without each transaction coming back to the Board and Dr. Kelley said he recommends the resolution contain the assurance, as previously approved by the Board, to come back to the Chairman and the two Vice Chairmen on the terms of the deal. Regent Stillwell asked if this would include hedges, and Dr. Kelley responded affirmatively. Chairman Huffines emphasized that this would not jeopardize in any way the outstanding AAA rating that the U. T. System enjoys.

In early 2008, the Board of Regents asked U. T. System and UTIMCO staff to review the possibility of preselling a portion of the future oil and natural gas royalty production from the PUF Lands. That process led to the procurement of a third-party reserve study, the signing of four master commodity swap agreements (International Swap Dealers Association, "ISDAs") with credit-worthy counterparties, and a legal opinion that such a transaction was permissible. The Board of Regents approved a recommendation on July 24, 2008, to delegate authority to U. T. System staff to negotiate and enter into a transaction. Oil and gas prices then declined rapidly and substantially, making a transaction economically unattractive.

On November 13, 2008, the Board of Regents approved a detailed Resolution that provided significant additional detail regarding the statutory and Constitutional authorization for such a transaction. The Resolution also more fully described the authorities to be granted to U. T. System and UTIMCO staff with regard to a future transaction.

The forward price curve for oil has risen in recent months and is again approaching attractive levels for the proposed action. Adoption of this Resolution authorizes appropriate employees of U. T. System and UTIMCO to move forward with a transaction within parameters set forth in the Resolution, consistent with the authority granted at the July 24, 2008 and November 13, 2008 meetings of the Board. Specifically, the Resolution allows for a sale of future oil royalty production for a period of not greater than five years for volumes representing no more than the expected oil production in any given calendar year as forecasted in the most recent third party reserve report and for an amount not less than \$500 million.

The PUF Lands encompass 2.1 million acres of surface and mineral interests in 19 counties in West Texas. Royalty production net to the U. T. System in Fiscal Year 2008 totaled 2.1 million barrels of oil and 22.0 billion cubic feet of natural gas. Total oil and gas royalty income in Fiscal Year 2008 was \$390.7 million and is expected to exceed \$250 million in Fiscal Year 2009.

[Note: The [complete Reserve Report](#) is on file in the Office of the Board of Regents.]

**RESOLUTION AUTHORIZING
PERMANENT UNIVERSITY FUND FORWARD SALE TRANSACTION**

WHEREAS, the Permanent University Fund of the State of Texas (the “PUF”) is a constitutional fund created by the Texas Constitution of 1876 and currently consists of approximately 2,109,000 acres of land located in 24 North and West Texas Counties (the “PUF Lands”) and over \$9 billion in investment assets;

WHEREAS, except as provided below, the Board of Regents (the “Board”) of The University of Texas System (the “U. T. System”) is responsible for managing all the assets of the PUF, including the PUF Lands and the investment assets;

WHEREAS, the Board for Lease of University Lands (the “Board for Lease”) is authorized to lease PUF Lands for oil and gas exploration and development (“Mineral Leases”), to contract for the sale or other disposition of crude oil and natural gas royalties taken in kind, and to approve agreements that commit (by assignment or otherwise) the royalty interest in PUF Lands on terms acceptable to the Board for Lease;

WHEREAS, the Board commissioned the petroleum consulting firm of Netherland, Sewell & Associates, Inc. (“NSA”) to study the estimated proven, probable and possible crude oil and natural gas reserves and future PUF royalty net revenue from certain Mineral Leases, which study resulted in a written report from NSA to the Board, updated as of June 30, 2009 (see attached “Reserve Report”);

WHEREAS, in managing the assets of the PUF, the Board is authorized by Article VII, Section 11b of the State Constitution to “acquire, exchange, sell, supervise, manage, or retain, through procedures and subject to restrictions it establishes and in amounts it considers appropriate, any kind of investment . . . that prudent investors, exercising reasonable care, skill and caution, would acquire or retain in light of the purposes, terms, distribution requirements, or other circumstances of the [PUF] then prevailing, taking into consideration the investment of all the assets of the [PUF] rather than a single investment”;

WHEREAS, the U. T. System staff, based upon consultation with the staff of UTIMCO, has submitted to the Board the recommendation (the “Staff Recommendation”) to approve an investment transaction for the PUF (the “Transaction”), pursuant to which the Board, as manager of the PUF, would agree to sell to one or more counterparties (each, a “Counterparty”) certain quantities of crude oil to be delivered by the Board over a multiyear period, which sale could involve a conveyance of the PUF’s royalty interests limited to such quantities (or cash equivalents), and the applicable Counterparty would agree to purchase such quantities from the Board by paying an upfront purchase price, said agreements to be set forth in one or more commodity prepayment, royalty conveyance, or production payment agreements (each, a “Commodity Agreement”);

WHEREAS, the Staff Recommendation calls for the Transaction to be structured, based upon the most recent Reserve Report, such that the obligation of the Board, as manager of the PUF, pursuant to all Commodity Agreements does not exceed the estimated PUF royalty production per the most recent Reserve Report from total proved reserves in any given calendar year, during the delivery period of the Transaction; and

WHEREAS, in connection with the Transaction, it may be necessary and appropriate for the Board, as manager of the PUF, to enter into one or more of the following basic documents (together with the Commodity Agreements, the “Basic Transaction Documents”) in furtherance of the prudent execution of the Transaction:

- (i) Physical commodity sales agreement(s) with one or more commodity marketers pursuant to which the Board, a manager of the PUF, would purchase, or exchange for PUF royalties taken in kind, crude oil to be delivered in amounts necessary to satisfy its obligations under the applicable Commodity Agreement; and
- (ii) Financial commodity price swap agreement(s) with one or more swap counterparties pursuant to which the Board, a manager of the PUF, would agree to enter into a swap or sell an option on a swap to pay a floating-price for a notional volume of crude oil and the swap counterparty would agree to pay a fixed-price for such notional volume.

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

1. Subject to the other provisions of this Resolution and to the receipt of appropriate opinions of counsel as to legal structure and any tax consequences, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to determine the size, timing, participants and other terms of the Transaction and to complete all negotiations and finalize all arrangements with respect to the Transaction, all as may be deemed necessary or appropriate and in the best interests of the PUF; provided, however, that (i) the Transaction shall be structured, based upon the most recent Reserve Report, such that the obligations of the Board, as manager of the PUF, pursuant to all Commodity Agreements involved in the Transaction do not exceed the estimated PUF royalty production in any given calendar year from total proved reserves, (ii) the term of the Transaction shall not exceed five years, and (iii) the upfront purchase price paid to the PUF pursuant to all Commodity Agreements involved in the Transaction shall not be less than \$500,000,000.

2. In connection with the actions authorized by paragraph 1 above, the U. T. System staff, in consultation with the staff of UTIMCO, is hereby authorized and directed to assist the Board for Lease in (i) reviewing the terms of the Mineral Leases, (ii) exercising such rights contained in such Mineral Leases as are deemed necessary or appropriate to facilitate the Transaction, including the rights to take crude oil royalties in kind, to sell and dispose of such royalties taken in kind and to determine the delivery location of such royalties taken in kind, and (iii) committing (by assignment or otherwise) the PUF’s royalty interests under such Mineral Leases limited to specified quantities of crude oil (or cash equivalents).

3. Subject to the requirements of paragraph 1 above, in connection with the Transaction, the Chancellor, the Executive Vice Chancellor for Business Affairs, the Vice Chancellor for Finance and Business Development, and the Vice Chancellor and General Counsel are hereby severally authorized and directed to execute and deliver the applicable Basic Transaction Documents on behalf of the Board, as manager of the PUF, in such forms and with such terms as any such officer determines to be necessary or desirable and in the best interests of the Board, as manager of the PUF, such determination to be conclusively evidenced by such execution thereof.

4. The members of the staffs of U. T. System and UTIMCO, and the officers of the Board, and each of them shall be and each is expressly authorized, empowered and directed from time-to-time to do and perform all acts and things and to execute, acknowledge and deliver in the name and on behalf of the Board, as manager of the PUF, all certificates, instruments and other papers, whether or not herein mentioned, as any such person may determine to be necessary or desirable in order to carry out the terms and provisions of this Resolution and the Transaction authorized hereunder, such determination to be conclusively evidenced by the performance of such acts and things and the execution of certificate, instrument or paper.

5. In reliance upon the Staff Recommendation, the Reserve Report, the recitals to this Resolution and the foregoing paragraphs 1 through 4,

- (a) the Board hereby finds and determines that the Transaction is prudent and appropriate for the PUF in light of the purpose, terms, distribution requirements, and other circumstances of the PUF, taking into consideration the investment of all the assets of the PUF rather than a single investment and, thus, is an authorized investment under Article VII, Section 11b of the State Constitution; and
- (b) the Board specifically further finds and determines that:
 - (i) because the upfront purchase payment pursuant to all Commodity Agreements involved in the Transaction, when credited to the PUF, will be invested in investment assets pursuant to the Board's investment policies in effect from time to time, which investment assets are expected to produce revenue for the PUF, (a) distributions to the Available University Fund ("AUF") from the total return on all investment assets of the PUF are expected to increase as a result of the Transaction, and (b) the amount of bonds payable from the AUF authorized to be issued by the Board and the Board of Regents of The Texas A&M University System is expected to increase;
 - (ii) because the Transaction will be structured, based upon the Reserve Report, such that the obligation of the Board, as manager of the PUF, pursuant to all Commodity Agreements involved in the Transaction, is expected to be fully satisfied from PUF royalty production from total proved reserves in any given calendar year, during the delivery period of the Transaction, the Board's sale and delivery obligation is not speculative, but is fully backed by the PUF's expected royalty production;
 - (iii) because the upfront purchase payment pursuant to all Commodity Prepayment Agreements involved in the Transaction will be deposited to the credit of the PUF and invested in investment assets in accordance with the Board's investment policies in effect from time-to-time, the Transaction will reduce the PUF's reliance upon volatile crude oil commodity prices, thereby prudently further diversifying the assets of the PUF; and
 - (iv) because the upfront purchase payment to the Board will be calculated based upon commodity prices and interest rates established at or prior to execution of the Transaction, the Transaction will allow the PUF to lock in what currently appears to be a relatively high market price for crude oil and relatively low interest rates.

6. This Resolution shall be in full force and effect from and after its passage, and it is accordingly so resolved.

PASSED AND APPROVED BY THE BOARD OF REGENTS OF THE UNIVERSITY OF TEXAS SYSTEM THIS TWELFTH DAY OF OCTOBER, 2009.



Sensitivity Analysis

- TERM: Pre-pay period of 5 years
 - Production beginning January 1, 2010, through December 31, 2014
- VOLUME: 90% of Proved Developed Producing Properties
- PRICING: Assumed Flat Forward Curve for Oil

PV Cash Flow of Oil for 5 year sale of PDP Reserves through 2014									
		Discount Rate							
		3.25%	3.50%	3.75%	4.0%	4.25%	4.50%	4.75%	5.00%
Price of Oil - Assuming a flat forward curve	\$ 125.00	\$ 664,100,275	\$ 660,610,753	\$ 657,155,377	\$ 653,733,704	\$ 650,345,294	\$ 646,989,716	\$ 643,666,544	\$ 640,375,363
	\$ 120.00	\$ 637,536,264	\$ 634,186,323	\$ 630,869,162	\$ 627,584,356	\$ 624,331,482	\$ 621,110,127	\$ 617,919,883	\$ 614,760,348
	\$ 115.00	\$ 610,972,253	\$ 607,761,892	\$ 604,582,947	\$ 601,435,008	\$ 598,317,670	\$ 595,230,538	\$ 592,173,221	\$ 589,145,334
	\$ 110.00	\$ 584,408,242	\$ 581,337,462	\$ 578,296,732	\$ 575,285,659	\$ 572,303,859	\$ 569,350,950	\$ 566,426,559	\$ 563,530,319
	\$ 105.00	\$ 557,844,231	\$ 554,913,032	\$ 552,010,517	\$ 549,136,311	\$ 546,290,047	\$ 543,471,361	\$ 540,679,897	\$ 537,915,305
	\$ 100.00	\$ 531,280,220	\$ 528,488,602	\$ 525,724,302	\$ 522,986,963	\$ 520,276,235	\$ 517,591,772	\$ 514,933,236	\$ 512,300,290
	\$ 95.60	\$ 507,928,742	\$ 505,259,824	\$ 502,617,024	\$ 500,000,000	\$ 497,408,417	\$ 494,841,945	\$ 492,300,260	\$ 489,783,041
	\$ 90.00	\$ 478,152,198	\$ 475,639,742	\$ 473,151,872	\$ 470,688,267	\$ 468,248,612	\$ 465,832,595	\$ 463,439,912	\$ 461,070,261
	\$ 85.00	\$ 451,588,187	\$ 449,215,312	\$ 446,865,657	\$ 444,538,919	\$ 442,234,800	\$ 439,953,007	\$ 437,693,250	\$ 435,455,247
	\$ 80.00	\$ 425,024,176	\$ 422,790,882	\$ 420,579,442	\$ 418,389,571	\$ 416,220,988	\$ 414,073,418	\$ 411,946,588	\$ 409,840,232
	\$ 75.00	\$ 398,460,165	\$ 396,366,452	\$ 394,293,226	\$ 392,240,222	\$ 390,207,176	\$ 388,193,829	\$ 386,199,927	\$ 384,225,218
	\$ 70.00	\$ 371,896,154	\$ 369,942,021	\$ 368,007,011	\$ 366,090,874	\$ 364,193,365	\$ 362,314,241	\$ 360,453,265	\$ 358,610,203
	\$ 65.00	\$ 345,332,143	\$ 343,517,591	\$ 341,720,796	\$ 339,941,526	\$ 338,179,553	\$ 336,434,652	\$ 334,706,603	\$ 332,995,189

3. U. T. San Antonio and U. T. Health Science Center – San Antonio:
Appointment of a Special Advisory Group to review the feasibility of a merger
of the two institutions

Chairman Huffines appointed a Special Advisory Group to review the feasibility of a merger of The University of Texas at San Antonio and The University of Texas Health Science Center at San Antonio. His remarks follow.

Remarks by Chairman Huffines

As noted in the background information provided with this item, the feasibility of a possible merger of the two institutions was reviewed in 2002 as required by Senate Bill 1840 and the Board's conclusion was that the "time was not right" for a merger to be feasible.

I believe it is again appropriate for the Board to consider the feasibility of merger. Accordingly, I have discussed with Chancellor Cigarroa and Executive Vice Chancellors Shine and Prior my desire to appoint a special advisory group to conduct a feasibility study and I charged them to contact experts in the operations of health science programs, academic programs, organization, and administrative issues about possible service on the committee.

I am very pleased to announce that Dr. Peter T. Flawn, President Emeritus of The University of Texas at Austin and former President of The University of Texas at San Antonio, will serve as Chairman. He is a member of the National Academy of Engineering.

The other members are:

- Dr. Haile T. Debas, Executive Director of the University of California - San Francisco Global Health Sciences, and a member of the Institute of Medicine
- Dr. Jordan J. Cohen, former President of the Association of American Medical Colleges and Professor of Medicine and Public Health at George Washington University, and a member of the Institute of Medicine
- Dr. Patricia K. Donahoe, Director of Pediatric Surgical Research Laboratories at Massachusetts General Hospital and Marshall K. Bartlett Professor of Surgery at Harvard Medical School, and a member of the National Academy of Sciences

- Mr. Robert W. Shepard, Chairman of the Board of Shepard Walton King Insurance Group, and former Chair of the Texas Higher Education Coordinating Board
- Dr. Graham B. Spanier, President of The Pennsylvania State University, and former Chairman of the Association of American Universities
- Dr. Richard A. Tapia, Maxfield-Oshman Professor in Engineering, and Director of the Center for Excellence and Equity in Education at Rice University, and a member of the National Academy of Engineering

Mr. Steve Collins, Associate Vice Chancellor for Governmental Relations and Special Counsel; and Ms. Rhonda Hankins, Assistant Secretary to the Board, will serve as staff for the advisory group.

Subject to discussion and your further direction today, I plan to charge the Special Advisory Group to take actions that include the following:

- Consult student, faculty, and administrators at both institutions as well as community leaders regarding a possible change in the operations of the institutions
- Identify and evaluate potential financial and programmatic benefits and challenges concerning a possible merger
- Evaluate and make recommendations concerning any legal, administrative, or practical problems related to a possible merger.

I will ask the Advisory Group to report to the Board no later than June 1, 2010.

In 2001, the 77th Texas Legislature passed Senate Bill 1840 that instructed The University of Texas System Board of Regents to conduct a feasibility study of operating U. T. San Antonio and U. T. Health Science Center – San Antonio as a single research university. An outside consultant, retained by the Board to assist with review of this possibility, conducted interviews with 80 individuals, individually and in small groups. The consultant's report to the Board identified potential benefits and advantages of the proposed change as well as potential legal, administrative, or practical problems.

The Board considered the consultant's report and made recommendations and commitments, communicated by then-U. T. System Board of Regents' Chairman Charles Miller to the Lieutenant Governor of Texas and to the Speaker of the Texas House of Representatives on September 21, 2002, excerpted as follows:

2002 Recommendations Regarding Changes in Operation of the Institutions

- a. *The Board recommends against operation of the two institutions as a single research university at this time.*
- b. *Increased collaboration between U. T. San Antonio and U. T. Health Science Center – San Antonio would be mutually beneficial, and the Board respectfully recommends that the Legislature seek ways to promote and reward collaborative activities.*

2002 Commitments

- a. *The Board commits to the implementation of strategic alliances that will enhance educational programs and research and add value to the community and region.*
- b. *As preparation for strategic alliances, the Board will encourage each institution to clarify its focus and develop a clear strategic direction that engages faculty, staff, and students.*
- c. *The Board will direct the implementation of specific performance measures such as patents, patents pending, nondisclosure agreements, and aggregate research awards to track the growth of research at each institution.*

4. U. T. Tyler: Authorization to grant a license to Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine Campus to serve the campus facility

On behalf of The University of Texas at Tyler, the Board

- a. authorized the entering into a license with Oncor Electric Delivery Company LLC, a Delaware limited liability company, to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine Campus to serve the campus facility; and
- b. authorized the Executive Director of Real Estate to execute the license agreement and such other related documents, subject to approval of

all such documents as to legal form by the Office of General Counsel, and to take further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing action.

Chairman Huffines was noted as abstaining from discussion and vote on this item because he serves on the board of Energy Future Holdings and Oncor Electric Delivery is an affiliated company.

U. T. Tyler will enter into a license with Oncor Electric Delivery Company LLC to permit the licensee to place electrical distribution facilities on a portion of the U. T. Tyler Palestine Campus located at 100 University Boulevard, Palestine, Texas, to provide for permanent electrical service to the Campus Expansion Classroom Building. Construction of the new facility began on February 2, 2009, and occupancy is expected in March 2010 prior to the summer semester. Without permanent electrical service, construction of the building will not be completed on schedule, leading to delays, cost increases, and disruptions during the academic year.

5. U. T. System: Approval of Permanent University Fund Bond Proceeds for the Research Incentive Program

The Board appropriated \$10,000,000 of Permanent University Fund (PUF) Bond Proceeds to provide additional funding to build and enhance research infrastructure for The University of Texas System Research Incentive Program to benefit the four emerging research institutions as designated by the Texas Higher Education Coordinating Board: The University of Texas at Arlington, The University of Texas at Dallas, The University of Texas at El Paso, and The University of Texas at San Antonio.

The U. T. System Research Incentive Program will provide one-time matching funds to assist the four U. T. System institutions identified above in leveraging private gifts for the enhancement of research productivity and faculty recruitment. U. T. System matching funds will be provided through the PUF and private gifts designated for research-oriented purposes.

According to the Texas Constitution, PUF Bond Proceeds may only be used to fund capital and equipment items related to the educational mission of the U. T. System and its institutions.

The gifts will be matched using the following criteria:

- Gifts of \$500,000 to \$999,999 from a single source will be matched at 10% (creating a matching gift possibility ranging from \$50,000 to \$99,999)

- Gifts of \$1,000,000 to \$2,999,999 from a single source will be matched at 20% (creating a matching gift possibility ranging from \$200,000 to \$599,999)
- Gifts of \$3,000,000 to \$4,999,999 from a single source will be matched at 30% (creating a matching gift possibility ranging from \$900,000 to \$1,499,999)
- Gifts of \$5,000,000 or greater from a single source will be matched at 50% (with a matching cap of \$2.5 million)

U. T. System Administration will assist the eligible U. T. System institutions to record and accept the gifts. The program will begin on October 13, 2009, and will last for 12 calendar months or until all funds are awarded, whichever comes first.

Following the successful results of the Texas Research Incentive Program (TRIP) created by the 81st Texas Legislature, U. T. System will implement a similar extension of the program to continue the momentum of stimulating research-oriented, transformational gifts to U. T. System's four emerging research institutions. On August 20, 2009, the Board delegated authority to Vice Chancellor Safady to facilitate the acceptance of gifts and to ensure compliance with requirements of the Texas Higher Education Coordinating Board related to this program.

The Research Incentive Program will complement the August 20, 2009, Board approval of \$30,000,000 of PUF funds for the Science and Technology Acquisition and Retention (STARs) program, \$5,000,000 in Available University Fund (AUF) appropriations for recruitment at The University of Texas at Austin, and \$6,132,554 of AUF funds in U. T. Systemwide Microsoft license renewal costs, all aimed at hiring outstanding faculty necessary to elevate the platform of academic and research excellence across the U. T. System. The additional cost savings achieved at each U. T. System institution by not having to pay more Microsoft license renewal costs are now available to match their respective faculty STARs program awards.

A qualifying gift is defined as all cash, cash equivalents, marketable securities, closely held securities, money market holdings, partnership interests, minerals, and life insurance proceeds designated for research purposes. Additional gifts can be new personal or real property originally donated for research purposes that can be converted to cash.

The Research Incentive Program will be administered through the U. T. System Office of External Relations and the Office of Academic Affairs. A gift will be certified as of the date it is deposited by the institution in a depository bank or invested by the institution. A noncash gift will be certified on the date

it is converted to cash. All gifts require appropriate U. T. System validation before matching funds can be confirmed. Prominent naming opportunities associated with new gifts will need authorization from the Office of External Relations and the Office of Academic Affairs, in consultation with the Board of Regents.

SCHEDULED MEETING.--The next regularly scheduled meeting will be held on November 11-12, 2009, in Austin, Texas.

ADJOURNMENT.--There being no further business, the meeting was adjourned at 5:10 p.m.

/s/ Carol A. Felkel
Secretary to the Board of Regents

November 11, 2009