



**TABLE OF CONTENTS  
FOR  
MEETING OF THE BOARD**

**February 6-7, 2008**  
Edinburg, Texas

**Wednesday, February 6, 2008**

- A. CONVENE THE BOARD IN OPEN SESSION TO RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch) (*Executive Room, ITT 1.214, International Trade and Technology Building, U. T. Pan American*) *12:30 p.m.*  
*Chairman Caven*
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074
- a. **U. T. Southwestern Medical Center – Dallas: Discussion of individual personnel matters related to presidential search**
- b. **U. T. Health Science Center – Houston: Discussion of individual personnel matters related to presidential search**
- c. **U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Director of Audits), and U. T. System and institutional employees**
2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071
- a. **U. T. System Board of Regents: Discussion with Counsel on pending legal issues** *Mr. Burgdorf*
- b. **U. T. System: Discussion and consideration of potential action regarding legal issues related to current law on holistic admissions plans** *Mr. Burgdorf*
- c. **U. T. System Board of Regents: Discussion and appropriate action regarding legal issues related to the proposed border fence** *Mr. Burgdorf*

**Wednesday, February 6, 2008** (continued)

**Board/Committee Meetings**

- 3. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

**U. T. Austin: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features**

*Dr. Safady  
President Powers*

- B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY

*1:55 p.m.*

- C. RECESS

*2:00 p.m.*

**COMMITTEE MEETINGS** (*International Room, ITT 1.102, International Trade and Technology Building, U. T. Pan American*)

- Facilities Planning and Construction Committee.....
- Health Affairs Committee.....
- Academic Affairs Committee.....
- Finance and Planning Committee.....
- Joint Finance and Audit Committee.....

*2:15 p.m.  
3:15 p.m.  
4:15 p.m.  
5:15 p.m.  
6:00 p.m.*

- D. RECESS

*6:15 p.m.*

**Thursday, February 7, 2008**

**Board/Committee  
Meetings** **Page**

**COMMITTEE MEETINGS (Concurrent)**

Audit, Compliance, and Management Review Committee  
(Executive Room, ITT 1.214, International Trade and  
Technology Building, U. T. Pan American)

9:00 a.m.

Student, Faculty, and Staff Campus Life Committee  
(International Room, ITT 1.102, International Trade and  
Technology Building, U. T. Pan American)

9:00 a.m.

E. RECONVENE THE BOARD IN OPEN SESSION

10:00 a.m.

F. APPROVAL OF MINUTES

G. CONSIDER AGENDA ITEMS

**U. T. System Board of Regents: Remarks by Senator  
Lucio on Medical Education in the Rio Grande Valley**

10:02 a.m.  
Senator Lucio

1. **U. T. System: Chancellor's Quarterly Update**

10:12 a.m.  
**Report**  
Chancellor Yudof

1

2. **U. T. System: Update on implementation of the U. T.  
System Strategic Plan**

10:22 a.m.  
**Report**  
Dr. Malandra

1

3. **U. T. System: Report on development of major  
investment impact metrics**

10:32 a.m.  
**Report**  
Dr. Malandra

1

4. **U. T. System: Annual accountability and performance  
report of campus development offices**

10:42 a.m.  
**Report**  
Dr. Safady

1

5. **U. T. System Board of Regents: Amendment of the  
Regents' Rules and Regulations to permit selected  
employees in the U. T. System to participate in a  
Deferred Compensation, Section 457(f) Plan**

10:52 a.m.  
**Action**  
Mr. Wallace

2

6. **U. T. System Board of Regents: Discussion and  
appropriate action regarding the Permanent University  
Fund distribution rate**

10:55 a.m.  
**Action**  
Chairman Caven  
Chancellor Yudof

5

7. **U. T. System Board of Regents: Discussion and  
appropriate action regarding proposed recipient for  
Santa Rita Award**

11:15 a.m.  
**Action**

6

H. RECESS FOR MEETINGS OF THE STANDING COMMITTEES  
AND COMMITTEE REPORTS TO THE BOARD

11:20 a.m.

I. RECONVENE AS A COMMITTEE OF THE WHOLE

11:29 a.m.

J. ADJOURN

11:30 a.m.

1. **U. T. System: Chancellor's Quarterly Update**

REPORT

Chancellor Yudof may report on activities of The University of Texas System.

2. **U. T. System: Update on implementation of the U. T. System Strategic Plan**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will present a progress overview on implementation of the U. T. System Strategic Plan and on the timeline for development and completion of institution strategic plans.

**Supplemental Materials:**

- **Strategic Plan: Progress on Goals and Initiatives on Pages 1 – 7 of Volume 2.**
- **Campus Strategic Plans on Pages 8 – 10 of Volume 2.**

3. **U. T. System: Report on development of major investment impact metrics**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will report on the development of the process to identify and track investment impact metrics which will, over time, document the results of Board investments in major capital projects and talent initiatives.

**Supplemental Materials: Investment Impact Metrics Process on Pages 11 – 14 of Volume 2.**

4. **U. T. System: Annual accountability and performance report of campus development offices**

REPORT

Vice Chancellor Safady will present the annual accountability and performance report of U. T. System campus development offices. In 2004, Dr. Safady initiated a new, annual review of campus development operations and the preparation of a customized

feedback report for each institution. The report offers an assessment of current development activity and a framework for performance measurement and continuous improvement. With demand on U. T. System institutions to increase philanthropic support, this new service aims to help each institution achieve its strategic objectives. This annual review is aligned with the goals of the U. T. System's comprehensive Accountability and Performance program.

**Supplemental Materials: PowerPoint presentation on Pages 15 - 33 of Volume 2.**

**5. U. T. System Board of Regents: Amendment of the Regents' Rules and Regulations to permit selected employees in the U. T. System to participate in a Deferred Compensation, Section 457(f) Plan**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor and General Counsel that the U. T. System Board of Regents amend Sections 7 and 9 of the Regents' *Rules and Regulations*, Series 30202, regarding Employee Benefits, as set forth below in congressional style to allow for the creation of an Institution Prototype Deferred Compensation Plan (Prototype Plan) and to clarify that the adoption of any retirement benefit plan requires approval by the Board of Regents.

Sec. 7 ~~Deferred Compensation – Section 457(f) Plan Discretionary Bonus Plans. As authorized by *Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a)*, the Board has approves the establishment of deferred compensation – Section 457(f) discretionary bonus plans established a plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended, for the benefit of a select group of employees. Only employees designated by the Board as eligible employees may participate in the plan.~~

7.1 Purpose of the Plans. Such plans provide financial incentives in recruiting highly qualified candidates for employment and encouraging existing qualified employees to continue to devote their best efforts to the service of the institutions of the U. T. System.

7.2 U. T. System Plan. The Board has established a deferred compensation – Section 457(f) discretionary bonus plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended, for the benefit of a select group of employees as defined by the Board.

(a) Delegation of Authority. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the power and authority to amend the U. T. System Deferred Compensation Plan consistent with applicable law and to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the U. T. System Deferred Compensation Plan ~~(the "Plan")~~ as further provided in the such Plan.

(b) Record Keeping. The Executive Vice Chancellor for Business Affairs will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain the such Plan in accordance with Sections 457(f) and 409A of the *Internal Revenue Code*, consistent with *Texas Revised Civil Statutes Annotated* Article 6228a-5 Section 3(a).

7.3 Institution Prototype Plan. The Board of Regents has promulgated a prototype deferred compensation – Section 457(f) discretionary bonus plan which may be adopted by the various academic or health institutions. Only employees of the adopting institution with the appropriate approvals may participate in the Prototype Plan as adopted.

(a) Administration of the Plan. The Board of Regents delegates to the Executive Vice Chancellor for Business Affairs the authority to amend the Prototype Plan consistent with applicable law and to take all actions and to make all decisions and interpretations that may be necessary or appropriate to administer and operate the Prototype Plan.

(b) Delegation to the Executive Vice Chancellor. The Board of Regents delegates to the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs, as appropriate, the authority to approve an institution's adoption of the Prototype Plan, designation of an eligible employee to participate in such Plan, and the setting of the amount of deferred compensation to be made available to the eligible employee under such Plan.

(c) Delegation to the President. The Board of Regents delegates to the President of the adopting institution the authority to designate eligible employees of such institution to participate in the Prototype Plan and the amount of deferred compensation with the approval of the appropriate

Executive Vice Chancellor. The President will perform, or cause to be performed, such record keeping functions as necessary to administer and maintain the institution's adoption of the Institution Deferred Compensation Prototype Plan in accordance with Sections 457(f) and 409A of the Internal Revenue Code consistent with Texas Revised Civil Statutes Annotated Article 6228a-5, Section 3(a).

7.4 Not Eligible for Retirement Benefits. Deferred compensation is not part of the base salary and shall be reported as a separate element of the employee's cash compensation. Deferred compensation is not eligible for Teacher Retirement System or Optional Retirement Program retirement benefits or other retirement benefits.

...

Sec. 9 The adoption of any type of retirement benefit plan, not listed in this Series or mandated by State law, requires the approval of the Board.

....

### BACKGROUND INFORMATION

U. T. System institutions currently administer the following four types of Deferred Compensation – Section 457(f) Plans:

1. Discretionary Bonus Plan. Plans currently exist at U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, and U. T. M. D. Anderson Cancer Center.
2. Defined Benefit Plan. Plan exists at U. T. M. D. Anderson Cancer Center.
3. Money Purchase Pension Plan. Plan exists at U. T. M. D. Anderson Cancer Center.
4. Excess Benefit Plan. Plan exists at U. T. M. D. Anderson Cancer Center.

The Chancellor and U. T. System officers have determined that a standard Prototype for a discretionary bonus plan (the first plan above) would allow for better coordination and the assurance that decisions related to deferred compensation are in compliance with the most recent amendments to and interpretations of relevant tax law. Participants in an Institution Prototype Plan and the amount to be deferred would be recommended by the president of the institution to the appropriate Executive Vice Chancellor for approval

and would not require approval by the Board of Regents. The current discretionary bonus plans at U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, and U. T. M. D. Anderson Cancer Center would be phased out and new participants from those institutions would participate in the Prototype Plan.

The adoption of any type of retirement benefit plan by an institution of the U. T. System, other than the Prototype Plan, will require approval by the Board of Regents.

**6. U. T. System Board of Regents: Discussion and appropriate action regarding the Permanent University Fund distribution rate**

Chairman Caven and Chancellor Yudof will lead a discussion concerning the Board's current Permanent University Fund (PUF) distribution rate. The Board may take action on the rate, if deemed appropriate.

**BACKGROUND INFORMATION**

The PUF Investment Policy Statement states that the annual distribution from the PUF to the Available University Fund (AUF) shall be an amount equal to 4.75% of the trailing 12-quarter average of the net asset value of the PUF for the quarter ending February of each fiscal year. Per this formula, the amount approved by the Board of Regents for distribution from the PUF in Fiscal Year 2008 was \$448,942,761.

The PUF distribution rate was last modified by the Board of Regents on August 9, 2001, when the PUF Investment Policy Statement was amended to increase the rate from 4.50% to 4.75%.

Article VII, Section 18 of the Texas Constitution requires that the amount of distributions to the AUF be determined by the Board of Regents in a manner intended to provide the AUF with a stable and predictable stream of annual distributions and to maintain over time the purchasing power of PUF investments and annual distributions to the AUF. The Constitution further limits the U. T. Board's discretion to set annual PUF distributions to the satisfaction of three tests:

1. The amount of PUF distributions to the AUF in a fiscal year must be not less than the amount needed to pay the principal and interest due and owing in that fiscal year on PUF bonds and notes.
2. The Board of Regents may not increase annual PUF distributions to the AUF (except as necessary to pay PUF debt service) if the purchasing power of PUF investments for any rolling 10-year period has not been preserved.

3. The annual distribution from the PUF to the AUF during any fiscal year made by the Board of Regents may not exceed an amount equal to 7% of the average net fair market value of PUF investment assets as determined by the Board of Regents (except as necessary to pay PUF bonds debt service).
  
7. **U. T. System Board of Regents: Discussion and appropriate action regarding proposed recipient for Santa Rita Award**

#### RECOMMENDATION

Chairman Caven may make a recommendation for award of the Santa Rita Award, the highest honor bestowed by the Board of Regents.

**Supplemental Materials: Regents' *Rules and Regulations*, Series 10601, on Pages 34 - 35 in Volume 2.**

#### BACKGROUND INFORMATION

The criteria for selection include such factors as:

- A demonstrated concern for the principles of higher education
- A deep commitment to the furtherance of the purposes and objectives of The University of Texas System
- A record of commitment to securing appropriate financial support for the System from both the public and private sectors
- A demonstrated record of participation in the affairs of the System, which serves as a high example of selfless and public-spirited service.



## TABLE OF CONTENTS FOR FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 2/6/2008

James R. Huffines, Chairman  
James D. Dannenbaum  
Robert A. Estrada  
Printice L. Gary

Board Meeting: 2/7/2008  
Edinburg, Texas

	Committee Meeting	Board Meeting	Page
<b>Convene</b>	2:15 p.m. Chairman Huffines		
1. <b>U. T. System: Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include four projects with funding from Permanent University Fund Bond Proceeds:</b>	2:15 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>7</b>
<ul style="list-style-type: none"> <li>• U. T. Austin Fire and Life Safety Projects</li> <li>• U. T. Dallas Arts and Technology Facility</li> <li>• U. T. El Paso Fire and Life Safety Projects</li> <li>• U. T. Medical Branch - Galveston Administration Building Life Safety Renovations</li> </ul>			
2. <b>U. T. Arlington: Yates and First Street Improvements - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	2:18 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>10</b>
3. <b>U. T. Austin: Data Center at the Central Receiving Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt</b>	2:21 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>11</b>
4. <b>U. T. Austin: Darrell K Royal - Texas Memorial Stadium - Maintenance and Renovation project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project</b>	2:24 p.m. <b>Action</b> Mr. O'Donnell	<b>Action</b>	<b>14</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
5. <b>U. T. Austin: Jester East Residence Hall Fifth Floor Finishes - Pilot Project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management</b>	2:27 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	15
6. <b>U. T. Austin: Phase II - Liberal Arts Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project</b>	2:30 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	16
7. <b>U. T. Austin: Marine Science Institute - Natural Estuarine Research Reserve Headquarters and Laboratory Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project</b>	2:33 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	17
8. <b>U. T. San Antonio: John Peace Library Building Renovation - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management</b>	2:36 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	19
9. <b>U. T. Medical Branch - Galveston: University Boulevard Research Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project</b>	2:39 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	20
10. <b>U. T. Austin: Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt</b>	2:42 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	21
11. <b>U. T. Dallas: Math, Science and Engineering Teaching-Learning Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt</b>	2:45 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	24
12. <b>U. T. Austin: Biomedical Engineering Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and appropriation of funds and authorization of expenditure</b>	2:54 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	27

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
13. <b>U. T. Austin: College of Communications - New - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost</b>	2:57 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>28</b>
14. <b>U. T. Austin: School of Nursing Addition - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and appropriation of funds and authorization of expenditure</b>	3:00 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>31</b>
15. <b>U. T. Dallas: Campus Landscape Enhancement Project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt</b>	3:03 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>32</b>
16. <b>U. T. El Paso: Physical Sciences/Engineering Core Facility - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost and approval to reallocate Permanent University Fund Bond Proceeds</b>	3:06 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>34</b>
17. <b>U. T. Health Science Center - Houston: U. T. Research Park Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost of the Biomedical Research and Education Facility/Neuroscience Building portion of the project and appropriation of additional funds and authorization of expenditure</b>	3:09 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>36</b>
18. <b>U. T. M. D. Anderson Cancer Center: Center for Advanced Biomedical Imaging Research - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to combine the project with the Center for Advanced Biomedical Imaging Research Build-Out project and approval of the total project cost</b>	3:12 p.m. <b>Action</b> <i>Mr. O'Donnell</i>	<b>Action</b>	<b>38</b>
<b>Adjourn</b>	3:15 p.m.		

1. **U. T. System: Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include four projects with funding from Permanent University Fund Bond Proceeds:**

- **U. T. Austin Fire and Life Safety Projects**
- **U. T. Dallas Arts and Technology Facility**
- **U. T. El Paso Fire and Life Safety Projects**
- **U. T. Medical Branch - Galveston Administration Building Life Safety Renovations**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers, President Daniel, President Natalicio, and President Callender that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include four projects as set out in Table 1 on Page 9 and as set forth below:

- a. include one new construction project for the Arts and Technology Facility at The University of Texas at Dallas; and
- b. include the three repair and rehabilitation fire and life safety projects at The University of Texas at Austin, The University of Texas at El Paso, and The University of Texas Medical Branch at Galveston; appropriate funds and authorize expenditure; and authorize institutional management.

**BACKGROUND INFORMATION**

On August 23, 2007, the U. T. System Board of Regents approved the allocation of \$177,200,000 of Permanent University Fund (PUF) Bond Proceeds for 13 capital projects. On November 9, 2007, six of the capital projects were approved for inclusion in the FY 2008-2013 CIP with a total project cost of \$106,500,000 with \$87,500,000 allocated from PUF.

Four capital projects are being recommended at this time for inclusion in the FY 2008-2013 CIP with a total project cost of \$90,200,000 with \$51,200,000 allocated from PUF.

The three fire and life safety repair and rehabilitation projects being recommended at this time for inclusion in the FY 2008-2013 CIP are for U. T. Austin with a total project cost of \$2,600,000, U. T. El Paso with a total project cost of \$600,000, and the Administration Building Life Safety Renovations project at U. T. Medical Branch - Galveston with a total project cost of \$6,000,000 with funding of \$3,000,000 from PUF

and \$3,000,000 from Hospital Revenues. The total PUF allocation for the three fire and life safety projects is \$6,200,000. The three institutional Facilities Management personnel have the experience and capability to manage all aspects of the work.

The funding for the Arts and Technology Facility project at U. T. Dallas totals \$81,000,000 with funding of \$45,000,000 from PUF and \$36,000,000 from Revenue Financing System Bond Proceeds. The approval of the total project cost, design development, and appropriation of funding will be presented to the Board at a later date.

These proposed off-cycle projects have been approved by U. T. System staff and meet the criteria for inclusion in the CIP.

**Table 1  
Proposed PUF Projects to be included in the FY 2008-2013 Capital Improvement Program  
Projects to be included in CIP**

(\$ in millions)

Project Name	Project Type	TPC	PUF	RFS	Hospital Revenues	Project Description
<b>UT Austin</b>						
Fire and Life Safety Projects		\$ 2.6	\$ 2.6			
<b>UT Dallas</b>						
Arts and Technology Facility	New construction	\$ 81.0	\$ 45.0	\$ 36.0		Signature state of the art research & instructional building for emerging media technology; associate parking, renovation of vacated space and demolition of existing Visual Arts building. Note: Would serve fastest growing undergraduate and graduate program on campus; with strong industry demand for graduates. Additional project scope includes a match for gift funds for extensive beautification of surrounding campus.
<b>UT El Paso</b>						
Fire and Life Safety Projects		\$ 0.6	\$ 0.6			
<b>Medical Branch Galveston</b>						
Administration Building Life Safety Renovations		\$ 6.0	\$ 3.0	\$ 3.00		
<b>TOTAL PROJECTS</b>		<b>\$ 90.20</b>	<b>\$ 51.20</b>	<b>\$ 36.00</b>	<b>\$ 3.00</b>	
<b>TOTAL: NET OF FIRE AND LIFE SAFETY</b>			<b>\$ 6.20</b>			High priority projects include installation of fire alarms, fire sprinkler systems, fire pumps, smoke exhausts, and means of egress. Categories of buildings affected are medical facilities (patient care), high-rise buildings, large assembly occupancies, highly populated academic buildings with lecture auditoriums and large traffic flows, and laboratory or special hazard use buildings.

**Recommendations:**

1. Fire and Life Safety Projects to be institutionally managed
2. New construction to be brought back to the Board for design development approval at a later date

**Investment Metrics:**

UT Dallas Arts and Technology Facility: 1. Increased enrollment and number of graduates by 2015. 2. Increase research funding to \$1,700,000. 3. Raise national program ranking to top 10 nationally.

**2. U. T. Arlington: Yates and First Street Improvements - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Yates and First Street Improvements project at The University of Texas at Arlington as follows:

**Project No.:** 301-396

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$7,500,000

- a. approve a total project cost of \$7,500,000 with funding from Revenue Financing System Bond Proceeds;
- b. appropriate funds and authorize expenditure; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$7,500,000.

## BACKGROUND INFORMATION

### Debt Service

The \$7,500,000 in Revenue Financing System debt will be repaid from designated funds. Annual debt service on the \$7,500,000 Revenue Financing System debt is expected to be \$752,000. The institution's debt service coverage is expected to average 1.7 times over FY 2008-2013.

### Project Description

The proposed project, including underground utility upgrades, must be completed prior to commencing construction of the Engineering Research Building scheduled to begin during Summer 2008. The design will include a pedestrian mall with landscaping and a tree-lined walking surface that will be designed to adequately handle occasional vehicular traffic for service, deliveries, and emergency use.

The road work will include the removal of Yates Street from UTA Boulevard to First Street and the removal of First Street from Yates Street to College Street.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

- U. T. Austin: Data Center at the Central Receiving Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt**

## RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Data Center at the Central Receiving Building project at The University of Texas at Austin as follows:

**Project No.:** 102-394

**Project Delivery Method:** Design Build

**Substantial Completion Date:** May 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$25,000,000

**Investment Metrics:**

- Move critical IT services that support administrative, academic and research computing to a reliable data center facility that supports concurrent maintainability of facility infrastructure by 2009.
- Provide large, reliable, highly efficient, centralized data center to reduce the proliferation of small “data centers” by 2009.
- Eliminate single points of failure in the data center facility infrastructure by 2009.
- Meet current demand for space, power, and cooling for IT services. Limits have been reached for current data centers and new systems cannot be added that will increase power and cooling requirements without removing others by 2009.
- Make better use of underutilized space in the Central Receiving Building by 2009.

- a. approve a total project cost of \$25,000,000 with funding from Revenue Financing System Bond Proceeds;
- b. appropriate and authorize expenditure of funds; and
- c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$25,000,000.

## BACKGROUND INFORMATION

### Debt Service

The \$25,000,000 in Revenue Financing System debt will be repaid from designated funds. Annual debt service on the \$25,000,000 Revenue Financing System debt is expected to be \$1,900,000. The institution's debt service coverage is expected to be at least 1.9 times and average 2.2 times over FY 2008-2013.

### Previous Board Actions

On October 4, 2006, a Shared Services Initiative was approved and a need for an Austin Regional Data Center was identified. On February 8, 2007, the 1616 Guadalupe Regional Data Center Study was included in the CIP with a total project cost of \$500,000 with funding from Unexpended Plant Funds.

### Project Description

The project will renovate 12,000 gross square feet (GSF) of the Central Receiving Building (CRB) to construct the state-of-the-art data center based on the recommendation of the Regional Data Center Study. U. T. Austin employs a decentralized approach to server deployment and houses the majority of servers in small, department-specific data centers based upon availability of space and proximity. It has been determined in the Regional Data Center Study that this decentralized approach is not cost-effective, reliable, or secure. The study recommended creating a Primary Tier III highly-reliable data center accompanied by a secondary Tier I data center to meet U. T. Austin's immediate infrastructure needs for centralized administrative computing services.

The proposed new Tier III data center at the CRB will provide a highly-reliable data center that supports concurrent maintainability of facility infrastructure and reduces the demand for creation of a department-specific data center. The new Tier III data center at CRB will have full redundancy for power and cooling systems that will eliminate the single points of failure in the data center facility infrastructure and will meet current demand for space, power, and cooling for information technology services.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

**4. U. T. Austin: Darrell K Royal - Texas Memorial Stadium - Maintenance and Renovation project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Darrell K Royal - Texas Memorial Stadium - Maintenance and Renovation project at The University of Texas at Austin as follows:

**Project No.:** 102-370  
**Project Delivery Method:** Construction Manager at Risk  
**Substantial Completion Date:** August 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$21,000,000
	Gifts	<u>\$ 4,000,000</u>
		\$25,000,000

**Investment Metrics:**

- Add 4,000 bleacher seats in South End Zone
- Increase revenue from seats and licensing by \$2M annually by 2009
- Increase assignable square feet (ASF) in Moncrief-Neuhaus by 8,000 ASF by 2009

**BACKGROUND INFORMATION**

The project will include grandstand seating with space for concessions and restroom facilities between the W. A. "Tex" Moncrief, Jr. - V. F. "Doc" Neuhaus Athletic Center (Center) and the south end zone. Modifications to the Center include removal and replacement of the existing tent structure above the Center, a new floor surface below the tent structure, modifications to existing life-safety systems and egress pathways at the Center, improvements to the existing waterproofing system, enclosure of the existing covered walk between the tent structure and office wing, an HVAC system for the new enclosure, and other modifications to existing systems as may be necessary. Also included in the proposed project are renovations to the existing Dana X. Bible Academic Center and Spring Sports Coaches offices; improved security and site access features around Gate 32 and the east plaza at the Center; and necessary HVAC modifications at the east stadium suites.

Seating in the south end zone will permit additional patrons to view football games and increase the revenues for Intercollegiate Athletics which will provide the source of funds for the project. The planned modifications will replace existing installations that are at or near the end of their useful lives and upgrade existing facilities to comply with current life safety and accessibility standards. The modifications to the plaza near Gate 32 will increase patron amenities and provide additional parking for staff.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

**5. U. T. Austin: Jester East Residence Hall Fifth Floor Finishes - Pilot Project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Jester East Residence Hall Fifth Floor Finishes - Pilot Project at The University of Texas at Austin as follows:

**Project Delivery Method:** Competitive Sealed Proposals

**Institutional Managed:** Yes  No

**Substantial Completion Date:** August 2008

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Auxiliary Enterprise Balances	\$3,000,000

- a. approve a total project cost of \$3,000,000 with funding from Auxiliary Enterprise Balances;
- b. appropriate and authorize expenditure of funds; and
- c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The project consists of updating the finishes in the corridors, student rooms, supplemental rooms, and restrooms on the fifth floor of Jester Dormitory East Tower in the Beauford H. Jester Center. This project is a prototype that will set the standard for updating the finishes on the remaining floors in both the east and west wings of the Jester Dormitory Complex.

The student rooms and floors in Jester Center need new finishes and furniture to stay current with student needs and preferences in a competitive market. The floors are relatively unchanged since the building was opened 37 years ago.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that U. T. Austin Facility Management personnel have the experience and capability to manage all aspects of the work.

**6. U. T. Austin: Phase II - Liberal Arts Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Phase II - Liberal Arts Building project at The University of Texas at Austin as follows:

**Project No.:** 102-391

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** July 2011

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$ 60,000,000
	Gifts	<u>\$ 40,000,000</u>
		\$100,000,000

**Investment Metrics:**

- Provide an interdisciplinary center for several social sciences and area studies departments and research centers by 2012.
- Add approximately 235 faculty offices and about 300 graduate student offices. There will also be 12 laboratories of various functions and 12 collaborative research suites by 2012.
- Add 23 general purpose classrooms holding 1,450 students. Additionally, there will be about 20 departmental classrooms. Study and lounge space will also be provided for students using the building by 2012.

**BACKGROUND INFORMATION**

U. T. Austin has identified a severe space shortage for the College of Liberal Arts with both faculty office and laboratory space far short of current needs. In addition, the College of Liberal Arts is expected to add 70 new faculty positions over the next six years in an effort to move into the top tier of public Liberal Arts colleges.

The proposed new project will construct a six- to seven-level building of approximately 200,000 gross square feet (GSF) to house various Liberal Arts departments. Placing these currently fragmented departments together will foster cross-disciplinary research among faculty and strengthen efforts to provide support for both research and instruction. The building will also house a student center that will provide critically needed classrooms, study space, facilities, and services to Liberal Arts students.

Location of the project on the East Mall will require the removal of Russell A. Steindam Hall and the ROTC Rifle Range Building to achieve optimal land use.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

7. **U. T. Austin: Marine Science Institute - Natural Estuarine Research Reserve Headquarters and Laboratory Expansion - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Marine Science Institute - Natural Estuarine Research Reserve (MSI-NERR) Headquarters and Laboratory Expansion project at The University of Texas at Austin as shown on the following page.

**Project No.:** 102-395  
**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** October 2010

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Gifts	\$ 2,500,000
	Grants	\$10,200,000
	Designated Funds	<u>\$ 6,500,000</u>
		\$19,200,000

- Investment Metrics:**
- This project will enable the NERR program to work with regional groups and local communities on natural resource management issues, and, by 2010, to develop strategies that successfully address them for issues such as pollution, invasive species, and habitat restoration.
  - Development of programs to work with K-12 will be enhanced by this project allowing actual field research exercises and assisting grade school teachers in establishing marine science programs within their education system through professional development programs by 2010.
  - MSI facilities are fully occupied and dedicated to other uses. The laboratory expansion will include new offices and laboratories to accommodate expansion of faculty at MSI by 2010.

### BACKGROUND INFORMATION

The Mission Aransas - National Estuarine Research Reserve (MA-NERR) is one of the regions in a federal program that encompasses 27 biological regions along the United States coastline. The National Oceanic and Atmospheric Administration (NOAA) administers the national program and the U. T. Austin Marine Science Institute (MSI) was appointed as the managing agency for the portion of the NERR program located along the southeast Texas coast.

The project will construct a headquarters building and a research building for the MA-NERR to be located at the MSI in Port Aransas, Texas, along with laboratory expansion space for MSI research. The headquarters building will include laboratories and offices for NERR administration, space for a coastal training program, research space, stewardship space, and a multiuse resource center. The laboratory expansion will include space for MSI research laboratories and offices for permanent scientific staff and visiting scientists.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

8. **U. T. San Antonio: John Peace Library Building Renovation - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Romo that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the John Peace Library Building Renovation - Phase I project at The University of Texas at San Antonio as follows:

**Project Delivery Method:** Competitive Sealed Proposals

**Institutional Managed:** Yes  No

**Substantial Completion Date:** April 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Unexpended Plant Funds	\$2,805,000

- a. approve a total project cost of \$2,805,000 with funding from Unexpended Plant Funds;
- b. appropriate and authorize expenditure of funds; and
- c. authorize U. T. San Antonio to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

**BACKGROUND INFORMATION**

**Project Description**

The project will renovate approximately 57,000 gross square foot (GSF) in the existing John Peace Library Building to improve functionality and appearance. Several areas to be addressed are the Special Collections, Information Commons, Reference Department, Multimedia Center, and Circulation Area. The work will update electrical equipment, built-in specialties and equipment, and interior finishes.

This request is for Phase I only of a multiphase project. Two additional phases of renovation work for the John Peace Library Building will be submitted at a future date.

This proposed off-cycle repair and rehabilitation project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP. It has been determined that U. T. San Antonio Facility Management personnel have the experience and capability to manage all aspects of the work.

**9. U. T. Medical Branch - Galveston: University Boulevard Research Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Callender that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the University Boulevard Research Building project at The University of Texas Medical Branch - Galveston as follows:

**Project No.:** 601-398  
**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** August 2012

<b>Total Project Cost:</b>	<u>Source</u>	<u>Proposed</u>
	Gifts	\$30,000,000
	Revenue Financing System Bonds	\$29,500,000
	Permanent University Fund Bond Proceeds	<u>\$30,500,000</u>
	*\$30.5 Permanent University Bond (PUF) Proceeds transferred from Victory Lakes;	\$90,000,000

- Investment Metrics:**
- Increase research and research support space available to the campus by 83,000 net square feet by 2012
  - Increase extramural funding by 20% by 2014

**BACKGROUND INFORMATION**

The project will include a new facility of approximately 140,000 gross square feet (GSF). The biomedical laboratory building will have an emphasis on translation research promoted through synergy with researchers, clinicians, and academics within this and adjacent buildings. The facility will provide laboratory, vivarium, office, and support space.

The project will require chilled water, steam, and electrical services. Chilled water and steam lines are adjacent to the site but will need to be extended to the building. Electrical power will also need to be brought to the building site from the power infrastructure supplier.

The proposed funding includes \$30,500,000 from PUF Bond Proceeds to be transferred from the August 10, 2006 PUF allocation for the Specialty Care Center at Victory Lakes project.

This proposed off-cycle project has been approved by U. T. System staff and meets the criteria for inclusion in the CIP.

**10. U. T. Austin: Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

---

---

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall project at The University of Texas at Austin as follows:

**Project No.:** 102-259

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** ESB and Vivarium - October 2010/Phase I Welch Hall - December 2011

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$ 55,000,000
	Tuition Revenue Bond Proceeds	\$105,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 15,000,000</u>
		\$175,000,000

- Investment Metrics:**
- House up to 13 faculty laboratories in fume hood intensive chemistry research, 14 laboratories in neuroscience, and the entire Center for Learning and Memory with up to 15 faculty research laboratories by 2010/11
  - Provide more than 13,000 square feet of organic chemistry undergraduate instructional laboratories by 2010/11
  - Will include large vivarium as well as advanced imaging facilities (NMR, MRI, electron microscopy) by 2010/11
  - Will house the administrative suite for the School of Biological Sciences by 2010/11

- a. approve design development plans;
- b. appropriate funds and authorize expenditure of funds;
- c. approve the evaluation of alternative energy economic feasibility; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$120,000,000.

## BACKGROUND INFORMATION

### Debt Service

The 79th Legislature authorized \$105,000,000 of Tuition Revenue Bonds for an engineering science building. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations. The \$15,000,000 in Revenue Financing System debt will be repaid from designated funds. Annual debt service on the \$15,000,000 Revenue Financing System debt is expected to be approximately \$1,100,000. The project's debt service coverage is expected to average 1.4 times over FY 2008-2013.

### Previous Board Actions

**Experimental Science Building** - On June 20, 2006, the project was included in the Capital Improvement Program (CIP) with a preliminary project cost of \$125,000,000 with funding of \$105,000,000 from Tuition Revenue Bond Proceeds and \$20,000,000 from Revenue Financing System Bond Proceeds. On August 11, 2006, the funding was revised to \$105,000,000 from Tuition Revenue Bond Proceeds and \$20,000,000 from Permanent University Fund (PUF) Bond Proceeds

**Vivarium** - On June 20, 2006, the project was included in the CIP with a preliminary project cost of \$15,000,000 with funding from Revenue Financing System Bond Proceeds.

**Robert A. Welch Hall** - On August 11, 2006, the project was included in the CIP with a preliminary project cost of \$60,000,000 with funding of \$35,000,000 from PUF and \$25,000,000 from Revenue Financing System Bond Proceeds.

**Experimental Science Building/Vivarium/Phase 1 - Robert A. Welch Hall** - On February 8, 2007, the projects were combined and redesignated as the Experimental Science Building/Vivarium/Phase I - Robert A. Welch Hall. The total project cost was revised to \$175,000,000 and funding revised to \$55,000,000 from PUF, \$105,000,000 from Tuition Revenue Bond Proceeds, and \$15,000,000 from Revenue Financing System Bond Proceeds.

### Project Description

This project will provide a six-level facility of approximately 287,000 gross square feet (GSF) with modern, technology-enabled classrooms and undergraduate teaching laboratories critical to U. T. Austin's ability to continue to provide excellence in science education to the students of Texas. The building will provide office and laboratory research space to recruit and retain faculty in critical academic initiative areas such as neuroscience, computational biology, environmental sciences, pharmacy, and molecular and cellular biology. Included in the project is a vivarium of approximately 20,000 GSF that will be used to support research conducted in the Experimental Science Building.

The project also includes Phase I renovations to approximately 50,000 GSF of Robert A. Welch Hall for use as a modern chemistry teaching and research laboratory building.

### Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 45-50 years
- Building Systems: 25-30 years
- Interior Construction: 20-30 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The project includes solar panels on the roof and a green roof that are not visible from ground level. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

Texas Government Code Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

**11. U. T. Dallas: Math, Science and Engineering Teaching-Learning Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Math, Science and Engineering Teaching-Learning Center project at The University of Texas at Dallas as follows:

**Project No.:** 302-280

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** April 2010

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$24,300,000	\$24,300,000
	Revenue Financing System Bond Proceeds	\$ 2,700,000	\$ 5,400,000
		\$27,000,000	\$29,700,000

- Investment Metrics:**
- Increase undergraduate majors from 800 to 1500 by 2015
  - Increase graduate majors from 400 to 1000 by 2015
  - Increase research assistants from 5 to 20 by 2015
  - Increase tenure-track faculty from 80 to 120 by 2015
  - Increase part-time faculty from 15 to 30 by 2015
  - Increase research dollars (teaching) from \$250,000 to \$2,000,000 by 2015
  - Increase degree programs from 24 to 33 by 2015
  - Increase ranking (teaching) to top 25 by 2015

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$27,000,000 to \$29,700,000;

- b. approve design development plans;
- c. appropriate funds and authorize expenditure of funds;
- d. approve the evaluation of alternative energy economic feasibility; and
- e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,400,000.

## BACKGROUND INFORMATION

### Debt Service

The \$5,400,000 in Revenue Financing System debt will be repaid from interest on local funds. Annual debt service on the \$5,400,000 Revenue Financing System debt is expected to be approximately \$438,000. The institution's debt service coverage is expected to average 1.6 times over FY 2008-2013.

### Previous Board Action

On August 10, 2006, the project was included in the CIP with a total project cost of \$27,000,000 with funding of \$24,300,000 from Permanent University Fund (PUF) Bond Proceeds and \$2,700,000 from Revenue Financing System Bond Proceeds.

### Project Description

The project is a comprehensive facility for providing focused, research-based, high-quality education in mathematics, science, and engineering for U. T. Dallas students in their freshman and sophomore years of study. The facility will be equipped to serve

concurrently as a major laboratory for research on effective teaching and learning techniques in these fields, both at the college level and through full range from kindergarten through 12th grade. The facility will include a lecture hall, recitation areas, instructional laboratories, offices for faculty and tutors, and shell space for future program elements. The instructional facilities will incorporate the full range of cutting-edge learning technologies, along with measurement apparatus to collect data for research on evidence-based enhancements in student learning. The building will house instructional activities in freshman and sophomore mathematics, physics, chemistry, biology, and geosciences courses. The instructional facilities will also serve as research laboratories in which faculty in the Department of Mathematics and Science Education can develop evidence-based improvements for the learning process in mathematics and the sciences through the entire K-16 regime while simultaneously directly improving U. T. Dallas instructional quality.

The increase in total project cost is necessary to maintain as much of the original scope as possible in a time of inflation of construction costs.

### Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 50-60 years
- Building Systems: 15-25 years
- Interior Construction: 15-50 years

The exterior appearance and finish are consistent with existing campus buildings and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing campus buildings.

*Texas Government Code* Section 2166.403 requires the governing body of a State agency to verify in an open meeting the economic feasibility of incorporating alternative energy devices into a new State building or an addition to an existing building. Therefore, the Project Architect prepared a renewable energy evaluation for this project in accordance with the Energy Conservation Design Standards for New State Buildings. This evaluation determined that alternative energy devices such as solar, wind, biomass, or photovoltaic energy are not economically feasible for the project.

**12. U. T. Austin: Biomedical Engineering Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and appropriation of funds and authorization of expenditure**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Biomedical Engineering Building project at The University of Texas at Austin as follows:

**Project No.:** 102-172

**Architecturally or Historically Significant:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** March 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	\$40,500,000	\$40,500,000
	Unexpended Plant Funds	\$ 8,600,000	\$ 8,600,000
	Gifts	<u>\$ 8,000,000</u>	\$ 8,000,000
	Interest on Local Funds		<u>\$20,000,000</u>
		\$57,100,000	\$77,100,000

- Investment Metrics:**
- Provide space for Pharmacy to add 10 medicinal chemistry laboratories, 10 faculty offices, and 50 graduate student spaces
- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$57,100,000 to \$77,100,000;
  - b. revise the funding sources to \$40,500,000 from Revenue Financing System Bond Proceeds, \$8,000,000 from Gifts, \$8,600,000 from Unexpended Plant Funds, and \$20,000,000 from Interest on Local Funds; and
  - c. appropriate additional funds and authorize expenditure of \$20,000,000 from Interest on Local Funds.

## BACKGROUND INFORMATION

### Previous Board Actions

On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$25,000,000 with funding from Designated Tuition. On November 12, 2003, the Board designated the project as architecturally significant. On August 11, 2005, the total project cost was increased to \$55,100,000 with funding revised to \$43,900,000 from Revenue Financing System Bond Proceeds, \$8,000,000 from Gifts, and \$3,200,000 from Unexpended Plant Funds. On November 10, 2005, the Board approved the design development plans and revised the funding to \$40,500,000 from Revenue Financing System Bond Proceeds, \$8,000,000 from Gifts, and \$6,600,000 from Unexpended Plant Funds. On October 2, 2006, the Chancellor approved the increase in total project cost to \$57,100,000 with funding of \$40,500,000 from Revenue Financing System Bond Proceeds, \$8,000,000 from Gifts, and \$8,600,000 from Unexpended Plant Funds.

### Project Description

Current construction on the Biomedical Engineering Building is on schedule and within budget. U. T. Austin is requesting the increase in total project cost to add approximately 39,000 gross square feet (GSF) to the building to provide space for the Pharmacy Department to add 10 medicinal chemistry labs, 10 faculty offices, and 50 graduate student spaces.

The building will consist of six floors containing approximately 140,700 GSF to house the College of Engineering (Biomedical Engineering) currently housed in three separate facilities, provide quality laboratory research space for the College of Pharmacy (Medicinal Chemistry), and provide biology teaching laboratory space for the College of Natural Sciences.

The building will provide new administrative, faculty, and student spaces, and research, teaching, and computer laboratories plus seminar and conference room spaces to support a variety of research and education activities.

13. **U. T. Austin: College of Communications - New - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost**

## RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost for the College of Communications - New project at The University of Texas at Austin as shown on the following page.

**Project No.:** 102-041  
**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** March 2012

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Gifts	\$45,000,000	\$54,000,000

**Investment Metrics:**

College of Communications:

- The Jesse H. Jones Communication Center was completed in 1974 to serve 1,000 students. Today, the College of Communications includes more than 4,200 students, 125 faculty and 140 staff. Construction of the new facility will provide the resources necessary to meet the demands of past growth by 2012.
- The new facility will consolidate the College of Communications complex and release approximately 32,000 square feet in Walter Webb Hall, Lake Austin Boulevard Center, and 2609 University Avenue back to the University by 2013.
- The new facility will consolidate and reduce the burden of more than 40 percent of the communication classes that are taught in other buildings on campus by 2013.
- The new facility will assist in the College's effort to establish a program endowment for research and teaching in the area of media convergence by 2013/2014.
- The new facility will enable the College to recruit the best faculty and graduate students by 2013/2014.

KUT Radio:

- Will increase local and national exposure of the creative and intellectual assets of the University. University professors, researchers, and lecturers are regularly featured on KUT and national programs from KUT's studios and will be featured more prominently as a result of the expanded capacity and improved access by 2013/2014.
- Will enhance and expand the current cooperative journalism education program combining the expertise of the KUT newsroom and the School of Journalism by 2013/2014.
- Will increase public participation and support of KUT by the increased capacity, improved and visible accessibility, and digital media focus of the new facility by 2013/2014.
- Additional studio capacity and digital media facility design will enable KUT to expand broadcast and digital content services, operate multiple stations and digital media services from one facility, and increase overall audience service and support from the listening public by 2013/2014.

## BACKGROUND INFORMATION

### Previous Board Action

On November 11, 1999, the project was included in the CIP with a total project cost of \$32,000,000 with funding from Gifts. With the adoption of the FY 2008-2013 CIP on August 23, 2007, the total project cost was increased to \$45,000,000 with funding from Gifts.

### Project Description

The project will involve the construction of 100,000 gross square feet (GSF) to provide the space and technology infrastructure to meet the needs of an expanding and evolving College of Communications as well as the offices and broadcast studios for the KUT radio station.

The request to increase the total project cost to \$54,000,000 is to add broadcast and performance space for the KUT radio station. The additional funding for the project will be funded with \$9,000,000 from Gifts.

**14. U. T. Austin: School of Nursing Addition - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; and appropriation of funds and authorization of expenditure**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the School of Nursing Addition project at The University of Texas at Austin as follows:

**Project No.:** 102-198

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** March 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Grants	\$4,000,000	
	Designated Funds		\$1,425,000
	Unexpended Plant Funds		\$2,425,000
	Permanent University Fund Bond Proceeds		<u>\$2,800,000</u>
			<u>\$6,650,000</u>

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$4,000,000 to \$6,650,000;
- b. revise the funding source of \$4,000,000 from Grants to \$2,800,000 from Permanent University Fund (PUF) Bond Proceeds, \$1,425,000 from Designated Funds, and \$2,425,000 from Unexpended Plant Funds; and
- c. appropriate funds and authorize expenditure of funds.

**BACKGROUND INFORMATION**

**Previous Board Action**

On February 4, 2004, the project was included in the CIP with a total project cost of \$4,000,000 with funding from Grants.

## Project Description

The project consists of renovation work of 5,000 gross square feet (GSF) to correct fire and life safety and ADA issues. The 10,100 GSF of infill space will provide two floors of new office and suite space, research seminar rooms, libraries, and general office support space. The project will infill the second plaza and third floors of the existing School of Nursing building at the western side of the courtyard.

The increase in total project cost will address necessary improvements to the addition intended to accommodate faculty and the regional dean and associated programs from the U. T. Health Science Center - Houston School of Public Health, add fire sprinklers to the entire building, replace the building fire alarm, and remedy other code compliance issues within the building. The fire and life safety additions for the overall building were not budgeted with the previous total project cost, and escalation in the construction market has affected the anticipated costs for the addition to the Nursing Building. Previous estimates were associated with an anticipated but unfunded National Institutes of Health (NIH) construction grant request from 2004.

The proposed revised funding of \$2,800,000 includes \$1,800,000 of PUF from Library, Equipment, Repair and Rehabilitation (LERR) from the Nursing Support Initiative with U. T. Health Science Center - Houston allocated in May 2006 and \$1,000,000 allocated from the FY 2007 Faculty Science and Technology Acquisition and Retention Program (STARs). The revised funding of \$1,425,000 from Designated Funds and \$2,425,000 from Unexpended Plant Funds completes the proposed funding for the total project cost and scope of work.

15. **U. T. Dallas: Campus Landscape Enhancement Project - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; revise the funding sources; appropriation of additional funds and authorization of expenditure; and resolution regarding parity debt**

## RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Campus Landscape Enhancement Project at The University of Texas at Dallas as follows:

**Project No.:** 302-244

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** January 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Gifts	\$10,000,000	\$25,000,000
	Revenue Financing System Bond Proceeds		<u>\$ 5,000,000</u>
			\$30,000,000

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from \$10,000,000 to \$30,000,000;
- b. revise the funding sources to \$25,000,000 from Gifts and \$5,000,000 from Revenue Financing System Bond Proceeds;
- c. appropriate and authorize expenditure of additional funds of \$15,000,000 from Gifts and \$5,000,000 from Revenue Financing System Bond Proceeds; and
- d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that
  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
  - U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of \$5,000,000.

### BACKGROUND INFORMATION

#### Debt Service

The \$5,000,000 in Revenue Financing System debt will be repaid from local funds. Annual debt service on the \$5,000,000 in Revenue Financing System debt is expected to be approximately \$534,000. The institution's debt service coverage is expected to average 1.9 times over FY 2008-2013.

### Previous Board Action

On May 10, 2006, the repair and rehabilitation project was included in the CIP with a total project cost of \$10,000,000 and funding appropriated from Gifts.

### Project Description

The enhancement of the U. T. Dallas campus landscape master plan is intended to create a visually attractive perimeter to the campus and central plaza and other areas. This project provides green spaces and a significant central plaza where students, faculty, and staff can congregate.

The increase to the total project cost is to cover the cost to complete the Phase I construction of the Peter Walker and Partners (PWP) design to achieve the project scope. The landscape master plan has identified two areas to be addressed in Phase I of the project - the Mall and University Parkway including the entry circle at the School of Management. Each of these areas will assist with both the activation of social space on the campus as well as the overall creation of a new identity for U. T. Dallas. The Mall will provide a fabric of open space that links the existing Library and Student Union building and extends to the south to link the School of Management and the Student Activity Center. The forestation of University Parkway will enhance the front door vehicular entrance to the campus.

The Phase I portion of the project will be split into four distinct areas to include the forestation of University Parkway with new densely planted vegetation to resemble the forested creeks on the east and west edges of campus; construction, landscaping, and roadwork for a new traffic circle at the northern end of University Parkway and the southern termination of the new campus mall; construction of a new landscaped mall with water feature, landscaping, and covered pedestrian walkways; and construction of a high canopy trellis above the library plaza with flowering plants and water feature at the northern termination of the new campus mall.

16. **U. T. El Paso: Physical Sciences/Engineering Core Facility - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost and approval to reallocate Permanent University Fund Bond Proceeds**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget as shown on the following page.

**Project Number.:** 201-268

**Project Delivery Method:** Competitive Sealed Proposals

**Substantial Completion Date:** October 2009

<b>Total Project Cost:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Tuition Revenue Bond Proceeds	\$76,500,000	\$76,500,000
	Permanent University Fund Bond Proceeds	<u>\$ 7,300,000</u>	<u>\$ 8,500,000</u>
		\$83,800,000	\$85,000,000

- a. increase the total project cost from \$83,800,000 to \$85,000,000; and
- b. approve the reallocation of \$1,200,000 from Permanent University Fund (PUF) Bond Proceeds.

### BACKGROUND INFORMATION

#### Previous Board Actions

On August 11, 2006, the project was included in the CIP with a preliminary project cost of \$85,000,000 with funding of \$76,500,000 from Tuition Revenue Bond Proceeds and \$8,500,000 from PUF. In September 2006, the Chancellor approved the design development plans for the renovation portion of the project. On November 16, 2006, the Board approved the appropriation of the funding in the amount of \$21,000,000 from Tuition Revenue Bond Proceeds for the repair and rehabilitation portion of the project.

#### Project Description

On November 16, 2006, the U. T. System Board of Regents approved reducing the total project cost from \$85,000,000 to \$83,800,000 with funding of \$1,200,000 from PUF allocated to allow for the purchase of a commercial building property located at 3401 North Mesa Street. The property purchase transaction was not completed. U. T. El Paso is now requesting approval to move the \$1,200,000 in PUF funding back into the project for construction.

**17. U. T. Health Science Center - Houston: U. T. Research Park Complex - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost of the Biomedical Research and Education Facility/Neuroscience Building portion of the project and appropriation of additional funds and authorization of expenditure**

**RECOMMENDATION**

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. System Board of Regents approve the recommendations for the Biomedical Research and Education Facility (BREF)/Neuroscience Building portion of the U. T. Research Park Complex project at The University of Texas Health Science Center at Houston as follows:

**Project No.:** 701-320

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** September 2010

<b>Total Project Cost for the Research Park Complex:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Unexpended Plant Funds	\$ 22,900,000	\$ 36,180,739
	Permanent University Fund Bond Proceeds	\$ 59,100,000	\$ 59,100,000
	Tuition Revenue Bond Proceeds	\$ 60,000,000	\$ 60,000,000
	Gifts	\$ 2,000,000	\$ 2,000,000
	Revenue Financing System Bond Proceeds	<u>\$ 17,500,000</u>	<u>\$ 17,500,000</u>
		<u>\$161,500,000</u>	<u>\$174,780,739</u>

<b>Total Project Cost for the Stage 1 (BREF) of the Research Park Complex:</b>	<u>Source</u>	<u>Current</u>	<u>Proposed</u>
	Permanent University Fund Bond Proceeds	\$41,100,000	\$41,100,000
	Unexpended Plant Funds	<u>\$22,900,000</u>	<u>\$36,180,739</u>
		<u>\$64,000,000</u>	<u>\$77,280,739</u>

<b>Total Project Cost for the Stage 2 (DBRB) of the Research Park Complex:</b>	<u>Source</u>	<u>Current</u>
	Permanent University Fund Bond Proceeds	\$18,000,000
	Tuition Revenue Bond Proceeds	\$60,000,000
	Gifts	\$ 2,000,000
	Revenue Financing System Bond Proceeds	<u>\$17,500,000</u>
		<u>\$97,500,000</u>

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost of the U. T. Research Park Complex from \$161,500,000 to \$174,780,739;
- b. increase the Stage I total project cost for the BREF/Neuroscience Building portion of the U. T. Research Park Complex from \$64,000,000 to \$77,280,739; and

- c. appropriate and authorize expenditure of additional funds in the amount of \$13,280,739 from Unexpended Plant Funds.

## BACKGROUND INFORMATION

### Previous Board Actions

**Biomedical Research and Education Facility (BREF)** - On August 10, 2006, the project was included in the CIP with a preliminary project cost of \$62,000,000 with funding of \$41,100,000 from Permanent University Fund (PUF) Bond Proceeds and \$20,900,000 from Gifts.

**Dental Branch Replacement Building (DBRB)** - On August 10, 2006, the project was included in the CIP with a preliminary project cost of \$80,000,000 with funding of \$18,000,000 from PUF Bond Proceeds, \$60,000,000 from Tuition Revenue Bond Proceeds, and \$2,000,000 from Gifts.

**Mental Sciences Institute Replacement Facility** - On November 11, 1999, the project was included in the CIP with a preliminary project cost of \$20,700,000 with funding from Unexpended Plant Funds. On August 9, 2001, the Board approved reducing the total project cost to \$16,500,000 with funding from Unexpended Plant Funds. On August 8, 2002, the Board approved the increase in the total project cost to \$22,500,000 with funding of \$16,500,000 from Unexpended Plant Funds and \$6,000,000 from Hospital Revenues.

**Research Park Complex** - On November 16, 2006, the three projects were combined and redesignated as the Research Park Complex, and funding was revised with a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$19,500,000 from Unexpended Plant Funds, and \$22,900,000 from Gifts. With the adoption of the FY 2008-2013 CIP, the project scope was increased to include a parking garage and the funding was revised with a total project cost of \$161,500,000 with funding of \$60,000,000 from Tuition Revenue Bond Proceeds, \$59,100,000 from PUF Bond Proceeds, \$22,900,000 from Unexpended Plant Funds, \$2,000,000 from Gifts, and \$17,500,000 from Revenue Financing System Bond Proceeds. On August 23, 2007, the Board approved design development plans for the BREF portion of the project with a total project cost of \$64,000,000 with funding of \$41,100,000 from PUF Bond Proceeds and \$22,900,000 from Unexpended Plant Funds.

### Project Description

The request to increase the total project cost for the BREF/Neuroscience Building portion of the project will allow for the build-out of the Current Good Manufacturing Practice (cGMP) suite and the build-out of a larger area of the vivarium. Both of these areas were previously designated as shell space. Also included in the additional funding is shared funding from U. T. Health Science Center - Houston for a tunnel to connect the Research Park Complex to the Center for Advanced Biomedical Imaging Research

Building at U. T. M. D. Anderson Cancer Center, and funding for information technology infrastructure for the majority of the Research Park Complex.

**18. U. T. M. D. Anderson Cancer Center: Center for Advanced Biomedical Imaging Research - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to combine the project with the Center for Advanced Biomedical Imaging Research Build-Out project and approval of the total project cost**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the Center for Advanced Biomedical Imaging Research (CABIR) project at The University of Texas M. D. Anderson Cancer Center as follows:

**Institutionally Managed:** Yes  No

**Project Delivery Method:** Construction Manager at Risk

**Substantial Completion Date:** February 2011

<b>Total Project Cost for CABIR:</b>	<u>Source</u>	<u>Current</u>
	Grants	\$30,000,000
	Gifts	\$25,000,000
	Hospital Revenues	<u>\$33,000,000</u>
		\$88,000,000
<b>Total Project Cost for CABIR Build Out:</b>	<u>Source</u>	<u>Current</u>
	Gifts	\$20,690,000
	Hospital Revenues	<u>\$23,370,000</u>
		\$44,060,000
<b>Total Project Cost for Combined Projects:</b>	<u>Source</u>	<u>Proposed</u>
	Grants	\$ 30,000,000
	Gifts	\$ 45,690,000
	Hospital Revenues	<u>\$ 56,370,000</u>
		\$132,060,000

- Investment Metrics:**
- 30-50% growth in principal investigators by 2011
  - 40-50% growth in research grants by 2012
  - Establish collaboration with the Center for Targeted Therapy by 2011

- a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to combine the CABIR Building project and the CABIR Building Build-Out project; and

- b. approve a total project cost of \$132,060,000 with funding of \$30,000,000 from Grants, \$45,690,000 from Gifts, and \$56,370,000 from Hospital Revenues.

## BACKGROUND INFORMATION

### Previous Board Actions

**CABIR Building** - On August 7, 2003, the project was included in the CIP with a preliminary project cost of \$55,000,000 with funding of \$42,500,000 from Grants and \$12,500,000 from Gifts. On August 11, 2006, the Board approved design development plans, revised funding sources, and appropriated funding of \$30,000,000 from Grants and \$25,000,000 from Gifts. On November 16, 2006, the Board approved the increase in total project cost and revised the funding sources to \$88,000,000 with funding of \$30,000,000 from Grants, \$25,000,000 from Gifts, and \$33,000,000 from Hospital Revenues.

**CABIR Building Build-Out** - On August 23, 2007, the repair and rehabilitation project was included in the CIP with a preliminary project cost of \$44,060,000 with funding appropriated in the amount of \$23,370,000 from Hospital Revenues and \$20,690,000 from Gifts.

### Project Description

Pursuant to a Memorandum of Understanding effective August 26, 2004, U. T. M. D. Anderson Cancer Center has delegated authority for institutional management of construction projects under the continued oversight of the Office of Facilities Planning and Construction. The institutionally managed projects are subject to review by the Board of Regents for design development.

U. T. M. D. Anderson Cancer Center is requesting approval to combine the CABIR project and the CABIR Build-Out project. The CABIR will create a new six-story facility with approximately 314,000 gross square feet (GSF) to be located at the U. T. Research Park on the South Campus. The first stage includes site work, a six-story shell and core, and the initial interior build-out of approximately 121,200 square feet on the first and second floors. Construction is currently underway for the first stage. The second stage will build out shell space within the building. The tenants of CABIR are targeting a fully programmed facility to coincide with the availability of the adjoining Center for Targeted Therapy Research Building now in design. This new strategy provides a more efficient utilization of site parcels and building.

The CABIR is a collaborative project involving multiple funding sources including support from the Texas Enterprise Fund. In addition, GE Healthcare will contribute sophisticated technology and instrumentation, including a cyclotron to produce radionuclides. The research will focus on both preclinical and clinical investigations

using Positron Emission Tomography scanning to detect and monitor cardiovascular disease and cancer. Scientists will utilize sophisticated probes to seek out cancer cells with specific molecular abnormalities and image them with scanning and other technologies. New advances will enable physicians to select appropriate treatments and determine within hours or days instead of months the effectiveness of cancer therapy. The CABIR will be a unique program that brings together the expertise of GE Healthcare and researchers to create new ways of diagnosing cancer and cardiac disease and selecting the appropriate therapy.



## TABLE OF CONTENTS FOR HEALTH AFFAIRS COMMITTEE

Committee Meeting: 2/6/2008

Colleen McHugh, *Chairman*  
James D. Dannenbaum  
James R. Huffines  
Robert B. Rowling

Board Meeting: 2/7/2008  
Edinburg, Texas

	Committee Meeting	Board Meeting	Page
<b>Convene</b>	3:15 p.m. <i>Chairman McHugh</i>		
1. <b>U. T. M. D. Anderson Cancer Center: Authorization to effectuate the following land exchanges: (a) purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals; (b) acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC to be used for future programmed development of campus expansion; and (c) convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653, and the TMC Tract, and pay to the City of Houston an amount to constitute an even exchange of values</b>	3:15 p.m. <b>Action</b> <i>President Mendelsohn Ms. Mayne</i>	<b>Action</b>	<b>41</b>
2. <b>U. T. System: Approval of the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan; authorization for the Executive Vice Chancellor for Health Affairs to approve implementation of MSRDP/PRS Faculty Practice Plan Bylaws at U. T. System health institutions; and authorization for the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan</b>	3:20 p.m. <b>Action</b> <i>Dr. Shine Ms. Thomas</i>	<b>Action</b>	<b>47</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
3. <b>U. T. Health Science Center - Houston: Approval of a naming opportunity for the water feature and patio location in the Fayez S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio</b>	3:35 p.m. <b>Action</b> <i>President Willerson</i> <i>Dr. Safady</i>	<b>Action</b>	<b>73</b>
4. <b>U. T. Health Science Center - Houston: Approval of a naming opportunity for the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing</b>	3:40 p.m. <b>Action</b> <i>President Willerson</i> <i>Dr. Safady</i>	<b>Action</b>	<b>74</b>
5. <b>U. T. Southwestern Medical Center - Dallas: Approval to name the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders</b>	3:45 p.m. <b>Action</b> <i>President Wildenthal</i> <i>Dr. Safady</i>	<b>Action</b>	<b>75</b>
6. <b>U. T. System: Preliminary report on initiatives in health professional education</b>	3:50 p.m. <b>Report</b> <i>Dr. Stobo</i>	Not on Agenda	<b>75</b>
7. <b>U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine</b>	4:00 p.m. <b>Report</b> <i>Dr. Shine</i>	Not on Agenda	<b>76</b>
<b>Adjourn</b>	4:15 p.m.		

1. **U. T. M. D. Anderson Cancer Center: Authorization to effectuate the following land exchanges: (a) purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals; (b) acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC to be used for future programmed development of campus expansion; and (c) convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653, and the TMC Tract, and pay to the City of Houston an amount to constitute an even exchange of values**

#### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. M. D. Anderson Cancer Center, to

- a. purchase approximately 26 square feet of unimproved land adjacent to the north right-of-way of Old Spanish Trail, Houston, Harris County, Texas, (the TMC Tract) from the Texas Medical Center (TMC), a Texas nonprofit corporation, for fair market value as established by independent appraisals;
- b. acquire approximately 3.55 acres of unimproved land consisting of several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas, from the City of Houston, a municipal corporation, and from TMC (collectively, the Street Tracts) to be used for future programmed development of campus expansion;
- c. convey to the City of Houston approximately 2.28 acres of unimproved land consisting of parcels located in Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris

County, Texas, under Clerk's File No. M546653, and the TMC Tract (collectively, the Bertner Tracts) and pay to the City of Houston an amount to constitute an even exchange of values; and

- d. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations, including, without limitation, due diligence and closing matters.

### BACKGROUND INFORMATION

On December 7, 1989, and November 12, 1998, the Board of Regents approved the acquisition of property in U. T. M. D. Anderson Cancer Center's Mid-Campus area, including a portion of the Street Tracts. In 1999, the 76th Texas Legislature passed House Bill 1840 that authorized the institution's acquisition of property in the Mid-Campus area. Over time, U. T. M. D. Anderson Cancer Center has acquired approximately 12.67 acres in the Mid-Campus area in a number of noncontiguous parcels.

For several years, U. T. M. D. Anderson Cancer Center has been in discussions with the City of Houston and TMC regarding the possible exchange of property in the Mid-Campus area to create buildable lots and improve traffic circulation. The parties have agreed in principle upon an exchange of the Street Tracts for the Bertner Tracts, together with the payment by U. T. M. D. Anderson Cancer Center of \$2,393,748, sufficient cash compensation to constitute an even exchange of fair market values. The Bertner Tracts constitute a significant portion of the right-of-way of the proposed extension of Bertner Avenue from Braeswood Boulevard to Old Spanish Trail.

The City of Houston will convey streets and alleys adjacent to lands owned by TMC only to that entity; TMC has, however, agreed to convey those lands to U. T. M. D. Anderson Cancer Center in a simultaneous transaction. As part of the overall exchange, U. T. M. D. Anderson Cancer Center will purchase from TMC for fair market value, as established by independent appraisals, the TMC Tract adjacent to the north right-of-way of Old Spanish Trail and simultaneously convey that property to the City of Houston.

U. T. M. D. Anderson Cancer Center desires to acquire the Street Tracts to create large contiguous parcels that may be efficiently developed. The original subdivisions in the Mid-Campus area were platted with residential or small commercial uses in mind, and the resulting circulation and block design is ill-suited for the scale of development required by the institution. In addition, both U. T. M. D. Anderson Cancer Center and U. T. Health Science Center - Houston will benefit from the extension of Bertner Avenue through the Mid-Campus area; Bertner Avenue will directly link the institutions' extensive South Campus properties with their core facilities in the heart of the Texas Medical Center.

As a part of a proposed interlocal agreement with the City of Houston and TMC, U. T. M. D. Anderson Cancer Center will be responsible for the design and construction costs of the Bertner Avenue extension that exceed the City's \$2,000,000 Capital Improvement Program (CIP) funding for the project. The City will allow U. T. M. D. Anderson Cancer Center's cash payment for the Street Tracts to be used to defray the institution's financial obligations under the interlocal agreement regarding the extension of Bertner Avenue. The institution's financial obligations with respect to the design and construction of Bertner Avenue are not capped under the proposed interlocal agreement. Based on current cost estimates, however, U. T. M. D. Anderson Cancer Center does not expect its total financial commitment to this project to exceed the \$2,393,748 the institution will pay for the Street Tracts.

The institution's Hospital Revenues will be used to fund the proposed property exchange, the terms and conditions of which are specified in the transaction summary below:

### Transaction Summary

#### **Purchase of TMC Tract**

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 26 square feet
Improvements:	None
Location:	Adjacent to the north right-of-way in the 1800 block of Old Spanish Trail, Houston, Harris County, Texas; see attached map on Page 46
Seller:	Texas Medical Center, a Texas nonprofit corporation
Consideration:	Fair market value as established by independent appraisals
Appraised Value:	\$819 (\$31.50 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$1,092 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)
Source of Funds:	Hospital Revenues
Intended Use:	To exchange with the City of Houston for the Street Tracts

### **Acquisition of Street Tracts**

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Combination of land exchange and purchase
Total Area:	Approximately 3.55 acres in multiple parcels
Improvements:	None, except for paving on some tracts
Location:	Several streets and alleys between Braeswood Boulevard to the north, Cecil Street to the west, and the boundaries of the Institute Addition to the south and east, all within the Institute Addition, Houston, Harris County, Texas; see attached map
Seller:	City of Houston, a municipal corporation, and the Texas Medical Center, a Texas nonprofit corporation
Consideration:	Conveyance to the City of Houston of the Bertner Tracts, together with the payment by U. T. M. D. Anderson Cancer Center to the City of Houston of \$2,393,748 in cash to constitute an even exchange of fair market values as established by independent appraisals
Appraised Value:	\$6,643,679 (\$43.00 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$6,489,672 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)
Source of Funds:	Hospital Revenues
Intended Use:	Future programmed development of campus expansion

### **Conveyance of Bertner Tracts**

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Land exchange
Total Area:	Approximately 2.28 acres in multiple parcels
Improvements:	None, except for paving and chain link fencing on some tracts

Location: Portions of Blocks 14, 18, 21, 22, and 23 of the Institute Addition, Houston, Harris County, Texas, and a portion of Tract 21 as described in a deed recorded in the Real Property Records of Harris County, Texas, under Clerk's File No. M546653; see attached map

Buyer: City of Houston, a municipal corporation

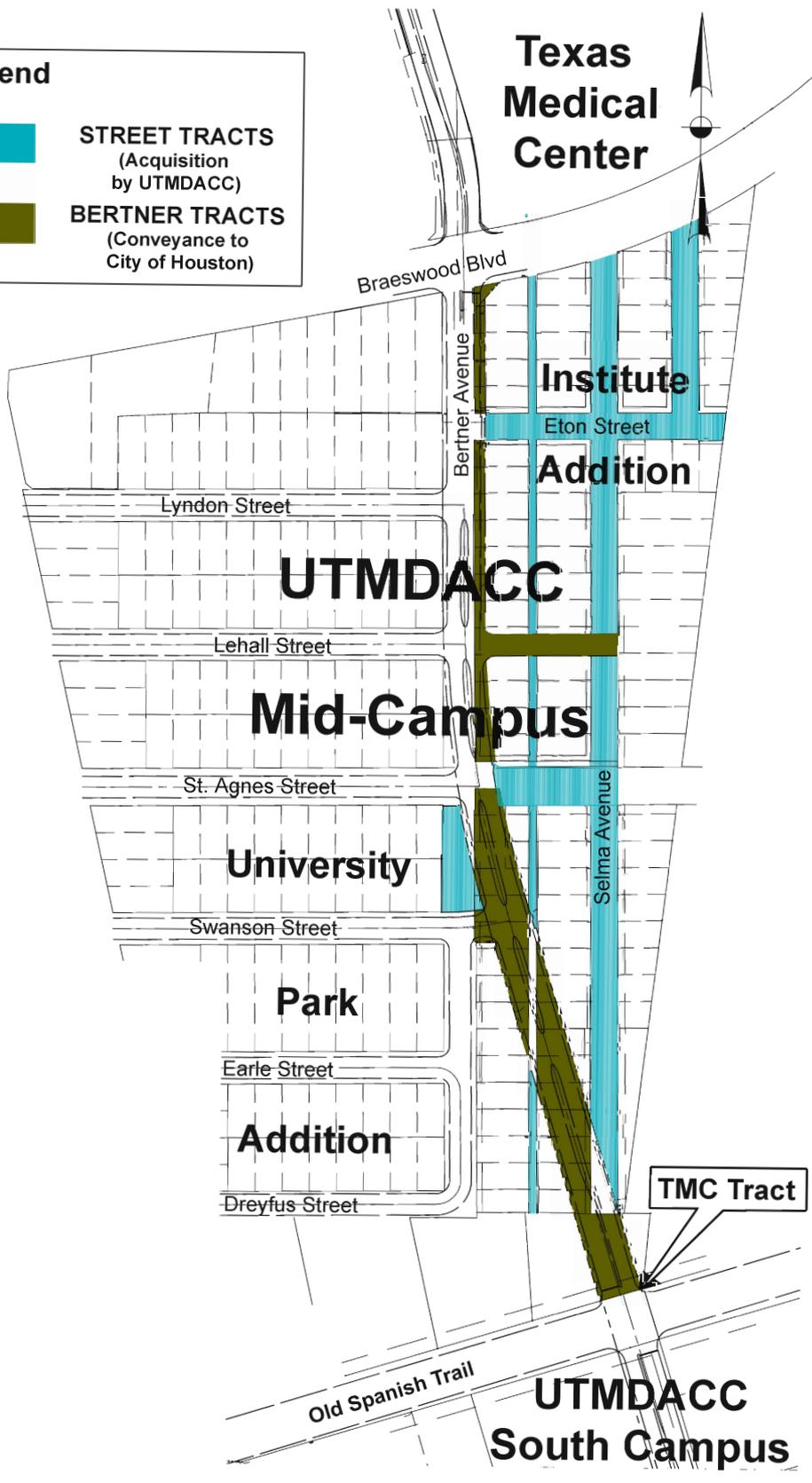
Consideration: Conveyance to the Board of Regents of the Street Tracts

Appraised Value: \$4,249,112 (\$42.13 per square foot) (Samuel Jarrett, Jr., general real estate appraiser, August 3, 2007); \$4,235,742 (\$42.00 per square foot) (G. Coleman/Jasmine Quinerly, general real estate appraiser, September 18, 2007)

**Legend**

- STREET TRACTS**  
(Acquisition by UTMDACC)
- BERTNER TRACTS**  
(Conveyance to City of Houston)

**Texas Medical Center**



2. **U. T. System: Approval of the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan; authorization for the Executive Vice Chancellor for Health Affairs to approve implementation of MSRDP/PRS Faculty Practice Plan Bylaws at U. T. System health institutions; and authorization for the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan**

### RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and the Vice Chancellor and General Counsel that the U. T. System Board of Regents, on behalf of U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, U. T. Health Science Center - Houston, U. T. Health Science Center - San Antonio, U. T. M. D. Anderson Cancer Center, and U. T. Health Center - Tyler:

- a. approve the Amended and Restated Model Bylaws of the Medical Service, Research and Development Plan/Physicians Referral Service (MSRDP/PRS) Faculty Practice Plan for U. T. System health institutions, set out on Pages 49 - 72, to be effective March 1, 2008;
- b. authorize the Executive Vice Chancellor for Health Affairs to approve implementation of institutional MSRDP/PRS Faculty Practice Plan Bylaws submitted by the presidents of U. T. System health institutions; and
- c. authorize the Executive Vice Chancellor for Health Affairs to approve nonsubstantive revisions to the Amended and Restated Model Bylaws of the MSRDP/PRS Faculty Practice Plan and to provide a copy of the current Model Bylaws to the Office of the Board of Regents of The University of Texas System.

### BACKGROUND INFORMATION

In the early 1960s, the U. T. System approved the first physician practice plan in Texas at U. T. M. D. Anderson Cancer Center, titled the "Physicians Referral Service." In 1969, the U. T. System mandated the establishment of physician practice plans at the remaining U. T. System health institutions, titled the "Medical Service, Research and Development Plans," for the billing, collection, and use of professional income generated by faculty physicians. The U. T. System Board of Regents approved a standard format for bylaws of the MSRDP/PRS faculty practice plans on June 14, 1984, and on May 14, 1998. The Bylaws described the membership, organization, and governance of the plans and established an institutional trust fund for the receipt and disbursement

of plan income. Since 1998, the impact of the plans on the operation of each institution, their continued growth and complexity, and the dramatic changes in the reimbursement of fees for professional services, have made some aspects of the previously approved standard format bylaws obsolete. U. T. System Administration was asked to review the MSRDP/PRS plans and related bylaws of the health institutions and to recommend modifications to continue the effective governance, operation, and oversight of the plans and to revise outdated provisions. Review and modification of the existing standard format bylaws was a combined effort of the Offices of Health Affairs and General Counsel, with significant input from the U. T. System health institutions, the U. T. System Faculty Advisory Council, and other interested faculty at the health institutions. The physician practice plan bylaws of other major academic health institutions in the country were also reviewed.

The revisions to the standard format bylaws: (1) clarify and provide consistent definitions and elements of faculty compensation; (2) enhance faculty participation in practice plan decisions; (3) clarify the authority of the president to direct and manage the practice plan; (4) address which sources of professional income must be assigned to the practice plan and require an institutional policy to address any related conflicts of interest; and (5) require the Board of Directors and Executive Director of the practice plan to implement the spirit of the Sarbanes-Oxley Act of 2002.

Regental approval of the Amended and Restated Model Bylaws of the MSRDP/PRS will rescind the standard format for bylaws of the MSRDP/PRS effective September 1, 1998. The U. T. System health institution presidents will subsequently submit revised bylaws for each health institution's faculty practice plan, in conformance with the new model bylaws, to the Executive Vice Chancellor for Health Affairs for approval prior to implementation.

**AMENDED AND RESTATED  
MODEL BYLAWS OF  
THE UNIVERSITY OF TEXAS  
[INSTITUTION]  
MSRDP [PRS] FACULTY PRACTICE PLAN**

**AMENDED AND RESTATED  
MODEL BYLAWS OF  
THE UNIVERSITY OF TEXAS  
[INSTITUTION]  
MSRDP [PRS] FACULTY PRACTICE PLAN**

**Table of Contents**

	<u>Page</u>
<b>ARTICLE I</b>	
<b>PURPOSE</b>	
<b>ARTICLE II</b>	
<b>DEFINITIONS</b>	
2.1 Board of Directors or Board .....	1
2.2 Board of Regents or Regents .....	1
2.3 Chair of the Board .....	1
2.4 Executive Vice Chancellor for Health Affairs.....	1
2.5 Institution .....	1
2.6 Institutional Trust Fund.....	2
2.7 Member.....	2
2.8 Plan .....	2
2.9 President .....	2
2.10 Senior Clinical Administrator .....	2
<b>ARTICLE III</b>	
<b>MEMBERS</b>	
3.1 Membership .....	2
3.2 Memorandum of Appointment and Agreement of Participation .....	3
3.3 Meeting of the Members.....	3
<b>ARTICLE IV</b>	
<b>BOARD OF DIRECTORS</b>	
4.1 Powers .....	4
4.2 Composition and Officers.....	4
4.3 Vacancy .....	5
4.4 Annual Meeting .....	6
4.5 Meetings .....	6
4.6 Manner of Meetings .....	6

4.7	Quorum.....	6
4.8	Reports.....	6

**ARTICLE V  
THE PRESIDENT AND CHAIR OF THE BOARD**

5.1	Authority .....	6
5.2	Consultation Requirements.....	7

**ARTICLE VI  
COMMITTEES**

6.1	Standing Committees of the Board.....	8
6.2	Meetings of Standing Committees.....	11
6.3	Additional Committees .....	11

**ARTICLE VII  
BUSINESS OPERATIONS**

7.1	Operating Budget.....	11
7.2	Executive Director.....	11
7.3	Chief Medical Officer .....	12
7.4	Business Office.....	12
7.5	Authorized Professional Business Expenditures .....	13

**ARTICLE VIII  
INSTITUTIONAL TRUST FUND**

8.1	Fund .....	13
8.2	Audit .....	13
8.3	Sources of Income .....	13
8.4	Reports.....	15
8.5	Determination of Professional Fees.....	15

**ARTICLE IX  
FACULTY COMPENSATION**

9.1	Components of Faculty Compensation .....	15
9.2	Appeal of Compensation Determination.....	16
9.3	Compensation Plan.....	16

**ARTICLE X  
GENERAL PROVISIONS**

10.1	Compliance and Ethics .....	17
10.2	Sarbanes-Oxley Act of 2002 .....	17
10.3	Amendments .....	17
10.4	Dissolution .....	18
10.5	Plan is Not a Contract .....	18

**Appendix A Authorized Professional Business Expenditures**

## **ARTICLE I PURPOSE**

The Purpose of the MSRDP [PRS] Faculty Practice Plan ("Plan") is to manage and hold in trust the professional income of faculty members at The University of Texas [Institution]. The Plan's goal is to promote excellence in teaching, research, clinical service, and administration through clinical practice and compensation strategies that will contribute to and safeguard the Institution's continued growth in excellence. The Plan sets forth a general framework for compensating faculty that will attract and retain outstanding faculty by rewarding performance, clinical innovation and productivity, research, teaching, and administrative excellence; providing fairness and consistency in compensation determinations; and aligning faculty performance with the Institution's mission.

## **ARTICLE II DEFINITIONS**

- 2.1 **Board of Directors or Board** means the advisory board that makes recommendations to the President of the Institution regarding the direction and management of this Plan as set forth in these Bylaws.
- 2.2 **Board of Regents or Regents** means the governing body of The University of Texas System, which has the ultimate jurisdiction and responsibility to govern, operate, support, and maintain each institution of The University of Texas System.
- 2.3 **Chair of the Board** means the President of the Institution.
- 2.4 **Executive Vice Chancellor for Health Affairs** of The University of Texas System means the individual appointed to that position by the Regents who has the authority granted by the *Rules and Regulations* of the Board of Regents and the specific responsibilities set forth in these Bylaws.
- 2.5 **Institution** means The University of Texas [Institution].

- 2.6 **Institutional Trust Fund** means the fund established for the deposit and distribution of revenues generated and disbursed according to this Plan.
- 2.7 **Member** means faculty members who are designated to participate in this Plan by the President or a designee, as more fully described in section 3.1.
- 2.8 **Plan** means this MSRDP or PRS Faculty Practice Plan, otherwise known as the Medical Service, Research and Development Plan (“MSRDP”) or, with respect to The University of Texas M. D. Anderson Cancer Center, the Physicians Referral Service (“PRS”).
- 2.9 **President** means the person appointed by the Regents to serve as President of the Institution and who shall act as Chair of the Board of the Plan. All references to the President herein also refer to the President’s role and actions as Chair of the Board.
- 2.10 **Senior Clinical Administrator** means the officer or individual within the Institution with significant clinical experience and expertise who is appropriately qualified to perform the functions of the role to which he or she is appointed.

### **ARTICLE III MEMBERS**

- 3.1 **Membership.** Membership in the Plan is mandatory for each faculty member whose appointment is 50% or greater, if the Member generates professional income as defined in section 8.3. Other part-time faculty members may become Members upon recommendation of the department chair and approval of the President or a designee. This Plan may apply to faculty members who do not generate professional income, as determined by the President at the time of appointment or reappointment of the Member.
- 3.1.1 All Members shall be entitled to vote upon business brought before the membership and be eligible for election or appointment to a committee of the Plan.

3.1.2 A Member leaving the faculty for any reason terminates membership in the Plan without recourse.

**3.2 Memorandum of Appointment and Agreement of Participation.**

A Memorandum of Appointment and an Agreement of Participation assigning professional income to the Plan shall be executed annually between each Member and the Institution, in a form prescribed by the Executive Vice Chancellor for Health Affairs, and are a condition for membership and participation in the Plan. Any delay, error or failure to execute these two documents does not relieve a Member of the requirement that all of his or her professional income shall be assigned to the Plan.

**3.3 Meeting of the Members.** The Members shall meet in general session at least annually in [month] at a place designated by the President, and at other times at the call of the President. Notice of the annual meeting shall be distributed to each Member at least 14 days prior to the meeting. At least 30 days prior to the annual meeting, the President shall appoint a nominating committee to submit nominations for members-at-large to the Members. [Nominations for members-at-large may be made from the floor if the Member nominated has agreed to the nomination.] At its annual meeting, the Members shall elect [number] members-at-large to serve on the Board.

3.3.1 Special meetings may be called by the Board, the President, or upon written petition of [one-third] of the Members, subject to 14 days notice in writing to all Members. The time, place, and date of the meeting shall be determined by the Board, and the group requesting the special meeting shall state the purpose.

3.3.2 The President or in his or her absence, the Vice-Chair, shall preside.

3.3.3 The Secretary of the Board shall serve as Secretary of the Plan.

3.3.4 [One-half] of the Members shall constitute a quorum.

3.3.5 Proxies shall not be allowed.

3.3.6 Unless otherwise specified herein, a simple majority of a quorum present and voting shall constitute a prevailing vote.

3.3.7 Mail or electronic votes may be called at the discretion of the President. On matters requiring a vote of the Members, at least fourteen calendar days before the deadline for completion of voting, the Secretary shall provide to each voter, either through the mail or electronically, a mail ballot or instructions for voting electronically, accompanied by background information prepared by the Secretary as the Board may direct, and a deadline for the return of the mail ballots or for electronic voting.

A. In the case of mail ballots, each voter shall receive a plain envelope in which to enclose a marked ballot, and a second envelope addressed to the Secretary to be used for the return of the sealed ballot. The envelope addressed to the Secretary shall have a space for the signature of the voter. Ballots lacking this validating signature shall be deemed void.

B. For electronic voting, the Secretary shall utilize a system that verifies each voter's identity and maintains security.

3.3.8 Minutes of each meeting shall be prepared by the Secretary, published and circulated to each member of the Board and the Executive Vice Chancellor for Health Affairs, and shall be available to each Member upon request. Posting the minutes on a website satisfies this requirement.

3.3.9 The rules of order for meetings shall be the current edition of *Robert's Rules of Order*.

## **ARTICLE IV BOARD OF DIRECTORS**

4.1 **Powers.** The membership, governance, and scope of authority of the advisory Board are prescribed herein.

4.2 **Composition and Officers.** The Board shall be composed as follows:

4.2.1 Officers of the Board

A. The Chair shall be the President of the Institution.

- B. The Vice-Chair shall be a Senior Clinical Administrator, such as the Dean of the School of Medicine or similarly titled and skilled senior level administrator who is qualified to serve, as determined by the President.
- C. The Treasurer shall be the Chief Business Officer of the Institution or other similarly skilled senior level administrator who is qualified to serve, as determined by the President.
- D. The Secretary shall be the Executive Director of the Plan, serving as an ex officio, nonvoting member of the Board; however, if the Executive Director of the Plan is a Member, he or she shall be a voting member of the Board.

#### 4.2.2 Other Directors

- A. [Senior Clinical Administrator, if not a Vice-Chair];
- B. [Number] Chairpersons of clinical departments;
- C. [Number] members-at-large will be elected by the Members at their annual meeting. Such members may serve no more than [two] consecutive [two]-year terms, but may be eligible to serve after an interval of one year;
- D. [Number] Members appointed from departments;
- E. The Chief Legal Officer of the Institution shall serve as an ex officio, nonvoting member of the Board;
- F. The Chief Medical Officer of the Plan shall serve as an ex officio member of the Board, [with/without vote];
- G. Other persons may be appointed by the President as ex officio members of the Board without vote; and
- H. No clinical department shall have more than [Number] voting members of the Board.

4.3 **Vacancy.** If a vacancy exists for a member-at-large, the Board shall appoint a replacement until the next annual election by the Members.

- 4.4 **Annual Meeting.** The Board will assume its responsibilities annually at its [month] meeting.
- 4.5 **Meetings.** The Board shall meet at least [monthly, quarterly], on call of the Chair, or on the written petition of [one-half, two-thirds] of the Board. Minutes and attendance of all meetings and standing committees shall be recorded, and a copy, including all committee reports and attendance, shall be provided to the Executive Vice Chancellor for Health Affairs, if requested. Special meetings shall be held when called by the President or at the request of [% of the directors].
- 4.6 **Manner of Meetings.** Meetings may be held in a manner determined by the President, including in-person meetings, teleconference, or written unanimous consent. Minutes of meetings by teleconference shall be prepared and filed in the same manner as any other meeting. A written consent in lieu of a meeting shall be in writing, describe the action to be taken, signed by each director, and authorized by the Board. Such consent shall have the same force and effect as a unanimous vote at a meeting.
- 4.7 **Quorum.** [One-half] of the Board shall constitute a quorum. A simple majority vote of directors present and voting shall prevail, provided, however, that any action taken by the Board is subject to approval by the President.
- 4.8 **Reports.** The Board shall report its actions, in writing, to the Members at the Members' annual meeting.

## **ARTICLE V THE PRESIDENT AND CHAIR OF THE BOARD**

- 5.1 **Authority.** The direction and management of the Plan and the control and disposition of its assets shall be vested in the President, who shall act as Chair of the Board, subject to the authority of the Executive Vice Chancellor for Health Affairs and/or the Regents, as set forth in these Bylaws and the Regents' *Rules and Regulations*, The University of Texas System policies, and Institution policies. The President may approve exceptions to the Plan to meet special teaching, research or

clinical service requirements. The President shall have the authority to:

- 5.1.1 Make recommendations regarding faculty compensation, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.2 Appoint a designee to carry out certain functions described herein;
  - 5.1.3 Appoint officers and directors to the Board as set forth in section 4.2, and ensure that all presidential appointees to the Board or committees described in Article VI have the appropriate skill and experience to carry out the duties assigned;
  - 5.1.4 Oversee committees of the Plan to ensure that each committee is diligently performing its assigned duties;
  - 5.1.5 Issue administrative procedures further defining implementation of this Plan, subject to the approval of the Executive Vice Chancellor for Health Affairs;
  - 5.1.6 Review amendments to the Plan proposed by the Members or the Board; propose amendments as appropriate to the Board, the Members, the Executive Vice Chancellor for Health Affairs, or the Regents; and transmit amendments to the Executive Vice Chancellor for Health Affairs, or the Regents, as appropriate; and
  - 5.1.7 Take such other action on behalf of the Plan and the Members as deemed necessary, in consultation with the Board.
- 5.2 **Consultation Requirements.** The President or a designee shall consult with the Faculty Compensation Advisory Committee and representative faculty groups, such as the Institution Faculty Senate, as appropriate, regarding proposed substantive revisions to the Faculty Compensation Plan described in section 9.1 of these Bylaws, before submitting such revisions to the Executive Vice Chancellor for Health Affairs for approval.

## ARTICLE VI COMMITTEES

6.1 **Standing Committees of the Board.** Members of the following standing committees shall be appointed by the President, in consultation with the Board, except as specifically designated herein. The President shall appoint the chair of each committee. Committee appointments are for [two years] and may be renewed for additional [two year] terms at the discretion of the President. All committees shall report to the Board, including Institutional committees that perform the described duties on behalf of the Plan.

6.1.1 **[Optional Committee]** The **Executive Committee** shall be chaired by the President and shall include the officers of the Board and [number] additional members appointed by the President to make recommendations or decisions between meetings on behalf of the Board.

6.1.2 The **Budget and Finance Committee** shall be chaired by the [Dean of the School of Medicine, Senior Clinical Administrator or the Chief Business Officer] and shall consist of [the Dean of the School of Medicine where there is a Dean, a Senior Clinical Administrator, and the Chief Business Officer], a faculty [Senate or similar faculty organization] representative who is a Member, and [number] other members appointed by the President; at least one member shall not be a department chair. The duties of the Budget and Finance Committee shall include, but not be limited to:

- A. Developing annual operating and capital budgets for the Plan for approval by the Board;
- B. Reviewing and approving unbudgeted expenditures greater than [\$ amount] for approval by the Board;
- C. Reviewing and approving financial reports for presentation to the Board;
- D. Reviewing billing and collection activities and making appropriate recommendations to the Board;

- E. Reviewing the financial impact of proposed programs and services, and proposed capital investments, and reporting findings to the Board for approval;
- F. Developing professional fee schedules for approval by the Board; and
- G. Recommending to the Board any action necessary to address budgetary changes or shortfalls.

6.1.3 The **Compliance and Ethics Committee** shall be chaired by the [Dean of the School of Medicine, or if no Dean the Senior Clinical Administrator to whom Clinical Department Chairs report; who may be Co-Chairs] and shall consist of [number] members appointed by the President; at least one member shall not be a department chair. The Compliance Officer of the Institution shall report to this Committee. If there is an Institutional Compliance Committee, that Committee may act as the Compliance and Ethics Committee of the Plan, in the discretion of the Board. The duties of the Compliance and Ethics Committee shall include, but not be limited to:

- A. Developing and overseeing compliance plans, including training of faculty and staff, to assure that billing and collecting comply with local, state and federal statutes, rules and guidelines;
- B. Reviewing compliance reports and making appropriate recommendations to the Board;
- C. Reviewing findings of Professional Affairs and Audit Committees and making appropriate recommendations to the Board;
- D. Reviewing departmental guidelines for supervision of residents and documentation standards and making appropriate recommendations to the Board;
- E. Making recommendations to the Audit Committee; and
- F. Complying with the Institutional Compliance Plan.

6.1.4 The **Professional Affairs Committee** shall be chaired by the [Dean of the School of Medicine, Senior Clinical Administrator, or Chief Medical Officer] and shall include

[number] members appointed by the President; at least one member shall not be a department chair. If there is an Institutional Professional Affairs Committee, that committee may act as the Professional Affairs Committee of the Plan. The duties of the Professional Affairs Committee shall include, but not be limited to:

- A. Reviewing and recommending action to the Board concerning membership in the Plan not expressly required by the Bylaws;
- B. Developing and overseeing a plan that assures appropriate credentialing and peer review of all Members of the Plan; and
- C. Developing and overseeing a quality improvement and patient safety program.

6.1.5 The **Audit Committee** shall be chaired by the President. Members shall include the officers of the Board and an independent, external member with financial expertise. If the Institution has an Institutional Audit Committee, that committee may serve as the Audit Committee of the Plan, in the discretion of the Board. If the Plan has its own Audit Committee, the Committee shall conduct its proceedings and decision-making consistent with the charter of the Institution's Audit Committee. The duties of the Audit Committee shall include, but not be limited to:

- A. Developing and overseeing an annual audit plan, to include audits of any entity contracted for business operations of the Plan;
- B. Reviewing audit reports and ensuring that findings and recommendations of the auditor are forwarded to the appropriate committees or departments;
- C. Monitoring the implementation of and compliance with the recommended corrective action, if any; and
- D. Making recommendations to the Board, as appropriate.

6.1.6 The **Faculty Compensation Advisory Committee** shall advise the Board on matters related to compensation. The chair of the

committee shall be the Chief Medical Officer. The committee shall provide advice related to developing mechanisms for obtaining faculty input. A member of the Institution's Faculty Senate who is a Member of the Plan shall be appointed to the Faculty Compensation Advisory Committee.

- 6.2 **Meetings of Standing Committees.** Standing committees shall meet at least quarterly or on the call of the chair of the committee, keep minutes of the meetings, and report actions and recommendations, in writing, to the Board.
- 6.3 **Additional Committees.** The President, in consultation with the Board, may create other standing and *ad hoc* committees from among the directors or the Members to make recommendations upon specific matters. Committees may also be created at the request of a majority of the Members. Appointment to these committees shall be noted in the minutes of the Board, including any restriction on membership. The minutes shall be kept of committee meetings, and recommendations shall be submitted to the Board in writing. The Board may eliminate a standing committee as circumstances change, subject to the prior approval of the Executive Vice Chancellor for Health Affairs.

## **ARTICLE VII BUSINESS OPERATIONS**

- 7.1 **Operating Budget.** The Budget and Finance Committee shall prepare an annual operating budget for all income and expenditures of the Plan for approval by the Board. Such approval shall be in accordance with the Budget Rules and Procedures of the Regents.
- 7.2 **Executive Director.** The President, in consultation with the Board, shall appoint an Executive Director of the Plan who shall serve as the general administrative officer and business manager of the Plan at the pleasure of the President.
- 7.2.1 The Executive Director shall be under the direction and supervision of the President or a designee.
- 7.2.2 The Executive Director shall prepare financial reports for the Plan, which shall be submitted to the Board at each regular

meeting. Quarterly financial reports shall be submitted to and in a format approved by the Executive Vice Chancellor for Health Affairs.

7.2.3 The Executive Director shall maintain detailed records of all operational and financial information regarding the Plan.

7.3 **Chief Medical Officer.** The President, in consultation with the Board, shall appoint a Chief Medical Officer of the Plan who shall serve as the liaison between the Board and the Members to provide leadership in the development of business and operational strategies related to the Plan. The Chief Medical Officer shall oversee the credentialing, quality of care, and patient safety functions of the Plan.

7.4 **Business Office.** A Business Office shall be maintained for the Plan under the direction of the President or a designee, consistent with the rules, regulations, and policies of The University of Texas System and Institutional policies.

7.4.1 The President, in consultation with the Board, and subject to Regents' *Rules*, may contract with an entity to administer the business operations of the Plan, including but not limited to, strategic development, marketing, billing for and collection of professional fees, contracting for professional services, clinic operations, credentialing, and managed care operations. Contract oversight, reporting, corporate compliance, and financial audit of the entity are the responsibilities of the appropriate officers or committees of the Board. Contracting with an outside entity for billing and collection of professional fees requires the prior approval of the Executive Vice Chancellor for Health Affairs.

7.4.2 Except as provided in section 7.4.1 above, professional fees and Plan-related technical fees shall be centrally billed and collected by the business office for the Plan, in accordance with procedures developed by the Board and applicable policies of The University of Texas System and the Institution. All personnel in the business office who have responsibilities for billing and collection for professional services of the Members shall be under the control of and assigned for personnel matters to the Executive Director.

7.4.3 All collections received from the professional services of Members and all monies received from other sources of professional income described in section 8.3 below shall be deposited in the Institutional Trust Fund.

7.5 **Authorized Professional Business Expenditures.** Professional business expenditures authorized by the Regents are set forth in Appendix A.

## **ARTICLE VIII INSTITUTIONAL TRUST FUND**

8.1 **Fund.** An Institutional Trust Fund has been established for the receipt and disbursement of Plan income.

8.2 **Audit.** The Institutional Trust Fund shall be audited in accordance with rules, regulations, and policies of The University of Texas System and the Institution. The cost of the audit shall be paid from the Institutional Trust Fund.

8.3 **Sources of Income.**

8.3.1 Pursuant to the Member's Memorandum of Appointment and Agreement of Participation with the Institution for participation in the Plan, each Member shall assign all professional income (including any technical component) to the Institutional Trust Fund, including, but not limited to:

- A. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by full-time faculty Members regardless of where rendered;
- B. Professional fees (and any other monies or material considerations provided in the context of medical services to patients) generated for all patient care services rendered by part-time faculty Members, if such fees are generated in connection with the Member's appointment;

- C. Fees for all court appearances, depositions, expert testimony, or legal consultations; and
- D. Gifts of cash or cash equivalents provided in the context of patient-care activities.

8.3.2 The following are not professional income and may be retained by the Member:

- A. Honoraria, defined as payments by entities outside The University of Texas System for occasional lectures and similar public appearances beyond normal academic responsibilities to the Institution, that are not in return for other services related to the Member's appointment to the faculty and that are in compliance with Section 36.07 of the *Texas Penal Code*, whether given directly or indirectly;
- B. Royalties, defined as shares or proceeds for contributions as authors or inventors, as permitted under The University of Texas System's copyright and patent policies;
- C. Payment for editing scientific publications;
- D. Prizes, defined as gifts in recognition of personal achievement and not for services rendered;
- E. Income from a profession or activity unrelated to the training and experience which is the individual's qualification for appointment to the faculty, as determined by the department chair in consultation with the President; and
- F. Tangible and non-tangible noncash gifts, only as permitted by State law or The University of Texas System or Institution policy or rule.

8.3.3 Payments to Members from pharmaceutical, medical device, biotechnology, or related industries, as well as stipends for serving on boards of directors or advisory boards, shall be addressed in an Institutional policy governing such activities and the receipt of such payments. The policy also shall

address conflicts of interest, conflicts of commitment with faculty responsibilities related to income from outside professional activities, and the maximum income that the Member can retain from outside professional activities. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.3.4 Income may be accepted from voluntary and part-time faculty who are not Members of the Plan, at the discretion of the individual, upon the recommendation of the department chair, and approval of the President.

8.3.5 Other income not specifically described above shall be reported to the President or a designee, who shall determine whether such income will be considered professional income.

8.4 **Reports.** Each Member shall file a report annually regarding outside professional activities from which the Member retained income in accordance with institutional policy. The policy must be approved by the Executive Vice Chancellor for Health Affairs.

8.5 **Determination of Professional Fees.** The Budget and Finance Committee shall prepare a fee schedule, which shall be used for billing purposes, subject to approval by the President, in consultation with the Board. Substantive changes in the fee schedule must be approved by the President. Guidelines for discounting fees, if any, will be developed by the Board.

## **ARTICLE IX FACULTY COMPENSATION**

9.1 **Components of Faculty Compensation.** The Institution's Faculty Compensation Plan ("Compensation Plan") is a separate document that describes a process to compensate faculty performance and maintain and enhance faculty excellence in support of patient care, education, and research. The Compensation Plan shall be comprised of three major components with subparts as determined by the President after consulting with faculty as required in section 5.2. The three components are (a) Base Salary, (b) Supplemental Compensation, and (c) Incentive

Compensation. The term total compensation refers to the aggregate compensation derived from these three components.

9.1.1 **Base Salary.** Base Salary is that part of a Member's salary based on a Member's academic rank. Base Salary shall be designated annually in the Member's Memorandum of Appointment. Base Salary may be derived from any reasonable method, such as salary survey results by nationally recognized organizations that are commonly relied upon by university health institutions to establish similar types of compensation.

9.1.2 **Supplemental Compensation.** Supplemental Compensation is that part of a Members' annual fixed compensation stated in the Memorandum of Appointment that is determined by a Member's area of practice or specialty, administrative duties while performed, and other positions, tasks, responsibilities or contributions that are duly assigned to the Member and for which compensation is not received as either Base Salary or Incentive Compensation.

9.1.3. **Incentive Compensation.** Incentive compensation, if any, is that part of a Member's compensation for performance that is not fixed and is determined through the application of an established and equitably applied formula that rewards outstanding performance and productivity and also factors in any negative aspects of a Members' performance or productivity. Incentive compensation may be based on any aspect of a Member's duties, such as teaching, research, public service, clinical productivity, awards of grants or other types of research funding, teaching, service to the institution or any other facet of job performance.

9.2 **Appeal of Compensation Determination.** A Member may appeal a compensation determination according to the appeals procedure set forth in the Compensation Plan.

9.3 **Compensation Plan.** The Compensation Plan is subject to approval by the Executive Vice Chancellor for Health Affairs.

**ARTICLE X  
GENERAL PROVISIONS**

- 10.1 **Compliance and Ethics.** Each Member shall abide by the ethical standards and principles of the state and national professional associations of the Member's discipline. Each Member shall comply with federal, state and local laws and regulations.
- 10.2 **Sarbanes-Oxley Act of 2002.** The Board and the Executive Director shall, with respect to the operation of the Plan, implement the spirit of the Sarbanes-Oxley Act of 2002, consistent with The University of Texas System and Institution policies and rules related to financial activities and reporting, and the codes of ethics of the System and the Institution.
- 10.3 **Amendments.** These Bylaws have been developed within the standard format approved by the Regents. Substantive amendments may be made only upon approval by the Regents. Nonsubstantive amendments may be approved upon written request of the Executive Vice Chancellor for Health Affairs. All proposed amendments shall be submitted to the Executive Vice Chancellor for Health Affairs, who will determine whether the approval of the Regents is required.
- 10.3.1 Recommendations for amendments to these Bylaws may be made by [%] of the Members voting at a special meeting called for the purpose, the Board, or the President.
- 10.3.2 Recommendation for substantive amendments to these Bylaws requires a [two-thirds] vote of a quorum of the Members at any regular meeting of the Members or a meeting called specifically for this purpose, provided that the proposed amendments shall have been submitted by written notice (which may be by email or other electronic communication) to the Members not less than thirty days prior to the meeting at which the amendment is brought to a vote.
- 10.3.3 Notice of proposed amendments to these Bylaws shall include the complete text of the proposed amendments.

- 10.3.4 Substantive amendments shall become effective upon approval of the Regents. Nonsubstantive amendments may be approved by the Executive Vice Chancellor for Health Affairs, and shall become effective upon such approval.
- 10.4 **Dissolution.** The Plan may be dissolved by the Regents or by applicable law. All monies residual in the Institutional Trust Fund shall be used to discharge obligations of the Plan with the balance to become the property of the Institution.
- 10.5 **Plan is Not a Contract.** This Plan does not constitute a contract or grant any rights beyond which any person is already entitled. The Regents retain the right to modify or terminate the Plan at any time.

Approved by The University of Texas System Board of Regents:

\_\_\_\_\_, 2008

## APPENDIX A

### AUTHORIZED PROFESSIONAL BUSINESS EXPENDITURES

<u>Authorized Business Expense</u>	<u>Maximum</u>
1. Malpractice Insurance	U. T. System self-insurance rates
2. Official travel, including registration fees (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with policy and limits, established by U. T. System and the Institution not to exceed actual expense
3. Faculty Development Leave	In accordance with the Regents' <i>Rules and Regulations</i> and Institutional policy
4. Uniforms or Lab Coats	Through Institutional purchasing
5. Membership Dues in Professional Scientific Organizations, Faculty Clubs, Medical Center clubs, or equivalent	In accordance with Institutional policy. Faculty Clubs, Medical Center clubs, or equivalent with President's approval
6. Texas State Clinical License Fee, including Texas Medical Board License	Annual fee; reimbursement expenditure only
7. Medically-Related Educational Aids	In accordance with Institutional policy
8. Base Salary, Supplemental Compensation, and Incentive Compensation	In accordance with Institutional and U. T. System policy
9. Purchase, maintenance and operation of equipment and operation of U. T. System facilities	In accordance with Institutional policy
10. Ordinary and necessary business expenses incurred by the Member in earning the professional fees charged by said Member, excluding entertainment (see No. 17, Official Institutional Functions and Official Entertainment)	In accordance with Institutional policy

Authorized Business Expense

Maximum

- |     |   |   |
|-----|---|---|
| 11. | Registration fees and tuition incident to attendance at meetings and courses as requested or approved by Institution  | In accordance with Institutional policy   |
| 12. | Consultant fees and expenses, including guest speakers at official institutionally sponsored or approved meetings   | In accordance with U. T. System and Institutional policy  |
| 13. | Expenses incident to faculty or staff recruitment (see No. 17, Official Institutional Functions and Official Entertainment)   | In accordance with Institutional policy   |
| 14. | Establishment or endowment of programs, professorships, or chairs   | In accordance with U. T. System and Institutional policy  |
| 15. | Support of academic programs and projects involving education, research or patient care   | In accordance with Institutional policy   |
| 16. | Institutional participation in community, organizations or events   | In accordance with Institutional policy   |
| 17. | Official Institutional Functions and Official Entertainment<br>Official entertainment is defined as business-related events or expenditures which are of documented benefit to the Institution or the U. T. System. | In accordance with Institutional policy, provided, however, prior presidential approval is required for any expenditures greater than \$2,500<br>A quarterly report of all expenditures approved in this category shall be filed with the Executive Vice Chancellor for Health Affairs. |
- 
- No MSRD/PRS funds may be expended for the benefit of any single individual person or Member except as herein approved.
  - All requests for reimbursement must contain adequate documentation and must be signed by the person seeking reimbursement.
  - All expenditures are subject to the *Rules and Regulations* of the Board of Regents of the U. T. System and applicable institutional regulations and procedures. This list of authorized expenditures may be periodically amended by action of the Executive Vice Chancellor for Health Affairs.

3. **U. T. Health Science Center - Houston: Approval of a naming opportunity for the water feature and patio location in the Fayez S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that the U. T. System Board of Regents approve the naming of the water feature and patio location in the Faye S. Sarofim Research Building as the Dan L. Duncan Family Water Feature and Patio at U. T. Health Science Center - Houston.

BACKGROUND INFORMATION

Built in 2006, the Faye S. Sarofim Research Building at U. T. Health Science Center - Houston houses the Brown Foundation Institute of Molecular Medicine (IMM) for the Prevention of Human Diseases. The IMM provides students, faculty, and researchers an environment that facilitates focused study and advancements in molecular medicine. The IMM seeks to investigate the cause of human diseases at the cellular and molecular levels using DNA and protein technologies to elucidate disease mechanisms, the progress of which is of particular interest for future planning of clinical research and disease prevention.

In 2003, when Mr. Dan L. Duncan made a generous gift of \$2,000,000 to the New Frontiers Campaign in support of the IMM, a significant naming opportunity was presented to the Duncan family. The process for recognition of the gift from the Duncan family has been delayed, and because Mr. Duncan made another significant pledge to support the Children's Learning Institute's Neurodevelopment Clinic, U. T. Health Science Center - Houston recommends naming the prominent water feature and patio location at the Faye S. Sarofim Research Building in honor of the Dan L. Duncan family. The Duncan family's contributions have been vital to the Health Science Center as well as the Houston community, and crucial to the development of new strategies for curing and preventing human diseases.

The proposed naming to recognize the generous gift and distinguished contributions of the Dan L. Duncan family is consistent with the Regents' *Rules and Regulations*, Series 80307, relating to the naming of facilities.

4. **U. T. Health Science Center - Houston: Approval of a naming opportunity for the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Willerson that the U. T. System Board of Regents approve the naming of the Executive Office Wing in the Fayez S. Sarofim Research Building as the Memorial Hermann Hospital System Executive Office Wing at U. T. Health Science Center - Houston.

BACKGROUND INFORMATION

Built in 2006, the Fayez S. Sarofim Research Building at U. T. Health Science Center - Houston houses the Brown Foundation Institute of Molecular Medicine for the Prevention of Human Diseases (IMM). The IMM provides students, faculty, and researchers from around the world an environment that facilitates focused study and advancements in molecular medicine. The IMM seeks to investigate the cause of human diseases at the cellular and molecular levels using DNA and protein technologies to elucidate disease mechanisms, the progress of which is of particular interest for future planning of clinical research and disease prevention.

In 2004, when Memorial Hermann Hospital System made a generous gift of \$10,000,000 to the New Frontiers Campaign in support of the IMM, a significant naming opportunity was presented to Mr. Dan Wolterman, President of Memorial Hermann Hospital System. The process for recognition of this gift has been delayed. Because of the long-standing, successful, and continuing collaborative relationship with Memorial Hermann Hospital System, the institution recommends naming the prominent Executive Office Wing in the Fayez S. Sarofim Research Building to honor the contribution of Memorial Hermann Hospital System.

The proposed naming to recognize the generous gift of Memorial Hermann Hospital System is consistent with the Regents' *Rules and Regulations*, Series 80307, related to the naming of facilities.

5. **U. T. Southwestern Medical Center - Dallas: Approval to name the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for External Relations, and President Wildenthal that the U. T. System Board of Regents approve the naming of the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders at U. T. Southwestern Medical Center - Dallas.

BACKGROUND INFORMATION

Southwestern Medical Foundation received a \$50 million pledge from Mr. and Mrs. Harold Simmons to support and expand basic and clinical neuroscience disciplines. The gift funds will be transferred from Southwestern Medical Foundation over a five-year period to U. T. Southwestern Medical Center - Dallas to support existing multidisciplinary programs offered by various departments of the institution.

The lifetime donations of Mr. and Mrs. Simmons and the Harold Simmons Foundation exceed \$177 million. In recognition of the major support from the Simmons, U. T. Southwestern Medical Center - Dallas recommends naming the programs that will be supported by their recent contribution as the Harold and Annette Simmons Comprehensive Center for Research and Treatment of Brain and Neurological Disorders. The proposed naming is not linked to a specific building location or destination site, and will coincide with the life of the programmatic gift support.

The proposed naming to recognize the generous gift from the Simmons to Southwestern Medical Foundation is consistent with the Regents' *Rules and Regulations*, Series 80307, related to the naming of prominent programs.

6. **U. T. System: Preliminary report on initiatives in health professional education**

REPORT

Executive Director for Academic Programs, Dr. John D. Stobo, will report on preliminary initiatives in health professional education.

**Supplemental Materials: PowerPoint presentation on Pages 36 - 37 of Volume 2.**

7. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**

REPORT

Executive Vice Chancellor Shine will report on health matters of interest to the U. T. System. This is a quarterly update to the Health Affairs Committee of the U. T. System Board of Regents.



## TABLE OF CONTENTS FOR ACADEMIC AFFAIRS COMMITTEE

**Committee Meeting: 2/6/2008**

*John W. Barnhill, Jr., Chairman*  
*Paul Foster*  
*Printice L. Gary*  
*Colleen McHugh*

**Board Meeting: 2/7/2008**  
Edinburg, Texas

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>Convene</b>	<i>4:15 p.m.</i> <i>Chairman</i> <i>Barnhill</i>		
<b>1. U. T. System: Approval of expansion of degree planning authority at U. T. Brownsville, U. T. Dallas, and U. T. Pan American</b>	<i>4:15 p.m.</i> <b>Action</b> <i>Dr. Prior</i>	<b>Action</b>	<b>77</b>
<b>2. U. T. El Paso: Approval of acceptance of gift of outdoor art</b>	<i>4:25 p.m.</i> <b>Action</b> <i>Natalicio</i> <i>Dr. Prior</i>	<b>Action</b>	<b>79</b>
<b>3. U. T. Permian Basin: Approval of acceptance of gift of outdoor art</b>	<i>4:35 p.m.</i> <b>Action</b> <i>President</i> <i>Watts</i> <i>Dr. Prior</i>	<b>Action</b>	<b>80</b>
<b>4. U. T. System: Report on enrollment management plans</b>	<i>4:45 p.m.</i> <b>Report</b> <i>Dr. Prior</i>	Not on Agenda	<b>80</b>
<b>Adjourn</b>	<i>5:15 p.m.</i>		

1. **U. T. System: Approval of expansion of degree planning authority at U. T. Brownsville, U. T. Dallas, and U. T. Pan American**

**RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and Presidents García, Daniel, and Cárdenas that proposed additions to the Table of Programs for U. T. Brownsville, U. T. Dallas, and U. T. Pan American, as set out on Page 78, be approved and forwarded to the Texas Higher Education Coordinating Board for consideration.

**BACKGROUND INFORMATION**

*Texas Education Code* Section 61.051(e) requires the Texas Higher Education Coordinating Board to review public university Mission Statements and Tables of Programs every four years. These documents broadly describe the academic mission of each institution and the academic fields and degree levels that are appropriate to the mission. The Table of Programs specifically describes the current degree-granting authority of each institution and those academic fields and degree levels within fields that each institution has the authority to plan for future degree offerings. Coordinating Board approval of new degree programs involves two steps: gaining planning authority for a program via the Table of Programs and submitting an acceptable proposal.

The four-year cycle of review is due for the academic institutions of The University of Texas System. Changes to the Table of Programs must be approved by the Board of Regents prior to submission to the Coordinating Board for consideration.

## **Requested Expansion of Degree Planning Authority**

### **The University of Texas at Brownsville**

Bachelor of Arts in Spanish Translation and Interpreting  
Bachelor of Science in Public Health  
Bachelor of Science in Biomedical Sciences  
Master of Arts in Conflict Resolution  
Master of Fine Arts in Art Education  
Master of Corporate Communication  
Master of Applied Technology  
Master of Physical Therapy  
Master of Science in Chemistry  
Master of Science in Environmental Sciences

### **The University of Texas at Dallas**

Bachelor of Science in Geospatial Information Sciences  
Master of Arts in Latin American Studies  
Master of Fine Arts in Translation  
Master of Science in Behavioral and Brain Health  
Ph.D. in Mechanical Engineering  
Ph.D. in Science/Mathematics Education

### **The University of Texas – Pan American**

Ph.D. in Applied and Computational Mathematics  
Ph.D. in Engineering Science

## **2. U. T. El Paso: Approval of acceptance of gift of outdoor art**

### **RECOMMENDATION**

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Natalicio that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art at U. T. El Paso. The request is in accordance with Regents' *Rules and Regulations*, Series 60101, Section 3.1 regarding outdoor works of art.

**Supplemental Materials: Photo of ZigZag Diamondback Totem on Page 38 of Volume 2.**

### **BACKGROUND INFORMATION**

U. T. El Paso has received an outdoor work of art by sculptor Mr. Jesús Moroles titled "ZigZag Diamondback Totem #020078." The work of art was created in 2002 out of Dakota granite and stands 115 1/2" x 13 5/8" x 10 5/8". Mr. Moroles resides in Rockport, Texas. He is best known for his large-scale public installation located at the CBS Plaza in New York City and the Houston Police Officers' Memorial. His work has been featured in numerous publications, including *ARTNEWS* and *The New York Times*. The sculpture was donated by Mr. and Mrs. Michael Klein, Austin-based philanthropists and collectors of contemporary art. Mrs. Jeanne Klein serves on the board of directors of Artpace San Antonio, a foundation for the support of contemporary art. Mr. Klein is on the board of SITE Santa Fe, a not-for-profit contemporary arts organization in Santa Fe, New Mexico, and the Hirshhorn Museum and Sculpture Garden of the Smithsonian Institution's Museum of Modern and Contemporary Art in Washington, D.C. Other recent contributions by the donors include the Michael and Jeanne Lee Klein Endowed Presidential Scholarship in Education in the College of Education at U. T. Austin and the Jeanne and Michael Klein Gallery at the Jack S. Blanton Museum of Art at U. T. Austin. If approved, the sculpture will be placed in front of the U. T. El Paso Administration Building at University Avenue and Hawthorne Street.

The installation cost of \$5,550 plus minimal maintenance will be funded from the General Operation Fund of the Stanlee and Gerald Rubin Center for the Visual Arts.

Proposed placement of this outdoor work of art is consistent with U. T. El Paso's Campus Master Plan.

**3. U. T. Permian Basin: Approval of acceptance of gift of outdoor art**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor for External Relations, and President Watts that the U. T. System Board of Regents approve the acceptance of a gift of outdoor art at U. T. Permian Basin. The request is in accordance with Regents' *Rules and Regulations*, Series 60101, Section 3.1 regarding outdoor works of art.

**Supplemental Materials: Photo of outdoor metal art sculpture on Page 39 of Volume 2.**

BACKGROUND INFORMATION

U. T. Permian Basin has received a gift of an outdoor metal art sculpture from artist Richard (Dick) Gillham. The artwork was created in 2007 of steel 1/4" to 1/2" thick and stands 11' x 11'. Mr. Gillham attended the University of Arkansas in 1950 and served in the military during the Korean war. He moved to Odessa in 1952 and worked in the oil industry for over 40 years. After his retirement, he continued his hobby of making metal art. If approved, the sculpture will be an addition to several pieces displayed in the vicinity of the Visual Arts Studios on the U. T. Permian Basin campus.

All transportation, installation, and maintenance costs will be minimal and will be covered by donated gift funds of which \$2,000 has been allocated to complete this project.

Proposed placement of this outdoor work of art is consistent with U. T. Permian Basin's Campus Master Plan.

**4. U. T. System: Report on enrollment management plans**

REPORT

Executive Vice Chancellor Prior will report on enrollment management plans for the U. T. System academic institutions.

The U. T. System Strategic Plan calls for each institution to have enrollment management plans fully operational within the next 5 - 10 years. The goal is for each institution to consider how many students it can reasonably and successfully educate while best utilizing classrooms and other facilities. Thus, the enrollment management plan may require optimal use of campus resources, including changes in admission standards,

availability of majors, ways classes are delivered, time and day when classes are offered, and expanded relationships with community colleges. This presentation is an update on the development of such plans.

**Supplemental Materials: Enrollment Management PowerPoint presentation on Pages 40 - 56 of Volume 2.**



## TABLE OF CONTENTS FOR FINANCE AND PLANNING COMMITTEE

**Committee Meeting: 2/6/2008**

Robert B. Rowling, *Chairman*  
John W. Barnhill, Jr.  
Robert A. Estrada  
Paul Foster

**Board Meeting: 2/7/2008**  
Edinburg, Texas

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE MEETING OF FINANCE AND PLANNING COMMITTEE</b>	<i>5:15 p.m.</i> <i>Chairman</i> <i>Rowling</i>		
1. <b>U. T. System: Discussion and appropriate action related to approval of <i>Docket No. 133</i></b>	<i>5:15 p.m.</i> <b>Discussion</b> <i>Dr. Kelley</i>	<b>Action</b>	<b>82</b>
2. <b>U. T. System: Key Financial Indicators Report and Monthly Financial Report</b>	<i>5:20 p.m.</i> <b>Report</b> <i>Dr. Kelley</i>	Not on Agenda	<b>82</b>
3. <b>U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2007</b>	<i>5:23 p.m.</i> <b>Report</b> <i>Mr. Wallace</i>	Not on Agenda	<b>91</b>
4. <b>U. T. System: Approval of the Fiscal Year 2009 Operating Budget Preparation Policies and Calendar</b>	<i>5:26 p.m.</i> <b>Action</b> <i>Mr. Wallace</i>	<b>Action</b>	<b>91</b>
5. <b>U. T. System: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2007</b>	<i>5:29 p.m.</i> <b>Report</b> <i>Mr. Zimmerman</i>	<b>Report</b>	<b>95</b>
6. <b>U. T. System Board of Regents: Approval of amendments to The University of Texas Investment Management Company (UTIMCO) Bylaws</b>	<i>5:37 p.m.</i> <b>Action</b> <i>Mr. Zimmerman</i>	<b>Action</b>	<b>101</b>
7. <b>U. T. System Board of Regents: Approval of revised Master Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO)</b>	<i>5:40 p.m.</i> <b>Action</b> <i>Dr. Kelley</i>	<b>Action</b>	<b>115</b>

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
8. <b>U. T. System Board of Regents: Adoption of Nineteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$950,000,000; authorization to complete all related transactions; and resolution regarding parity debt</b>	<i>5:43 p.m.</i> <b>Action</b> <i>Mr. Aldridge</i>	<b>Action</b>	<b>134</b>
9. <b>U. T. System: Adoption of Resolution to Zurich American Insurance Company and affiliates, Schaumburg, Illinois, to guarantee payments under Phase V of The University of Texas System's Rolling Owner Controlled Insurance Program (ROCIP)</b>	<i>5:46 p.m.</i> <b>Action</b> <i>Mr. Dendy</i>	<b>Action</b>	<b>136</b>
10. <b>U. T. System: Report on the Supply Chain Alliance Strategic Initiative</b>	<i>5:51 p.m.</i> <b>Report</b> <i>Dr. Kelley</i> <i>Mr. St. Onge</i>	Not on Agenda	<b>138</b>
<b>B. ADJOURN</b>			
<b>C. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE</b>			
	<i>6:00 p.m.</i> <i>Chairmen</i> <i>Rowling and</i> <i>Estrada</i>		
11. <b>U. T. System: Report on the Fiscal Year 2007 Annual Financial Report, including the report on the U. T. System Financial Statement audit work performed by institutional and U. T. System Administration internal audit</b>	<i>6:00 p.m.</i> <b>Report</b> <i>Mr. Wallace</i> <i>Mr. Chaffin</i>	Not on Agenda	<b>139</b>
<b>D. ADJOURN JOINT MEETING</b>			
	<i>6:15 p.m.</i>		

- A. CONVENE MEETING OF FINANCE AND PLANNING COMMITTEE
- 1. **U. T. System: Discussion and appropriate action related to approval of Docket No. 133**

### RECOMMENDATION

It is recommended that *Docket No. 133*, beginning on Page Docket - 1, be approved.

It is also recommended that the Board confirm that authority to execute contracts, documents, or instruments approved therein has been delegated to appropriate officials of the respective institution involved.

**Supplemental Materials: Green pages following the Docket tab at the back of Volume 2.**

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

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 83 - 90 that follow, and the December Monthly Financial Report. The reports represent the consolidated and individual operating results of the U. T. System institutions.

### REPORT

The Key Financial Indicators Report compares the System-wide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2004 through November 2008. Ratios requiring balance sheet data are provided for Fiscal Year 2003 through Fiscal Year 2007.

The Monthly Financial Report is provided as support for the Key Financial Indicators. The Report includes the detailed numbers behind the Operating Margin by Institution graph as well as detail for each individual institution as of December 2007.

**Supplemental Materials: December Monthly Financial Report on Pages 57 - 81 of Volume 2.**

# THE UNIVERSITY OF TEXAS SYSTEM



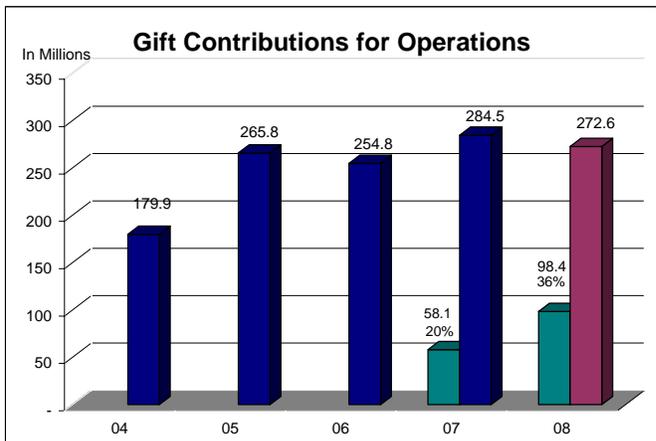
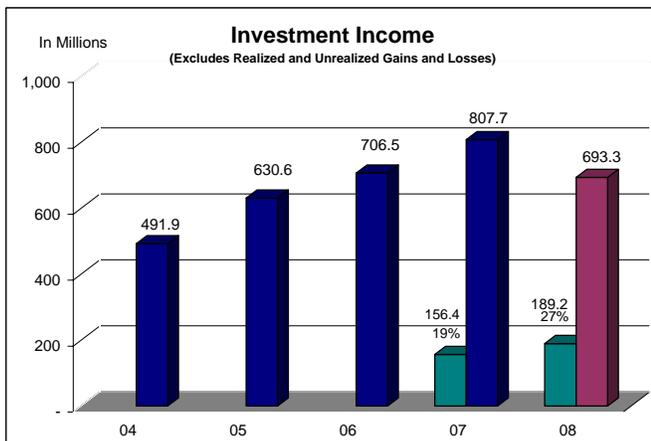
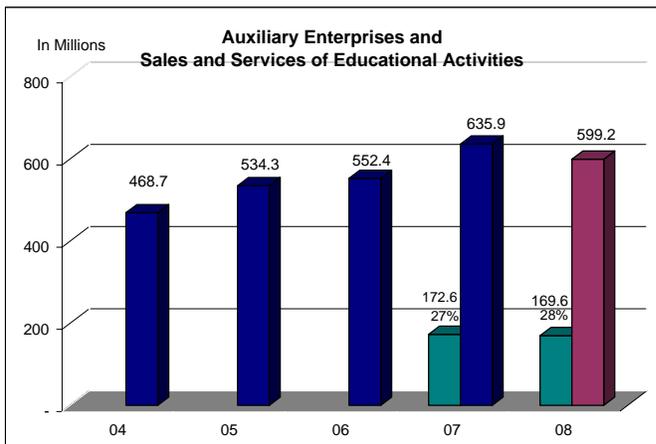
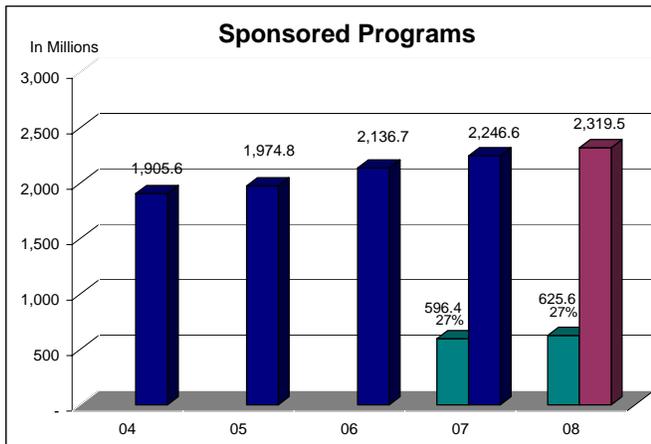
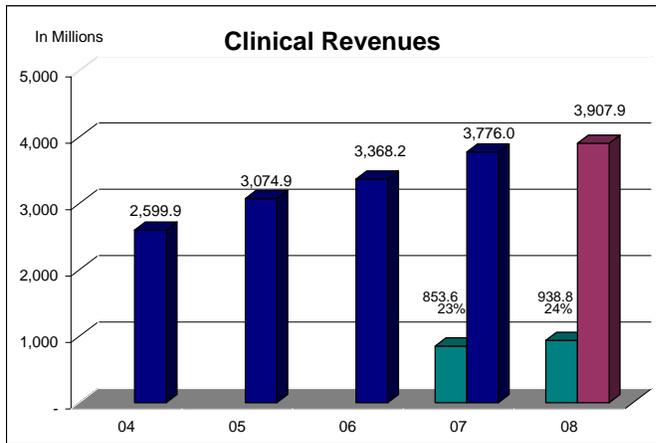
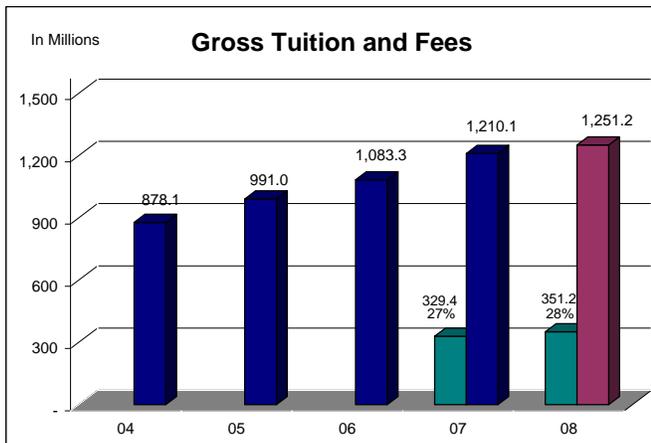
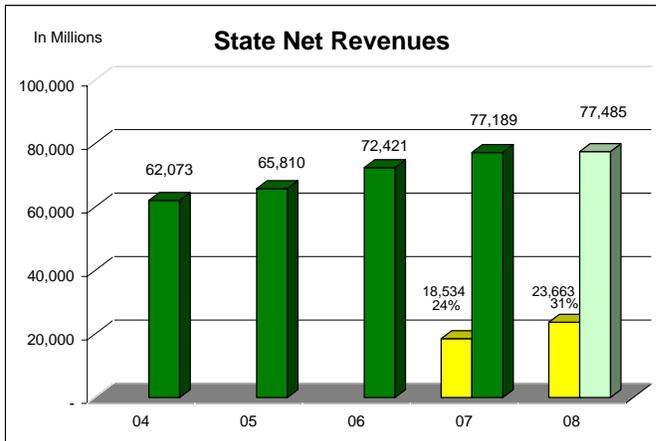
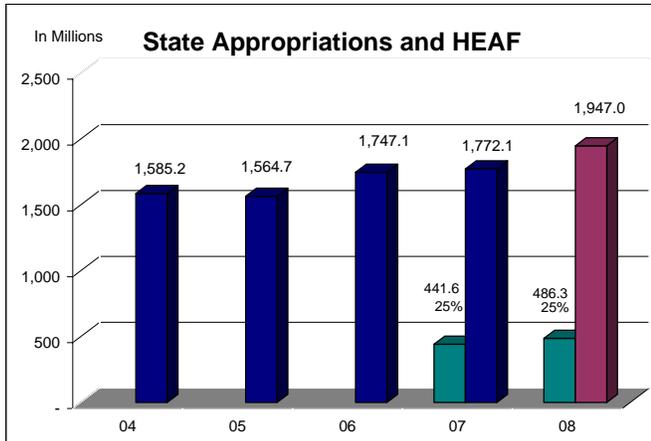
## KEY FINANCIAL INDICATORS REPORT

1<sup>ST</sup> QUARTER FY 2008

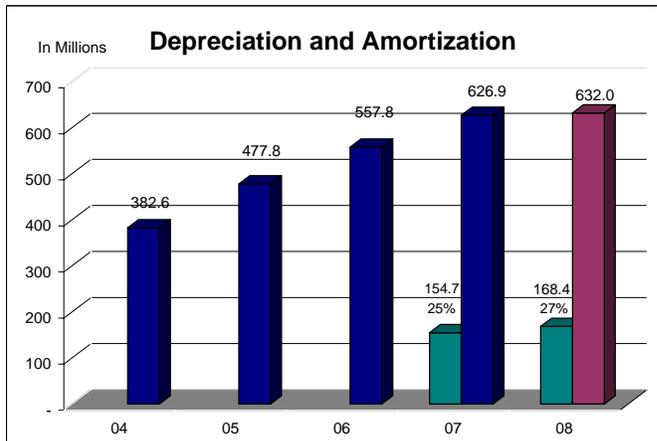
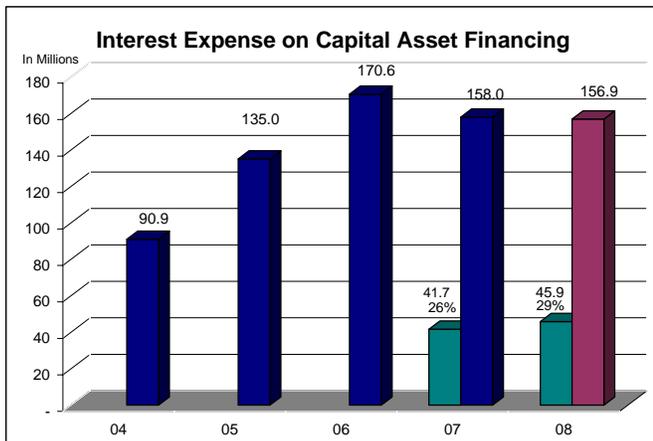
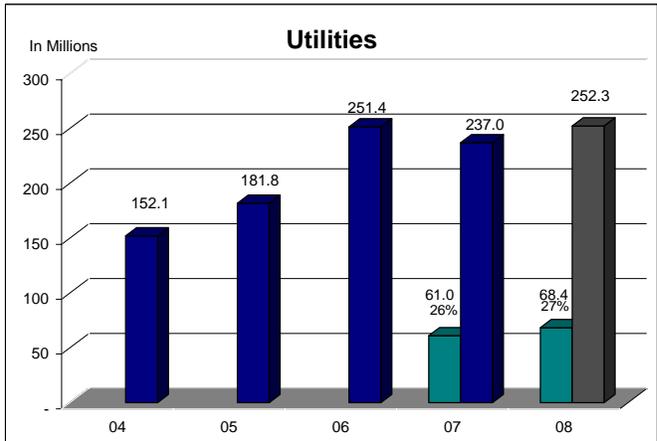
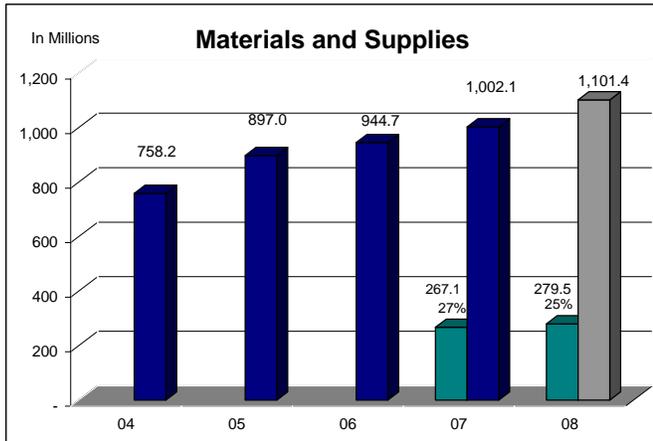
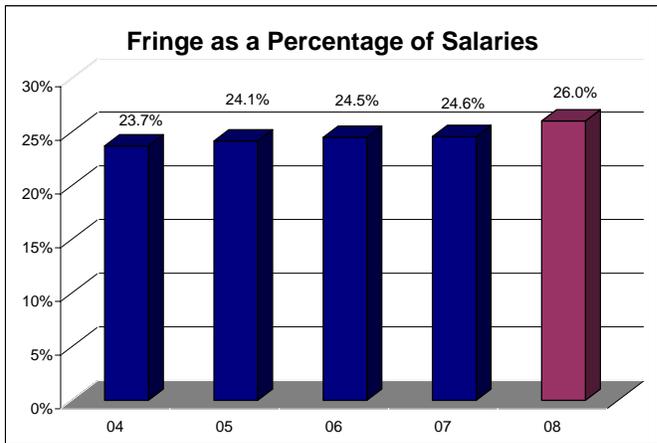
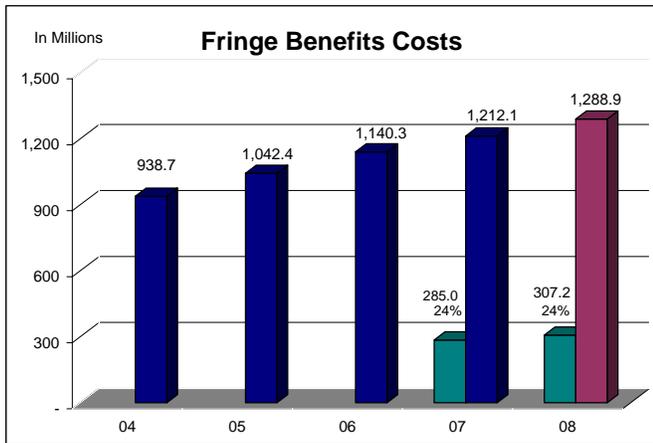
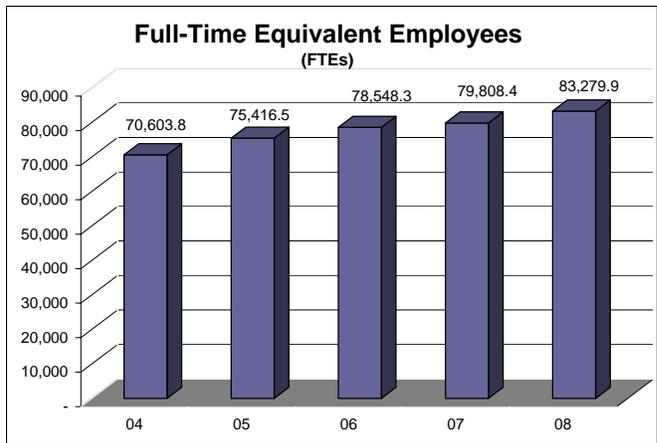
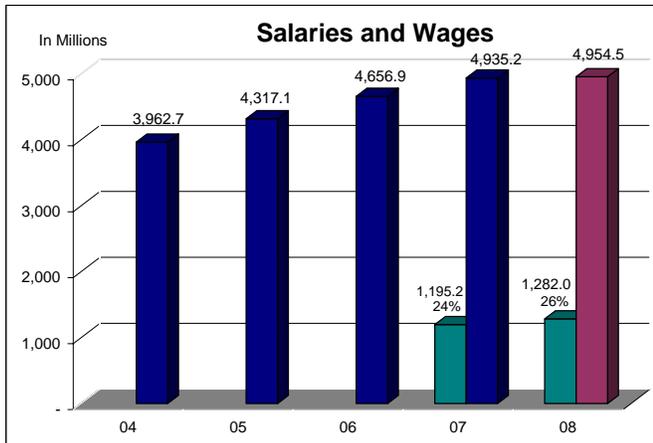
## KEY

	<b>Actual 2003 through 2007 amounts</b> (SOURCE: Annual Financial Reports Fiscal Years 2003, 2004, 2005, 2006 and 2007)
	<b>2008 Budget amounts</b> (SOURCE: Operating Budget Summary 2008)
	<b>Projected 2008 amounts</b> (trend based on the average change of the previous four years of data)
	<b>Monthly Financial Report Year to Date amounts for November 2006 and November 2007</b>
	<b>Annual State Net Revenue Collections for 2003, 2004, 2005, 2006 and 2007</b> (SOURCE: Texas Revenue History by Source 1978-2006 and Texas Net Revenue by Source - Fiscal 2007, State Comptroller's Office)
	<b>Year to Date State Net Revenue Collections for November 2006 and November 2007</b> (SOURCE: State Comptroller's Office)
	<b>Estimated State Revenue Collections for 2008</b> (SOURCE: Biennial Revenue Estimate, 2008 - 2009, State Comptroller's Office)
	<b>2003, 2004, 2005, 2006 and 2007 Annual Average of FTEs, 1st Quarter 2008 FTEs</b> (SOURCE: State Auditor's Office Quarterly FTE Report)
	<b>Year-to-Date margin for December 2007</b> (SOURCE: Monthly Financial Report for December 2007)
	<b>Projected 2008</b> (SOURCE: Monthly Financial Report Year- End Projections collected December 2007)
	<b>Year-to-Date margin for December 2006</b> (SOURCE: Monthly Financial Report for December 2007)
	<b>Target Normalized Rates</b>
	<b>Aaa/Aa1 Median</b> (SOURCE: Moody's)
	<b>A2 Median</b> (SOURCE: Moody's)
	<b>Good Facilities Condition Index (Below 5%)</b>
	<b>Fair Facilities Condition Index (5% - 10%)</b>

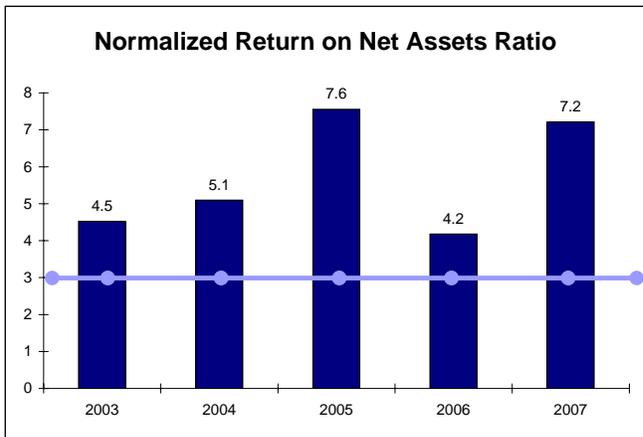
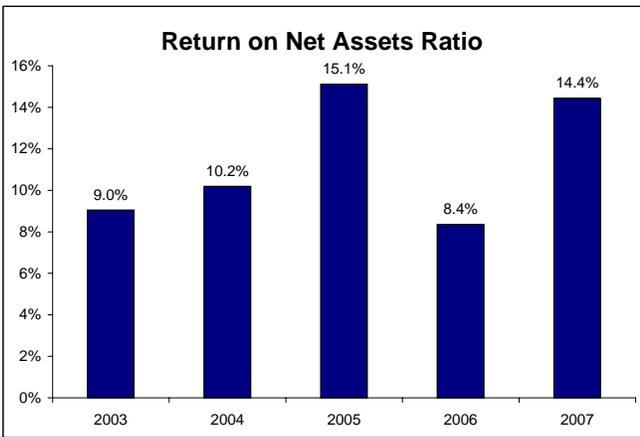
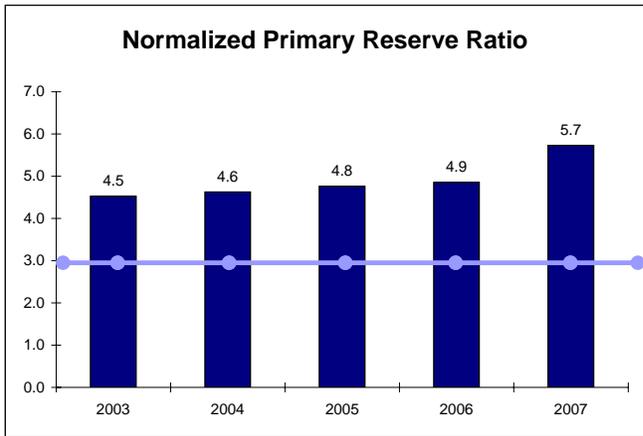
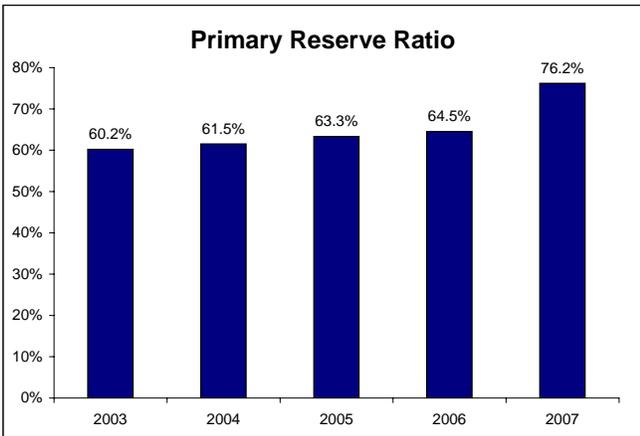
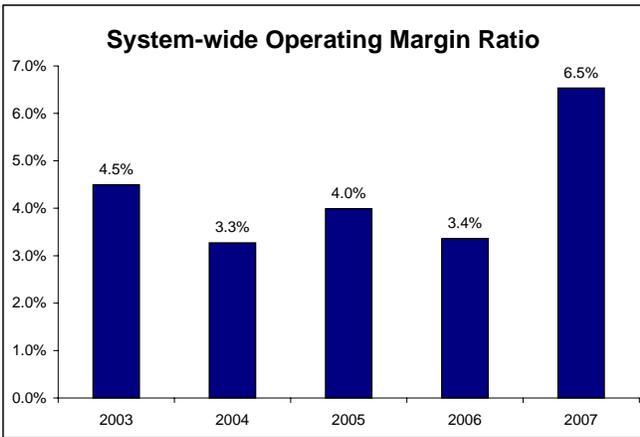
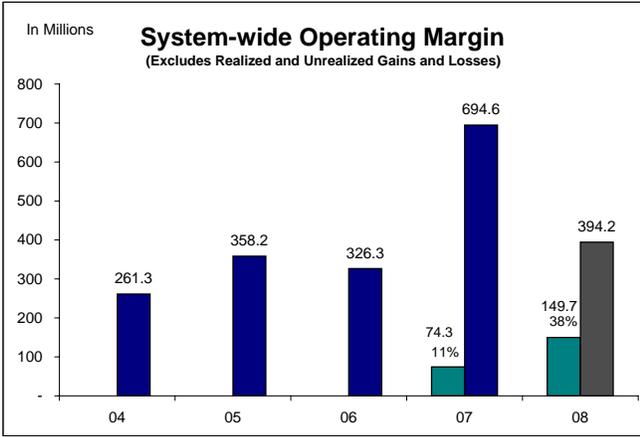
**KEY INDICATORS OF REVENUES  
ACTUAL 2004 THROUGH 2007  
PROJECTED 2008  
YEAR TO DATE 2007 AND 2008 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



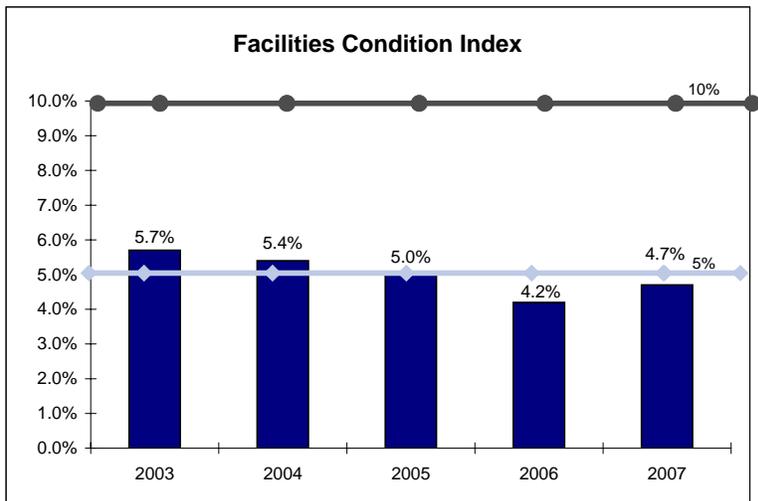
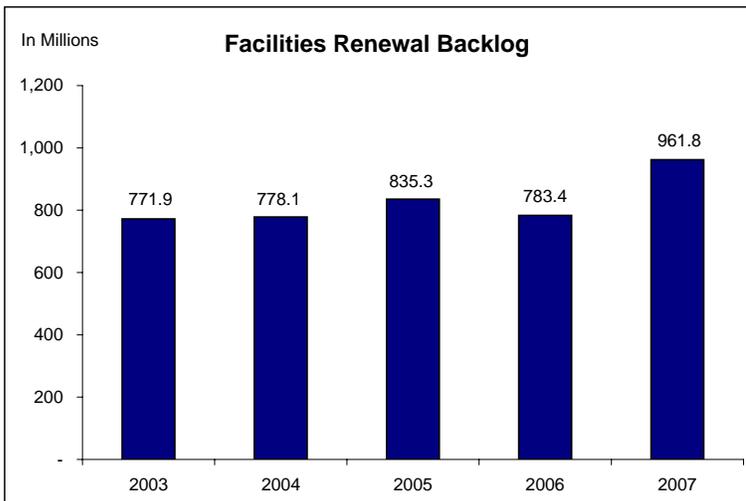
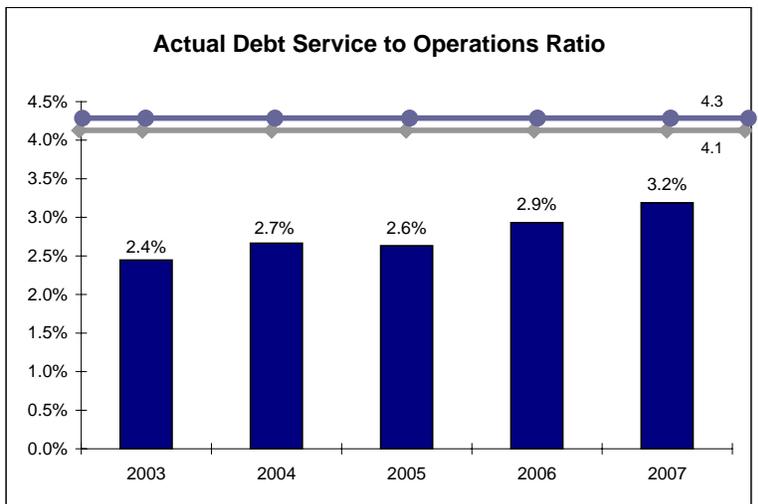
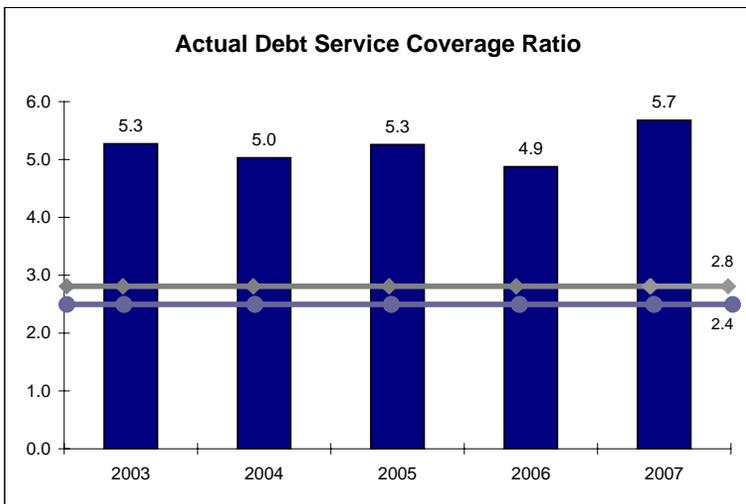
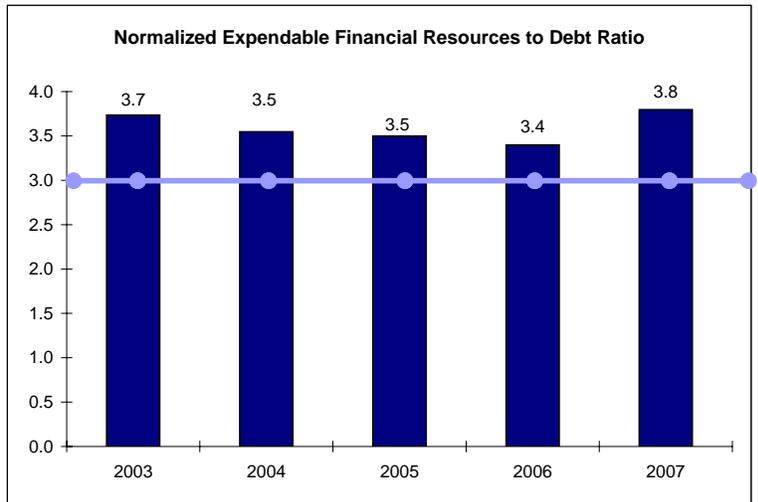
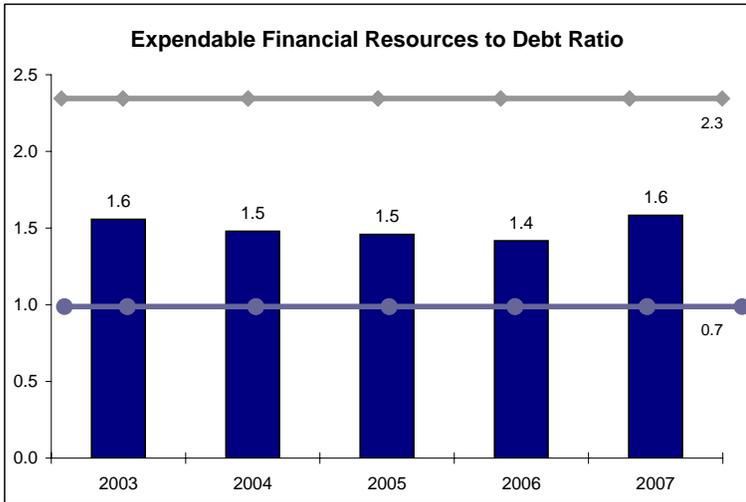
**KEY INDICATORS OF EXPENSES**  
**ACTUAL 2004 THROUGH 2007**  
**PROJECTED 2008**  
**YEAR TO DATE 2007 AND 2008 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



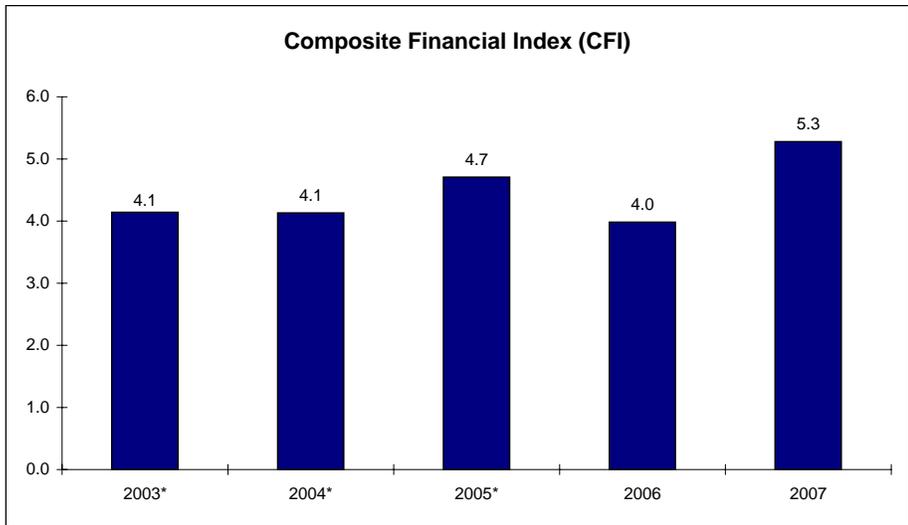
**KEY INDICATORS OF RESERVES**  
**ACTUAL 2004 THROUGH 2007**  
**PROJECTED 2008**  
**YEAR TO DATE 2007 AND 2008 FROM NOVEMBER MONTHLY FINANCIAL REPORT**



# KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY 2003 THROUGH 2007

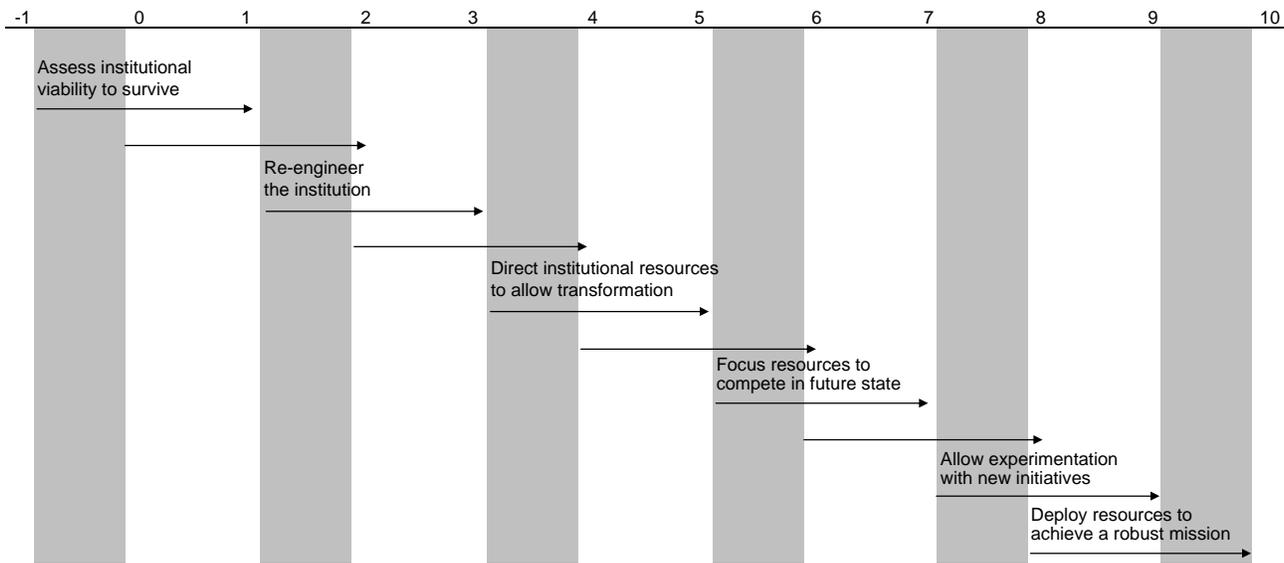


# KEY INDICATORS OF FINANCIAL HEALTH 2003 THROUGH 2007



\*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit

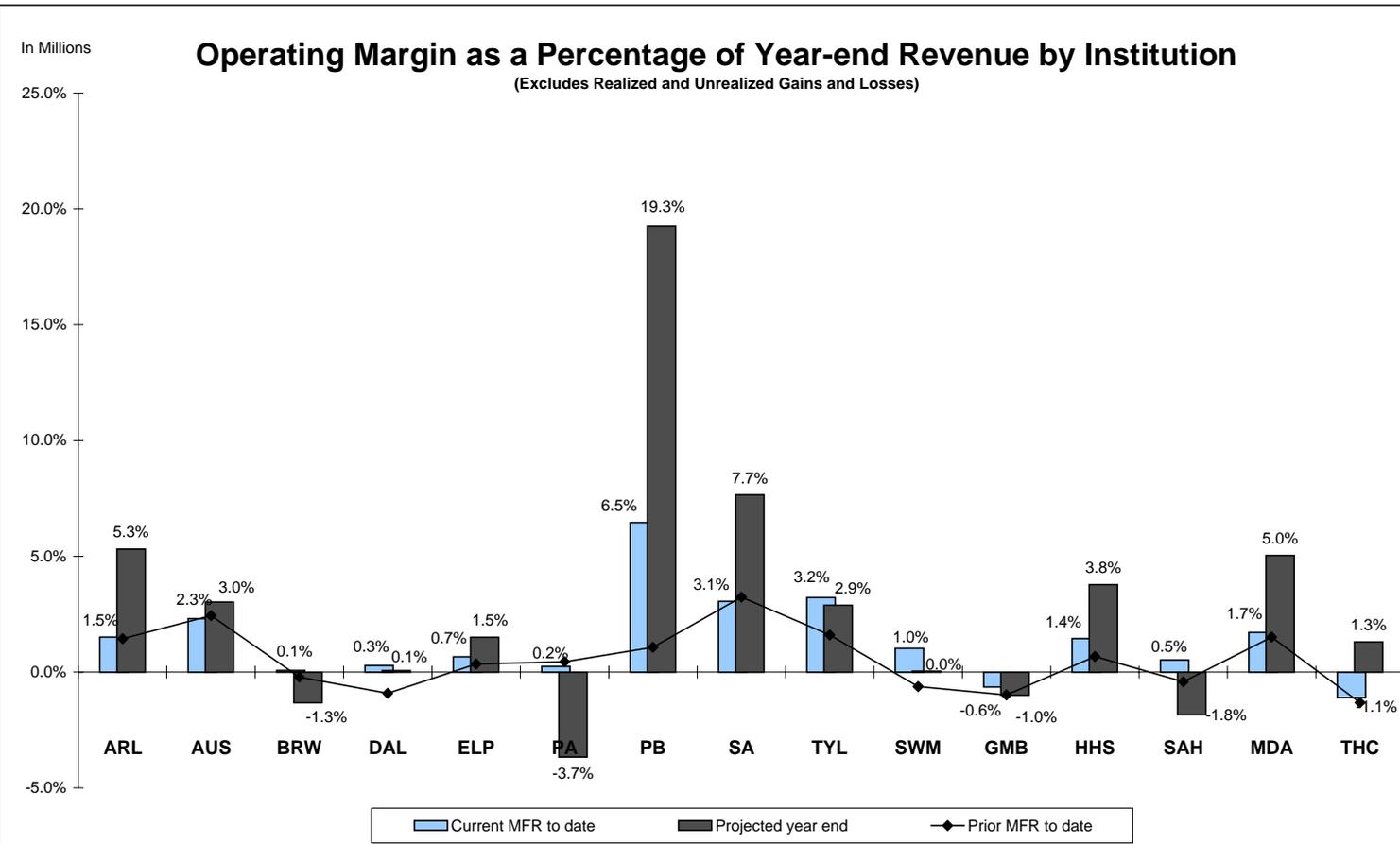
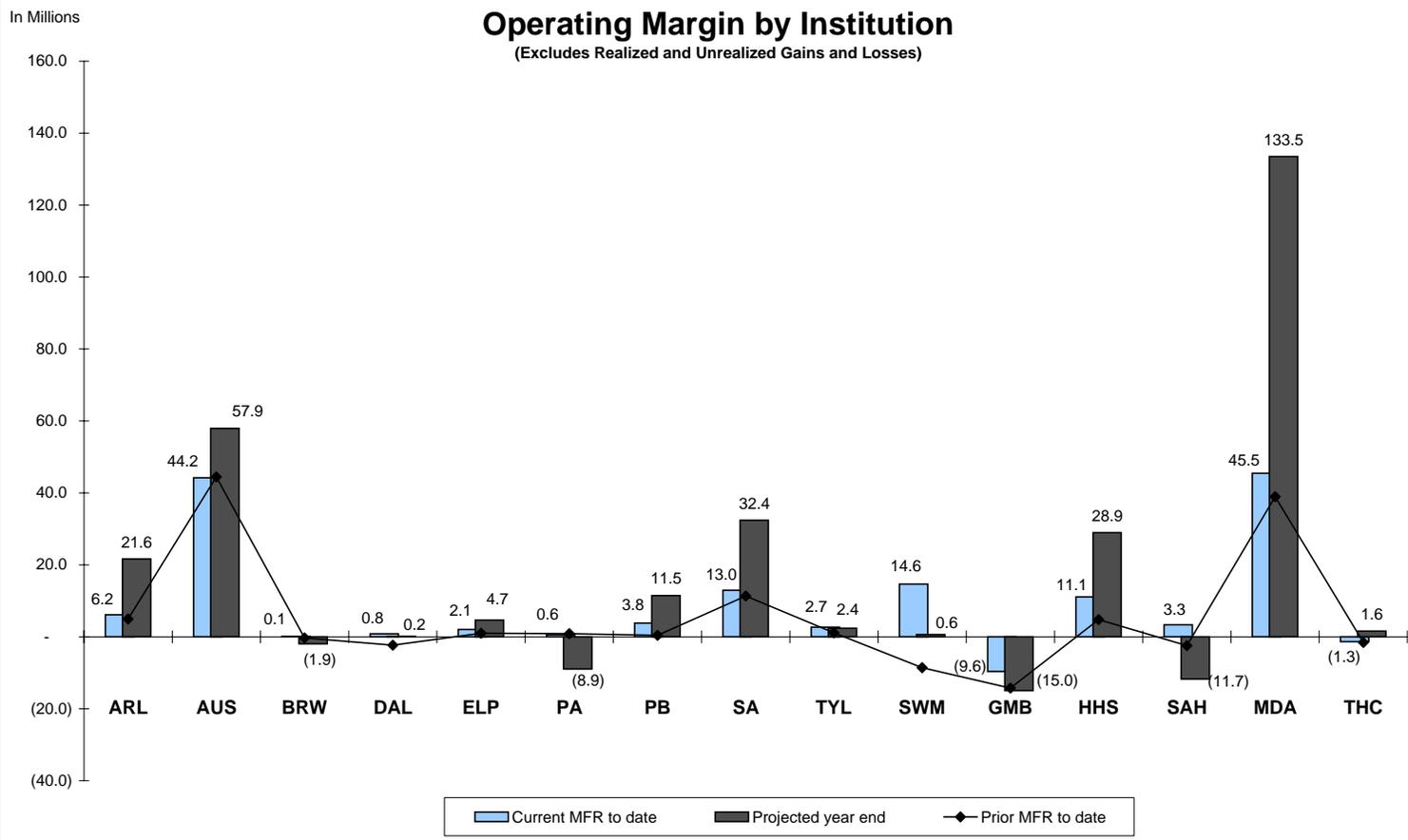
## Scale for Charting CFI Performance



# KEY INDICATORS OF RESERVES

## YEAR TO DATE 2007 AND 2008 FROM DECEMBER MONTHLY FINANCIAL REPORT

### PROJECTED 2008 YEAR-END MARGIN



**3. U. T. System: Report on the Analysis of Financial Condition for Fiscal Year 2007**

The Analysis of Financial Condition is a broad annual financial evaluation that rates U. T. System institutions based on the factors analyzed as either "Satisfactory," "Watch," or "Unsatisfactory."

An Executive Summary of the report can be found on Pages 84 - 88 of Volume 2. Two institutions' ratings remain at "Watch," and the rating of one institution has been upgraded from "Watch" to "Satisfactory."

**Supplemental Materials: Report on Pages 82 - 144 of Volume 2.**

**REPORT**

Financial analysis is performed from each institution's Balance Sheet and the Statement of Revenues, Expenses, and Changes in Net Assets. The ratios presented in this report are ratios commonly used by bond rating agencies, public accounting firms, and consulting firms. The following ratios were analyzed: Composite Financial Index, Operating Expense Coverage, Annual Operating Margin, Expendable Resources to Debt, Debt Burden, Debt Service Coverage, and Full-time Equivalent Student Enrollment (FTE) (academic institutions only).

The Analysis of Financial Condition has been prepared since 1995 to track financial ratios to determine if the financial condition of the institutions is improving or declining. This analysis compares trends for Fiscal Year 2003 through Fiscal Year 2007.

**4. U. T. System: Approval of the Fiscal Year 2009 Operating Budget Preparation Policies and Calendar**

**RECOMMENDATION**

With the concurrence of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs, the Chancellor recommends that the U. T. System Board of Regents approve the Budget Preparation Policies on Pages 92 - 93 and Calendar on Page 94 for use in preparing the Fiscal Year 2009 Operating Budget for the U. T. System.

## U. T. System Fiscal Year 2009 Budget Preparation Policies

General Guidelines - The regulations and directives included in the General Appropriations Act enacted by the 80th Texas Legislature serve as the basis for these guidelines and policies. In preparing the draft of the 2009 Operating Budget, the president of each institution should adhere to guidelines and policies as detailed below and as included in the General Appropriations Act. The Chancellor will issue detailed instructions regarding the implementation of those regulations and directives into the institutional budget process.

Overall budget totals, including reasonable reserves, must be limited to the funds available for the year from General Revenue Appropriations, Estimates of Educational and General Income, and limited use of institutional unappropriated balances.

Salary Guidelines - Recommendations regarding salary policy are subject to the following directives:

1. Salaries Proportional by Fund - Unless otherwise restricted, payment for salaries, wages, and benefits paid from appropriated funds, including local funds and educational and general funds as defined in *Texas Education Code* Sections 51.009 (a) and (c), shall be proportional to the source of funds.
2. Merit Increases and Promotions - Subject to available resources and resolution of any major salary inequities, institutions should give priority to implementing merit salary increases for faculty and staff.

Merit increases or advances in rank for faculty are to be on the basis of teaching effectiveness, research, and public service.

Merit increases or promotions for administrative and professional staff and classified staff are to be based on evaluation of performance in areas appropriate to work assignments.

To be eligible for a merit increase, administrative and professional staff and classified staff must have been employed by the institution for at least six consecutive months ending August 31, 2008, and at least six months must have elapsed since the employee's last merit salary increase.

3. Other Increases - Equity adjustments, competitive offers, and increases to accomplish contractual commitments should also consider merit where appropriate, subject to available resources. Subject to guidance issued by the Chancellor, such increases should be noted and explained in the supplemental data accompanying the budget.

4. New Positions - Subject to available resources, new administrative and professional staff, classified staff, and faculty positions are to be requested only when justified by workloads or to meet needs for developing new programs.
5. Reporting - The Chancellor will issue guidance on reporting of salary changes and amounts. It is expected that required reports will encompass high-ranking and highly compensated staff along with those staff receiving significant changes in compensation.

Staff Benefits Guidelines - Recommendations regarding the State contribution for employee staff benefits such as group insurance premiums, teacher retirement, and optional retirement are subject to legislative determination via the General Appropriations Act.

Other Employee Benefits - Employer contributions to the self-insured Unemployment Compensation Fund are based on an actuarial study. Workers' Compensation Insurance rates are experience-rated for each institution. Appropriate instructions will be issued regarding the implementation of Unemployment Compensation Fund and Workers' Compensation Insurance Benefits.

Other Operating Expenses Guidelines - Increases in Maintenance, Operation, Equipment, and Travel are to be justified by expanded workloads, for developing new programs, or for correcting past deferrals or deficiencies.

### BACKGROUND INFORMATION

The U. T. System Fiscal Year 2009 Budget Preparation Policies are consistent with the regulations and directives included in the General Appropriations Act enacted by the 80th Texas Legislature. As written, these budget preparation policies provide general direction to the U. T. System institutions.



**THE UNIVERSITY OF TEXAS SYSTEM  
FY 2009 OPERATING BUDGET CALENDAR**

---

February 7, 2008	U. T. System Board of Regents takes appropriate action on budget preparation policies
March 31 – April 11, 2008	Major goals, priorities, and resource allocation hearings with U. T. System Administration
May 5, 2008	Draft budget documents due to U. T. System
May 8 – 16, 2008	Technical budget review with U. T. System
June 2, 2008	Final budget documents due to U. T. System
July 23 – 24, 2008	U. T. System Board of Regents to review Presidents and Executive Officers compensation
July 25, 2008	Operating Budget Summaries mailed to the U. T. System Board of Regents
August 14, 2008	U. T. System Board of Regents approves Operating Budget and Presidents and Executive Officers compensation

5. **U. T. System: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the quarter ended November 30, 2007**

REPORT

The November 30, 2007, UTIMCO Performance Summary Report is attached on Page 96.

The Investment Reports for the fiscal quarter ended November 30, 2007, are set forth on Pages 97 - 100.

Item I on Page 97 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the quarter was 3.87% versus its composite benchmark return of 3.63%. The PUF's net asset value increased by \$418 million since the beginning of the quarter to \$12,161 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return, and the first payment of the annual distribution to the Available University Fund (AUF) for \$112 million.

Item II on Page 98 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the quarter was 3.96% versus its composite benchmark return of 3.63%. The GEF's net asset value increased during the quarter to \$6,718 million.

Item III on Page 99 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the quarter was 4.27% versus its composite benchmark return of 3.35%. The net asset value has increased to \$3,838 million due to net investment return of \$163 million, net withdrawal of \$17 million, and net distributions of \$29 million.

For all funds, all exposures were within their asset class ranges, generally very close to target, and liquidity was within policy.

Item IV on Page 100 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, increased by \$3 million to \$1,515 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: \$28 million versus \$29 million at the beginning of the period; equities: \$65 million versus \$69 million at the beginning of the period; and other investments: \$.1 million versus \$4 million at the beginning of the period.

# UTIMCO Performance Summary

November 30, 2007

	Net Asset Value 11/30/2007 (in Millions)	Periods Ended November 30, 2007 (Returns for Periods Longer Than One Year are Annualized)												
		Short Term		Year to Date		Historic Returns								
		1 Mo	3 Mos	Fiscal	Calendar	1 Yr	3 Yrs	5 Yrs	10 Yrs					
<b>ENDOWMENT FUNDS</b>														
Permanent University Fund	\$ 12,161	(2.27)	3.87	3.87	13.51	14.73	13.84	15.24	9.03					
General Endowment Fund		(2.19)	3.96	3.96	14.00	15.26	13.99	15.48	N/A					
Permanent Health Fund	1,133	(2.21)	3.93	3.93	13.83	15.05	13.88	15.36	N/A					
Long Term Fund	5,584	(2.21)	3.94	3.94	13.84	15.06	13.89	15.38	9.68					
Separately Invested Funds	150	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A					
<b>Total Endowment Funds</b>	<b>19,028</b>													
<b>OPERATING FUNDS</b>														
Short Term Fund	1,459	0.42	1.30	1.30	4.90	5.37	4.45	3.14	3.95					
Intermediate Term Fund	3,837	(1.65)	4.27	4.27	10.27	10.35	N/A	N/A	N/A					
<b>Total Operating Funds</b>	<b>5,296</b>													
<b>Total Investments</b>	<b>\$ 24,324</b>													
<b>VALUE ADDED</b>														
Permanent University Fund		(0.10)	0.24	0.24	2.75	3.09	0.89	2.45	(0.12)					
General Endowment Fund		(0.02)	0.33	0.33	3.24	3.62	1.04	2.69	N/A					
Permanent Health Fund		(0.04)	0.30	0.30	3.07	3.41	0.93	2.57	N/A					
Long Term Fund		(0.04)	0.31	0.31	3.08	3.42	0.94	2.59	0.69					
Short Term Fund		(0.05)	0.15	0.15	0.19	0.20	0.17	0.11	0.16					
Intermediate Term Fund		0.26	0.92	0.92	3.37	3.50	N/A	N/A	N/A					

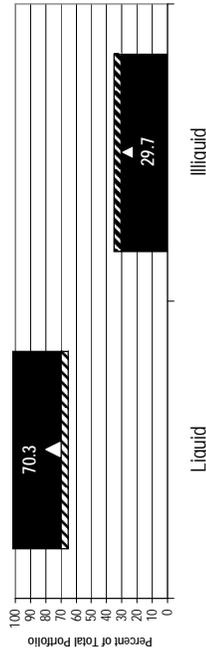
Footnotes available upon request.

**I. PERMANENT UNIVERSITY FUND**  
**Investment Reports for Periods Ended November 30, 2007**

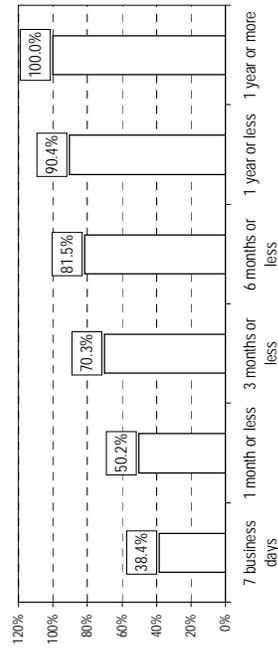
Prepared in accordance with Texas Education Code Sec. 51.0032

<u>Summary of Capital Flows</u>				
	Fiscal Year Ended	Quarter Ended	Fiscal Year to Date	
	August 31, 2007	November 30, 2007	2007	2007
Beginning Net Assets (\$ millions)	\$ 10,313.4	\$ 11,742.8	\$ 11,742.8	\$ 11,742.8
PUF Lands Receipts	272.8	81.3	81.3	81.3
Investment Return	1,639.8	469.6	469.6	469.6
Expenses	(82.5)	(20.8)	(20.8)	(20.8)
Distributions to AUF	(400.7)	(112.2)	(112.2)	(112.2)
Ending Net Assets	\$ 11,742.8	\$ 12,160.7	\$ 12,160.7	\$ 12,160.7

**PUF Liquidity Policy Profile**  
As of November 30, 2007

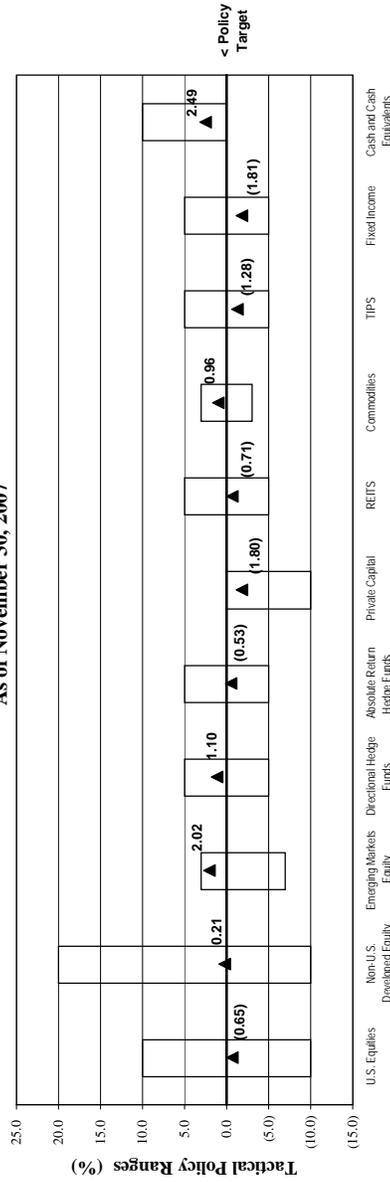


**PUF Detailed Liquidity Profile**  
as of November 30, 2007



	November 30, 2007				Fiscal Year to Date			
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total	
Cash and Cash Equivalents	2.49%	0.00%	1.30%	1.15%	-0.13%	0.00%	-0.13%	
U.S. Equities	19.35%	20.00%	-0.39%	0.80%	0.01%	-0.25%	-0.24%	
Non-U.S. Developed Equity	10.21%	10.00%	3.38%	5.89%	-0.01%	-0.24%	-0.25%	
Emerging Markets Equity	9.02%	7.00%	12.37%	14.68%	0.11%	-0.17%	-0.06%	
Directional Hedge Funds	11.10%	10.00%	9.16%	1.85%	0.04%	0.72%	0.76%	
Absolute Return Hedge Funds	14.47%	15.00%	2.69%	1.85%	0.00%	0.13%	0.13%	
REITS	4.29%	5.00%	-4.76%	-5.14%	0.03%	0.02%	0.05%	
Commodities	3.96%	3.00%	14.13%	13.49%	0.07%	0.02%	0.09%	
TIPS	3.72%	5.00%	6.87%	6.54%	-0.06%	0.02%	-0.04%	
Fixed Income	8.19%	10.00%	4.61%	3.49%	-0.02%	0.11%	0.09%	
<b>Total Marketable Securities</b>	<b>86.80%</b>	<b>85.00%</b>	<b>4.09%</b>	<b>3.63%</b>	<b>0.04%</b>	<b>0.36%</b>	<b>0.40%</b>	
Private Capital	13.20%	15.00%	2.07%	3.50%	0.05%	-0.21%	-0.16%	
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>3.87%</b>	<b>3.63%</b>	<b>0.09%</b>	<b>0.15%</b>	<b>0.24%</b>	

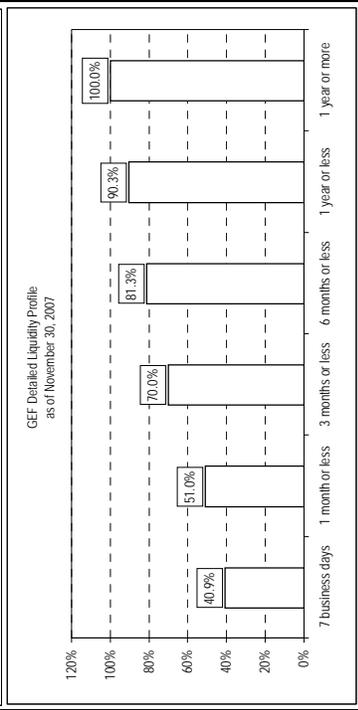
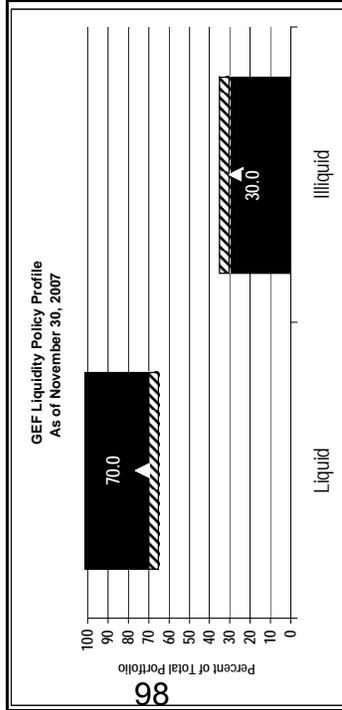
**Deviations From Policy Targets Within Tactical Policy Ranges**  
As of November 30, 2007



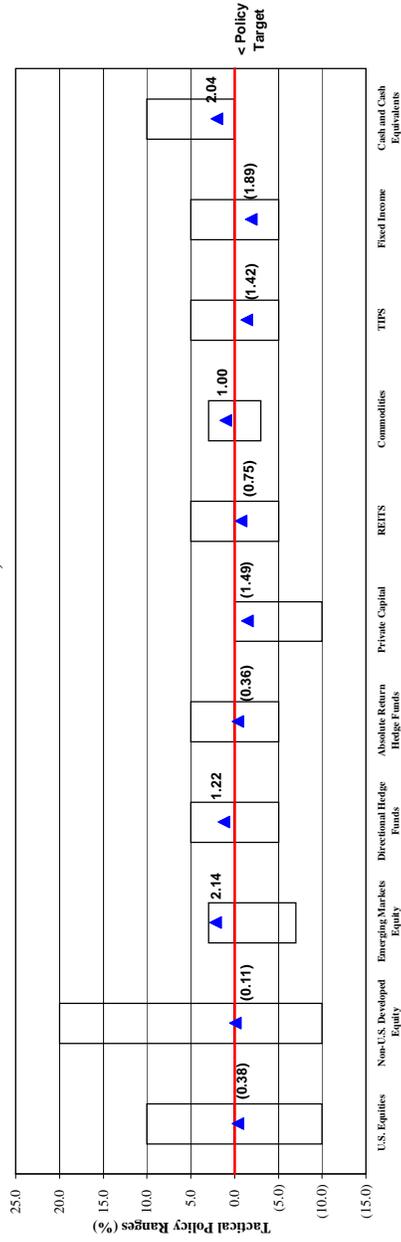
**II. GENERAL ENDOWMENT FUND**  
**Investment Reports for Periods Ended November 30, 2007**  
 Prepared in accordance with Texas Education Code Sec. 51.0032

Summary of Capital Flows			
	Fiscal Year Ended August 31, 2007	Quarter Ended November 30, 2007	Fiscal Year to Date November 30, 2007
Beginning Net Assets (\$ millions)	\$ 5,427.8	\$ 6,433.1	\$ 6,433.1
Contributions	360.7	90.4	90.4
Withdrawals	(6.2)	(0.3)	(0.3)
Distributions	(239.6)	(63.5)	(63.5)
Investment Return	928.5	266.9	266.9
Expenses	(38.1)	(8.9)	(8.9)
Ending Net Assets	\$ 6,433.1	\$ 6,717.7	\$ 6,717.7

	Returns				Value Added			
	November 30, 2007	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	2.04%	2.04%	0.00%	0.86%	1.15%	-0.13%	0.00%	-0.13%
U.S. Equities	19.62%	19.62%	20.00%	-0.37%	0.80%	0.00%	-0.24%	-0.24%
Non-U.S. Developed Equity	9.89%	9.89%	10.00%	3.56%	5.89%	0.00%	-0.23%	-0.23%
Emerging Markets Equity	9.14%	9.14%	7.00%	12.39%	14.68%	0.12%	-0.17%	-0.05%
Directional Hedge Funds	11.22%	11.22%	10.00%	9.16%	1.85%	0.03%	0.73%	0.76%
Absolute Return Hedge Funds	14.64%	14.64%	15.00%	2.69%	1.85%	-0.01%	0.13%	0.12%
REITS	4.25%	4.25%	5.00%	-4.77%	-5.14%	0.04%	0.02%	0.06%
Commodities	4.00%	4.00%	3.00%	14.09%	13.49%	0.07%	0.02%	0.09%
TIPS	3.58%	3.58%	5.00%	6.84%	6.54%	-0.06%	0.01%	-0.05%
Fixed Income	8.11%	8.11%	10.00%	4.54%	3.49%	-0.01%	0.10%	0.09%
<b>Total Marketable Securities</b>	<b>86.49%</b>	<b>86.49%</b>	<b>85.00%</b>	<b>4.11%</b>	<b>3.63%</b>	<b>0.05%</b>	<b>0.37%</b>	<b>0.42%</b>
Private Capital	13.51%	13.51%	15.00%	2.65%	3.50%	0.03%	-0.12%	-0.09%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>3.96%</b>	<b>3.63%</b>	<b>0.08%</b>	<b>0.25%</b>	<b>0.33%</b>



**Deviations From Policy Targets Within Tactical Policy Ranges**  
As of November 30, 2007



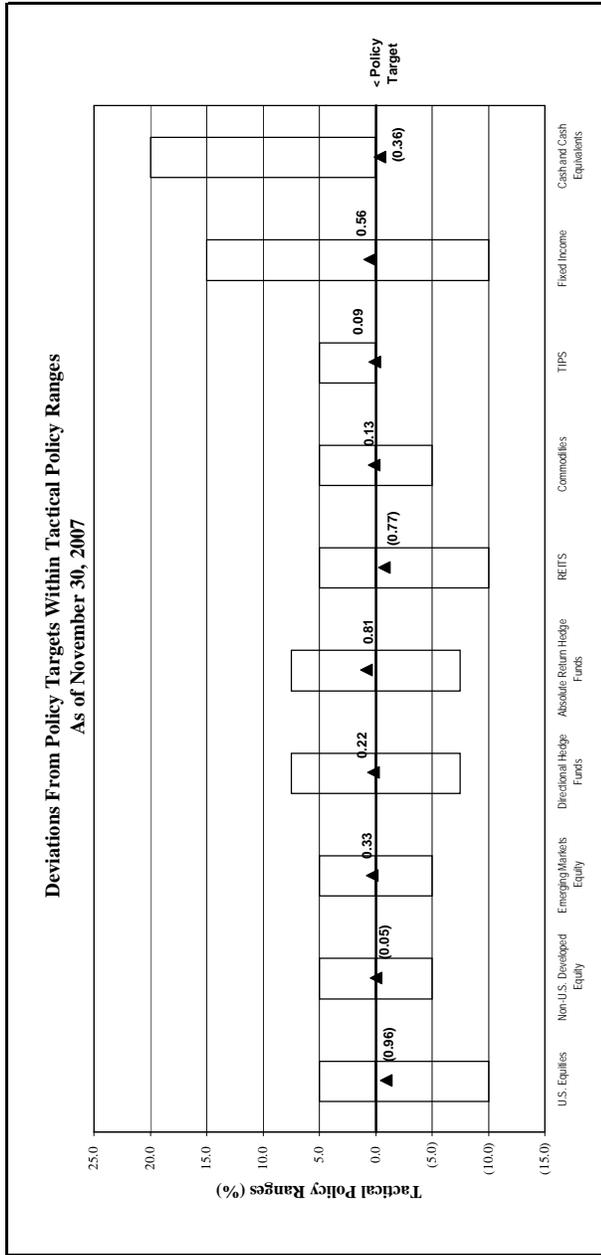
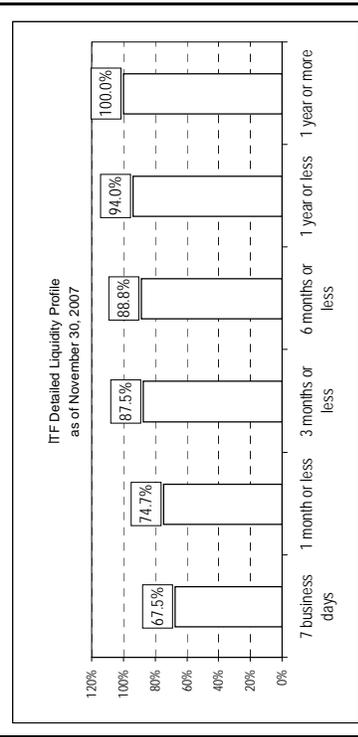
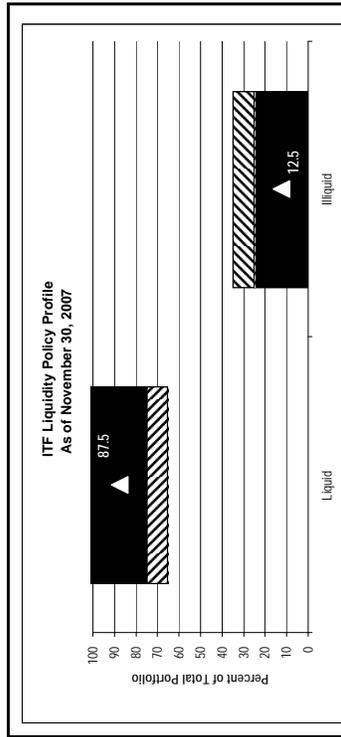
### III. INTERMEDIATE TERM FUND

#### Investment Reports for Periods Ended November 30, 2007

Prepared in accordance with Texas Education Code Sec. 51.0032

	Summary of Capital Flows		
	Fiscal Year Ended August 31, 2007	Quarter Ended November 30, 2007	Fiscal Year to Date November 30, 2007
(\$ millions)			
Beginning Net Assets	\$ 3,048.8	\$ 3,720.6	\$ 3,720.6
Contributions	664.6	1,015.4	1,015.4
Withdrawals	(228.6)	(1,032.4)	(1,032.4)
Distributions	(104.0)	(29.0)	(29.0)
Investment Return	377.4	171.5	171.5
Expenses	(37.6)	(8.6)	(8.6)
Ending Net Assets	\$ 3,720.6	\$ 3,837.5	\$ 3,837.5

	Returns						
	November 30, 2007	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	-0.36%	0.00%	1.30%	1.15%	-0.07%	0.00%	-0.07%
U.S. Equities	14.04%	15.00%	0.53%	0.80%	0.02%	-0.04%	-0.02%
Non-U.S. Developed Equity	4.95%	5.00%	3.38%	5.89%	-0.01%	-0.12%	-0.13%
Emerging Markets Equity	5.33%	5.00%	12.05%	14.68%	0.01%	-0.13%	-0.12%
Directional Hedge Funds	12.72%	12.50%	9.17%	1.85%	-0.03%	0.91%	0.88%
Absolute Return Hedge Funds	13.31%	10.00%	2.69%	1.85%	-0.01%	0.11%	0.10%
REITS	9.23%	10.00%	-4.80%	-5.14%	-0.02%	0.04%	0.02%
Commodities	5.13%	5.00%	13.96%	13.49%	0.01%	0.02%	0.03%
TIPS	10.09%	10.00%	6.81%	6.54%	-0.01%	0.02%	0.01%
Fixed Income	25.56%	25.00%	4.38%	3.49%	0.00%	0.22%	0.22%
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>4.27%</b>	<b>3.35%</b>	<b>-0.11%</b>	<b>1.03%</b>	<b>0.92%</b>



**IV. SEPARATELY INVESTED ASSETS**  
**Summary Investment Report at November 30, 2007**  
 Report prepared in accordance with Texas Education Code Sec. 51.0032

ASSET TYPES	(\$ thousands)																	
	CURRENT PURPOSE		ENDOWMENT & SIMILAR FUNDS		ANNUITY & LIFE INCOME FUNDS		AGENCY FUNDS		TOTAL EXCLUDING OPERATING FUNDS		OPERATING FUNDS (SHORT TERM FUND)		TOTAL					
	DESIGNATED	RESTRICTED	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET		
<b>Cash &amp; Equivalents:</b>																		
Beginning value 08/31/07	1,899	2,146	44,883	44,883	7,343	7,343	52,093	52,093	108,364	108,364	1,404,023	1,404,023	1,512,387	1,512,387				
Increase/(Decrease)	134	804	(4,937)	(4,937)	(69)	(69)	(47,907)	(47,907)	(51,975)	(51,975)	54,655	54,655	2,680	2,680				
Ending value 11/30/07	2,033	2,950	39,946	39,946	7,274	7,274	4,186	4,186	56,389	56,389	1,458,678	1,458,678	1,515,067	1,515,067				
<b>Debt Securities:</b>																		
Beginning value 08/31/07	-	271	13,208	13,709	15,276	15,211	-	-	28,755	29,157	-	-	28,755	29,157				
Increase/(Decrease)	-	(7)	(232)	18	(1,469)	(957)	-	-	(1,708)	(937)	-	-	(1,708)	(937)				
Ending value 11/30/07	-	264	12,976	13,727	13,807	14,254	-	-	27,047	28,220	-	-	27,047	28,220				
<b>Equity Securities:</b>																		
Beginning value 08/31/07	24	5,815	439	488	17,930	23,998	-	-	51,084	69,358	-	-	51,084	69,358				
Increase/(Decrease)	-	(1,915)	132	131	(2,185)	(2,757)	-	-	(1,665)	(4,331)	-	-	(1,665)	(4,331)				
Ending value 11/30/07	24	3,900	571	619	15,745	21,241	-	-	49,419	65,027	-	-	49,419	65,027				
<b>Other:</b>																		
Beginning value 08/31/07	1,293	2,321	1	1	288	116	539	539	4,442	4,270	-	-	4,442	4,270				
Increase/(Decrease)	(1,293)	(2,175)	-	-	12	-	(409)	(409)	(3,865)	(3,877)	-	-	(3,865)	(3,877)				
Ending value 11/30/07	-	146	1	1	300	116	130	130	577	393	-	-	577	393				
<b>Total Assets:</b>																		
Beginning value 08/31/07	3,216	9,007	90,783	97,650	40,837	46,668	52,632	52,632	192,645	211,149	1,404,023	1,404,023	1,596,668	1,615,172				
Increase/(Decrease)	(1,159)	(3,074)	(4,781)	(4,709)	(3,711)	(3,783)	(48,316)	(48,316)	(59,213)	(61,120)	54,655	54,655	(4,558)	(6,465)				
Ending value 11/30/07	2,057	5,933	86,002	92,941	37,126	42,885	4,316	4,316	133,432	150,029	1,458,678	1,458,678	1,592,110	1,608,707				

Details of individual assets by account furnished upon request.

6. **U. T. System Board of Regents: Approval of amendments to The University of Texas Investment Management Company (UTIMCO) Bylaws**

**RECOMMENDATION**

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of the Board of Directors of The University of Texas Investment Management Company (UTIMCO) that the U. T. System Board of Regents approve the amendments to the UTIMCO Bylaws as set forth in congressional style on Pages 102 - 114.

**BACKGROUND INFORMATION**

Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the Bylaws of UTIMCO and any amendments thereto. These proposed amendments to the Bylaws are on the agenda for the UTIMCO Board of Directors' approval on January 30, 2008. Proposed amendments are summarized as follows:

- Article III, Section 7: Eliminate the deadline for the joint annual meeting between the UTIMCO Board and the U. T. System Board of Regents. This change allows flexibility in the timing of the annual meeting.
- Article III, Section 8: Delete the requirement to consult with the Vice Chairmen on the draft of the UTIMCO Board agenda three weeks in advance of the meeting. This change is consistent with the current practice of reviewing the agenda only with the Chairman and the Chancellor, as the Vice Chairman for Policy.
- Article V, Section 6: Include complete title of the Master Investment Management Services Agreement with UTIMCO. Also, clarify the power and authority of the Vice Chairman for Policy to act in the absence of both the Chairman and Vice Chairman of the UTIMCO Board.
- Article V, Section 7: Clarify that all references to President in the Bylaws mean the Chief Executive Officer (CEO) of UTIMCO.

---

**BYLAWS**  
**OF**  
**THE UNIVERSITY OF TEXAS INVESTMENT**  
**MANAGEMENT COMPANY**

---

Restated to Include  
Amendments Adopted on

March 13, 1997  
*(Approved by the Board of Regents on May 8, 1997)*

May 2, 1997  
*(Approved by the Board of Regents on May 8, 1997)*

September 22, 1999  
*(Approved by the Board of Regents on November 11, 1999)*

December 9, 1999  
*(Approved by the Board of Regents on February 10, 2000)*

October 26, 2001  
*(Approved by the Board of Regents on November 8, 2001)*

June 26, 2003  
*(Approved by the Board of Regents on August 7, 2003)*

Ratified September 29, 2004  
*(Approved by the Board of Regents on August 12, 2004)*

May 25, 2006  
*(Approved by the Board of Regents on July 13, 2006)*

January 30, 2008  
*(Approved by the Board of Regents on February 7, 2008)*

## TABLE OF CONTENTS

ARTICLE I STRUCTURE AND PURPOSES.....	1
Section 1.    Structure.....	1
Section 2.    Member.....	1
Section 3.    Purposes.....	1
Section 4.    Approval by System.....	1
Section 5.    Prohibited Transactions.....	2
Section 6.    Revolving Door.....	2
ARTICLE II OFFICES.....	2
Section 1.    Principal Place of Business.....	2
Section 2.    Registered Office and Registered Agent.....	3
ARTICLE III BOARD OF DIRECTORS.....	3
Section 1.    Powers.....	3
Section 2.    Number.....	3
Section 3.    Appointment and Term.....	3
Section 4.    Removal and Resignation.....	3
Section 5.    Vacancies.....	4
Section 6.    Meetings of Directors.....	4
Section 7.    Annual Meetings.....	4
Section 8.    Regular Meetings.....	4
Section 9.    Special Meetings.....	4
Section 10.   Notice of Meetings.....	4
Section 11.   Quorum.....	4
Section 12.   Voting.....	5
Section 13.   Conduct of Business.....	5
Section 14.   Compensation of Directors; Expenses.....	5
ARTICLE IV COMMITTEES.....	5
Section 1.    Board Committees.....	5
Section 2.    Procedures; Meetings; Quorum.....	6
Section 3.    Nominating Committee.....	6
ARTICLE V OFFICERS.....	6
Section 1.    Number, Titles, and Term of Office.....	6
Section 2.    Removal.....	6
Section 3.    Vacancies.....	7
Section 4.    Powers and Duties of the Chairman of the Board.....	7
Section 5.    Powers and Duties of the Vice Chairman of the Board.....	7
Section 6.    Powers and Duties of the Vice Chairman for Policy.....	7
Section 7.    Powers and Duties of the President.....	7
Section 8.    Powers and Duties of the Treasurer.....	7
Section 9.    Powers and Duties of the Secretary.....	8

ARTICLE VI MISCELLANEOUS PROVISIONS.....	8
Section 1.    Fiscal Year .....	8
Section 2.    Seal.....	8
Section 3.    Notice and Waiver of Notice .....	8
Section 4.    Public Information .....	9
Section 5.    Open Meetings .....	9
ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS .....	9
Section 1.    Right to Indemnification .....	9
Section 2.    Advance Payment .....	9
Section 3.    Appearance as a Witness .....	10
Section 4.    Nonexclusivity of Rights .....	10
Section 5.    Insurance .....	10
Section 6.    Savings Clause .....	10
ARTICLE VIII AMENDMENTS.....	10
Section 1.    Amendment.....	10

BYLAWS  
OF  
THE UNIVERSITY OF TEXAS  
INVESTMENT MANAGEMENT COMPANY

ARTICLE I  
STRUCTURE AND PURPOSES

Section 1.            Structure. The University of Texas Investment Management Company (the “Corporation”) is a nonprofit corporation organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 (the “Act”). The Articles of Incorporation of the Corporation (as amended from time to time, the “Articles of Incorporation”) were filed in the office of the Secretary of the State of Texas on November 15, 1995.

Section 2.            Member. The Corporation shall have no members.

Section 3.            Purposes. The Corporation is organized and will be operated exclusively for charitable and educational purposes. In accomplishment of such purposes, the Corporation will be administered solely for the purpose of aiding, assisting, supporting and acting on behalf of The University of Texas System (the “System”), an agency of the State of Texas, in the performance of its essential governmental function of providing higher education in accordance with the laws of the State of Texas authorizing and governing the System and the creation of the Corporation. The Corporation shall have, without limitation, the following purposes:

- (a) To invest funds under the control and management of the Board of Regents of the System (the “Board of Regents”), including the permanent university fund, as designated by the Board of Regents in accordance with the laws of the State of Texas; and
- (b) To perform such other activities or functions that the Board of Directors of the Corporation determines are necessary or appropriate for the accomplishment of the purposes of the Corporation, provided, however, that the Corporation may not engage in any business other than investing funds designated by the Board of Regents pursuant to a contract with the System for the investment of such funds.

Section 4.            Approval by System. Notwithstanding the powers delegated to the Board of Directors of the Corporation, the Corporation may not contract with the Board of Regents to invest funds under the control and management of the Board of Regents, including the permanent university fund, unless and until the Board of Regents has approved (i) the Articles of Incorporation and Bylaws of the Corporation; (ii) the investment policies of the Corporation; (iii) the audit and ethics committee of the Corporation; and (iv) the code of ethics of the Corporation. Furthermore, the Board of Regents must approve (i) any amendments to the Articles of Incorporation and Bylaws of the Corporation; (ii) any changes to the investment policies of the Corporation; (iii) any changes in the audit and ethics committee of the

Corporation; and (iv) any changes in the code of ethics of the Corporation. The Corporation shall file reports with the Board of Regents quarterly, and at such other times as requested by the Board of Regents, concerning such matters as required by the Board of Regents.

Section 5. Prohibited Transactions. In addition to the prohibitions of the laws of the State of Texas, the Corporation may not enter into an agreement or transaction with a former director, officer, or employee of the Corporation, or a business entity in which a former director, officer, or employee of the Corporation has an interest, on or before the first anniversary of the date the person ceased to be a director, officer, or employee of the Corporation. For purposes of this section (i) a former director, officer, or employee of the Corporation has an interest in a business entity if such person owns (a) five percent or more of the voting stock or shares of the business entity or (b) five percent or more of the fair market value of the business entity, and (ii) a former director of the Corporation has an interest in a business entity if money received by such person from the business entity exceeds five percent of the person's gross income for the preceding calendar year. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

Section 6. Revolving Door. A former director or employee of the Corporation may not make any communication to or appearance before a current director or employee of the Corporation before the second anniversary, in the case of a former director, or the first anniversary, in the case of a former employee, of the date the former director or employee ceased to be a director or employee of the Corporation if the communication or appearance is made (a) with the intent to influence, and (b) on behalf of any person in connection with any matter on which the person seeks action by the Corporation. If a director of the Corporation knowingly communicates with a former director or employee of the Corporation, whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director shall be subject to removal from serving as a director of the Corporation. If an employee of the Corporation knowingly communicates with a former director or employee of the Corporation whose communication or appearance is made with the intent to influence, and on behalf of any person in connection with any matter on which the person seeks action by the Corporation, such director or employee shall be subject to disciplinary action. A two-thirds majority of the Board of Directors of the Corporation shall be required to forward to the Board of Regents a change to this Section.

## ARTICLE II OFFICES

Section 1. Principal Place of Business. The principal place of business of the Corporation shall be located at 401 Congress Avenue, Suite 2800, Austin, Texas 78701. The Corporation may have such other offices, either within or without the State of Texas, as the Board of Directors may determine or as the affairs of the Corporation may require from time to time.

Section 2. Registered Office and Registered Agent. The Corporation shall have and continuously maintain in the State of Texas a registered office and a registered agent whose office is the Corporation's registered office, as required by the Act. The registered office may, but need not, be identical with the principal office of the Corporation in the State of Texas, and the address of the registered office may be changed from time to time by the Board of Directors in accordance with applicable law.

### ARTICLE III BOARD OF DIRECTORS

Section 1. Powers. The property, business, and affairs of the Corporation shall be managed and controlled by the Board of Directors, and subject to the restrictions imposed by law, the Articles of Incorporation, and these Bylaws, the Board of Directors shall exercise all of the powers of the Corporation.

Section 2. Number. The Board of Directors shall consist of nine (9) Directors consistent with *Texas Education Code* Section 66.08.

Section 3. Appointment and Term. Directors shall be appointed by the Board of Regents, pursuant to a process determined by the Board of Regents, except that the Chancellor of the System shall serve as a Director so long as he or she remains Chancellor of the System. In compliance with applicable law, the members of the Board of Directors shall include (i) the Chancellor of the System, (ii) at least three (3) persons then serving as members of the Board of Regents ("Regental Directors"), and (iii) one or more persons selected by the Board of Regents from a list of candidates with substantial background and expertise in investments that is submitted by the Board of Regents of The Texas A&M University System (together with the Chancellor of the System and the Regental Directors, the "Affiliated Directors"). The three (3) Regental Directors shall serve for two-year terms that expire on the first day of April of each odd-numbered year. The remaining Directors (other than the Chancellor of the System and the Regental Directors) shall serve three-year staggered terms that expire on the first day of April of the appropriate year. No such Director (other than the Affiliated Directors) shall serve more than three (3) full three-year terms. Notwithstanding the foregoing, the Board of Regents may, from time to time, alter the terms of the Directors. Each person serving as a Director shall serve until the expiration of such Director's term, or until such Director's successor has been chosen and qualified, or until such Director's earlier death, resignation, or removal as provided in these Bylaws.

Section 4. Removal and Resignation. Any Director may be removed from office at any time, with or without cause, by the Board of Regents. Any Director or officer may resign at any time. Such resignation shall be made in writing and shall take effect at the time specified therein, or, if no time be specified, at the time of its receipt by the President or Secretary. The acceptance of a resignation shall not be necessary to make it effective, unless expressly so provided in the resignation.

Section 5.            Vacancies. Any vacancy occurring in the office of a Director, whether by death, resignation, removal, increase in the number of Directors, or otherwise, shall be filled by the Board of Regents.

Section 6.            Meetings of Directors. The Directors may hold meetings and keep the Corporation's books and records at such place or places within the State of Texas as the Board of Directors may from time to time determine.

Section 7.            Annual Meetings. The annual meeting of the Board of Directors ("Annual Meeting") shall be held at such time and place as shall be designated from time to time by resolution of the Board of Directors, or, if not so designated, on the third Thursday of the month of April of each year at the Corporation's principal office for the purpose of (i) electing officers for the ensuing year, and (ii) transacting such other business as may be properly brought before such Annual Meeting. Notice of Annual Meetings shall be required.

A joint annual meeting with the U. T. Board of Regents ("Joint Meeting") shall be held ~~prior to August 1 of~~ each year to discuss investment policies including asset allocation, investment performance, determination of risk, performance of the Corporation, organizational issues, proposed budget, and related issues. Notice of Joint Meetings shall be required.

Section 8.            Regular Meetings. Regular meetings of the Board of Directors ("Regular Meetings") shall be held at such times and places as shall be designated from time to time by resolution of the Board of Directors. Notice of Regular Meetings shall be required. The UTIMCO President shall consult with the Chairman and ~~the Vice Chairmen of the UTIMCO Board, including~~ the Chancellor, as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.

Section 9.            Special Meetings. Special meetings of the Board of Directors ("Special Meetings") shall be held at such times and places as shall be designated from time to time by the Chairman or, on the written request of any Director, by the Secretary or on the written request of the Board of Regents. Notice of Special Meetings shall be required.

Section 10.           Notice of Meetings. The Secretary shall give notice of the time and place of each Annual, Joint, Regular and Special Meeting to each Director in person, or by mail, electronic mail, telegraph, or telephone, at least five (5) days before and not sooner than fifty (50) days before such meeting; provided, however, that in the case of a Special Meeting called because of an emergency or urgent necessity, notice will be provided as required by the Texas Open Meetings Act.

Section 11.           Quorum. A majority of the then acting Directors shall constitute a quorum for the consideration of any matters pertaining to the Corporation's purposes. If at any meeting of the Board of Directors there is less than a quorum present, the Chairman may adjourn the meeting from time to time. The act of a majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors, unless the act of a greater number is required by law, the Articles of Incorporation, or these Bylaws.

Section 12.            Voting. Directors must vote in person and proxy voting is prohibited.

Section 13.            Conduct of Business. At meetings of the Board of Directors, matters pertaining to the Corporation's purposes shall be considered.

At all meetings of the Board of Directors, the Chairman of the Board shall preside, and in the absence of the Chairman of the Board, the Vice Chairman of the Board or the Vice Chairman for Policy shall preside. In the absence of the Chairman of the Board and the Vice Chairmen of the Board, a chairman shall be chosen by the Board of Directors from among the Directors present.

The Secretary of the Corporation shall act as secretary of all meetings of the Board of Directors, but in the absence of the Secretary, the Chairman may appoint any person to act as secretary of the meeting.

The chairman of any meeting of the Board of Directors shall determine the order of business and the procedure at the meeting, including, without limitation, conduct of the discussion and the order of business pursuant to a duly posted agenda.

Section 14.            Compensation of Directors; Expenses. Persons serving as Directors shall not receive any salary or compensation for their services as Directors. A Director shall be entitled to reimbursement for reasonable expenses incurred by the Director in carrying out duties as a Director.

#### ARTICLE IV COMMITTEES

Section 1.            Board Committees. The Board of Directors may from time to time designate members of the Board of Directors to constitute committees that shall have and may exercise such powers as a majority of the Board of Directors may determine in the resolution that creates the committee; provided, however, that the Board of Regents must approve the audit and ethics committee of the Corporation as required by applicable law and further provided that the full UTIMCO Board shall fully review, discuss, and approve performance compensation for UTIMCO officers and employees following careful consideration and due diligence. The Board of Directors may appoint individuals who are not members of the Board of Directors to any committee; provided, however, that a majority of the committee members shall be members of the Board of Directors if such committee exercises the authority of the Board of Directors in the management of the Corporation.

Other committees, not having and exercising the authority of the Board of Directors in the management of the Corporation, may be designated and members appointed by a resolution adopted by the Board of Directors. Membership of such committees may, but need not, be limited to Directors.

Any Director appointed to a committee designated by the Board of Directors shall cease to be a member of such committee when he or she is no longer serving as Director.

Section 2.            Procedures; Meetings; Quorum. Any committee created by the Board of Directors or these Bylaws, unless otherwise expressly provided herein, shall (i) have a chairman designated by the Board of Directors, (ii) fix its own rules or procedures, (iii) meet at such times and at such place or places as may be provided by such rules or by resolution of such committee or resolution of the Board of Directors, and (iv) keep regular minutes of its meetings and cause such minutes to be recorded in books kept for that purpose in the principal office of the Corporation, and report the same to the Board of Directors at its next ~~succeeding meeting~~ Regular Meeting. At every meeting of any such committee, the presence of a majority of all the members thereof shall constitute a quorum, and the affirmative vote of a majority of the members present shall be necessary for the adoption by it of any action, unless otherwise expressly provided in the committee's rules or procedures or these Bylaws or by the Board of Directors.

The Board of Directors may designate one or more Directors as alternate members of any committee, who may replace any absent or disqualified member at any meeting of such committee.

Section 3.            Nominating Committee. The Chairman may appoint a Nominating Committee to make recommendations to him or her on positions as requested.

## ARTICLE V OFFICERS

Section 1.            Number, Titles, and Term of Office. The officers of the Corporation shall consist of a Chairman of the Board, a Vice Chairman for Policy, a Vice Chairman of the Board, a President, a Secretary, a Treasurer, and such other officers and assistant officers as the Board of Directors may from time to time elect or appoint. Such other officers and assistant officers shall have such authority and responsibility as may be assigned to them by the Board of Directors. Any two (2) or more offices may be held by the same individual, except the offices of President and Secretary and the offices of Chairman and Vice Chairman. Except for those officers elected at the organizational meeting (the "Organization Meeting"), the term of office for each officer shall be until the next succeeding Annual Meeting at which officers are elected. The term of office for those officers elected at the Organization Meeting shall be that period of time beginning on the date of the Organization Meeting and ending on the date of the first Annual Meeting. In any event, a duly-elected officer shall serve in the office to which he or she is elected until his or her successor has been duly elected and qualified.

Section 2.            Removal. Any officer or agent or member of a committee elected or appointed by the Board of Directors may be removed by the Board of Directors, but such removal shall be without prejudice to the contract rights, if any, of the individual so removed. Election or appointment of an officer or agent or member of a committee shall not of itself create contract rights.

Section 3. Vacancies. Any vacancy occurring in any office of the Corporation may be filled by the Board of Directors.

Section 4. Powers and Duties of the Chairman of the Board. The Chairman of the Board shall preside at all meetings of the Board of Directors and shall have such other powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors. The Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Chairman.

Section 5. Powers and Duties of the Vice Chairman of the Board. The Vice Chairman of the Board shall have such powers and duties as may be assigned to such officer in these Bylaws or from time to time by the Board of Directors and shall exercise the powers of the Chairman during that officer's absence or inability to act. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman at the time such action was taken. The Vice Chairman of the Board shall be appointed by the Board of Directors. No Director shall serve more than three (3) full one-year terms as Vice Chairman.

Section 6. Powers and Duties of the Vice Chairman for Policy. The Chancellor of the System shall serve as Vice Chairman for Policy and shall coordinate those responsibilities, including the appropriate resolution of policy issues, assigned to UTIMCO and System by the *Rules and Regulations* of the Board of Regents and the Master Investment Management Services Agreement with UTIMCO to facilitate UTIMCO's performance of its core investment duties. The Vice Chairman for Policy shall exercise the powers of the Chairman during the absence or inability to act of both the Chairman and the Vice Chairman of the Board. Any action taken by the Vice Chairman in the performance of the duties of the Chairman shall be conclusive evidence of the absence or inability to act of the Chairman and the Vice Chairman at the time such action was taken.

Section 7. Powers and Duties of the President. ~~The President shall be the Chief Executive Officer of the Corporation.~~ All references to the President in this document shall mean the Chief Executive Officer of the Corporation. If the positions of President and Chief Executive Officer are held by different individuals the responsibilities designated to the President in these Bylaws shall be performed by the Chief Executive Officer. Subject to the control of the Board of Directors, the President shall have general executive charge, management, and control of the properties, business, and operations of the Corporation with all such powers as may be reasonably incident to such responsibilities; shall have the authority to agree upon and execute all leases, contracts, evidences of indebtedness, and other obligations in the name of the Corporation subject to the approval of the Board of Directors and the Executive Committee, if any; and shall have such other powers and duties as may be designated in these Bylaws and as may be assigned to such officer from time to time by the Board of Directors pursuant to a duly approved Delegation of Authority Policy.

Section 8. Powers and Duties of the Treasurer. The Treasurer shall have custody of all of the Corporation's funds and securities that come into such officer's hands. When necessary or proper, the Treasurer may endorse or cause to be endorsed, in the name and on behalf of the Corporation, checks, notes, and other obligations for collection and shall deposit

or cause to be deposited the same to the credit of the Corporation in such bank or banks or depositories and in such manner as shall be designated and prescribed by the Board of Directors; may sign or cause to be signed all receipts and vouchers for payments made to the Corporation either alone or jointly with such other officer as may be designated by the Board of Directors; whenever required by the Board of Directors, shall render or cause to be rendered a statement of the cash account; shall enter or cause to be entered regularly in the Corporation's books to be kept by such officer for that purpose full and accurate accounts of all moneys received and paid out on account of the Corporation; shall perform all acts incident to the position of Treasurer subject to the control of the Board of Directors; and shall, if required by the Board of Directors, give such bond for the faithful discharge of such officer's duties in such form as the Board of Directors may require.

Section 9.            Powers and Duties of the Secretary. The Secretary shall keep the minutes of all meetings of the Board of Directors in books provided for that purpose; shall attend to the giving and serving of all notices; in furtherance of the Corporation's purposes and subject to the limitations contained in the Articles of Incorporation, may sign with the President in the name and on behalf of the Corporation and/or attest the signatures thereto, all contracts, conveyances, franchises, bonds, deeds, assignments, mortgages, notes, and other instruments of the Corporation; shall have charge of the Corporation's books, records, documents, and instruments, except the books of account and financial records and securities of which the Treasurer shall have custody and charge, and such other books and papers as the Board of Directors may direct, all of which shall be open at reasonable times to the inspection of any Director upon application at the Corporation's office during business hours; and shall in general perform all duties incident to the office of Secretary subject to the control of the Board of Directors. The Secretary shall assure that current copies of the Corporation's Articles of Incorporation and Bylaws, Corporation Policies, Investment Policies approved by the ~~U. T.~~ Board of Regents, Committee Charters, and Minutes of all meetings of the Corporation and Committees are posted on the Corporation's website. The Secretary will assure that all open meetings of the Corporation are recorded and that recordings are available upon request.

## ARTICLE VI MISCELLANEOUS PROVISIONS

Section 1.            Fiscal Year. The Corporation's fiscal year shall be as determined from time to time by the Board of Directors.

Section 2.            Seal. The Corporation's seal, if any, shall be such as may be approved from time to time by the Board of Directors.

Section 3.            Notice and Waiver of Notice. Whenever any notice is required to be given by mail under the provisions of these Bylaws, such notice shall be deemed to be delivered when deposited in the United States mail in a sealed postpaid wrapper addressed to the person or Board of Regents entitled thereto at such person's post office address, as such appears in the records of the Corporation, and such notice shall be deemed to have been given on the date of such mailing. A waiver of notice in writing signed by the person or persons entitled

to such notice, whether before or after the time stated therein, shall be deemed equivalent to notice.

Section 4.                    Public Information. The Board of Directors shall comply with applicable provisions of the Texas Public Information Act.

Section 5.                    Open Meetings. The Board of Directors shall conduct open meetings in accordance with Section 66.08(h), *Texas Education Code*. The Secretary is required to provide public notice of such meetings in accordance with applicable law therewith.

## ARTICLE VII INDEMNIFICATION OF DIRECTORS AND OFFICERS

Section 1.                    Right to Indemnification. Subject to any limitations and conditions in these Bylaws, including, without limitation, this Article VII, each person who was or is made a party or is threatened to be made a party to or is involved in any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative, arbitrative or investigative (a “Proceeding”), or any appeal of such a Proceeding or any inquiry or investigation that could lead to a Proceeding, by reason of the fact that he or a person of whom he is the legal representative, is or was a Director or officer of the Corporation, or while a Director or officer of the Corporation is or was serving at the request of the Corporation as a director, officer, partner, venturer, proprietor, trustee, employee, agent, or similar functionary of another foreign or domestic corporation, partnership, joint venture, sole proprietorship, trust, employee benefit plan or other enterprise, shall be indemnified by the Corporation to the fullest extent authorized by the Act, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than said law permitted the Corporation to provide prior to such amendment), against judgments, penalties (including excise and similar taxes), fines, settlements and reasonable expenses (including, without limitation, attorneys’ fees) actually incurred by such person in connection with a Proceeding, but if the Proceeding was brought by or in behalf of the Corporation, the indemnification is limited to reasonable expenses actually incurred or suffered by such person in connection therewith, and indemnification under these Bylaws shall continue as to a person who has ceased to serve in the capacity which initially entitled such person to indemnity hereunder. In no case, however, shall the Corporation indemnify any person, or the legal representatives of any person, with respect to any matters as to which such person shall be finally adjudged in any such Proceeding to be liable on the basis that personal benefit resulted from an action taken in such person’s official capacity, or in which such person is found liable to the Corporation. Any person entitled to indemnification pursuant to this Article VII is sometimes referred to herein as an “Indemnified Person.”

Section 2.                    Advance Payment. An Indemnified Person’s right to indemnification conferred in this Article VII shall include the right to be paid or reimbursed by the Corporation the reasonable expenses incurred by an Indemnified Person who was, is or is threatened to be made a named defendant or respondent in a Proceeding in advance of the final disposition of the Proceeding; provided, however, that the payment of such expenses incurred by

an Indemnified Person in advance of the final disposition of a Proceeding shall be made only upon delivery to the Corporation of a written affirmation by such Indemnified Person of his or her good faith belief that he or she has met the standard of conduct necessary for indemnification under this Article VII and a written undertaking by or on behalf of such Indemnified Person to repay all amounts so advanced if it shall ultimately be determined that such Indemnified Person is not entitled to be indemnified under this Article VII or otherwise.

Section 3.                    Appearance as a Witness. Notwithstanding any other provision of this Article VII, the Corporation may pay or reimburse expenses incurred by an Indemnified Person in connection with his or her appearance as a witness or other participation in a Proceeding at a time when the Indemnified Person is not a named defendant or respondent in the Proceeding.

Section 4.                    Nonexclusivity of Rights. The right to indemnification and the advancement and payment of expenses conferred in this Article VII shall not be exclusive of any other right which an Indemnified Person may have or hereafter acquire under any law (common or statutory), the Articles of Incorporation, the Bylaws, agreement, vote of disinterested Director or otherwise.

Section 5.                    Insurance. The Corporation may purchase and maintain insurance, at its expense, to protect itself or any Indemnified Person, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under this Article VII.

Section 6.                    Savings Clause. If this Article VII or any portion hereof shall be invalidated on any ground by any court of competent jurisdiction, then the Corporation shall nevertheless indemnify and hold harmless each Indemnified Person as to costs, charges and expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement with respect to any action, suit or proceeding, whether civil, criminal, administrative or investigative to the full extent permitted by any applicable portion of this Article VII that shall not have been invalidated and to the fullest extent permitted by applicable law.

## ARTICLE VIII AMENDMENTS

Section 1.                    Amendment. These Bylaws may be altered, amended, or repealed by the Board of Directors with the approval of the Board of Regents. A request by the Board of Regents to consider an alteration, amendment, or repeal of these Bylaws will be considered at the next regular meeting of the Corporation or at a special meeting called for that purpose.

7. **U. T. System Board of Regents: Approval of revised Master Investment Management Services Agreement with The University of Texas Investment Management Company (UTIMCO)**

**RECOMMENDATION**

The Chancellor, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) Board of Directors that the U. T. System Board of Regents (U. T. Board) approve the revised Master Investment Management Services Agreement (IMSA) effective February 7, 2008, as set forth in congressional style on Pages 116 - 133. These proposed revisions are on the agenda for approval by the UTIMCO Board of Directors on January 30, 2008, and will amend the IMSA that was approved February 9, 2006.

**BACKGROUND INFORMATION**

Proposed amendments are summarized as follows:

- Section 1(h): Conform titles of Investment Policies subject to U. T. Board approval and add internal UTIMCO policies not previously listed and/or adopted after February 9, 2006.
- Section 2(c): Delete requirement to consult with all Vice Chairmen on the draft UTIMCO Board agenda three weeks in advance of a UTIMCO Board meeting. This change is consistent with the current practice of reviewing the agenda only with the Chairman and the Chancellor, as the Vice Chairman of Policy.
- Section 3(a): Eliminate June 1st deadline for annual review of the Investment Policies.
- Schedule A: Delete the Short Intermediate Term Fund (SITF) and Institutional Index Funds from the list of funds managed.
- Change references to President throughout the document to Chief Executive Officer (CEO). This is consistent with current job titles.

## MASTER INVESTMENT MANAGEMENT SERVICES AGREEMENT WITH UTIMCO

This Investment Management Services Agreement (this “Agreement”) by and between the Board of Regents (the “U. T. Board”) of The University of Texas System (the “U. T. System”) and The University of Texas Investment Management Company (“UTIMCO”), a Texas nonprofit corporation, is effective February ~~7~~<sup>9</sup>, 200~~8~~<sup>6</sup> (the “Effective Date”), and supersedes all earlier agreements by and between the U. T. Board and UTIMCO regarding the subject matter hereof.

### RECITALS

WHEREAS, the U. T. Board, pursuant to the Constitution and statutes of the State of Texas, is responsible for the investment of the Permanent University Fund, the local and institutional assets of the U. T. System and the assets of various trusts and foundations for which it serves as trustee, all of which assets are under the control and management of the U. T. Board;

WHEREAS, Section 66.08, *Texas Education Code*, as amended, authorizes the U. T. Board, subject to certain conditions, to enter into a contract with a nonprofit corporation for the corporation to invest assets under the control and management of the U. T. Board, as designated by the U. T. Board;

WHEREAS, UTIMCO has been organized under the laws of the State of Texas, including the Texas Non-Profit Corporation Act, Tex. Rev. Civ. Stat. Ann. art. 1396-1.01 *et seq.*, for the express purpose of investing assets under the control and management of the U. T. Board, as designated by the U. T. Board, in accordance with the laws of the State of Texas;

WHEREAS, the U. T. Board desires to continue an Agreement with UTIMCO for UTIMCO to invest certain designated assets under the control and management of the U. T. Board;

WHEREAS, UTIMCO desires to enter into this Agreement with the U. T. Board and to invest certain designated assets under the control and management of the U. T. Board; and

WHEREAS, all conditions precedent to the execution and delivery of this Agreement have been fully satisfied and fulfilled, including, without limitations, the conditions established by Section 66.08, *Texas Education Code*, as amended.

NOW THEREFORE, for and in consideration of the premises and the mutual promises contained herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

## AGREEMENT

### Section 1. Definitions.

- (a) **Affiliate** shall mean an entity directly or indirectly controlling, controlled by, or under common control with UTIMCO, including an entity with whom UTIMCO has an express or implied agreement regarding the direct or indirect purchase of investments by each from the other.
- (b) **Cash Reserves** shall mean cash on hand plus investments, plus prepaid expenses, less accounts payable, less other liabilities.
- (c) **Claims** shall mean all claims, lawsuits, causes of action and other legal actions and proceedings of whatever nature brought against (whether by way of direct action, counter claim, cross action, or impleader) any Indemnified Party and all requests or demands for indemnification made by any third party upon any Indemnified Party, even if groundless, false or fraudulent, so long as the claim, lawsuit, cause of action, other legal action or proceeding, request or demand is alleged or determined, directly or indirectly, to arise out of, result from, relate to or be based upon, in whole or in part, the duties, activities, acts or omissions of any person arising under this Agreement.
- (d) **Custodian** or **Custodians** shall mean a commercial bank, trust company or other entity selected by UTIMCO to hold and safe-keep physical securities representing investment assets of any Fund and to perform the other functions listed in Section 5 hereof.
- (e) **Delegated Assets** shall mean those assets under the control and management of the U. T. Board that are invested in the Funds managed by UTIMCO hereunder, pursuant to the corresponding Investment Policies as such assets may be directed for investment by the U. T. Board or its designees from time to time pursuant to its Investment Policies or otherwise. The Delegated Assets may include, without limitation, the following funds or categories of assets:
  - (i) The Permanent University Fund established pursuant to Article VII, Section 11 of the Texas Constitution (the "Permanent University Fund" or "PUF"); provided that, for purposes of this Agreement and the delegation of investment management responsibilities hereunder, the PUF excludes the approximately 2.1 million acres of land located in 19 Texas counties, primarily in West Texas, and constituting a part of the PUF (the "PUF Lands"), as to which the U. T. Board retains complete investment management authority and responsibility;
  - (ii) Any and all funds or assets under the control and management of the U. T. Board as owner, administrator, contractual investment manager, or otherwise, including without limitation endowment funds and operating assets, other than the Permanent University Fund, the Permanent Health Fund and the U. T. Board Trust Accounts (collectively, "U. T. System Funds");

- (iii) The assets of charitable remainder trusts, foundations and other separately invested assets for which the U. T. Board serves as trustee on behalf of itself and other co-beneficiaries (“U. T. Board Trust Accounts”);
  - (iv) The permanent assets for health-related institutions established pursuant to Chapter 63, *Texas Education Code*, for which the U. T. Board is an administrator (collectively, the “Permanent Health Fund” or “PHF”);
  - (v) U. T. System Funds or U. T. Board Trust Accounts which, by election of the U. T. Board or by requirement of the trust indenture or donative instrument, are invested separately and apart from other U. T. System Funds and the PUF (collectively, “Separately Invested Funds” or “SIFs”); and
  - (vi) Institutional assets of third-party non-profit charitable foundations or tax-exempt charitable organizations to the extent dedicated to the support of the educational purposes of the U. T. System and under the control and management of the U. T. Board by contract (collectively, “Foundation Funds”).
- (f) **Funds** shall mean the separate investments or pools of assets in which the Delegated Assets are to be invested pursuant to the corresponding Investment Policies, as specified in Schedule A hereto and in the corresponding Investment Policies, each of which may be amended by the U. T. Board from time to time as provided for herein.
- (g) **Indemnified Parties** shall mean UTIMCO and any of its officers, directors, employees and agents.
- (h) **Investment Policies** shall mean the written investment policies determined and approved by the U. T. Board relating to the Funds, and all generally applicable written investment-related policies determined and approved by the U. T. Board that govern the management of investments for some or all Funds, such as the policies regarding ~~a~~Asset ~~a~~Allocation, ~~and the policies on~~ Derivatives Investment, Liquidity, ~~Risk Measurement and Management, Valuation~~, and Error Correction ~~in Performance Presentation~~, but excluding internal UTIMCO operational guidelines as to which approval of the U. T. Board is not required, which include the UTIMCO Mandate Categorization Procedure, Valuation Criteria for Alternative Assets, Calculating Liquidity Procedure, Soft Dollar Policy and Procedures, Securities Lending Policy, and the Proxy Voting Policy (the Proxy Voting Policy being governed by the provisions of the individual Investment Policies related to proxy voting).
- (i) **Losses** shall mean losses, costs, damages, expenses, judgments and liabilities of whatever nature (including, but not limited to, attorneys’, accountants’ and other professionals’ fees, litigation and court costs and expenses, amounts paid in settlement, amounts paid to discharge judgments and amounts payable by an Indemnified Party to any other person under any arrangement providing for indemnification of that person) directly or indirectly resulting from, arising out of or relating to one or more Claims.

- (j) **Surplus Cash Reserves** shall mean Cash Reserves on the last day of the fiscal year in excess of twenty-five percent (25%) of the upcoming fiscal year's operating and capital budgets approved by the U. T. Board.

## **Section 2. Delegation of Investment Authority; Retention of Policy Setting Authority.**

(a) **General**

The U. T. Board retains ultimate fiduciary responsibility and authority for all matters related to the investment of the Delegated Assets. Pursuant to that responsibility and authority, the U. T. Board hereby appoints UTIMCO as its investment manager with complete authority to act for the Board in the investment of the Funds, subject, however, to such limitations and restrictions as are set forth in the Investment Policies. UTIMCO shall furnish the U. T. Board with continuous investment management services and shall invest and reinvest the assets of the Funds in such ways and at such times as are consistent with the Investment Policies and Section 4 hereof. UTIMCO shall be responsible for overall management of the U. T. Board's investment affairs as set forth in this Agreement and shall manage each Fund as a discretionary account.

(b) **Policy Matters**

The U. T. Board, as ultimate fiduciary for the Funds, retains policy setting authority. Unless otherwise provided in writing by the U. T. Board, UTIMCO shall look to the Chancellor to provide primary oversight and management concerning relations with the media, legal issues that implicate policies of the U. T. Board other than the Investment Policies, public disclosure of information and intergovernmental relations. Except for the forgoing matters, the UTIMCO Board of Directors and the ~~President~~CEO of UTIMCO shall be responsible for making all decisions necessary to implement the Investment Policies. The ~~President~~CEO of UTIMCO shall confer with the Chancellor on the above-mentioned matters where the Chancellor has primary oversight and management and on other matters that may implicate broader policies of the U. T. Board.

(c) **Meetings and Agendas**

- (i) The UTIMCO ~~President~~CEO shall consult with the Chairman ~~and the Vice Chairmen~~ of the UTIMCO Board, ~~including and~~ the Chancellor as Vice Chairman for Policy, on the draft agenda for meetings of the UTIMCO Board at least three (3) weeks prior to each regular UTIMCO Board meeting.
- (ii) UTIMCO shall participate in an annual joint meeting of the UTIMCO Board of Directors and the U. T. Board as referenced in Art. III, § 7 of the UTIMCO Bylaws.

## **Section 3. Description of Investment Management Services.**

During the term of this Agreement, UTIMCO shall provide the following services in conjunction with the investment of the Funds:

(a) **Investment Policies:**

UTIMCO shall review current Investment Policies for each Fund at least annually ~~by June 1 of each year~~. Such review shall include distribution (spending) guidelines, long-

term investment return expectations and expected risk levels, ~~asset~~ Asset Class and Investment Type allocation targets and ranges ~~for each eligible asset class~~, expected returns for each ~~asset class~~ Asset Class and Investment Type and fund, designated performance benchmarks for each ~~asset class~~ Asset Class and Investment Type and such other matters as the U. T. Board or its staff designees may request. After UTIMCO completes its assessment, it shall forward any recommended changes to U. T. System staff for review and appropriate action, following the established schedule for the submission of proposed agenda topics for meetings of the U. T. Board.

(b) **Investment Management:**

UTIMCO shall oversee the investment management process pursuant to the Investment Policies. Such oversight shall include without limitation the development of an investment outlook based on global economic and capital market forecasts, the rebalancing of allocations to each ~~asset class~~ Asset Class and Investment Type within ranges in response to changes in the investment outlook, and the selection of a combination of portfolio managers to construct portfolios designed to generate the expected returns of each ~~asset class~~ Asset Class and Investment Type.

(c) **Investment Performance:**

UTIMCO shall monitor and report on investment performance for each of the Funds. With respect to all Funds other than the SIFs, such responsibilities shall include the calculation and evaluation of investment returns for each ~~asset class~~ Asset Class and Investment Type and individual Fund portfolio against approved benchmarks over various periods of time, and the periodic review of performance benchmarks. With respect to all Funds, such responsibilities shall also include the reporting of investment performance of such specific Funds as may be requested by the U. T. Board, and the reporting to regulatory agencies and others regarding investments under management to the extent required by applicable law.

(d) **Operations:**

UTIMCO shall execute such operational responsibilities as the purchase and sale of investments, the settlement of all trades (to the extent such trades are not settled by the Custodian or brokers), the accounting for all transactions at the portfolio level in accordance with generally accepted accounting principles, the preparation and delivery of periodic financial reports on all Funds, and the maintenance of complete books and records (internally or through contract with the designated Custodian for the assets under management) reflecting transactions and balances of the Funds.

(e) **Maintenance of and Access to Books and Records:**

UTIMCO shall maintain the books and records for each Fund on the basis of a fiscal year ending August 31st (or such other fiscal year as the U. T. Board may establish from time to time), and shall keep full separate records of all transactions with respect to each Fund.

The books and records of the Funds and any and all records concerning UTIMCO and UTIMCO's operations shall be available during normal business hours for inspection by authorized representatives of U. T. System. UTIMCO shall provide full audit access to any and all information concerning the operations of UTIMCO, including information

necessary to review UTIMCO expenditures for compliance and reasonableness with the approved budget, to auditors representing the U. T. Board and/or the State Auditor.

(f) **Reporting:**

In connection with the annual audited financial statements of UTIMCO, effective with the August 31, 2004 financial statements, UTIMCO shall provide all compliance-related information, reports and certifications, and shall cause the ~~chief executive officer~~ CEO and the chief financial officer of UTIMCO to provide such certifications, as may be specified by the U. T. Board and U. T. System compliance policies and procedures adopted or approved by the U. T. Board. UTIMCO will follow the U. T. System compliance guidelines as outlined in the Action Plan to Enhance Institutional Compliance, as it may be amended from time to time, including providing the U. T. Board or its designees with quarterly compliance reports.

(g) **Disclosure of Information:**

The U. T. Board is committed to a policy of full and fair disclosure to the public. As part of that commitment with respect to private investments in the Funds, UTIMCO shall disclose to the public with respect to such private investments all information required to be disclosed pursuant to Section 552.0225 of the *Texas Government Code* regarding "Right of Access to Investment Information" ("private investment information"). UTIMCO shall make no private investment with an entity unless the U. T. Board and UTIMCO have clear and unequivocal authority to disclose to the public the private investment information, described immediately above, relating to such investment.

Before UTIMCO declines to disclose any information it has collected, assembled or maintained in its role as investment manager for the U. T. Board that is requested under the Texas Public Information Act, the ~~President~~ CEO of UTIMCO shall notify the U. T. System Vice Chancellor and General Counsel and solicit his or her input to the process. UTIMCO shall disclose the information unless (i) it is confidential and excepted as provided in Section 552.143 of the *Texas Government Code* regarding "Confidentiality of Certain Investment Information," or (ii) as to any other information, the Vice Chancellor and General Counsel, after consultation with the Chancellor, approves a Public Information Act request to the Attorney General of Texas. In addition, the U. T. Board reserves the right and authority, in its sole discretion, to disclose, or direct the disclosure of, any information at any time, to the extent such disclosure would not result in a violation of applicable law or breach or result in a default under any agreement binding upon UTIMCO or the U. T. Board.

In addition to and not in lieu of the foregoing, UTIMCO will comply with the provisions of Section 12 below regarding confidentiality provisions of contracts with third parties.

(h) **Other Services:**

UTIMCO shall perform other investment management services, including without limitation:

- (i) attending meetings of the U. T. Board and making such reports as the U. T. Board may request from time to time;

- (ii) rendering services to managers of private equity investments in which UTIMCO has decided to invest;
- (iii) attending meetings of governing bodies of companies in which assets of Funds have been invested pursuant to this Agreement;
- (iv) voting of securities (or proxies with respect thereto) held as investments of the Funds in accordance with the Investment Policies and the UTIMCO Proxy Voting Policy and any other relevant written policies or rules of the U. T. Board;
- (v) providing U. T. System institutions with annual endowment reports reflecting, among other things, changes in the investment value of such institution's endowment and distributions made to such institution to support the activities for which the endowment was established;
- (vi) providing charitable trust administration services such as portfolio management, annual tax return preparation, annual trust reporting to donors and remittance of quarterly distributions; providing annual reporting of investment transactions and balances and distributing assets to authorized beneficiaries;
- (vii) effecting distributions directly or through the Custodian to U. T. System institutions or other named beneficiaries from the Funds;
- (viii) supporting and maintaining online information systems for endowment funds;
- (ix) providing training and education to members of the UTIMCO Board of Directors as may be determined in consultation with U. T. System staff to assure that all duties required of directors under the Texas Non-Profit Corporation Act and that matters related to legal and fiduciary responsibilities of the directors, including current regulations for determining reasonable compensation, are outlined and discussed fully; and
- (x) any other services necessary to provide investment management of the Funds.

#### **Section 4. Investment Manager as Fiduciary.**

UTIMCO acknowledges that it acts as a fiduciary in its management of the investments of the Funds pursuant to the Investment Policies and applicable law. The U. T. Board recognizes that all individual investment transactions involve a variety of significant potential risks, including, without limitation, market risk, liquidity risk, credit risk, cash flow risk, operational risk and counterparty risk, although taken as a whole these transactions are also expected to manage risk. The U. T. Board agrees that (i) UTIMCO will not be liable for any losses incurred in the Funds as a result of investments made pursuant to the Investment Policies and applicable law, and (ii) UTIMCO will not be liable for actions of co-fiduciaries. The U. T. Board also acknowledges that UTIMCO shall not be liable for, and, to the fullest extent authorized by the Constitution and laws of the State of Texas, agrees to hold UTIMCO harmless from the consequences of, any action taken or omitted to be taken by the U. T. System or any of its employees or agents prior to March 1, 1996.

**Section 5. Custody of Assets.**

UTIMCO shall select one or more Custodians, each of which shall be approved by the U. T. Board, which shall also enter into or approve each agreement with the Custodian(s).

UTIMCO shall use the Custodian(s) for safekeeping, settlement of security purchases, sales, collection of income and other duties, as may be more fully described in the relevant agreement(s) between the Custodian(s) and the U. T. Board or UTIMCO (as agent of the U. T. Board). In addition, UTIMCO may from time to time use a brokerage firm to settle security sales on behalf of the U. T. Board and may invest in a regulated mutual fund, externally managed commingled funds, or other investments in which assets are held outside of the bank custody relationship. Any physical certificates not held in safekeeping with a Custodian shall be held in safekeeping at a local bank as designated by UTIMCO.

**Section 6. Use of Unaffiliated Investment Managers.**

UTIMCO shall be entitled to use unaffiliated investment advisors to invest all or part of the Funds and to perform other duties, subject to any restrictions in the relevant Investment Policies.

**Section 7. Investment Management Fees; Direct Expenses.**

For services performed hereunder, UTIMCO shall be compensated in the amounts and in the manner set forth below:

**(a) Annual Budget and Management Fee:**

**(i) Budget Approval Policy**

UTIMCO shall submit to the U. T. Board its proposed annual budget for the following fiscal year (an “Annual Budget”) within the time frame specified by the U. T. Board for other annual budget submissions. The Annual Budget shall include all estimated expenses associated with the management of the Funds. The Annual Budget shall also include an annual UTIMCO management fee (an “Annual UTIMCO Management Fee”) which shall include all operating expenses associated with the general management of the Funds, including, without limitation, reasonable salaries, benefits and performance compensation of portfolio management and support personnel, expenses for consulting services, office space lease expenses, office furniture and equipment expenses, professional, legal, payroll, and other general services expenses, travel, insurance, capital expenditures, and other miscellaneous expenses incurred by UTIMCO in connection with the performance of its obligations hereunder. In addition to its Annual Budget, UTIMCO shall annually submit its capital expenditures budget approved by the UTIMCO Board of Directors to the U. T. Board for approval.

(ii) Allocation Formula

At the same time that UTIMCO submits its Annual Budget, it shall also submit to the U. T. Board an allocation formula for charging the Annual Budget to the Funds. Items proposed in the Annual Budget and the allocation formula may be approved, disapproved, or approved with modification by the U. T. Board. Any such Budget item or formula allocation that is disapproved or approved with modification may be promptly reviewed and revised by UTIMCO and resubmitted to the U. T. Board for additional consideration.

(iii) Charging of Funds for Management Fee

On or before the first day of each fiscal quarter, UTIMCO shall be entitled to charge each Fund with its allocable share (determined in accordance with the allocation formula then in effect) of one-fourth of the amount of the Annual UTIMCO Management Fee to pay UTIMCO's operating expenses for the succeeding fiscal quarter. UTIMCO may, with the approval of the U. T. Board, revise the Annual UTIMCO Management Fee and allocation formula at any time during a fiscal year. Any statements for partial quarters at the beginning or end of this Agreement shall be prorated to reflect the actual time services were rendered during such partial quarters.

(iv) Payment of Third Party Vendors

UTIMCO is hereby authorized to pay from each Fund direct expenses incurred for portfolio management, Custodian, auditing, and other services which are performed by external vendors specifically for each Fund.

(b) Cash Reserves:

Within 90 days after the end of each fiscal year, UTIMCO will distribute back to the Funds which generated the surplus that portion of the Surplus Cash Reserves as may be directed by the U. T. Board, in its sole discretion, from time to time. Such distribution back to the Funds shall be in the same proportion that the Funds contributed to the Cash Reserves.

(c) UTIMCO Management Service on Outside Boards:

Members of UTIMCO management, with the approval of the UTIMCO Board, may serve as directors of companies in which UTIMCO has directly invested Fund assets. In such event, any and all compensation paid to UTIMCO management for their services as directors shall be endorsed over to UTIMCO and considered a part of UTIMCO's fee income and reflected in the Budget. Furthermore, UTIMCO Board approval of UTIMCO management's services as directors of investee companies shall be conditioned upon the extension of UTIMCO's Directors and Officers Insurance Policy coverage to UTIMCO management's services as directors of investee companies.

**(d) Fees for Services Rendered:**

Members of UTIMCO management may perform services for which UTIMCO receives a fee (“Service Fees”) from investment promoters or investee companies in consideration of the UTIMCO staff’s private investment activities and/or investment origination activities. Such Service Fees shall be considered additional fee income to UTIMCO. UTIMCO may also receive commitment fees, standby fees and other similar fees (“Capital Fees”) accruing or inuring to the capital invested on behalf of the Funds managed by UTIMCO. Such Capital Fees shall be credited to the Funds from which such investments are funded.

**(e) Miscellaneous Fees:**

UTIMCO management may perform specialized services for assets that are separately invested for which UTIMCO receives a fee from the Fund. These fees primarily relate to maintenance of computer programs for the SIFs. Such Miscellaneous Fees shall be considered additional fee income to UTIMCO and reflected in the Budget.

**Section 8. Brokerage Commissions.**

The U. T. Board acknowledges and agrees that the investment management fees provided for in Section 7 are in addition to any compensation that may be due to a broker or dealer in effecting and executing transactions on behalf of UTIMCO. UTIMCO is hereby authorized and empowered, with full discretion, to issue instructions in accordance with the Investment Policies to such unaffiliated brokerage firms as may be selected by UTIMCO for the execution of orders for the purchase, sale, exchange and general investment of the Funds; provided that UTIMCO shall not select a brokerage firm that is an Affiliate of UTIMCO or any of its officers, directors or employees. All orders for Fund transactions shall be placed in such markets and through such brokers as UTIMCO determines will offer the most favorable price, execution and commission cost of each order. The U. T. Board acknowledges and agrees that UTIMCO may, from time to time in accordance with applicable law and UTIMCO’s Soft Dollar Policy and Procedures, pay commissions to brokers that are higher than those that might be obtainable elsewhere in order to obtain from such brokers research and other services expected to enhance the long-term value of the Funds.

**Section 9. Valuation of Fund Assets.**

The valuation of each Fund shall be determined in accordance with the Investment Policies approved by the U. T. Board for such Fund.

**Section 10. Representations and Warranties of Parties.**

- (a) The U. T. Board represents and warrants that:
- (i) The execution, delivery and performance by the U. T. Board of this Agreement have been duly authorized, and this Agreement constitutes a valid and binding agreement of the U. T. Board.
  - (ii) There is no action, suit or proceeding pending or, to the knowledge of the U. T. Board, threatened against or affecting the U. T. Board or the U. T. System, or relating to this Agreement, in any court or before or by any governmental

department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of the U. T. Board to enter into, and perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.

- (iii) The U. T. Board has approved:
  - (A) the Articles of Incorporation and Bylaws of UTIMCO;
  - (B) the Investment Policies;
  - (C) the Audit and Ethics Committee of UTIMCO; and
  - (D) the Code of Ethics of UTIMCO.
  
- (b) UTIMCO represents and warrants that:
  - (i) The execution, delivery and performance by UTIMCO of this Agreement have been duly authorized and this Agreement constitutes a valid and binding agreement of UTIMCO.
  - (ii) There is no action, suit or proceeding pending or, to the knowledge of UTIMCO, threatened against or affecting UTIMCO, or relating to this Agreement in any court or before or by any governmental department, agency or instrumentality which, if adversely determined, would materially affect the ability or authority of UTIMCO to enter into, and to perform its obligations under, this Agreement, or which in any manner questions the validity or enforceability of this Agreement.
  
- (c) Investment Company Act and State Securities Act:

The parties to this Agreement acknowledge and agree that UTIMCO is not currently required to, and shall not engage in any activities that would require it to, register as an “investment company” under Title 15 *United States Code* Section 80a-8 (the Investment Company Act of 1940), as amended, and Tex. Rev. Civ. Stat. Ann. art. 581-1 *et seq.* (The Securities Act).

#### **Section 11. Compliance with Bylaws, Policies, Regulations and Financial Disclosure Requirements.**

In the performance of this Agreement, UTIMCO shall abide by, and cause its directors, officers, and employees to abide by, the following policies:

- (A) UTIMCO Code of Ethics as approved by the U. T. Board;
- (B) UTIMCO Bylaws as approved by the U. T. Board;
- (C) All UTIMCO policies;
- (D) Applicable portions of the U. T. Board’s *Rules and Regulations*; and
- (E) All U. T. Board-approved Investment Policies, resolutions, and applicable law.

Financial advisors and service providers as defined in *Texas Government Code* Section 2263.002 shall comply with the disclosure requirements contained in *Texas Government Code* Section 2263.005, in addition to any obligations regarding disclosure of private investment information and the like as contemplated by Section 3(g) of this Agreement.

**Section 12. Contracts with Third Parties.**

UTIMCO covenants and agrees that each agreement, contract, or understanding it enters into with any third party will comply with all applicable law (including without limitation *Texas Government Code* Sections 2263.002 and 2263.005 as referenced in Section 11 above), and will not contain any term or provision limiting the ability of UTIMCO, the U. T. Board, the U. T. System, or any of its institutions to comply with any provision of applicable law, including without limitation any covenant regarding non-disclosure of confidential information or similar subject matter that would purport to limit the ability of UTIMCO or the U. T. Board to comply with any provision of the Texas Public Information Act or other law regarding public disclosure; provided that any contract provision regarding non-disclosure of confidential information must be approved by the Vice Chancellor and General Counsel of the U. T. System or his/her designee.

UTIMCO further covenants and agrees that it will not enter into any contracts indemnifying or holding harmless any third party to a greater extent than the scope of the indemnification of the Indemnified Parties by the U. T. Board without the prior consent and approval of the Vice Chancellor and General Counsel of the U. T. System.

**Section 13. UTIMCO's Open Meeting Policy.**

Except as otherwise provided in Section 66.08, *Texas Education Code*, UTIMCO shall comply with all applicable provisions of the Texas Open Meetings Act, Chapter 551 of the *Texas Government Code*.

**Section 14. Prohibition Against Service to Other Clients.**

In accordance with Section 66.08, *Texas Education Code*, UTIMCO shall not engage in any business other than managing the Funds under this Agreement.

**Section 15. Termination.**

The U. T. Board may terminate this Agreement at any time by written notice to UTIMCO, effective immediately upon receipt of such notice by UTIMCO, subject to reasonable allowance for settlement of pending trades. UTIMCO may terminate this Agreement upon ninety (90) days' written notice to the U. T. Board. There shall be no penalty for termination; however, UTIMCO shall be entitled to all management fees, compensation, and benefits earned prior to the effective date of termination, subject to UTIMCO's Articles of Incorporation and Bylaws and applicable law.

**Section 16. Amendments.**

No amendment hereto shall be effective unless executed by duly authorized representatives of each party in the same manner as this Agreement.

**Section 17. Notices.**

All notices or communications hereunder shall be in writing and shall not be effective until hand delivered, sent by overnight delivery, or sent by United States Certified or Registered Mail, postage prepaid, to the other party at the following addresses which may be changed by notice sent in the manner required by this paragraph:

To U. T. Board:

Board of Regents of The University of Texas System  
Attn: General Counsel to the Board of Regents and Secretary  
201 West Seventh Street, Suite 820  
Austin, Texas 78701  
Tel. (512) 499-4402  
Fax. (512) 499-4425

To UTIMCO:

The University of Texas Investment Management Company  
Attn: ~~President and~~ CEO and Chief Investment Officer  
401 Congress Avenue, Suite 2800  
Austin, Texas 78701  
Tel. (512) 225-1600  
Fax. (512) 225-1660

**Section 18. Non-Assignability.**

This Agreement is personal to the parties hereto, and no assignment of this Agreement by UTIMCO, whether by contract, merger, consolidation, or operation of law, shall be made other than with the prior written consent of the U. T. Board and in compliance with applicable law.

**Section 19. No Waiver of Breach.**

A waiver of a breach of any provision of this Agreement shall not constitute a waiver of any subsequent breach of that provision or a breach of any provision hereof. Failure of either party to enforce at any time or from time to time any provision of this Agreement shall not be construed as a waiver thereof.

**Section 20. Indemnification.**

**(a) Agreements to Indemnify:**

To the fullest extent authorized by the Constitution and laws of the State of Texas, the U. T. Board shall indemnify and hold harmless each of the Indemnified Parties against any and all Losses, including Losses resulting from the negligence of the Indemnified Party claiming indemnification; provided, however, the U. T. Board shall not be obligated to indemnify an Indemnified Party against Losses to the extent such Losses are caused by (i) an act or omission that involves intentional misconduct or a knowing violation of law by the Indemnified Party claiming indemnification, (ii) a transaction

from which the Indemnified Party claiming indemnification received an improper benefit, (iii) an act or omission for which the liability of the Indemnified Party claiming indemnification is expressly provided by an applicable statute, or (iv) an act or omission constituting gross negligence by the Indemnified Party claiming indemnification; provided further that indemnification payments by the U. T. Board shall be paid from the same sources as the Annual Fee pursuant to Section 7.

(b) **Reimbursement:**

Each Indemnified Party shall reimburse the U. T. Board for payments made by the U. T. Board pursuant to this Section to the extent of any proceeds, net of all expenses of collection, actually received by it from any insurance with respect to any Loss. At the request and expense of the U. T. Board, each Indemnified Party shall have the duty to claim any such insurance proceeds and such Indemnified Party shall assign its rights to such proceeds, to the extent of such required reimbursement, to the U. T. Board.

(c) **Notice:**

In case any Claim shall be brought or, to the knowledge of any Indemnified Party, threatened against any Indemnified Party in respect of which indemnity may be sought against the U. T. Board, such Indemnified Party shall promptly notify the U. T. Board in writing; provided, however, that any failure so to notify shall not relieve the U. T. Board of its obligations under this Section.

(d) **Defense:**

The U. T. Board shall have the right to assume the investigation and defense of all Claims, including the employment of counsel and the payment of all expenses. Each Indemnified Party shall have the right to employ separate counsel in any such action and participate in the investigation and defense thereof, but the fees and expenses of such counsel shall be paid by such Indemnified Party unless (i) the employment of such counsel has been specifically authorized by the U. T. Board, in writing, (ii) the U. T. Board has failed to assume the defense and to employ counsel following due notice, or (iii) the named parties to any such action (including any impleaded parties) include both an Indemnified Party and the U. T. Board, and such Indemnified Party shall have been advised by counsel that there may be one or more legal defenses available to it which are different from or additional to those available to the U. T. Board (in which case, if such Indemnified Party notifies the U. T. Board in writing that it elects to employ separate counsel at the U. T. Board's expense, the U. T. Board shall not have the right to assume the defense of the action on behalf of such Indemnified Party; provided, however, that the U. T. Board shall not, in connection with any one action or separate but substantially similar or related actions in the same jurisdiction arising out of the same general allegation or circumstances, be liable for the reasonable fees and expenses of more than one separate firm of attorneys for the Indemnified Parties, which firm shall be designated in writing by such Indemnified Parties).

(e) **Cooperation; Settlement:**

Each Indemnified Party shall use reasonable efforts to cooperate with the U. T. Board in the defense of any action or Claim. The U. T. Board shall not be liable for any settlement of any action or Claim without its consent but, if any such action or Claim is settled with

the consent of the U. T. Board or there be final judgment for the plaintiff in any such action or with respect to any such Claim, the U. T. Board shall indemnify and hold harmless the Indemnified Parties from and against any Loss by reason of such settlement or judgment as provided in Subsection (a) of this Section.

**(f) Survival; Right to Enforce:**

The provisions of this Section shall survive the termination of this Agreement, and the obligations of the U. T. Board hereunder shall apply to Losses or Claims whether asserted prior to or after the termination of this Agreement. In the event of failure by the U. T. Board to observe the covenants, conditions and agreements contained in this Section, any Indemnified Party may take any action at law or in equity to collect amounts then due and thereafter to become due, or to enforce performance and observance of any obligation, agreement or covenant of the U. T. Board under this Section.

**Section 21. Claims By and Against Managed Assets.**

UTIMCO is authorized and empowered to seek, demand, collect, recover, and receive any and all sums of money, debts, dues, rights, property, effects, or demands due, payable, or belonging, or that may become due, payable, or belonging to the U. T. Board or any Fund from any person or persons as a result of any investment transaction and to execute any and all necessary or proper receipts, releases, and discharges therefor, and any other instruments as may be necessary or appropriate from time to time relating to the handling, management, control, and disposition of any investment.

The authority granted in this Section does not include the authority to institute litigation on behalf of the U. T. Board, any Fund, or any associated assets, or to settle contested claims or litigation that may result in receipt of less than full value for the claim or the payment of damages or awards. The settlement of any contested claim or litigation for less than full value requires the prior approval of the U. T. System Vice Chancellor and General Counsel and appropriate U. T. System officials, as set out in the Regents' *Rules and Regulations*.

**Section 22. Communications.**

UTIMCO and the U. T. System will assure that communications are clear and timely. UTIMCO will provide notice of actions taken in meetings of the UTIMCO Board and committees to members of the U. T. Board through the Office of the Board of Regents. U. T. will provide notice of actions taken by the U. T. Board related to UTIMCO issues to members of the UTIMCO Board of Directors through the ~~President and~~ CEO of UTIMCO.

**Section 23. Authority to Purchase, Exchange, and Sell Securities.**

UTIMCO may purchase, exchange, and sell, for and on behalf of the Permanent University Fund or the U. T. Board, any and all securities of any description whatever and from any source, including gifts and bequests, registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, external investment

managers appointed by UTIMCO may purchase, sell, or exchange securities, pursuant to written agreement with UTIMCO.

**Section 24. Authority to Assign and Transfer Securities.**

UTIMCO may assign and transfer any and all securities of any description whatever and from any source, including gifts and bequests, and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any securities registered in the name of the U. T. Board, or in any other form of registration of such securities held for the account of the U. T. Board in whatever manner, including all fiduciary capacities and including those registered in the names of trusts or foundations managed and controlled by said U. T. Board. In addition, Custodian banks appointed by UTIMCO may assign and transfer securities and execute any and all documents necessary to the consummation of any sale, assignment, or transfer of any security owned by the U. T. Board.

**Section 25. No Third Party Beneficiaries.**

UTIMCO and the U. T. Board each agree that there are no third party beneficiaries of this Agreement.

**Section 26. Governing Law.**

This Agreement and all matters arising under or related to it shall be governed by the Constitution and laws of the State of Texas. Venue for any action brought by any party hereto concerning the subject matter of this Investment Management Services Agreement shall be in Travis County, Texas.

BOARD OF REGENTS OF THE  
UNIVERSITY OF TEXAS SYSTEM

Date: \_\_\_\_\_

By \_\_\_\_\_  
Chairman

THE UNIVERSITY OF TEXAS INVESTMENT  
MANAGEMENT COMPANY

Date: \_\_\_\_\_

By \_\_\_\_\_  
Chairman

## Schedule A

### Funds

This Schedule A setting forth the Funds managed by UTIMCO pursuant to this Agreement as fiduciary on behalf of the U. T. Board, in which the Delegated Assets are to be invested as directed by the U. T. Board pursuant to its Investment Policies, may be amended from time to time by the U. T. Board in consultation with UTIMCO to add or remove Funds, change fund allocations, reflect revisions to the corresponding Investment Policies, or otherwise. The Funds covered under this Agreement as of the Effective Date of this Agreement, and the corresponding Investment Policies, are as follows:

- a. **Permanent University Fund**: The PUF (as defined in Section 1(e)(i)) will be separately invested in accordance with the PUF Investment Policy Statement.
- b. **Permanent Health Fund**: The PHF (as defined in Section 1(e)(iv)) will be separately invested in accordance with the PHF Investment Policy Statement.
- c. **Separately Invested Funds**: The SIFs (as defined in Section 1(e)(v)) will be separately invested in accordance with the SIF Investment Policy Statement.
- d. **Long Term Fund (“LTF”)**: The long-term pooled investment fund previously established by the U. T. Board for the collective investment of all endowment and other long-term funds of institutions of the U. T. System, with investments made in accordance with the LTF Investment Policy Statement.
- e. **General Endowment Fund (“GEF”)**: The pooled fund for the collective investment of long-term funds under the control and management of the U. T. Board. The PUF, PHF, LTF or other long-term funds may invest in the GEF as authorized by the U. T. Board in each Fund’s investment policy statement, and the GEF funds will be invested in accordance with the GEF Investment Policy Statement.
- ~~f. **Short Intermediate Term Fund (“SITF”)**: Selected U. T. System Funds (as defined in Section 1(e)(ii)) (other than endowment and other long term funds, including the Permanent University Fund) designated from time to time by the U. T. Board or its U. T. System staff designees will be collectively invested in the short intermediate term pooled investment fund governed by the SITF Investment Policy Statement.~~
- g.f. Short Term Fund (“STF”)**: Selected U. T. System Funds designated from time to time by the U. T. Board or its U. T. System staff designees will be invested in the STF, which is the money market mutual fund or funds approved by UTIMCO from time to time as an investment for U. T. System Funds, in accordance with the STF Investment Policy Statement.

~~**h. Institutional Index Funds:** The Institutional Index Funds currently comprise the following two index Funds:~~

~~(i) **The U.S. Debt Index Fund B**, a U.S. debt index fund which replicates the Lehman Brothers Aggregate Bond Index fund and is currently managed by Barelays Global Investors (BGI) for UTIMCO.~~

~~(ii) **The Equity Index Fund B**, an equity index fund which replicates the S&P 500 index and is currently managed by BGI for UTIMCO.~~

~~**i.g. The Intermediate Term Fund (“ITF”):** The ITF was established by the U. T. Board as a pooled fund for the collective investment of operating assets and other intermediate and long-term assets held by U. T. System institutions and U. T. System administration. The ITF will be invested in accordance with the ITF Investment Policy Statement.~~

8. **U. T. System Board of Regents: Adoption of Nineteenth Supplemental Resolution authorizing Revenue Financing System Bonds in an amount not to exceed \$950,000,000; authorization to complete all related transactions; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents

- a. adopt the Nineteenth Supplemental Resolution to the Master Resolution, containing terms in substantially the form approved by the Board of Regents on November 13, 2003, authorizing the issuance, sale, and delivery of Board of Regents of The University of Texas System Revenue Financing System Bonds in one or more installments in an aggregate principal amount not to exceed \$950,000,000 for the purpose of refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A; to provide new money to fund construction and acquisition costs of projects in the Capital Improvement Program (CIP); to current or advance refund certain outstanding Revenue Financing System Bonds to produce present value debt service savings; and to pay the costs of issuance and any original issue discount; and
- b. authorize appropriate officers and employees of the U. T. System as set forth in the Nineteenth Supplemental Resolution to take any and all actions necessary to carry out the intentions of the U. T. System Board of Regents, within the limitations and procedures specified therein, to make certain covenants and agreements in connection therewith; and to resolve other matters incident and related to the issuance, sale, security, and delivery of such Bonds.

The Chancellor also concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that, 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. System Board of Regents on February 14, 1991, amended on October 8, 1993, and August 14, 1997, and upon delivery of the Certificate of an Authorized Representative as required by Section 5 of the Master Resolution, the U. T. System Board of Regents resolves that

- a. 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; and

- b. the 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. System Board of Regents of tax-exempt parity debt.

### BACKGROUND INFORMATION

On February 14, 1991, the U. T. System Board of Regents adopted a Master Resolution establishing the Revenue Financing System (RFS) to create a cost-effective, System-wide financing structure for institutions of the U. T. System. Since that time, the Board has adopted 18 supplemental resolutions to provide debt financing for projects that have received the requisite U. T. System Board of Regents and Texas Higher Education Coordinating Board approvals.

On August 23, 2007, the Board of Regents approved the Eighteenth Supplemental Resolution authorizing \$675 million of RFS bonds for Fiscal Year 2007. Adoption of the Nineteenth Supplemental Resolution (Resolution) is necessary to provide bonding capacity for the remainder of Fiscal Year 2008 because the U. T. System Office of Finance was unexpectedly able to advance refund \$319 million of RFS Bonds, Series 2003B and Series 2004D bonds in December 2007, producing \$30.2 million of present value savings, or 9.5% of the refunded bonds.

This Resolution would also authorize the refunding of certain outstanding RFS Bonds provided that an advance refunding exceed a minimum 3% present value debt service savings threshold. An advance refunding involves issuing bonds to refund outstanding bonds in advance of the call date. Refunding bonds are issued at lower interest rates thereby producing debt service savings. Adoption of this Resolution will provide the flexibility to select the particular bonds to be refunded depending on market conditions at the time of pricing. The particular bonds to be refunded will be called for redemption on the first practical optional redemption date for each series of refunded bonds occurring after the delivery of the refunding bonds.

The Resolution authorizes refunding a portion of the outstanding Revenue Financing System Commercial Paper Notes, Series A, refunding certain outstanding RFS Bonds for savings, and new money to fund construction and acquisition costs of projects in the CIP. Generally, commercial paper debt is issued to fund projects during the construction phase and the debt is not amortized. Once construction is complete, the commercial paper is refunded with bonds. Depending on the level of interest rates at the time of pricing, outstanding commercial paper and new money for construction may be financed with long-term debt.

In addition, the Resolution authorizes remarketing, tender, auction, and broker-dealer agreements customarily utilized in connection with the types of variable rate instruments authorized.

The proposed Nineteenth Supplemental Resolution has been reviewed by outside bond counsel and the U. T. System Office of General Counsel.

Note: The Nineteenth Supplemental Resolution and forms of auction agreement and broker-dealer agreement contain terms that are substantially the same as those contained in the Thirteenth through Eighteenth Supplemental Resolutions and forms of auction agreement and broker-dealer agreement previously approved by the Board on November 13, 2003, for use as standard agreements. These documents have not been included as part of the Agenda materials, but are available upon request.

9. **U. T. System: Adoption of Resolution to Zurich American Insurance Company and affiliates, Schaumburg, Illinois, to guarantee payments under Phase V of The University of Texas System's Rolling Owner Controlled Insurance Program (ROCIP)**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and the Executive Vice Chancellor for Health Affairs that the resolution set forth below to Zurich American Insurance Company and affiliates, Schaumburg, Illinois, be adopted to guarantee payments under Phase V of The University of Texas System's Rolling Owner Controlled Insurance Program (ROCIP).

RESOLUTION

WHEREAS, Zurich American Insurance Company and affiliates (Zurich) will insure The University of Texas System (U. T. System) and other persons under Phase V of 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, Zurich will issue one or more workers' compensation insurance policies and comprehensive general liability insurance policies that contain deductibles of \$250,000 per claim subject to a maximum of \$375,000 per occurrence that include allocated costs and indemnity payments; however, such deductibles are subject to aggregate limits of \$12,500,000 for the ROCIP; and

WHEREAS, The U. T. System Board of Regents understands and agrees that this large deductible ROCIP requires the prompt reimbursement of sums advanced by Zurich to adjust or pay claims within the deductibles, and the Board desires to guaranty to Zurich the prompt reimbursement of the deductibles for the ROCIP.

NOW THEREFORE, BE IT RESOLVED, That the Board hereby guarantees to Zurich the prompt repayment of the sums advanced by Zurich 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 Zurich 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 U. T. System; and, be it further

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

### BACKGROUND INFORMATION

In 1994, the U. T. System Board of Regents adopted a resolution making a guaranty to Argonaut Southwest Insurance Company (Argonaut), Menlo Park, California, pertaining to the Owner Controlled Insurance Program (OCIP) for the Bertner Complex construction project at U. T. M. D. Anderson Cancer Center. This innovative program provided insurance coverage for the prime contractor and subcontractors for general liability, workers' compensation, excess liability, and builder's risk. The savings to the project as a result of purchasing insurance in this manner were in excess of \$1 million.

In 1997, with the success of the Bertner Complex OCIP, the U. T. System Board of Regents approved a similar resolution to Argonaut. The U. T. System decided to expand this program to include numerous construction projects at several U. T. System institutions. The ROCIP provided similar coverage for 19 projects totaling over \$200 million in construction values. The projected savings as of July 2007 are approximately \$1.6 million, but fluctuate depending on open claim activity.

In April 1999, the U. T. System began ROCIP Phase II, which extended the program for 22 projects totaling \$287 million in construction values. On February 10, 2000, the U. T. System Board of Regents adopted a resolution to satisfy the security requirement for ROCIP Phase II. The projected savings for this phase as of July 2007 are \$2.6 million, but fluctuate depending on open claim activity.

ROCIP Phase III began in July 2000 and included an additional 28 projects totaling \$1.1 billion in construction values. On August 10, 2000, the U. T. System Board of Regents adopted a resolution to satisfy the security requirements for ROCIP Phase III. The projected savings for this phase as of July 2007 are approximately \$3.6 million, but fluctuate depending on open claim activity.

Beginning in January 2004, Zurich American Insurance Company and affiliates provided Workers' Compensation and General Liability insurance for approximately 53 projects totaling approximately \$1.5 billion in construction values. If past savings are an indicator, the U. T. System anticipates that the savings for ROCIP IV will be significant.

ROCIP Phase V began in January 2008. Zurich was selected through a competitive process to provide Workers' Compensation and General Liability insurance for ROCIP Phase V. It is estimated that a minimum of \$800 million in construction values will be included in ROCIP Phase V over the next five years. The aggregate deductible limits are based on estimated payrolls for \$800 million in construction values. If payrolls exceed the estimate, the aggregate deductible limits may need to be increased.

The proposed resolution provides Zurich with assurances necessary to complete the ROCIP Phase V program. The proposed resolution will be provided to Zurich in lieu of a letter of credit, trust agreement, or cash.

#### **10. U. T. System: Report on the Supply Chain Alliance Strategic Initiative**

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, and Mr. Richard St. Onge, Assistant Vice Chancellor for Health Affairs, will report on the Supply Chain Alliance Strategic Initiative.

#### **REPORT**

Under the leadership of Mr. Richard St. Onge, this initiative has its beginnings in an advisory group formed in March 2006. It is currently a shared services purchasing and strategic sourcing project for the six health institutions. A pilot project was successfully completed, an Executive Committee (chaired by Dr. Kelley) and a Steering Committee (chaired by Mr. St. Onge) were created, and a detailed financial pro forma has been approved. The shared purchasing operation is located at U. T. M. D. Anderson Cancer Center, will be funded with an administrative fee paid by the suppliers, and is projected to create savings of at least \$5 million annually.

#### **Supplemental Materials:**

- **PowerPoint presentation on Pages 145 - 154 of Volume 2.**
- **Fisher Scientific Contract Highlights on Page 155 of Volume 2.**

B. CONVENE JOINT MEETING WITH AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

11. **U. T. System: Report on the Fiscal Year 2007 Annual Financial Report, including the report on the U. T. System Financial Statement audit work performed by institutional and U. T. System Administration internal audit**

## REPORT

Mr. Randy Wallace, Associate Vice Chancellor, Controller and Chief Budget Officer, will discuss the 2007 Annual Financial Report (AFR) highlights.

Mr. Charles Chaffin, Chief Audit Executive, will report on the financial audit work performed on the U. T. System Financial Statements by internal audit System-wide.

The U. T. System Consolidated Financial Statements for the Years Ended August 31, 2007 and 2006 includes the Management's Discussion and Analysis that provides an overview of the financial position and activities of the U. T. System for the year ended August 31, 2007.

### **Supplemental Materials:**

- **Mr. Wallace's PowerPoint presentation on Pages 156 - 173 of Volume 2.**
- **Mr. Chaffin's PowerPoint presentation on Pages 174 - 178 of Volume 2.**
- **Annual Financial Report on Pages 179 - 263 of Volume 2.**

## BACKGROUND INFORMATION

The Annual Financial Report is required to be filed with the State Comptroller of Public Accounts annually on November 20 and is prepared in compliance with *Texas Government Code* Section 2101.011, requirements established by the State Comptroller of Public Accounts and Governmental Accounting Standards Board (GASB) pronouncements.

On April 16, 2007, the U. T. System Board of Regents expressed confidence in the financial audit work that could be performed by the institutional and U. T. System auditors. As a result of that decision, the System Audit Office developed a plan to oversee and coordinate the internal audit of the U. T. System consolidated Financial Statements for the fiscal year ended August 31, 2007.



**TABLE OF CONTENTS  
FOR  
AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW  
COMMITTEE**

**Committee Meeting: 2/6&7/2008**

**Board Meeting: 2/7/2008**  
Edinburg, Texas

*Robert A. Estrada, Chairman*  
*Paul Foster*  
*Colleen McHugh*  
*Robert B. Rowling*

**Wednesday, February 6, 2008**

	<b>Committee Meeting</b>	<b>Board Meeting</b>	<b>Page</b>
<b>A. CONVENE JOINT MEETING WITH FINANCE AND PLANNING COMMITTEE</b>	<i>6:00 p.m.</i> <i>Chairmen</i> <i>Estrada and</i> <i>Rowling</i>		
1. <b>U. T. System: Report on the Fiscal Year 2007 Annual Financial Report, including the report on the U. T. System Financial Statement audit work performed by institutional and U. T. System Administration internal audit</b>	<i>6:00 p.m.</i> <b>Report</b> <i>Mr. Wallace</i> <i>Mr. Chaffin</i>	Not on Agenda	<b>140</b>
<b>B. ADJOURN JOINT MEETING</b>	<i>6:15 p.m.</i>		

**Thursday, February 7, 2008**

<b>C. RECONVENE AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE</b>	<i>9:00 a.m.</i>		
2. <b>U. T. System Board of Regents: Approval to renew the contract with Deloitte &amp; Touche, LLP, as the external auditor for the Fiscal Year 2008 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)</b>	<i>9:00 a.m.</i> <b>Action</b> <i>Chairman</i> <i>Estrada</i>	<b>Action</b>	<b>140</b>
3. <b>U. T. System Board of Regents: Approval of proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)</b>	<i>9:02 a.m.</i> <b>Action</b> <i>Chairman</i> <i>Estrada</i>	<b>Action</b>	<b>141</b>

- |    |   |   |                  |            |
|----|---|---|------------------|------------|
| 4. | <b>U. T. Brownsville: Report on the Internal Audit Department, including the Student Health Services Audit</b>  | 9:04 a.m.<br><b>Report</b><br><i>Ms. Norma Ramos,<br/>U. T. Brownsville</i>   | Not on<br>Agenda | <b>142</b> |
| 5. | <b>U. T. System: Report on the System-wide internal audit activities, including the Presidential Travel, Entertainment, and Housing Expense Audits</b>  | 9:10 a.m.<br><b>Report</b><br><i>Mr. Chaffin</i>  | Not on<br>Agenda | <b>142</b> |
| 6. | <b>U. T. System: Report on System-wide institutional compliance activities, including the Institutional Compliance Advisory Council, and Institutional Compliance Program report for U. T. Pan American</b>   | 9:13 a.m.<br><b>Report</b><br><i>Mr. James Langabeer,<br/>U. T. Pan American<br/>Ms. Karen Parsons,<br/>U. T. Health Science Center –<br/>Houston<br/>Mr. Chaffin</i> | Not on<br>Agenda | <b>147</b> |
| 7. | <b>U. T. System: Report on Conflicts of Interest Policy</b>   | 9:25 a.m.<br><b>Report</b><br><i>Mr. Burgdorf</i>   | Not on<br>Agenda | <b>147</b> |
| D. | <b>RECESS TO EXECUTIVE SESSION PURSUANT TO TEXAS GOVERNMENT CODE, CHAPTER 551</b>   | 9:30 a.m.   |                  |            |
| 1. | Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074<br><br><b>U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions</b> |   |                  |            |
| E. | <b>RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND ADJOURN</b>   | 10:00 a.m.  |                  |            |

1. **U. T. System: Report on the Fiscal Year 2007 Annual Financial Report, including the report on the U. T. System Financial Statement audit work performed by institutional and U. T. System Administration internal audit**

See Item 11 on Page 139 of the Finance and Planning Committee.

2. **U. T. System Board of Regents: Approval to renew the contract with Deloitte & Touche, LLP, as the external auditor for the Fiscal Year 2008 audit of funds managed by The University of Texas Investment Management Company (UTIMCO)**

### RECOMMENDATION

Committee Chairman Estrada recommends approval to renew the auditing services contract with Deloitte & Touche, LLP, to (1) perform audits of the financial statements, (2) audit and report on management's assessment of the internal controls over financial reporting, and (3) audit the performance statistics for the fiscal year ending August 31, 2008, for the funds managed by The University of Texas Investment Management Company (UTIMCO) as listed below:

- a. Permanent University Fund (PUF)
- b. The University of Texas System General Endowment Fund (GEF)
- c. Permanent Health Fund (PHF)
- d. The University of Texas System Long Term Fund (LTF)
- e. The University of Texas System Intermediate Term Fund (ITF)

### BACKGROUND INFORMATION

Fiduciary responsibility for the PUF, GEF, PHF, LTF, and ITF (the Funds) rests with the U. T. System Board of Regents. *Texas Education Code* Section 66.08(f) requires that the U. T. System provide for an annual financial audit of the PUF if the PUF is within the scope of funds managed by an external management corporation.

The Funds were audited by Deloitte & Touche, LLP, on an annual basis from UTIMCO's inception in 1996 through Fiscal Year 2002. On July 7, 2003, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Ernst & Young, LLP, for one year with a right to renew in one-year increments for

four years. The contract was renewed by the Board of Regents on February 4, 2004, February 10, 2005, February 9, 2006, and February 8, 2007.

Ernst & Young, LLP, notified UTIMCO on April 13, 2007, that the firm had declined to perform the audit of the investment funds managed by UTIMCO for the year ending August 31, 2007. Stating that the reason for its decision was not unique to UTIMCO, the firm noted that, due to its interpretation of recent industry auditing changes, it was not possible to conduct a cost-effective audit approach for endowments similar to UTIMCO's that hold significant alternative investments with different year ends from the endowment year end. The firm noted the inherent delay between the reporting of valuations for certain alternative investments, which are audited at calendar year end, and the August 31, 2007, effective date of the investment funds' audit, could create associated risks.

Accordingly, U. T. System issued a Request for Qualifications (RFQ) to select new outside auditors for the Funds managed by UTIMCO and written proposals were received on June 4, 2007, from two firms: Deloitte & Touche, LLP, and Weaver and Tidwell, LLP.

On July 11, 2007, the Board of Regents authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche, LLP, for one year with a right to renew in one-year increments for four additional years.

3. **U. T. System Board of Regents: Approval of proposed appointment of members to the Audit and Ethics Committee of The University of Texas Investment Management Company (UTIMCO)**

**RECOMMENDATION**

The University of Texas Investment Management Company (UTIMCO) Board of Directors will make recommendations to the U. T. System Board of Regents for the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors.

Members are expected to be appointed by the UTIMCO Board of Directors on January 30, 2008.

**BACKGROUND INFORMATION**

Section 66.08 of the *Texas Government Code* requires that the U. T. System Board of Regents approve the appointment of members of the Audit and Ethics Committee of the UTIMCO Board of Directors.

4. **U. T. Brownsville: Report on the Internal Audit Department, including the Student Health Services Audit**

REPORT

Ms. Norma Ramos, Director of Internal Audits, U. T. Brownsville, will present an overview of the internal audit department and the results of the Student Health Services (SHS) audit. Most U. T. System institutions have a student health center on campus to provide certain health services to students and, in some cases, to faculty and staff. These services include basic health care, immunizations, reproductive services, and other routine health services. These centers are operated by physicians, advanced practice nurses, and other professionals and are generally funded in part through a student health fee. Ms. Ramos performed an audit to provide assurance that SHS was in compliance with policies, procedures, laws, and regulations that could have a significant impact on operations and to provide assurance that existing internal controls over SHS are adequate. The audit identified significant compliance issues with several regulations applicable to SHS and significant internal control deficiencies in financial, operational, and administrative processes.

**Supplemental Materials: PowerPoint presentation on Pages 264 - 267 of Volume 2.**

5. **U. T. System: Report on the System-wide internal audit activities, including the Presidential Travel, Entertainment, and Housing Expense Audits**

REPORT

Mr. Charles Chaffin, Chief Audit Executive, will report on the results of the Presidential Travel, Entertainment, and Housing Expense audits conducted at each institution and U. T. System Administration.

Mr. Chaffin will also report on System-wide audit activity for the first quarter of Fiscal Year 2008, including the status of significant audit findings and related recommendations.

The first quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 144 - 145. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. A list of other audit reports that have been issued by the System-wide audit program follows on Page 146.

## BACKGROUND INFORMATION

Significant audit findings/recommendations are submitted to and tracked by the U. T. System Audit Office. Quarterly, the chief business officers are asked for the status of implementation, which is verified by the internal audit directors. A quarterly summary report is provided to the Audit, Compliance, and Management Review Committee of the U. T. System Board of Regents. Additionally, the Committee members receive a detailed summary of "new" significant findings and related recommendations quarterly.

THE UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	4th Quarter 2007		1st Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-05	UTARL	General IT Controls – Planning and Organization		1		1	8/31/2008	Satisfactory
2007-06	UTARL	Implementation Progress of UTS 163: Guidance on Effort Reporting Policies		1		1	2/28/2008	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers		3		3	8/31/2008	Satisfactory
2007-07	UTARL	Animal Subjects Research Audit		1		0	12/31/2007	Implemented
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies		1		1	8/31/2008	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)		1		1	12/31/2007	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	2/28/2008	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	8/31/2008	Satisfactory
2004-10	UTB	Physical Plant		2		2	2/28/2008	Satisfactory
2007-06	UTB	Student Health Services		8		0	2/28/2008	Implemented
2007-06	UTB	Research Centers		1		0	8/31/2007	Implemented
2007-11	UTD	Contracts & Grants – Unallowable Costs & Reporting Requirements Monitoring Plans		1		1	2/28/2008	Satisfactory
2007-01	UTD	Annual Financial Report Audit		1		1	4/30/2008	Satisfactory
2007-06	UTD	Waterview Park Phases V-IX		1		0	11/30/2007	Implemented
2005-05	UTEP	Office of the Registrar		1		1	1/31/2008	Satisfactory
2007-02	UTEP	Campus-wide Information Technology Applications		5		5	1/30/2008	Satisfactory
2007-11	UTEP	Decentralized Server Security		1		8	6/30/2008	Satisfactory
2007-05	UTPA	Grants & Contracts - Cost Sharing		1		0	10/31/2007	Implemented
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies		2		1	2/28/2008	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	3/1/2008	Satisfactory
2007-09	UTSA	Texas Administrative Code 202 Compliance		1		1	3/1/2008	Satisfactory
2006-05	UTSMC - Dallas	Accounts Payable		1		1	12/31/2007	Satisfactory
2006-09	UTSMC - Dallas	Hospital Compliance Program		1		0	11/30/2007	Implemented
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	2/29/2008	Satisfactory
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		1		1	2/29/2008	Satisfactory
2006-11	UTMB - Galveston	Wireless Access		1		0	11/30/2007	Implemented
2006-10	UTHSC - Houston	Patient Registration		1		0	12/1/2007	Implemented
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		1		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Medical School Charge Capture Processes		1		1	1/31/2008	Satisfactory
2007-05	UTHSC - Houston	Security of Credit Card Data		5		2	8/31/2008	Satisfactory
2007-11	UTHSC - Houston	Protection of Social Security Numbers		1		2	5/1/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	4/30/2008	Satisfactory
2007-06	UTHSC - San Antonio	Protection of Digital Research Data		2		2	1/30/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory
2006-09	UTMDACC - Houston	Centralized Backup, Storage and Recovery		2		2	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest		5		5	2/28/2008	Satisfactory
2007-10	UTMDACC - Houston	Research Compliance Design Review				2	8/31/2008	Satisfactory
2007-09	UTMDACC - Houston	Maintenance and Security of Biological Research Materials				2	2/28/2008	Satisfactory
2005-04	UTHC - Tyler	Texas Administrative Code 202 Compliance		1		1	2/28/2008	Satisfactory
2005-11	UTHC - Tyler	IT Security Audit of Meditech and Lake Superior Software Patient Information Systems		1		0	12/31/2007	Implemented
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment		1		1	2/28/2008	Satisfactory
2005-12	UTSYS ADM	System-wide Financial Audit		3		1	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		3		2	3/31/2008	Satisfactory
<b>Totals</b>							<b>59</b>	
							<b>66</b>	

THE UNIVERSITY OF TEXAS SYSTEM  
Status of Outstanding Significant Findings/Recommendations

Report Date	Institution	Audit	4th Quarter 2007		1st Quarter 2008		Targeted Implementation Date	Overall Progress Towards Completion (Note)
			Ranking	# of Significant Findings	Ranking	# of Significant Findings		
2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		2		2	2/28/2008	Satisfactory Implemented
2004-02	UTSA	Financial Review		1		0	12/31/2007	Satisfactory
2006-02	UTTY	2006 Single Audit-Financial Aid Cluster		1		1	1/31/2008	Satisfactory
2006-02	UTMB - Galveston	Federal Portion of Statewide Single Audit FY 2005		2		1	12/31/2007	Satisfactory
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	12/31/2007	Satisfactory
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		2	Date Pending	Satisfactory
2002-11	UTMDACC - Houston	Security Over Protected Health Information		1		1	8/31/2010	Satisfactory
2006-08	UTSYS ADM	Construction Management at the University of Texas at Austin				0	8/31/2007	Implemented
2007-05	UTSYS ADM	Charity Care at Health-Related Institutions				1	1/31/2009	Satisfactory
Totals				10		9		

**STATE AUDITOR'S OFFICE AUDITS**

**Color Legend:**

- Either a new significant finding for which corrective action will be taken in the subsequent quarter OR a previous significant finding for which no/limited progress was made towards implementation.
- Significant finding for which substantial progress towards implementation was made during the quarter that the significant finding was first reported.
- Significant finding for which substantial progress towards implementation was made during the quarter.
- Significant Finding was appropriately implemented during the quarter and will no longer be tracked.

**Note:**

- Implemented** - The Internal Audit Director deems the significant finding has been appropriately addressed/resolved and should no longer be tracked.
- Satisfactory** - The Internal Audit Director deems that the significant finding is in the process of being addressed in a timely and appropriate manner.
- Unsatisfactory** - The Internal Audit Director deems that the significant finding is NOT being addressed in a timely and appropriate manner.

U. T. SYSTEM-WIDE INTERNAL AUDIT AND STATE AUDITORS' OFFICE AUDIT REPORTS

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 9/2007 through 11/2007	
Institution	Audit
UTARL	Biosafety Research Audit
UTARL	President's Travel, Entertainment, and Housing Expenditures Audit
UTD	Environmental Health and Safety (EHS) Audit
UTEP	Animal Research Program Audit
UTEP	Protecting the Confidentiality of Social Security Numbers
UTEP	Center for Inter-American and Border Studies
UTSA	Campus Security Follow-Up
UTSA	President's Travel, Entertainment, and Housing Expenses Audit
UTTY	Campus Security Department Audit
UTTY	Annual Financial Report (AFR) Audit
UTTY	President's Travel, Entertainment, Housekeeping and Other Expenses Audit
UTSMC - Dallas	Pharmacology Review
UTSMC - Dallas	Orthopaedic Surgery Audit
UTSMC - Dallas	Department of Anesthesiology and Pain Management Audit
UTSMC - Dallas	Physician Billing and Collections
UTSMC - Dallas	Billing Compliance Program
UTSMC - Dallas	Information System Interfaces
UTMB - Galveston	Confidentiality of Digital Research Data Audit
UTMB - Galveston	State Auditor's Office A-133 Audit Follow-Up
UTMB - Galveston	Student Financial Aid Audit
UTMB - Galveston	Human Resources Audit Follow-Up
UTMB - Galveston	PeopleSoft Human Capital Management - Post Implementation Audit
UTMB - Galveston	Healthcare Systems Payroll Processing Review
UTMB - Galveston	Office of the President Change in Management Audit
UTMB - Galveston	Revenue Cycle Clinic Pharmacy Product Review
UTHSC - Houston	Internal Medicine Change in Management Audit
UTHSC - Houston	Endowment Compliance Report
UTHSC - Houston	Protection of Research Data Report
UTHSC - Houston	Determination of Indigent Care Status Report
UTHSC - Houston	Follow-Up on Open Recommendations
UTHSC - Houston	Presidential Travel and Entertainment Audit
UTHSC - San Antonio	Decentralized Grants Administration
UTHSC - San Antonio	Payment Card Industry Data Security Standards Audit
UTHSC - San Antonio	Regional Academic Health Center (RAHC) Funds Management
UTHSC - San Antonio	President's Travel, Entertainment, and Housing Expenditures Audit
UTMDACC - Houston	Medical Billing Compliance Design Review
UTMDACC - Houston	Pharmacy Inventory Review Phase II
UTMDACC - Houston	Payroll Services Review
UTMDACC - Houston	Effort Reporting Status Update
UTMDACC - Houston	Texas Administrative Code (TAC) 202 Audit
UTMDACC - Houston	Siemanes Building Automation (Apogee and Staefa) Application Security Review
UTMDACC - Houston	Cirius Prebill Application Security Review
UTMDACC - Houston	Protecting the Confidentiality of Social Security Numbers
UTMDACC - Houston	Payment Card Industry Data Security Standards Audit
UTMDACC - Houston	Communication of Critical Results
UTHC - Tyler	Research Compliance Design Review
UTSYS ADM	Office of Technology and Information Services Change in Management Audit
UTSYS ADM	Chancellor's Travel, Entertainment, and Housing Expenses Audit
UTSYS ADM	Chesapeake Energy Corporation Audit
UTSYS ADM	Project Costs of The University of Texas Health Science Center - San Antonio Academic and Administration Building as Managed by the Office of Facilities Planning and Construction
UTSYS ADM	The University of Texas Investment Management Company Chief Executive Officer's Expenses Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 9/2007 through 11/2007	
Institution	Audit
NONE	NONE

6. **U. T. System: Report on System-wide institutional compliance activities, including the Institutional Compliance Advisory Council, and Institutional Compliance Program report for U. T. Pan American**

REPORT

Mr. James Langabeer, Vice President for Business Affairs and Institutional Compliance Officer at U. T. Pan American, will present an overview of the institutional compliance program at U. T. Pan American.

Ms. Karen Parsons, Director, Institutional Compliance, U. T. Health Science Center - Houston, will report on the activities of the System-wide Institutional Compliance Advisory Council.

Mr. Charles Chaffin, System-wide Compliance Officer, will report on the first quarter Fiscal Year 2008 report of the System-wide Compliance Program. Institutional activity reports are presented to the Committee on a quarterly basis. The last activity reports were sent on January 18, 2008.

**Supplemental Materials:**

- **U. T. Pan American Compliance Program PowerPoint presentation on Pages 268 - 271 of Volume 2.**
- **System-wide Institutional Compliance Advisory Council PowerPoint presentation on Pages 272 - 275 of Volume 2.**
- **First quarter report of the System-wide Compliance Program on Pages 276 - 279 of Volume 2.**

7. **U. T. System: Report on Conflicts of Interest Policy**

REPORT

Mr. Barry Burgdorf, Vice Chancellor and General Counsel, will report on the new U. T. System Administration Conflicts of Interest Policy. The law passed by the 80th Legislature requires each state agency to adopt a written ethics policy for its employees consistent with the standards of conduct provided by State law. This policy provides an executive summary of conflict of interest laws, rules, and policies. It is also the basis for a model ethics policy that may be used by the U. T. System institutions.

**Supplemental Materials: INT160 Conflicts of Interest Policy on Pages 280 - 290 of Volume 2.**



**TABLE OF CONTENTS  
FOR  
STUDENT, FACULTY, AND STAFF CAMPUS LIFE  
COMMITTEE**

**Committee Meeting: 2/7/2008**  
Edinburg, Texas

*James D. Dannenbaum, Chairman*  
*John W. Barnhill, Jr.*  
*Printice L. Gary*  
*James R. Huffines*  
*Michael Swindle, Chair, Employee Advisory Council*  
*Ted Pate, Chair, Faculty Advisory Council*  
*Tommy Thompson, Chair, Student Advisory Council*

	<b>Committee Meeting</b>	<b>Page</b>
<b>Convene</b>	9:00 a.m. <i>Chairman Dannenbaum</i>	
<b>1. U. T. Pan American: Overview of the Institution</b>	9:00 a.m. <b>Report</b> <i>President Cárdenas</i>	<b>148</b>
<b>2. U. T. System: National developments in accountability and accreditation</b>	9:30 a.m. <b>Report</b> <i>Dr. Malandra</i>	<b>148</b>
<b>3. U. T. System: Report on the National Survey of Student Engagement (NSSE)</b>	9:45 a.m. <b>Report</b> <i>Dr. Baldwin</i>	<b>148</b>
<b>Adjourn</b>	10:00 a.m.	

1. **U. T. Pan American: Overview of the Institution**

President Cárdenas will discuss transformative activities at U. T. Pan American during the last three years and outline projections for the future.

**Supplemental Materials: PowerPoint presentation on Pages 291 - 301 of Volume 2.**

2. **U. T. System: National developments in accountability and accreditation**

REPORT

Dr. Geri H. Malandra, Vice Chancellor for Strategic Management, will provide a brief report on recent national developments in accountability and accreditation and the U. T. System's leadership and success in developing a robust framework to assess student outcomes. These developments include the focus on documenting student outcomes in a new, national "voluntary system of accountability" in which all U. T. System academic institutions will participate and the success that U. T. System institutions are experiencing in regional accreditation reviews by the Southern Association of Colleges and Schools.

**Supplemental Materials: Report on Pages 302 - 305 of Volume 2.**

3. **U. T. System: Report on the National Survey of Student Engagement (NSSE)**

Dr. Edward Baldwin, Research and Policy Analyst in the Office of Academic Affairs, will report on the results of the 2007 National Survey of Student Engagement (NSSE) and uses of the survey on campuses.

REPORT

Begun in 1998, the National Survey of Student Engagement (NSSE) is a survey instrument, administered to a random sample of first year and senior year students. U. T. System academic institutions have participated in the last seven surveys. The survey solicits information on all aspects of the college experience from time spent preparing for class to relationships with faculty members, administrators, and fellow students to the kinds of "mental activities" emphasized in course work. NSSE participant schools closely resemble the national profile of four-year colleges and universities in all areas. The survey has received national attention and some call for it to be made public (*US News & World Report*, U.S. Department of Education).

**Supplemental Materials: Presentation on Pages 306 - 326 of Volume 2.**