SCHEDULE OF EVENTS
FOR
BOARD OF REGENTS' MEETING

November 4-5, 2015
Austin, Texas

U. T. System Administration, Ashbel Smith Hall, 9th Floor, 201 West Seventh Street
Office of the Board of Regents: 512.499.4402

Wednesday, November 4, 2015

Health Affairs Committee	*9:00 a.m.*
Audit, Compliance, and Management Review Committee	*10:00 a.m.*
Academic Affairs Committee	*11:00 a.m.*
Facilities Planning and Construction Committee	*11:30 a.m.*
Lunch	*12:00 p.m.*
Technology Transfer and Research Committee	*12:30 p.m.*
Finance and Planning Committee	*1:00 p.m.*
Meeting of the Board - Open Session *Including meeting with the Employee Advisory Council*	*2:15 p.m.*
Meeting of the Board - Possible Executive Session	*3:15 p.m. approximately*
Recess	*4:00 p.m. approximately*

Thursday, November 5, 2015

Meeting of the Board - Open Session	*8:30 a.m.*
Recess to Executive Session and Working Lunch	*10:15 a.m. approximately*
Meeting of the Board - Open Session	*12:30 p.m. approximately*
Adjourn	*1:30 p.m. approximately*

REVISED 10/30/2015

AGENDA
FOR MEETING OF
THE UNIVERSITY OF TEXAS SYSTEM
BOARD OF REGENTS

November 4-5, 2015
Austin, Texas

	Board Meeting	Page
Wednesday, November 4, 2015		
COMMITTEE MEETINGS	*9:00 a.m.- 2:15 p.m.*	
CONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEM	*2:15 p.m.*	
1. U. T. System: Annual Meeting with Officers of U. T. System Employee Advisory Council	**Report/Discussion** *Ms. Kimberly Coleman, Chair*	5
RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551	*3:15 p.m. approximately*	
Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072		
U. T. System: Discussion and appropriate action regarding proposed purchase of approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard		
RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEM AND TO RECESS	*4:00 p.m. approximately*	

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Thursday, November 5, 2015		
RECONVENE THE BOARD IN OPEN SESSION TO CONSIDER AGENDA ITEMS	*8:30 a.m.*	
2. U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board	*8:35 a.m.* **Action**	8
3. U. T. System: Presentation of Chancellor William H. McRaven's Strategic Vision and Mission for The University of Texas System	*8:40 a.m.* **Report/Discussion** *Chancellor McRaven*	9
4. U. T. System Board of Regents: Authorization for the Chancellor to submit Report Concerning Designated Tuition	*9:40 a.m.* **Action** *Mr. Wallace*	10

	Board Meeting	**Page**
5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment of Regents' *Rules and Regulations*, Rule 10101 (Board Authority and Duties) to add a new Section 3.6 to reflect new state law requirements for Board member training	*9:45 a.m.* **Action**	**11**
6. U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision of Regents' *Rules and Regulations*, Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships to add language required by new state law	*9:50 a.m.* **Action**	**12**
STANDING COMMITTEE RECOMMENDATIONS AND REPORTS TO THE BOARD	*9:55 a.m. approximately*	
RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551 (working lunch at noon)	*10:15 a.m. approximately*	
1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees – Section 551.074		
a. U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed increase in compensation for Donna K. Sollenberger, Executive Vice President and Chief Executive Officer, Health System (Regents' *Rules and Regulations*, Rule 20204, regarding compensation for highly compensated employees)		
b. U. T. System: Discussion and appropriate action regarding individual personnel matters relating to appointment, employment, evaluation, compensation, assignment, and duties of presidents (academic and health institutions), U. T. System Administration officers (Executive Vice Chancellors and Vice Chancellors), other officers reporting directly to the Board (Chancellor, General Counsel to the Board, and Chief Audit Executive), members of the Board of Regents, and U. T. System and institutional employees		
2. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073		
a. U. T. Dallas: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features		
b. U. T. Rio Grande Valley: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features		
c. U. T. San Antonio: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features		
d. U. T. Medical Branch - Galveston: Discussion and appropriate action regarding proposed negotiated gifts with potential naming features		

	Board Meeting	**Page**
3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072		
a. U. T. Southwestern Medical Center: Discussion and appropriate action to lease and purchase from Hammes Company, a build-to-suit medical office building and ambulatory surgical center with approximately 250,000 square feet of space on the east side of Dallas North Tollway and north of Lebanon Road, Frisco, Collin County, Texas, for clinical use	*President Podolsky* *Mr. Tames* *Mr. Ed Walts*	
b. U. T. System: Discussion and appropriate action regarding proposed purchase of approximately 332 acres of land in Houston, Harris County, Texas, comprised of various tracts of land generally located south of West Bellfort Avenue, east of South Main Street, and north of Holmes Road, and in the vicinity of Buffalo Speedway and Willowbend Boulevard		
4. 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		
b. U. T. System Board of Regents: Discussion and appropriate action regarding legal issues concerning purchasing and procurement, including implementation of Senate Bill 20		
c. U. T. System Board of Regents: Discussion and appropriate action concerning legal issues related to litigation styled *Hall v. McRaven*		
d. U. T. System: Discussion and appropriate action regarding legal issues related to the ruling in Attorney General Open Records Letter Ruling No. OR2015-22333 requiring release of information subject to the attorney-client privilege		
RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND TO CONSIDER AGENDA ITEMS	*12:30 p.m. approximately*	
7. U. T. System Board of Regents: Discussion and appropriate action regarding purchasing and procurement policies, including implementation of Senate Bill 20	*12:45 p.m.* **Action** *Dr. Kelley*	**13**
8. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment of Regents' *Rules and Regulations*, Rule 20901, regarding Procurement of Certain Goods and Services, to add a new Section 1 to incorporate new state law requirements	*1:15 p.m.* **Action**	**14**
ADJOURN	*1:30 p.m. approximately*	

1. U. T. System: Annual Meeting with Officers of U. T. System Employee Advisory Council

REPORT

Representatives of the U. T. System Employee Advisory Council will meet with the Board to discuss the Council's activities from the past year, as set forth on the following pages. Council members scheduled to attend are:

Chair 2015: Ms. Kimberly Coleman, Senior Administrative Associate, U. T. Southwestern Medical Center

Vice Chair: Mr. Ryan Baldwin, Senior Information Technology Manager, U. T. Austin

Secretary: Ms. Karla Crabtree, Director of Human Resources, U. T. Health Science Center - Houston

Historian: Mr. Philip Abraham, Diagnostic Imaging Department Administrator, U. T. M. D. Anderson Cancer Center

BACKGROUND INFORMATION

The U. T. System Employee Advisory Council (EAC) was established in August 2000 to provide a vehicle for communication and to facilitate the flow of ideas and information between and among the Board of Regents, U. T. System Administration, and the institutions. The EAC functions to define, analyze, and make recommendations on employee issues to the Board through the Chancellor.

THE UNIVERSITY OF TEXAS SYSTEM
EMPLOYEE ADVISORY COUNCIL
REPORT
TO THE BOARD OF REGENTS
THE UNIVERSITY OF TEXAS SYSTEM

The following is a brief listing of the recommendations submitted by the U. T. System Employee Advisory Council (EAC) to the U. T. System Board of Regents.

Recommendation No. 1: Employee Enrichment and Return on Investment: Satisfaction, Retention, and Productivity

The EAC recommends U. T. System institutions and U. T. System Administration review the feasibility and development of enterprise-wide contract(s) for on-demand online learning services. The EAC also recommends an emphasis on training opportunities be made a top priority for all institutions to retain talented employees, increase employee satisfaction, and strengthen productivity.

Research studies show a well-trained workforce results in improved employee retention, increased employee satisfaction, and higher productivity. Employees across the U. T. System have an unmet need for on-demand training opportunities to enhance job skills and performance. Providing on-demand training opportunities will not only support each U. T. System institution in its mission and strategic commitment to employee development, but will also aid to improve work quality, enhance customer service, and enrich lifelong learning.

In Fall 2014, the EAC conducted a survey assessing which of the 15 U. T. System institutions and U. T. System Administration offered organizational development and training to their employees. EAC learned 13 institutions and U. T. System Administration offered some form of leadership and/or developmental training curriculum. The methods of delivery varied amongst the institutions with the primary setting being a classroom or seminar. The exceptions to this style are U. T. Southwestern Medical Center, U. T. Health Science Center - Houston, and U. T. Austin. These institutions not only provide a classroom or seminar setting, but they also offer a web-based e-learning module that allows employees to access programs at offsite locations and on their own time. The two main online learning companies used are Skillsoft and lynda.com. Both e-learning tools feature courses from across multiple disciplines to provide the employee with a wide variety of instructor-led courses, online learning, certification courses, books, videos, and additional reference materials. Currently, these resources are only available to employees at the respective institutions. If resources like these were made available to all U. T. System institutions by way of an enterprise license contract Systemwide, there would be more of a uniformed approach to training and organizational development, while specific institution support and needs are still met and maintained.

Recommendation No. 2: Employee Wellness

The EAC recommends the executive leadership at each U. T. System institution and U. T. System Administration support a culture of wellness by implementing at least one portion of H.B. 1297 as detailed below:

- Allow employees the use of 30 minutes, three times per week, during work hours to complete some form of physical activity. A survey conducted by the Texas Department of State Health Services in November 2014 found that 62% of respondents allow their employees the use of 30 minutes during the workday, three times per week, for physical activity.
- Support and encourage greater development of ongoing wellness initiatives and support employee participation in those initiatives.
- Implement an institutional policy of allowing up to eight hours of additional paid leave time each year for employees who receive a physical examination, provide documentation, and complete an online health risk assessment supported by either U. T. System or by a worksite wellness coordinator.

The EAC took an in-depth look at UT Select members and dependents. The review indicated that 5% of members account for almost 60% of all medical claims. The most prevalent chronic conditions include hypertension, diabetes, obesity, and asthma. Several of these conditions can be treated successfully with diet and regular exercise.

With that knowledge, EAC reviewed the details of the State Employees Health Fitness and Education Act of 1983 amended by Acts 2007, 80th Legislature, Regular Session, Chapter 665 (H.B. 1297), Section 2, effective September 1, 2007, referenced as H.B. 1297, and its implementation at all U. T. System institutions. Research found the spirit of H.B. 1297 is in place at all U. T. System institutions but improvements to the programs as implemented at each institution can be made. State agencies, other four-year state institutions of higher education, and community college districts were polled and all have implemented some parts of H.B. 1297. EAC gathered this data and provided it to the U. T. System Manager of Wellness Programs.

2. U. T. System Board of Regents: Approval of Consent Agenda items and consideration of any items referred to the full Board

RECOMMENDATION

The Board will be asked to approve the Consent Agenda items located at the back of the book under the Consent Agenda tab and will discuss any items referred for consideration by the full Board.

3. U. T. System: Presentation of Chancellor William H. McRaven's Strategic Vision and Mission for The University of Texas System

PRESENTATION

Chancellor McRaven will present his strategic vision and mission for The University of Texas System.

4. U. T. System Board of Regents: Authorization for the Chancellor to submit Report Concerning Designated Tuition

RECOMMENDATION

It is requested that the Board of Regents grant authority to the Chancellor to submit on its behalf the "Report Concerning Designated Tuition" as required by the current General Appropriations Act, House Bill 1, Article III, Section 49 to the Lieutenant Governor, Speaker of the House, Chair of the Senate Finance Committee, Chair of the House Appropriations Committee, and members of the Legislative Oversight Committee on Higher Education.

BACKGROUND INFORMATION

A Report Concerning Designated Tuition is to be filed not later than January 1, 2016, by the governing board of each public institution of higher education that charges students designated tuition under Section 54.0513, *Texas Education Code*. The Report identifies the amount of designated tuition collected, the purposes for which it was spent, the amount spent for each purpose, the amounts set aside for resident undergraduate and graduate student assistance as required by Sections 56.011 and 56.012, *Texas Education Code*, and how those amounts are allocated among various types of student assistance.

Completion of the Report requires certain financial information contained in the pending annual financial report, which will not be completed until December 1, 2015. Upon completion of the Report, a copy will be provided to members of the Board.

5. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment of Regents' *Rules and Regulations*, Rule 10101 (Board Authority and Duties) to add a new Section 3.6 to reference new state law requirements for Board member training

RECOMMENDATION

It is recommended that Regents' *Rules and Regulations*, Rule 10101, regarding Board Authority and Duties, be amended to add a new Section 3.6 to reference new state law requirements for Board member training as set forth below in congressional style:

Sec. 3 Duties and Responsibilities of Each Regent.

. . .

Sec. 3.6 Each member of the Board must attend an intensive short orientation course as required by *Texas Education Code* Section 61.0841, and any training course developed by the Texas Higher Education Coordinating Board, and training sponsored or coordinated by the Office of the Governor on the first opportunity after taking the oath of office. No member of the Board appointed on or after January 1, 2016, may vote on a budgetary or personnel matter until the intensive short course is completed.

BACKGROUND INFORMATION

Recent amendments to Section 61.084 of the *Texas Education Code*, effective on January 1, 2016, require each Regent to attend a short orientation course developed by the Texas Higher Education Coordinating Board. The Coordinating Board's course is to include:

- Best practices relating to excellence, transparency, accountability, and efficiency in the governing structure and organization of general academic teaching institutions and university systems;
- Best practices relating to the manner in which governing boards and administrators develop and implement major policy decisions;
- Matters relating to excellence, transparency, accountability, and efficiency in governance and administration; and
- Ethics, conflicts of interests, and the proper role of a board member in the governing structure of general academic teaching institutions and university systems.

The law also requires each Regent to attend the Office of the Governor's training course for newly appointed state officers and prohibits Regents appointed on or after the effective date from voting on a budgetary or personnel matter until the intensive short orientation course has been completed.

Training provided in U. T. System's current Board member orientation, in place since 2013, also tracks the requirements set forth in the law.

6. U. T. System Board of Regents: Discussion and appropriate action regarding proposed revision of Regents' *Rules and Regulations*, Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships to add language required by new state law

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel that proposed amendments to Regents' *Rules and Regulations*, Rule 30105, concerning Sexual Harassment, Sexual Misconduct, and Consensual Relationships, be approved as set forth below in congressional style to add language required by new state law:

Sec. 2 Adoption of Policies. Each U. T. System institution and U. T. System Administration shall adopt policies and procedures prohibiting sexual harassment, sexual misconduct, other inappropriate sexual conduct, and regarding consensual relationships in substantial compliance with the Office of General Counsel model policies and procedures. Each institution's policy must include definitions of prohibited behavior, sanctions for violations, and the protocol for reporting and responding to reports of assault. Each institution must review the policy each biennium and submit changes to the Board for approval.

Sec. 3 Publication of Policies. The institution's policies and procedures must be published through the institution's website on a web page dedicated solely to the policy through the institution's website and in the institution's *Handbook of Operating Procedures* after review and approval by the appropriate Executive Vice Chancellor and the Board.

BACKGROUND INFORMATION

Section 51.9363 of the *Texas Education Code* was added during the 2015 legislative session to require public higher education institutions to adopt, promote, and review individual policies on campus sexual assault. The new law also outlines certain requirements to be included in the policy. Additionally, the law requires a separate web page for the policy, accessible through the institution's website. Currently, all institutions are in compliance with this provision.

Each U. T. System institution’s policy currently meets the new statutory language, and each was recently updated to meet federal guidance based on Title IX. The law also requires Board approval for all policies and future changes to policies. These policies will be presented to the Board for review and approval at a future meeting.

7. U. T. System Board of Regents: Discussion and appropriate action regarding purchasing and procurement policies, including implementation of Senate Bill 20

Executive Vice Chancellor Kelley will lead a discussion regarding purchasing and procurement issues, including implementation of Senate Bill 20.

8. U. T. System Board of Regents: Discussion and appropriate action regarding proposed amendment of Regents' *Rules and Regulations*, Rule 20901, regarding Procurement of Certain Goods and Services, to add a new Section 1 to incorporate new state law requirements

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Rule 20901, regarding Procurement of Certain Goods and Services, be amended to insert a new Section 1 as set forth below in congressional style. Remaining sections will be renumbered.

Sec. 1 Contract Management Handbook. Each institution and U. T. System Administration shall develop and maintain a Contract Management Handbook that provides consistent contracting policies and procedures, including a risk analysis procedure.

The Contract Management Handbook shall establish contract review procedures and a contract review checklist approved by the Office of General Counsel. The review procedures and checklist must include:

1.1 a description of each step of the procedure used to evaluate and process contracts;

1.2 a checklist that describes each process that must be completed before contract execution; and

1.3 a value threshold that initiates required review by legal counsel unless the contract is a standard contract previously approved by counsel.

BACKGROUND INFORMATION

The proposed changes to Regents' Rule 20901 incorporate the new requirement in *Texas Government Code* Section 2261.256 (Senate Bill 20) that state agencies, including U. T. System Administration and each U. T. System institution, will have a Contract Management Handbook. Pursuant to state law, the Handbook must be consistent with the Comptroller's contract management guide and must also contain a description of each step of the procedure used to process contracts, a checklist for the required processes, and a value threshold for required review by legal counsel.

A link to each Handbook is to be available through each institution's website and be provided to the Comptroller as required by law.

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

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

Jeffery D. Hildebrand, Chairman
Ernest Aliseda
David J. Beck
R. Steven Hicks
Brenda Pejovich

	Committee Meeting	**Board Meeting**	**Page**
Convene	*10:00 a.m.* *Chairman Hildebrand*		
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**	*10:00 a.m.* **Discussion**	**Action**	**16**
2. **U. T. System: Report on the external assessment of the U. T. Systemwide Compliance Program**	*10:02 a.m.* **Report/Discussion** *Mr. Dendy* *Ms. Lisa Murtha, FTI Consulting*	Not on Agenda	**17**
3. **U. T. System: Annual Report on the Information Security Compliance Program**	*10:22 a.m.* **Report/Discussion** *Mr. Edward Mattison*	Not on Agenda	**28**
4. **U. T. System: Report on the Systemwide internal audit activities, including the FY 2015 Annual Report**	*10:45 a.m.* **Report/Discussion** *Mr. Peppers*	Not on Agenda	**40**
Adjourn	*11:00 a.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. The Consent Agenda item assigned to this Committee is on Page 299.

2. U. T. System: Report on the external assessment of the U. T. Systemwide Compliance Program

REPORT

Systemwide Compliance Officer *ad interim* Dendy and Lisa Murtha, FTI Consulting (FTI), will report on the external assessment of the U. T. Systemwide and U. T. System Administration Compliance Programs, including observations and recommendations. A PowerPoint presentation is set forth on the following pages, which outlines a summary of the FTI report.

BACKGROUND INFORMATION

For the past 18 months, the Systemwide Compliance Program has operated under the leadership of two interim chief compliance officers. During this time, two Systemwide Compliance Program staff members have left U. T. System, and these positions have not been filled. Those positions include the Healthcare Compliance Officer (vacant since February 2014) and the Research Compliance Officer (vacant since December 2014).

The Systemwide Executive Compliance Committee charged Mr. Dendy to complete an independent external assessment of the U. T. Systemwide Compliance Program and U. T. System Administration Compliance Program. A team to select the external assessor was convened. FTI was selected and began its fieldwork in June 2015. FTI was charged with evaluating the current scope and effectiveness of the U. T. Systemwide and U. T. System Administration Compliance Programs.

Systemwide Compliance Assessment

Phillip Dendy, Executive Director, Risk Management and Systemwide Compliance Officer *ad interim*
Lisa Murtha, Senior Managing Director, Clinical Research and Healthcare Compliance, FTI Consulting

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2015

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Key Staff Vacancies

- Since February 2014, key staff vacancies in Systemwide Compliance Office
    - Two interim Systemwide Compliance Officers - February to December 2014 and January 2015 to present
    - Assistant Systemwide Compliance Officer for Healthcare - Vacant since February 2014
    - Assistant Systemwide Compliance Officer for Research - Served as interim, resigned in December 2014

External Assessment Selection Committee

- Executive Compliance Committee directed external assessment
- Selection Committee included:
  - Phillip Dendy, Executive Director, Risk Management and Systemwide Compliance Officer *ad interim*
  - Paul Liebman, Chief Compliance Officer, U. T. Austin
  - Allyson Kinzel, Chief Compliance Officer, U. T. M. D. Anderson Cancer Center
  - J. Michael Peppers, Chief Audit Executive, U. T. System
  - Jason King, Asst. General Counsel and Deputy Ethics Advisor, U. T. System

Selection of External Assessor

- February 2015 - Three proposals received and reviewed
- March 2015 - All three presented to selection committee
- April 2015 - FTI Consulting was determined to be best value
- May 2015 - Contracting completed and review of documents
- June to August 2015 - Fieldwork completed
- September 2015 - FTI Consulting reviewed draft report with Chancellor McRaven and Deputy Chancellor Daniel

Work Performed by FTI Consulting

- Reviewed all historical information
- Interviewed 19 U. T. System Administration officials
- Interviewed 27 institutional compliance professionals
- Conducted research of compliance programs at peer institutions

Observations

- The current operations of the U. T. Systemwide Compliance Program are not consistent with the fundamental elements of an effective compliance program
- The U. T. Systemwide Compliance Program is not currently staffed or operated in a manner consistent with the size and complexity of U. T. System or the current compliance charter
- There is no cohesive U. T. System Administration Compliance Program

Recommendations

- The U. T. Systemwide Compliance Program should be restructured and enhance its governance structure
- The U. T. System should consider hiring staff with expertise in academic, health care, research compliance, and privacy
- The U. T. System Administration Compliance Program should be operationally incorporated into the U. T. Systemwide program
- The U. T. System Compliance Charter should be updated

Recommendations (cont.)

The U. T. Systemwide Compliance Program should develop an action plan for an effective compliance program, including:

- Oversight - Staffing and Executive Compliance Committee
- Standards and procedures - Charter, policies, and standards of conduct
- Due diligence - Conflicts of interest and background checks
- Training and communication - Board, executive officers, and staff
- Risk assessments, auditing, monitoring, and investigations
- Incentives and disciplinary measures, including enforcement
- Response to noncompliance - Response and reporting
- Additional observations - Conflicts of interest, privacy, and shared services

Recommendations (cont.)

The U. T. Systemwide Compliance Program should be restructured and re-staffed

- Chief Compliance Officer
  - Assistant Chief and System Administration Compliance Officer
  - Assistant Chief Compliance Officer - Academic *
  - Assistant Chief Compliance Officer - Healthcare
  - Assistant Chief Compliance Officer - Research
  - Privacy Officer *
  - Investigator *

* Denotes new position

What the U. T. Systemwide Compliance Office Will Accomplish

- Provide a compliance resource and support to the institutions in the area of academics, health care, and research
- Provide an appropriate level of oversight while eliminating duplicative services and unnecessary bureaucracy
- Facilitate a collaborative environment for effective communication and interaction between institutions
- Explore and implement shared services, training, and contracts
- Reboot the U. T. System Administration Compliance Program

3. **U. T. System: Annual Report on the Information Security Compliance Program**

REPORT

Chief Information Security Officer Mattison will report on Information Security Compliance Enhancements across the U. T. System. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

Following a November 10, 2011 report to the Board by Deloitte & Touche LLP on its comprehensive information security compliance effectiveness review of the U. T. System, the Board approved the allocation of $34,872,000 of Available University Funds to invest in information security compliance enhancements across the U. T. System and to secure the U. T. Research Cyberinfrastructure.

The Office of Systemwide Compliance administers the investment of these funds through a centrally managed program and is to submit annual reports on progress to the Chancellor and to the Board. This is the fourth Annual Report.

Annual Report on Information Security Compliance Program

Mr. Edward Mattison, U. T. System Chief Information Security Officer

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2015

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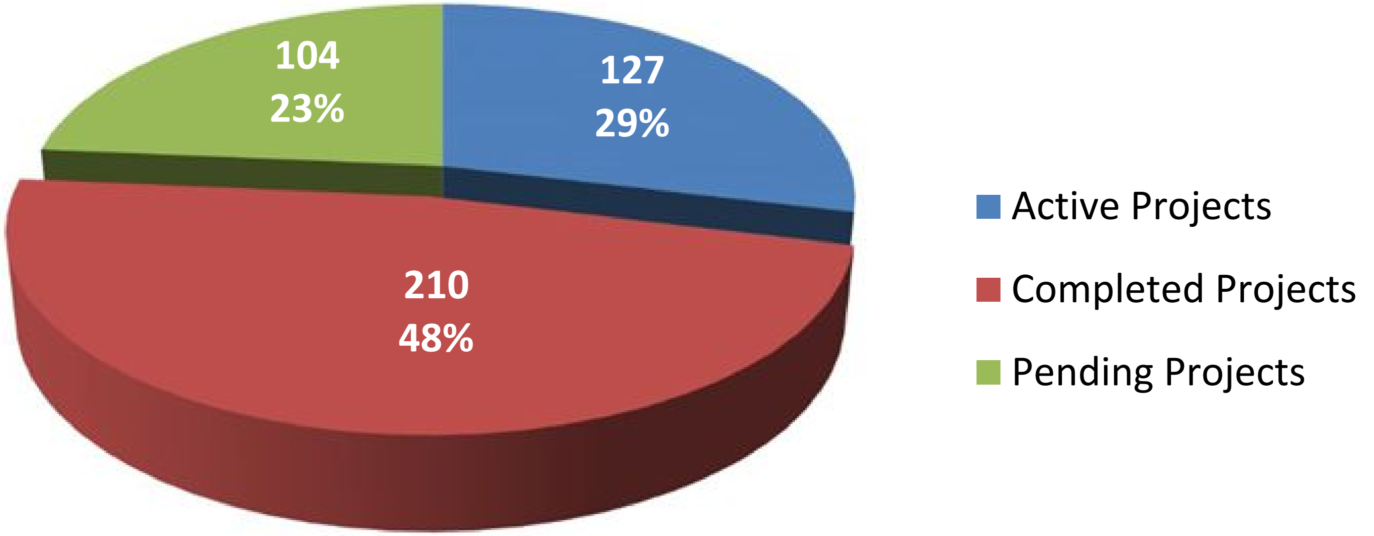
Agenda

- Trends Impacting Information Security in 2015
- Information Security Assurance Initiative (ISAI) Update
- Chief Information Security Officer (CISO) Vision Statement
- Initial CISO Observations (first 90 days)
- Information Security Initiatives (next 12 to 24 months)
- Questions?

Trends Impacting Information Security in 2015

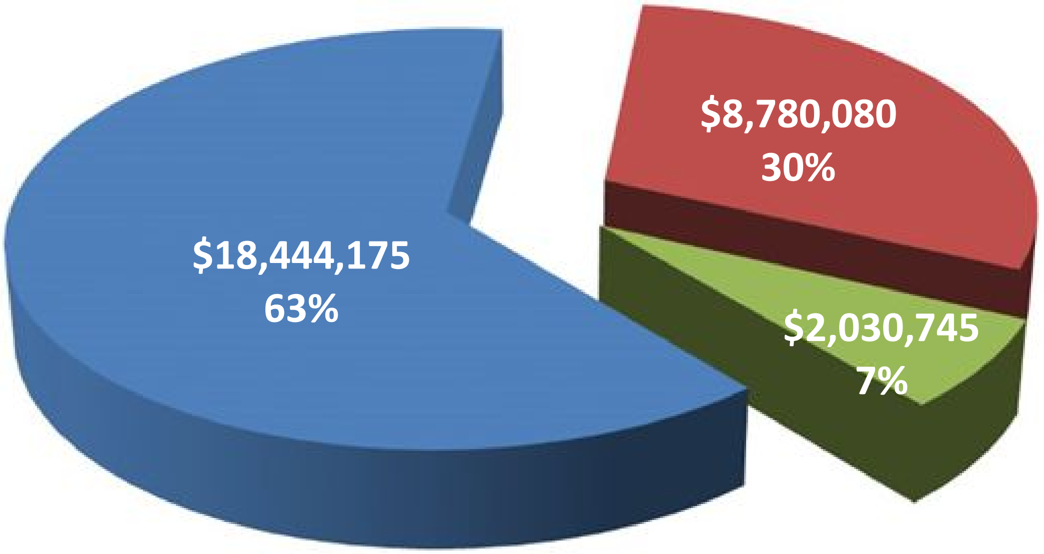
1. Cybercrime and hacktivism still on the rise
2. Threats from outsourcing to third-party vendors
3. Increase in privacy regulations is shifting more responsibility to institutions
4. Bring-Your-Own-Device causing increased risks to the enterprise
5. Lack of engagement with the workforce resulting in people becoming the largest risk to information security

ISAI Update – Current Project Status



Total Identified Projects: 441

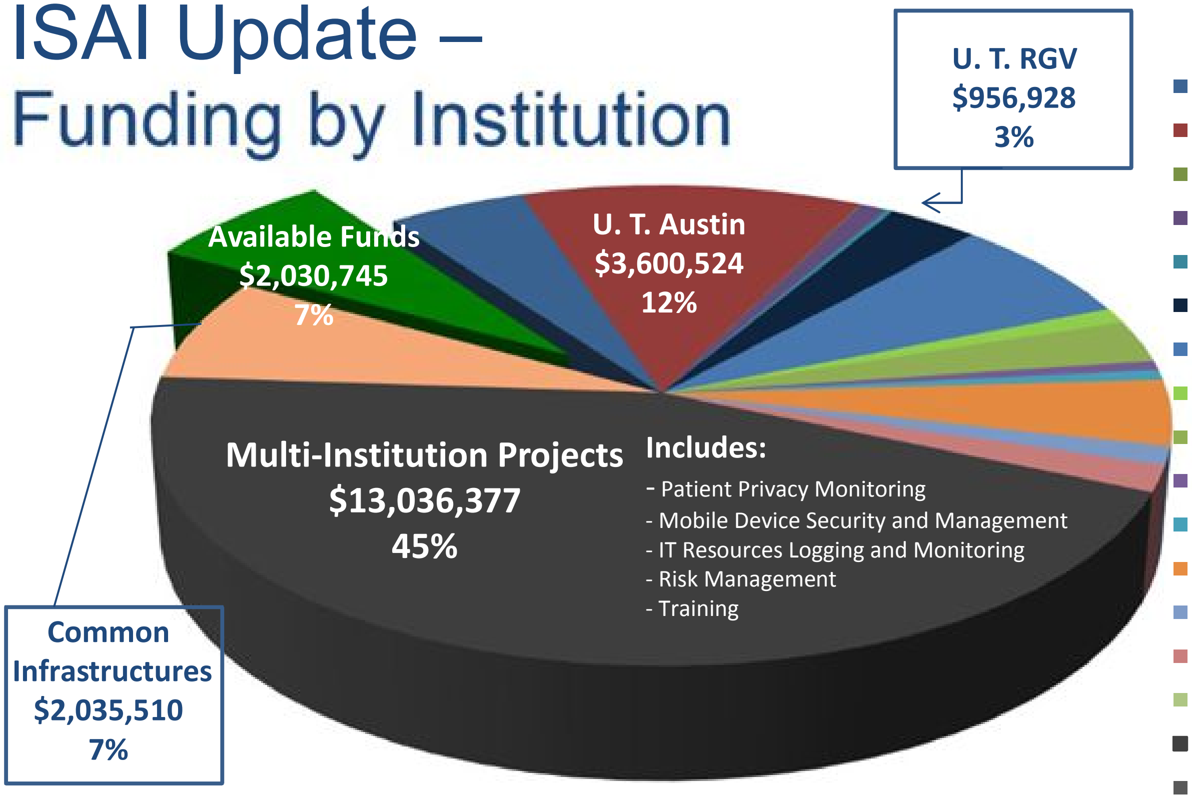
ISAI Update – Funding Status



ISAI Budget: $29.3 M

- 🟦 Funds Expended to Date for Completed and Active Projects
- 🟥 Funds Currently Encumbered for Completed and Active Projects
- 🟩 Funds Available for Pending Projects

ISAI Update –
Funding by Institution



U. T. RGV
$956,928
3%

Available Funds
$2,030,745
7%

U. T. Austin
$3,600,524
12%

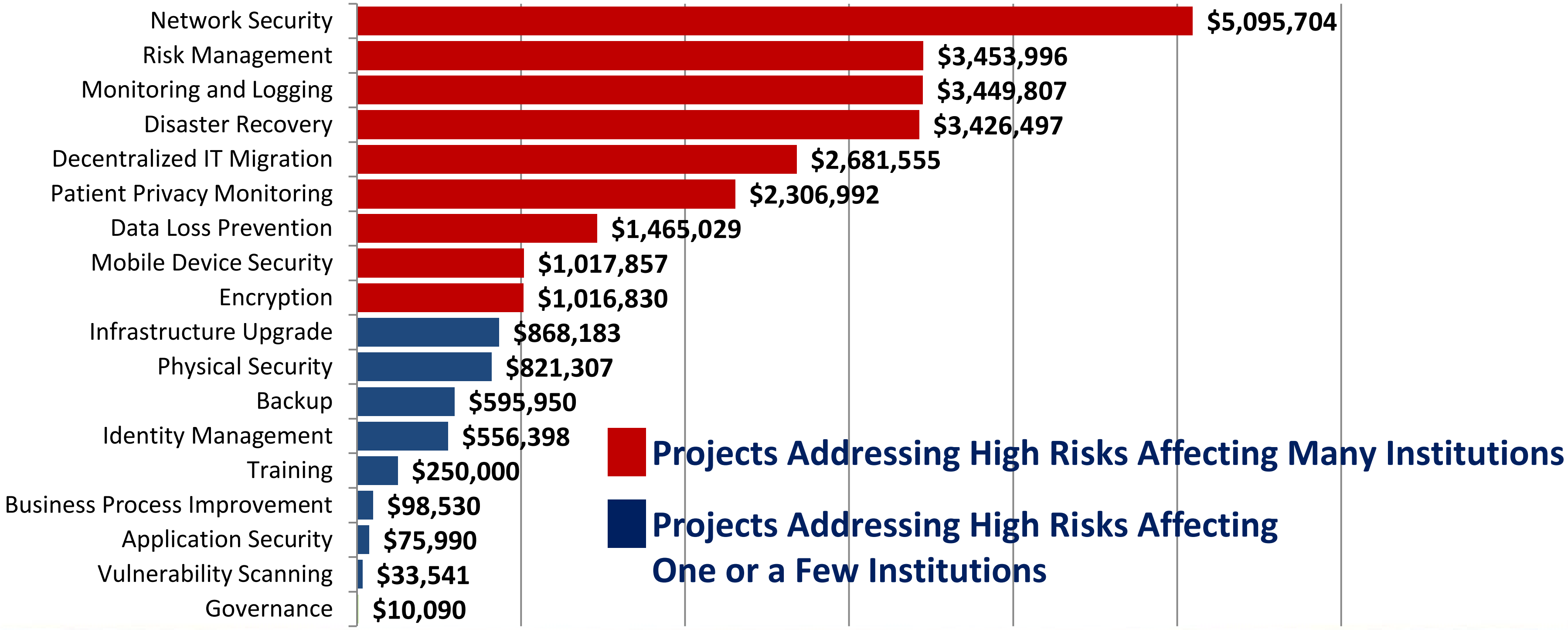
Multi-Institution Projects
$13,036,377
45%

Includes:
- Patient Privacy Monitoring
- Mobile Device Security and Management
- IT Resources Logging and Monitoring
- Risk Management
- Training

Common Infrastructures
$2,035,510
7%

■ **U. T. Arlington**	**$1,446,170**	**5%**
■ **U. T. Austin**	**$3,600,524**	**12%**
■ **U. T. Dallas**	**$11,535**	**0%**
■ **U. T. El Paso**	**$277,763**	**1%**
■ **U. T. Permian Basin**	**$80,373**	**0%**
■ **U. T. Rio Grande Valley**	**$956,928**	**3%**
■ **U. T. San Antonio**	**$2,078,027**	**7%**
■ **U. T. Tyler**	**$294,183**	**1%**
■ **U. T. Southwestern Medical Center**	**$842,608**	**3%**
■ **U. T. Medical Branch - Galveston**	**$185,592**	**1%**
■ **U. T. Health Science Center - Houston**	**$193,450**	**1%**
■ **U. T. Health Science Center - San Antonio**	**$1,298,766**	**4%**
■ **U. T. M. D. Anderson Cancer Center**	**$360,000**	**1%**
■ **U. T. Health Science Center - Tyler**	**$521,450**	**2%**
■ **U. T. System Administration**	**$5,000**	**0%**
■ **Multi-Institution Projects**	**$13,036,377**	**45%**
■ **UTIMCO**	**$0**	**0%**
■ **Common Infrastructures**	**$2,035,510**	**7%**
■ **ISAI Funds Balance**	**$2,030,745**	**7%**

ISAI Update – Funding by Risk Area



ISAI Update – Lessons Learned

- Centralized purchases can result in cost savings, but not always in Systemwide adoption
- Not all information security gaps can be resolved with a tool (software and/or hardware), some require staff with special skills to implement and many require new operations funding
- The positive impact of an investment in tools and technology is directly proportional to the level of trained staff available
- The ongoing maintenance cost of tools and applications funded by ISAI can be a heavy financial burden for small and mid-sized institutions

Chief Information Security Officer (CISO) Vision Statement

The U. T. System Office of Information Security exists to accomplish the following three tasks. All CISO actions should support one of these tasks:

- **Enable the business** of U. T. System (the business of education, research, and health care)
- **Protect the business** of U. T. System (the critical information resources, systems, and infrastructure)
- **Promote a positive information security culture** (positive awareness, attitude, and behavior of all employees)

Initial CISO Observations (first 90 days)

- As of November 2015, I have personally visited 8 of 14 institutions
- A substantial investment has been made to increase availability to information security tools. This investment has addressed many of the top security risk areas identified in the Deloitte review (2011)
- Need to have continuing discussions with institutions regarding appropriate staffing levels and budgets to provide the baseline information security functions
- Centralization of some security functions (Security-as-a-Service) could greatly benefit smaller institutions

Information Security Initiatives (next 12 to 24 months)

- Two-Factor Authentication implementation
- National Institute of Standards and Technology Cybersecurity Framework implementation
- The University of Texas System Cybersecurity Dashboard rollout
- Splunk-as-a-Service for log monitoring, correlation, and analysis
- Archer Risk Assessment and Risk Management program
- Mobile Device Management implementation
- Structured Training and Certification program for information security and information technology personnel

4. **U. T. System: Report on the Systemwide internal audit activities, including the FY 2015 Annual Report**

REPORT

Chief Audit Executive Peppers will present the FY 2015 Systemwide Annual Report of internal audit activities, including Priority Findings, using a PowerPoint presentation set forth on the following pages. The annual audit plan status was provided to the Audit, Compliance, and Management Review Committee members prior to the meeting.

BACKGROUND INFORMATION

A Priority Finding is defined as “an issue identified by an audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a U. T. System institution or the U. T. System as a whole." A Priority Findings Matrix is used by the chief audit executives to aid in the determination of a Priority Finding. The matrix provides three categories of standard factors to consider, each alone with the potential to result in a Priority Finding. They are: Qualitative Risk Factors (evaluates the probability and consequences across seven high risks), Operational Control Risk Factors (evaluates operational vulnerability to risks by considering the existence of management oversight and effective alignment of operations), and Quantitative Risk Factors (evaluates the level of financial exposure or lost revenue).

FY 2015 Systemwide Internal Audit Annual Report

Mr. J. Michael Peppers, U. T. System Chief Audit Executive

U. T. System Board of Regents' Meeting
Audit, Compliance, and Management Review Committee
November 2015

THE UNIVERSITY of TEXAS SYSTEM
FOURTEEN INSTITUTIONS. UNLIMITED POSSIBILITIES.
WWW.UTSYSTEM.EDU

Vision and Strategy for Internal Audit – 2014-16

Year 1 – Foundation

- Institutional Audit Committee Alignment
- Pilot Metrics
- U. T. System Audit Office Reorganization
- Standardize Innovation Process
- Innovation Begins

Year 2 – Add Structure

- Standardized Risk Assessment
- Standardized Audit Methodology
- Formal Metrics, Continued Innovation
- Improved Internal Quality Review
- Formal Knowledge Management
- Specialty Audit

Year 3 – Produce More Value

- Standardized Audit Reports
- Enhanced Audit Committee Reporting
- Risk Management and Governance Assessment
- Formal Leadership Development

Adding Value through Consistent Innovation

Systemwide Internal Audit Strategy – FY 2016

Governance

1. Strengthen audit governance and expand its capabilities and institutional communication

Systemwide Audit Operations/Specialty Audit

2. Stabilize and leverage risk assessment innovation
3. Implement comprehensive audit management enabling technology
4. Strengthen leading practice and standards use with quality program implementation
5. Expand resources and capabilities of auditors; facilitate knowledge/ resource management development

U. T. Systemwide Audit Oversight

6. Develop and deploy common audit reporting and related processes
7. Develop U. T. System audit teams' capabilities and leadership

Governance

- All internal audit committees are chaired by an external member.
- The role and participation of the external members has increased over the last few years.
- Each internal audit committee has three to five external members that rotate.
- The 2nd annual orientation and education session was held with audit committee external chairs and chief audit executives in October 2015.

Meeting of the U. T. System Board of Regents - Audit, Compliance, and Management Review Committee

Annual Audit Plan Budget to Actual - FY 2015

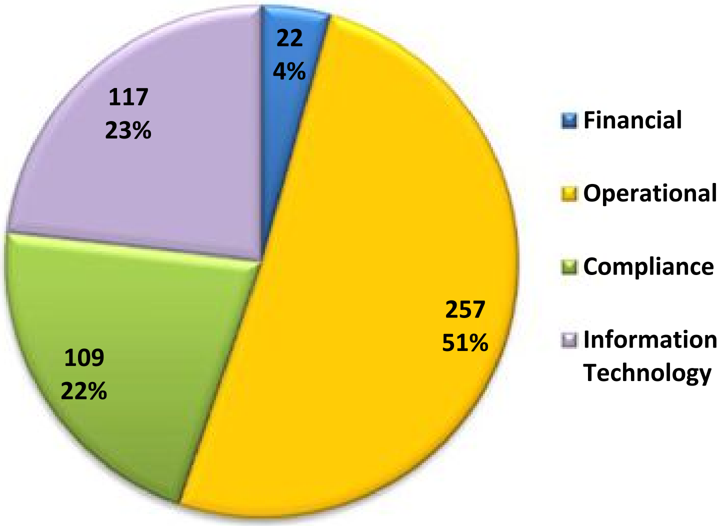
	Actual	**Budgeted**	
Area	**Hours**	**Hours**	**Percent**
Financial	18,661	18,353	102%
Operational	35,127	33,742	104%
Compliance	20,628	18,464	112%
Information Technology	21,143	25,349	83%
Follow-up	6,549	5,194	126%
Projects	27,364	24,367	112%
Reserve	14,070	16,440	86%
Total	143,542	141,909	101%

Systemwide Internal Audit Reports and Recommendations

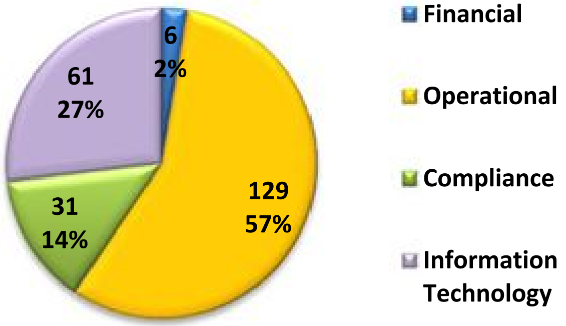
- During FY 2015, 216 audit reports were issued, resulting in 505 recommendations.
- Of the 505 recommendations, 21 (4.2%) were made to address a Priority Finding.
- The average client survey score for these audits was 4.53 out of a range of 1 (Strongly Dissatisfied) to 5 (Strongly Satisfied).
- During FY 2015, audit reports were made available online.

Internal Audit Recommendations - FY 2015

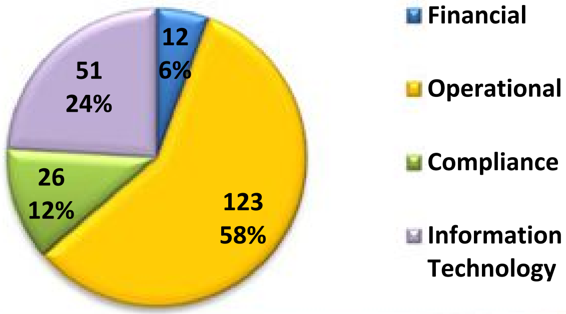
Audit Recommendations – Systemwide (505), including U. T. System Administration (66)



Audit Recommendations – Academic (227)



Audit Recommendations – Health (212)



Priority Findings Summary

	FINANCE	INFORMATION TECHNOLOGY	LEGAL	RESEARCH	TOTAL	PAST DUE	REPUTATION	INFORMATION SECURITY	COMPLIANCE	MANAGEMENT OVERSIGHT
INSTITUTION	**General**						**Risk Factors**			
U. T. Arlington	1	2	0	0	3	0	X	X	X	X
U. T. Austin	2	5	0	0	7	0	X	X	X	
U. T. Brownsville	0	0	0	0	0	0				
U. T. Dallas	0	1	0	0	1	0		X		
U. T. El Paso	0	1	0	1	2	0		X	X	
U. T. Pan American	0	0	0	0	0	0				
U. T. Permian Basin	0	0	0	0	0	0				
U. T. San Antonio	0	0	0	0	0	0				
U. T. Tyler	0	0	0	0	0	0				
U. T. Southwestern Medical Center	0	0	0	0	0	0				
U. T. Medical Branch - Galveston	0	0	1	0	1	0			X	X
U. T. Health Science Center - Houston	0	0	0	0	0	0				
U. T. Health Science Center - San Antonio	0	0	0	0	0	0				
U. T. M. D. Anderson Cancer Center	0	6	0	1	7	0		X	X	
U. T. Health Science Center - Tyler	0	0	0	0	0	0				
U. T. System Administration	0	0	0	0	0	0				
TOTALS	3	15	1	2	21	0				

Priority Findings – Changes Since Last Report

	Reported Aug 2015	Implemented	New	Reported Nov 2015
IT related Priority Findings	18	(6)	3	15
Non-IT related Priority Findings	5	(0)	1	6
Total Priority Findings	23	(6)	4*	21
Past due Priority Findings	0			0

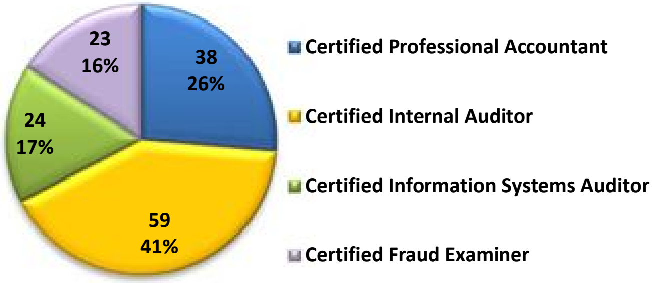
*New Priority Findings – Three IT related findings (risk factor – information security) and one Research related finding (risk factor – compliance) at U. T. M. D. Anderson Cancer Center

Internal Audit Staffing Resources

- Systemwide internal audit has 142 budgeted FTEs:
  - 124 (87%) filled positions
  - 18 (13%) vacant positions
- The 142 budgeted FTEs are composed of:
  - 53 professional management employees (7 vacancies)
  - 75 professional staff employees (9 vacancies)
  - 14 administrative staff employees (2 vacancies)

Internal Audit Staffing Resources (cont.)

- 82 of the 112 current professional employees hold 144 professional certifications



- 42 of the 112 current professional employees have advanced degrees
- Average number of years of relevant and U. T. experience is 15 and 8 years, respectively
- Professional employees participated in an average of 50 hours of continuing professional education during the fiscal year

Professional Contributions by Internal Audit Staff

- Held several board and other leadership positions on professional organizations and advisory boards at the local, national, and global levels (including the Institute of Internal Auditors, Association of College and University Auditors, Association of Healthcare Internal Auditors, Association of Certified Fraud Examiners, Information Systems Audit and Control Association, and others)
- Presented at various conferences to provide continued professional education trainings
- Served as part-time adjunct and guest lecturers, and made presentations to auditing classes
- Received multiple professional awards

Student Opportunities in Internal Audit

- Have a formally established Internal Audit Education Partnership program at U. T. Dallas (also supported by U. T. Southwestern Medical Center) that provides various internship and student project opportunities
- Sponsored student projects for auditing courses at U. T. Austin and U. T. Health Science Center - San Antonio
- Employed part-time student interns at U. T. Arlington and U. T. Austin

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

R. Steven Hicks, Chairman
David J. Beck
Wallace L. Hall, Jr.
Jeffery D. Hildebrand
Sara Martinez Tucker

		Committee Meeting	Board Meeting	Page
7.	**U. T. System Board of Regents: Approval of amendments to the Investment Policy Statements for the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, the Intermediate Term Fund, the Separately Invested Fund, the Liquidity Policy, and the Derivative Investment Policy**	*2:00 p.m.* **Action** *Dr. Kelley*	**Action**	**101**
8.	**U. T. System Board of Regents: Approval of the Annual Budget for FY 2016, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)**	*2:05 p.m.* **Action** *Dr. Kelley*	**Action**	**171**
9.	**U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program**	*2:10 p.m.* **Action** *Vice Chairman Hildebrand*	**Action**	**186**
Adjourn		*2:15 p.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 299 - 305.

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

REPORT

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on the following pages. The report represents the consolidated and individual operating detail of the U. T. System institutions.

The Key Financial Indicators Report compares the Systemwide quarterly results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2011 through July 2015. Ratios requiring balance sheet data are provided for Fiscal Year 2010 through Fiscal Year 2014.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

JULY 2015

U. T. System Office of the Controller November 2015

KEY

■ Actual Annual Amounts
(SOURCE: Annual Financial Reports)

■ Budget amounts
(SOURCE: Operating Budget Summary)

■ Projected Amounts based on the average change of the previous three years of data

■ Monthly Financial Report Year-to-Date Amounts

■ Annual and Quarterly Average of FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

■ Year-to-Date Margin
(SOURCE: Monthly Financial Report)

■ Projected Amounts based on Monthly Financial Report

◆—◆ Year-to-Date Margin
(SOURCE: Monthly Financial Report)

●—● Target Normalized Rates

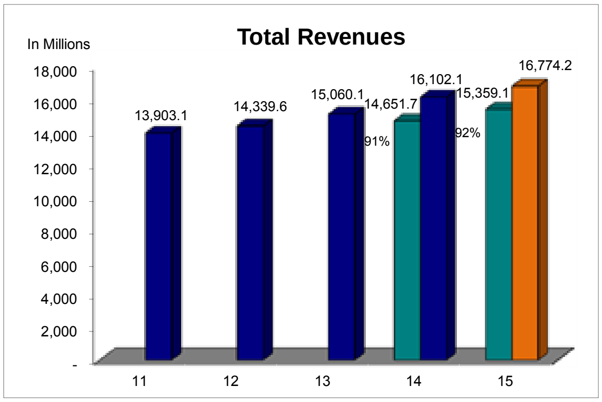
◆—◆ Aaa Median
(SOURCE: Moody's)

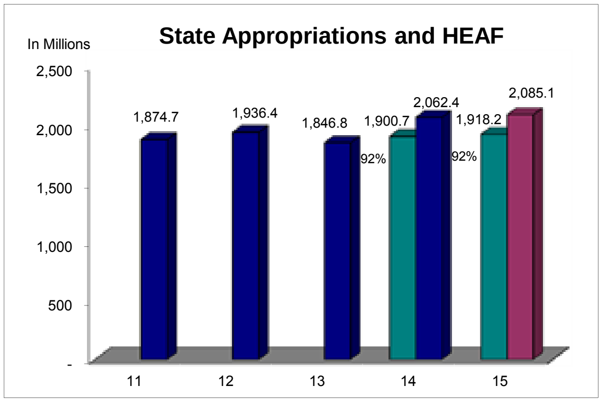
●—● A2 Median
(SOURCE: Moody's)

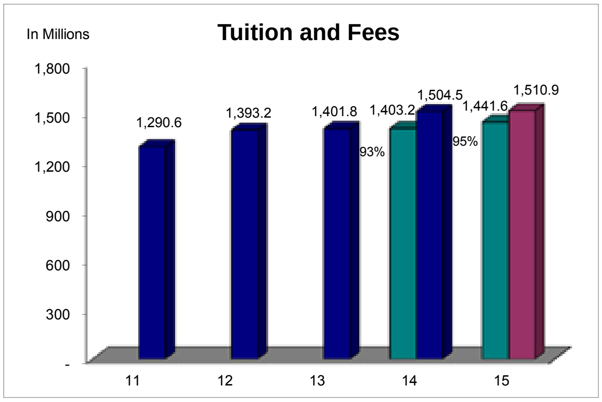
◆—◆ Good Facilities Condition Index (Below 5%)

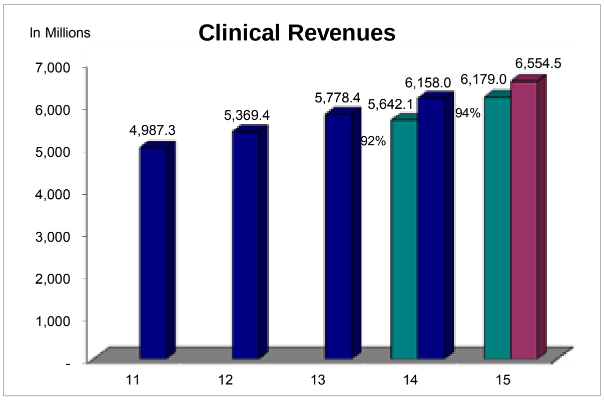
●—● Fair Facilities Condition Index (5% - 10%)

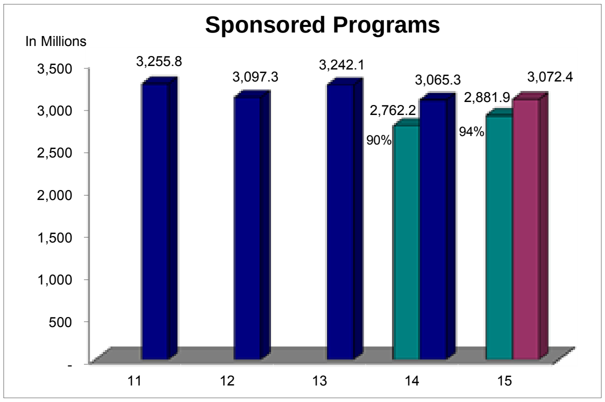
KEY INDICATORS OF REVENUES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM JULY MONTHLY FINANCIAL REPORT

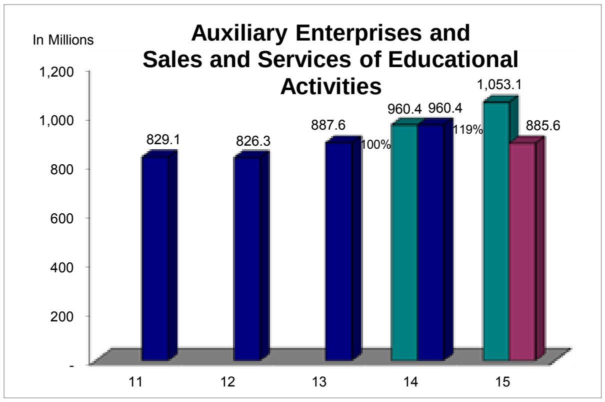

Total Revenues

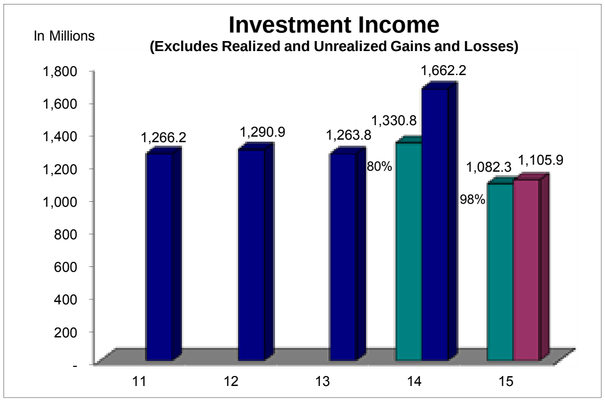

State Appropriations and HEAF

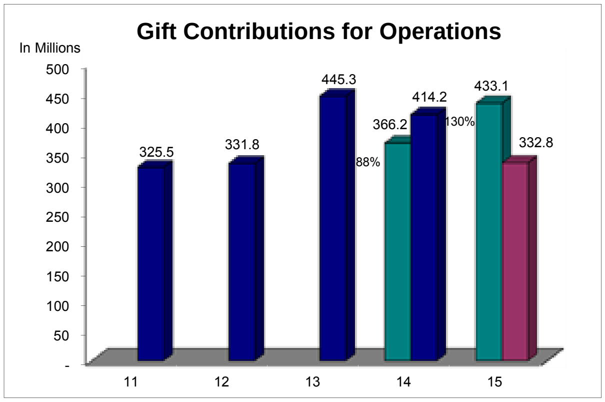

Tuition and Fees


Clinical Revenues

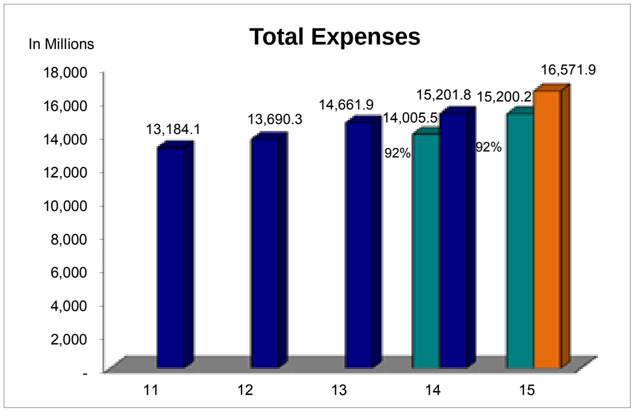

Sponsored Programs

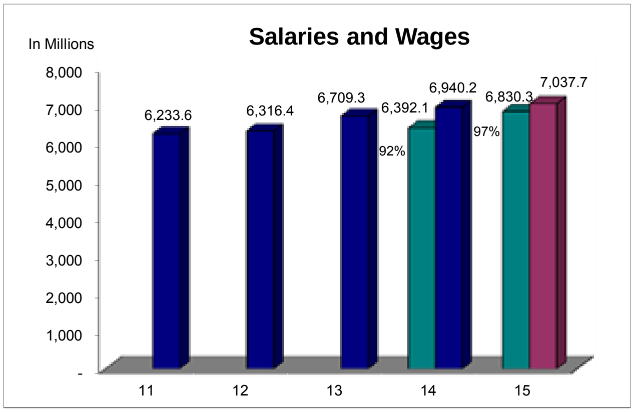

Auxiliary Enterprises and Sales and Services of Educational Activities

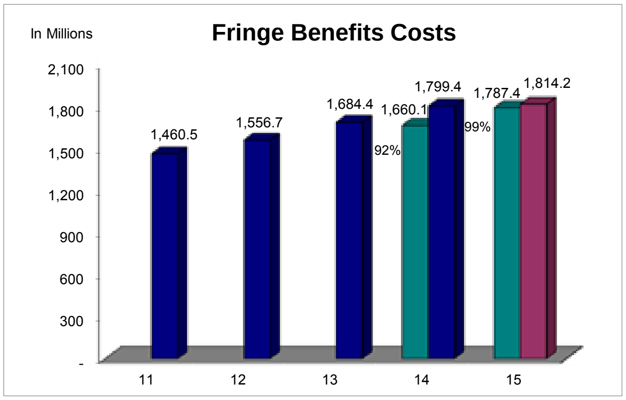

Investment Income
(Excludes Realized and Unrealized Gains and Losses)

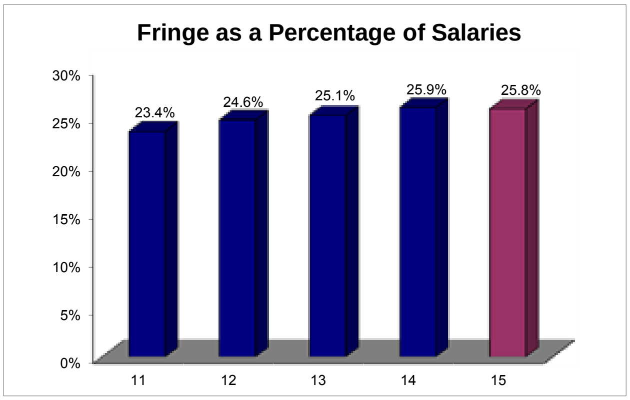

Gift Contributions for Operations

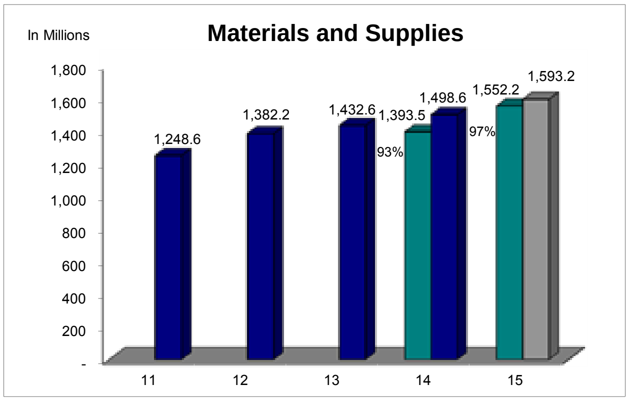
KEY INDICATORS OF EXPENSES
ACTUAL 2011 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM JULY MONTHLY FINANCIAL REPORT

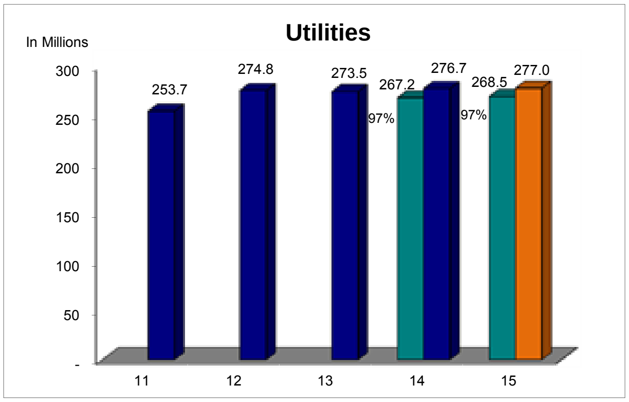


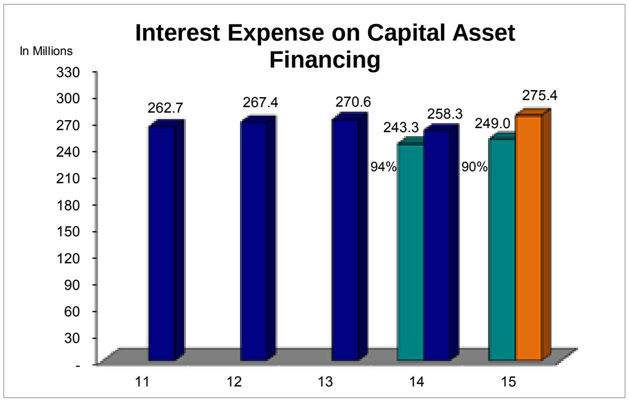


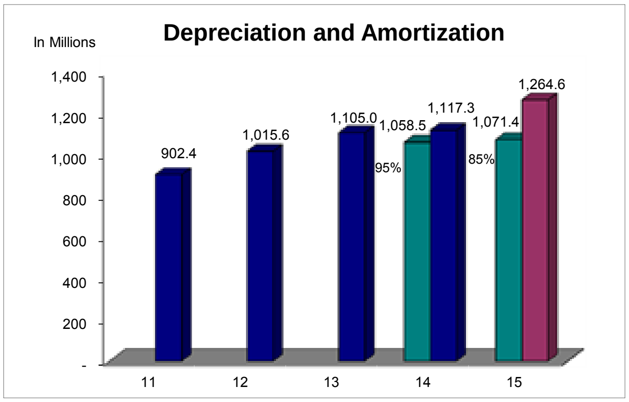




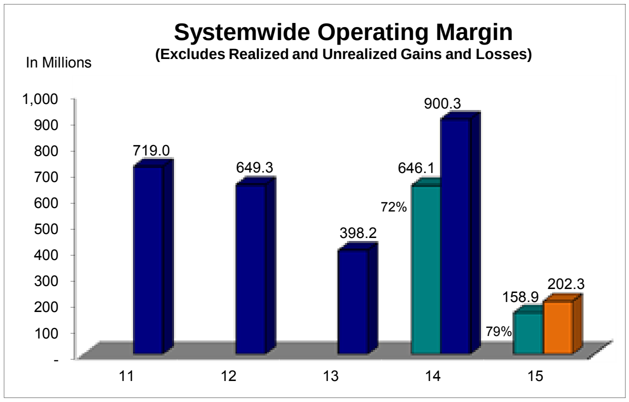


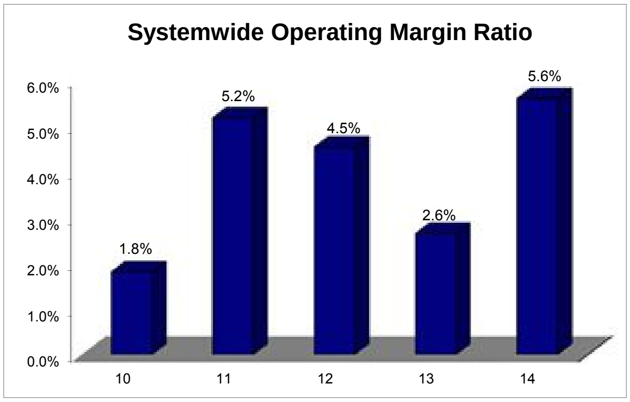


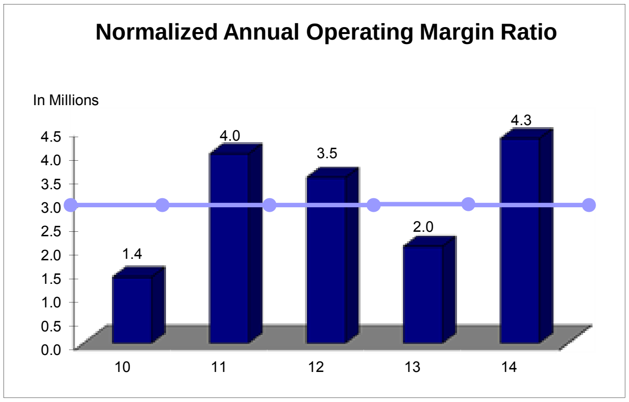


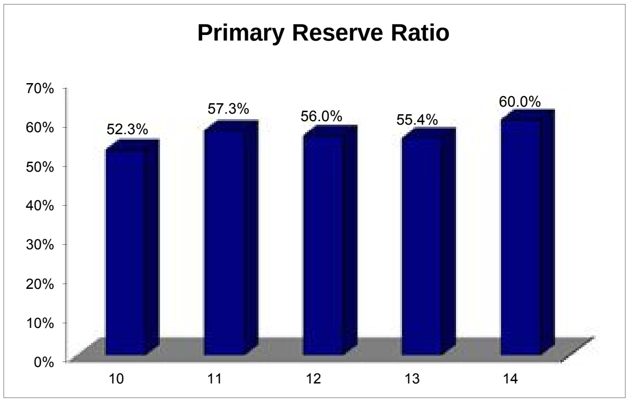


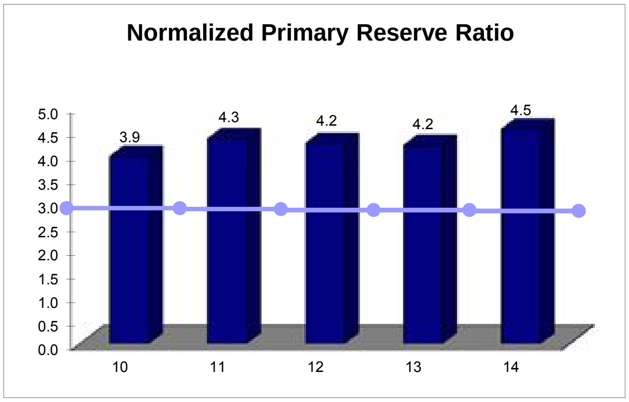
KEY INDICATORS OF RESERVES
ACTUAL 2010 THROUGH 2014
PROJECTED 2015
YEAR-TO-DATE 2014 AND 2015 FROM JULY MONTHLY FINANCIAL REPORT

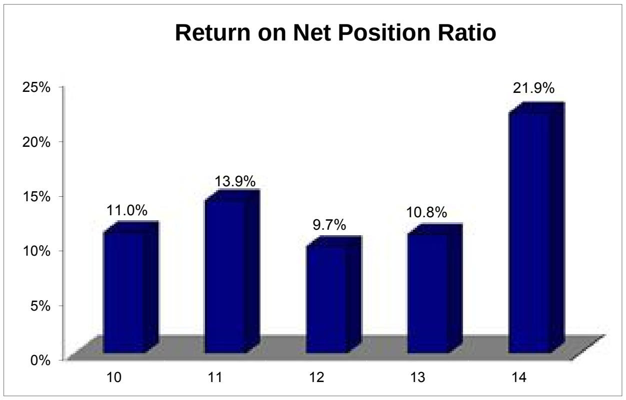

Systemwide Operating Margin
(Excludes Realized and Unrealized Gains and Losses)

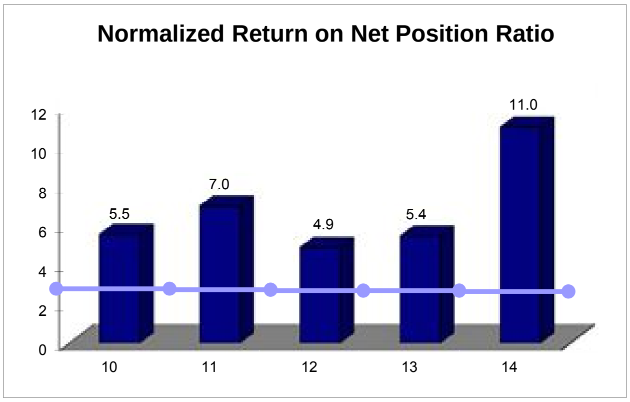

Systemwide Operating Margin Ratio


Normalized Annual Operating Margin Ratio


Primary Reserve Ratio

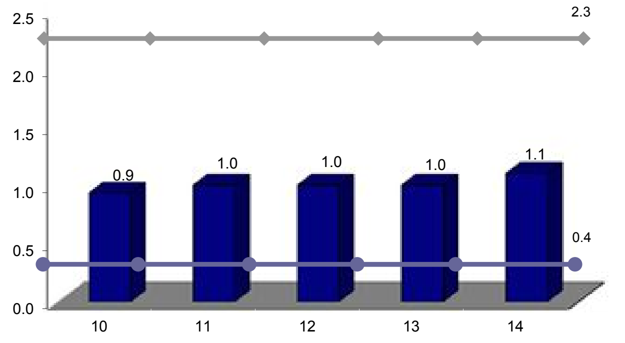

Normalized Primary Reserve Ratio


Return on Net Position Ratio

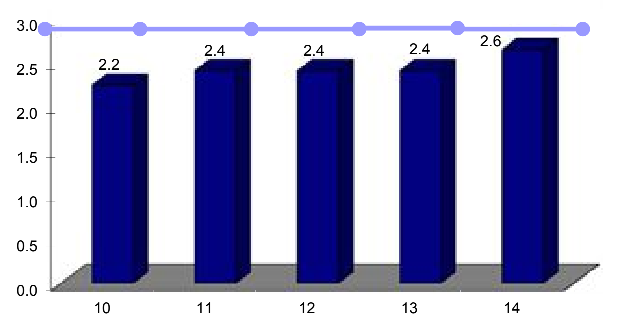

Normalized Return on Net Position Ratio

KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2010 THROUGH 2014

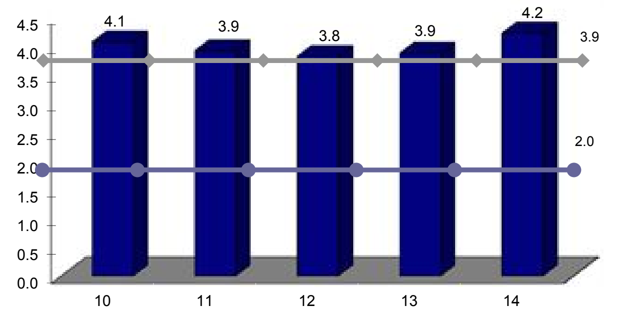
Expendable Financial Resources to Debt Ratio



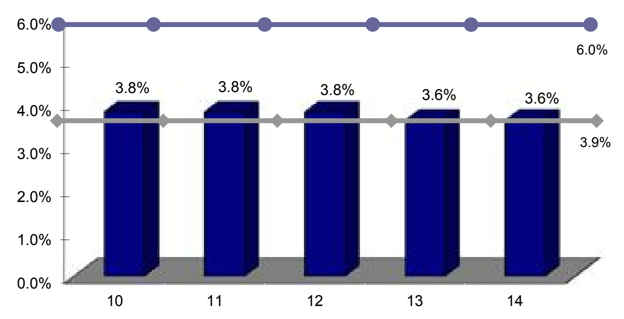
Normalized Expendable Financial Resources to Debt Ratio



Actual Debt Service Coverage Ratio

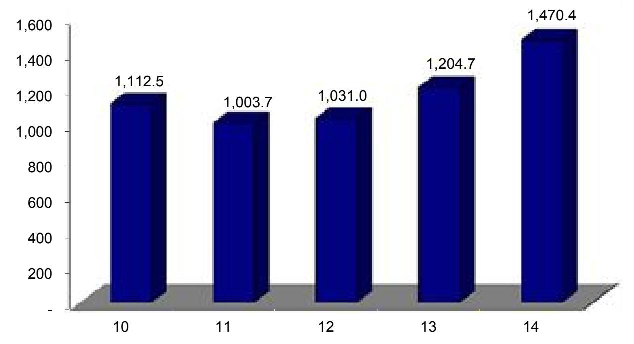


Actual Debt Service to Operations Ratio

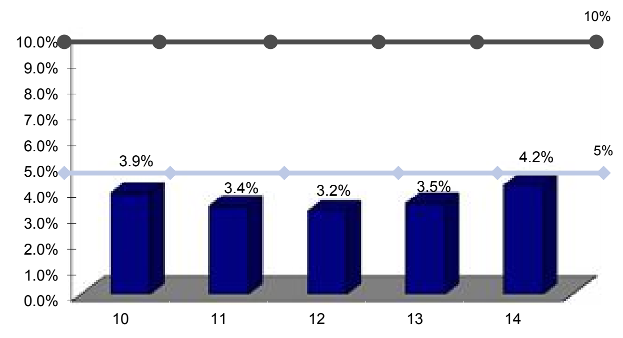


In Millions

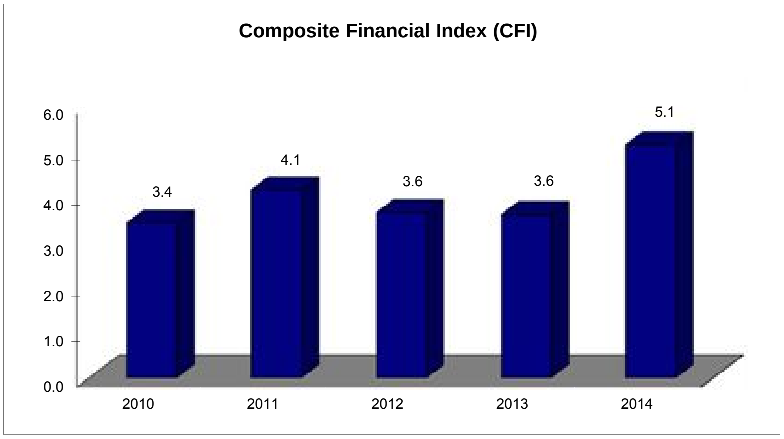
Facilities Renewal Backlog



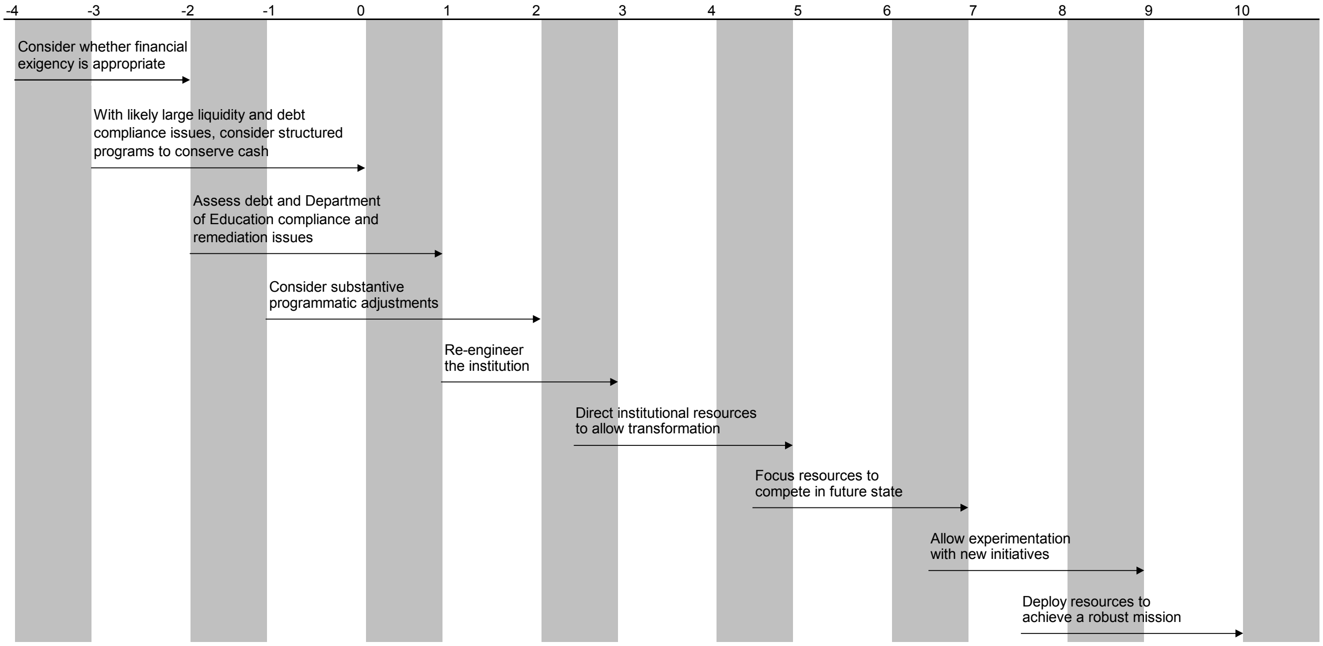
Facilities Condition Index



KEY INDICATORS OF FINANCIAL HEALTH
2010 THROUGH 2014

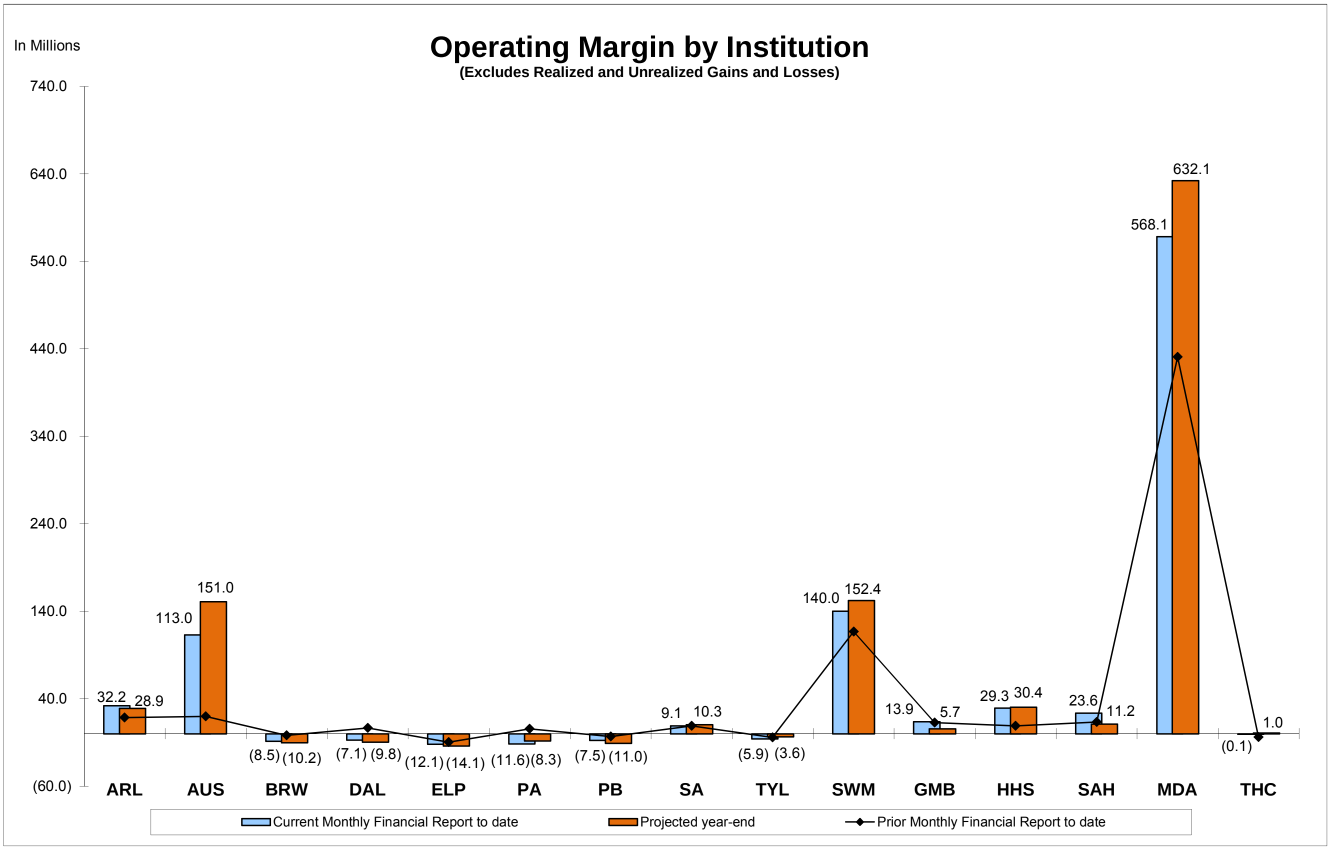


Scale for Charting CFI Performance



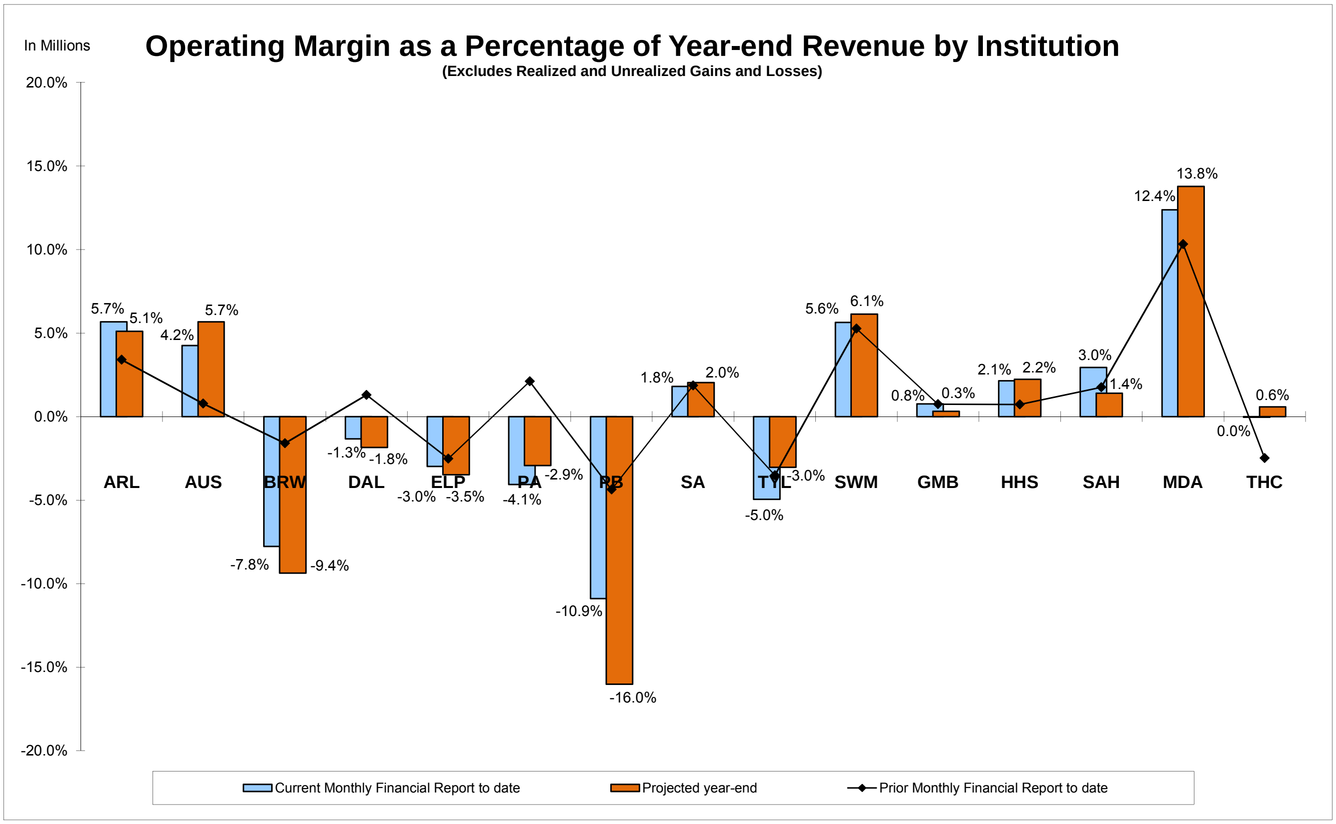
Source: Strategic Financial Analysis for Higher Education, Seventh Edition

KEY INDICATORS OF RESERVES
YEAR-TO-DATE 2014 AND 2015 FROM JULY MONTHLY FINANCIAL REPORT
PROJECTED 2015 YEAR-END MARGIN



Operating Margin by Institution

(Excludes Realized and Unrealized Gains and Losses)



Operating Margin as a Percentage of Year-end Revenue by Institution

(Excludes Realized and Unrealized Gains and Losses)

3. U. T. System: Discussion and appropriate action regarding an internal lending program

RECOMMENDATION

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

a. approve an internal lending program through the establishment of a central bank within the U. T. System. Lending rates and terms will be established by the Executive Vice Chancellor for Business Affairs and the U. T. System Office of Finance and will be updated annually in connection with the U. T. System budget process;

b. approve an initial capitalization of the central bank through a transfer of all balances held in the U. T. System Office of Finance Swap Reserves with a market value estimated at approximately $23.4 million as of October 1, 2015; and

c. approve a policy that allows the Board to share in a portion of the funds generated through the internal lending program. The sharing would occur only when revenue generated by the central bank exceeds amounts needed to maintain a sufficient interest rate buffer, to fund external debt costs, and to provide necessary liquidity as determined by the Executive Vice Chancellor for Business Affairs. Any funds retained centrally would be used exclusively for strategic initiatives that benefit the U. T. System institutions and all expenditures for strategic initiatives would require approval of the Board of Regents.

BACKGROUND INFORMATION

Currently, interest rate risk associated with capital projects financed with Revenue Financing System ("RFS") debt is borne by U. T. System institutions as the institution's borrowing cost is not known until the project is permanently financed with long-term debt.

To reduce this interest rate volatility, many other leading research universities utilize a central bank structure for the purpose of better managing risks within the debt portfolio to minimize the cost of capital while still providing long-term fixed internal loans to individual institutions and their respective projects. The creation of a centralized structure for debt management decisions is expected to result in better control of institutional risks, to standardize loan rates to U. T. System institutions, and to reduce the interest cost volatility for individual projects. By utilizing a portfolio approach, the central bank will be able to utilize certain debt structures that could effectively reduce the cost of capital, such as floating rate debt, that an individual project or institution would traditionally avoid. The proposed central bank will involve projects financed through RFS debt and will not involve projects financed with Tuition Revenue Bond (TRB) or Permanent University Fund (PUF) debt.

In addition to providing a more efficient platform to better manage risks, the central bank is expected to generate funding that can be invested strategically across U. T. System institutions. To the extent asset returns in the central bank exceed external debt costs, these funds are proposed to be invested strategically in U. T. System institutions, although a certain amount of reserves will be needed to provide an appropriate interest rate buffer and to meet external debt service requirements. Due to the need to develop adequate reserves, strategic funding through the central bank is not expected before Fiscal Year 2018. The size of the interest rate buffer is expected to change over time and will be periodically determined by the Office of Business Affairs by taking into account a range of future borrowing costs and investment returns to effectively minimize any potential changes to the long-term loan rate charged to the institutions. A portion of the initial capitalization may be utilized for strategic purposes prior to Fiscal Year 2018, subject to recommendation by the Chancellor and the Executive Vice Chancellor for Business Affairs and approval by the Board of Regents.

All projects previously financed with long-term RFS bonds are proposed to be adjusted to be cash-flow neutral, although small changes due to rounding are anticipated. Future projects are proposed to be financed through the central bank at a long-term loan rate, initially 4.50%, which is expected to be stable over time. Capital equipment and interim financing of capital projects will continue to be financed at variable short-term rates, initially proposed as the average interest rate on the U. T. System's outstanding commercial paper notes plus 0.75%. For projects that cannot be financed on a tax-exempt basis, an additional loan premium will be added to the long-term loan rate, initially proposed to be 0.75%. In accordance with Chapter 54 of the *Texas Education Code*, the payment of principal and interest on loans originated through the central bank are financing costs of the underlying capital projects. Although not currently anticipated, any adjustments to the loan rates are proposed to be considered annually in connection with the U. T. System's annual budget process with any changes that are implemented applying to all outstanding loans.

Funds held in the central bank for liquidity purposes or to serve as an interest rate buffer will be invested in funds managed by The University of Texas Investment Management Company (UTIMCO).

4. U. T. System Board of Regents: Report on activities of the University Lands Advisory Board

REPORT

Regent Cranberg, Chairman of the University Lands Advisory Board (ULAB), and Mr. Mark Houser, Chief Executive Officer - University Lands, will report on activities related to the ULAB using the PowerPoint presentation set forth on the following pages.

BACKGROUND INFORMATION

The ULAB was established by the Board of Regents on May 15, 2014, to advise the Board on operations and management of the University Lands Office, to review and recommend budgets to the Board, and to provide strategic direction for University Lands.

Report on Activities of University Lands Advisory Board

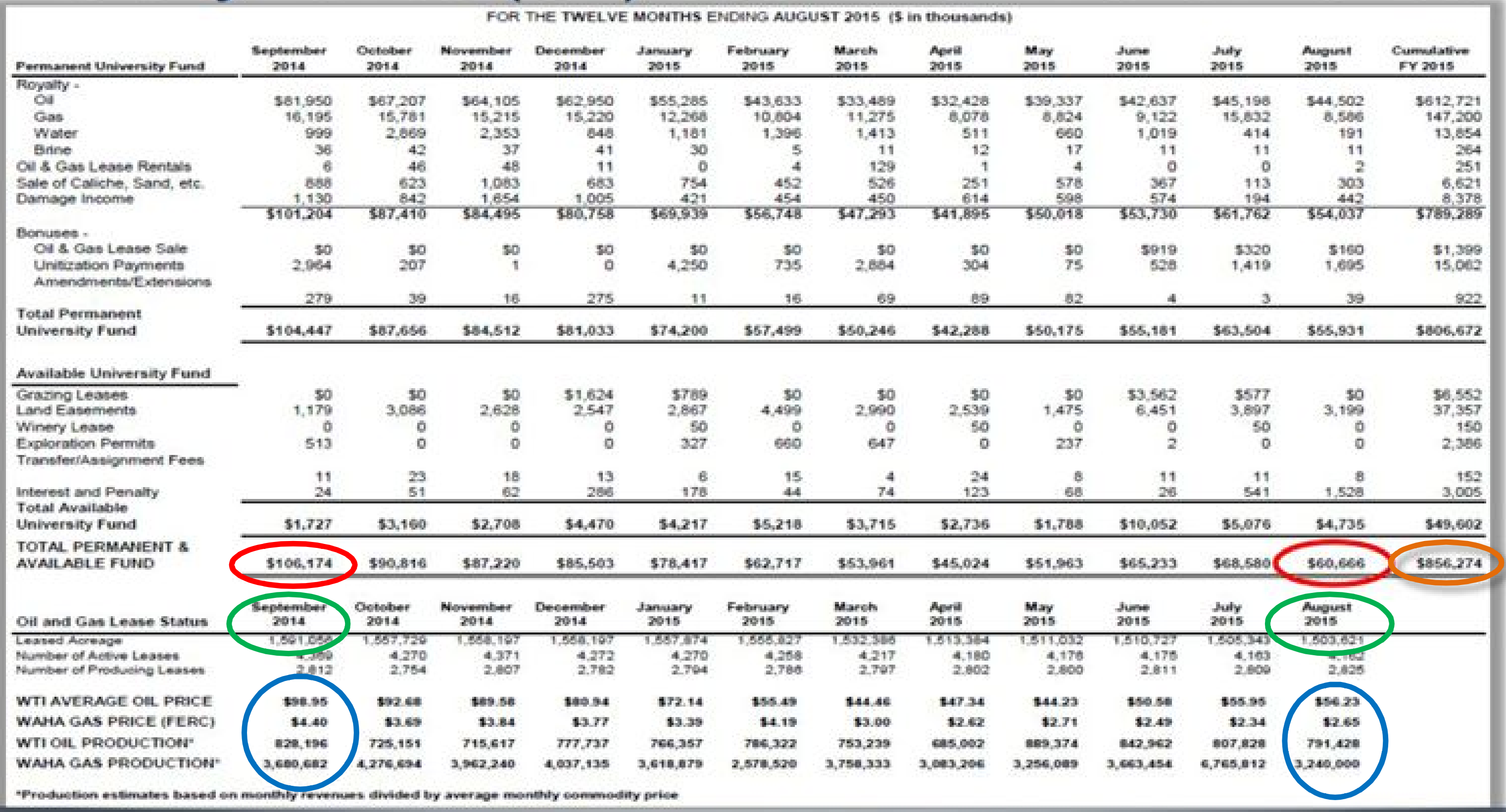
Mr. Mark Houser, Chief Executive Officer – University Lands

U. T. System Board of Regents' Meeting
Finance and Planning Committee
November 2015

Key Takeaways

- **Production/Cash Flow/Reserves as Expected**
  - Concern with activity levels moving forward
  - Acreage continues to be recaptured with reduced activity
- **Currently Reviewing Appropriate Structure for More Effective Management of University Lands**
- **Drilling Economics are Challenging to Oil and Gas Operators**
  - Significant improvement in type curves and costs
  - Rates of return still not “attractive” on scale
- **University Lands Must Continue to Look for Creative Ways to Ensure Ongoing Development**
  - Appropriate cost structure for surface easements and damages continues to be assessed
  - Potential incentive structure to promote additional activity through changing price cycles being considered
  - Midstream joint venture agreement reached
  - One to two lease sales anticipated over next 12 months
- **Budget Increase Recommended to Align with Current Strategy**

University Lands (UL) Cash Flow Performance



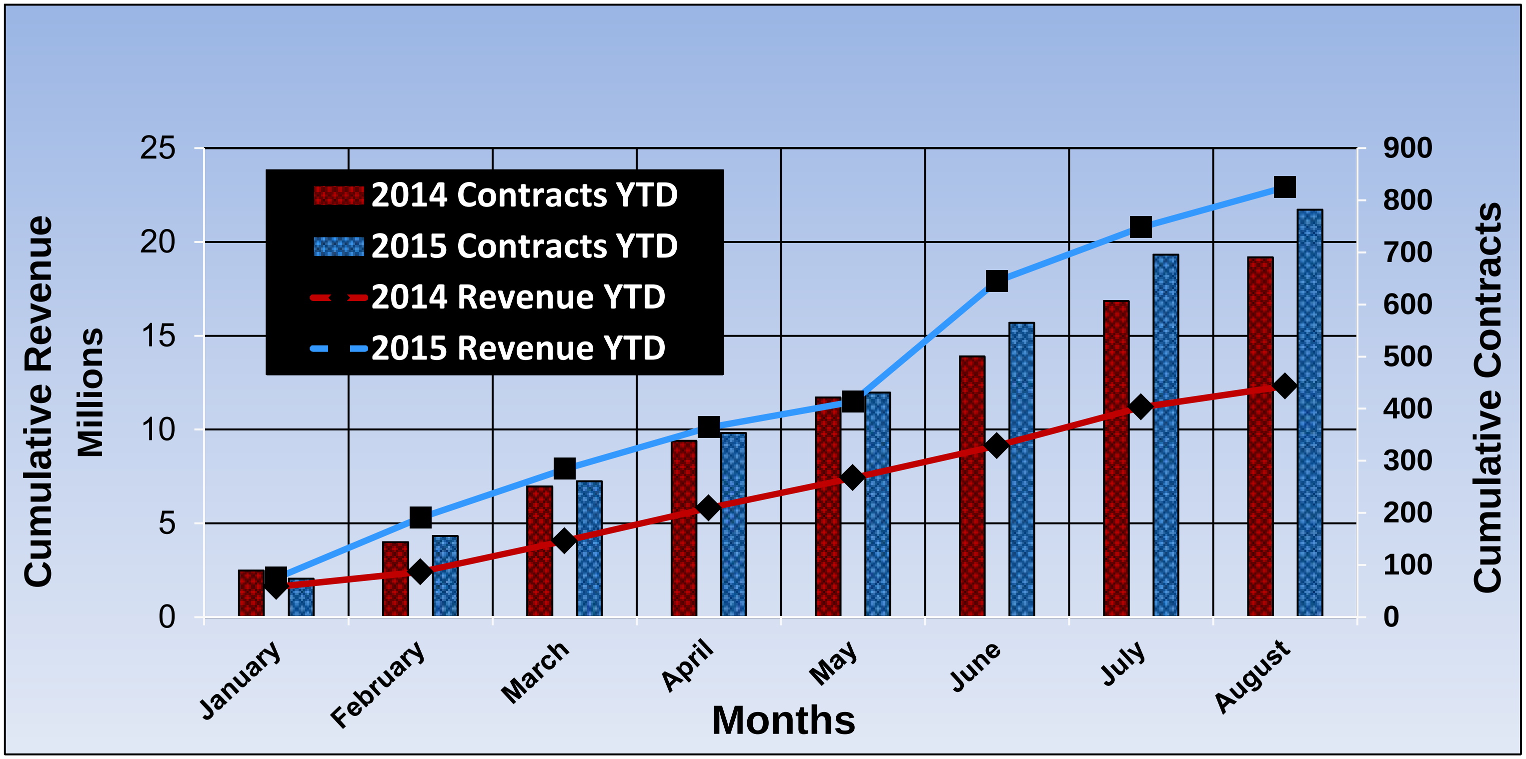
FOR THE TWELVE MONTHS ENDING AUGUST 2015 ($ in thousands)

Permanent University Fund	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015	Cumulative FY 2015
Royalty -													
Oil	$81,950	$67,207	$64,105	$62,950	$55,285	$43,633	$33,489	$32,428	$39,337	$42,637	$45,198	$44,502	$612,721
Gas	16,195	15,781	15,215	15,220	12,268	10,804	11,275	8,078	8,824	9,122	15,832	8,586	147,200
Water	999	2,869	2,353	848	1,181	1,396	1,413	511	660	1,019	414	191	13,854
Brine	36	42	37	41	30	5	11	12	17	11	11	11	264
Oil & Gas Lease Rentals	6	46	48	11	0	4	129	1	4	0	0	2	251
Sale of Caliche, Sand, etc.	888	623	1,083	683	754	452	526	251	578	367	113	303	6,621
Damage Income	1,130	842	1,654	1,005	421	454	450	614	598	574	194	442	8,378
	$101,204	$87,410	$84,495	$80,758	$69,939	$56,748	$47,293	$41,895	$50,018	$53,730	$61,762	$54,037	$789,289
Bonuses -													
Oil & Gas Lease Sale	$0	$0	$0	$0	$0	$0	$0	$0	$0	$919	$320	$160	$1,399
Unitization Payments	2,964	207	1	0	4,250	735	2,884	304	75	528	1,419	1,695	15,062
Amendments/Extensions	279	39	16	275	11	16	69	89	82	4	3	39	922
Total Permanent University Fund	$104,447	$87,656	$84,512	$81,033	$74,200	$57,499	$50,246	$42,288	$50,175	$55,181	$63,504	$55,931	$806,672
Available University Fund													
Grazing Leases	$0	$0	$0	$1,624	$789	$0	$0	$0	$0	$3,562	$577	$0	$6,552
Land Easements	1,179	3,086	2,628	2,547	2,867	4,499	2,990	2,539	1,475	6,451	3,897	3,199	37,357
Winery Lease	0	0	0	0	50	0	0	50	0	0	50	0	150
Exploration Permits	513	0	0	0	327	660	647	0	237	2	0	0	2,386
Transfer/Assignment Fees	11	23	18	13	6	15	4	24	8	11	11	8	152
Interest and Penalty	24	51	62	286	178	44	74	123	68	26	541	1,528	3,005
Total Available University Fund	$1,727	$3,160	$2,708	$4,470	$4,217	$5,218	$3,715	$2,736	$1,788	$10,052	$5,076	$4,735	$49,602
TOTAL PERMANENT & AVAILABLE FUND	$106,174	$90,816	$87,220	$85,503	$78,417	$62,717	$53,961	$45,024	$51,963	$65,233	$68,580	$60,666	$856,274

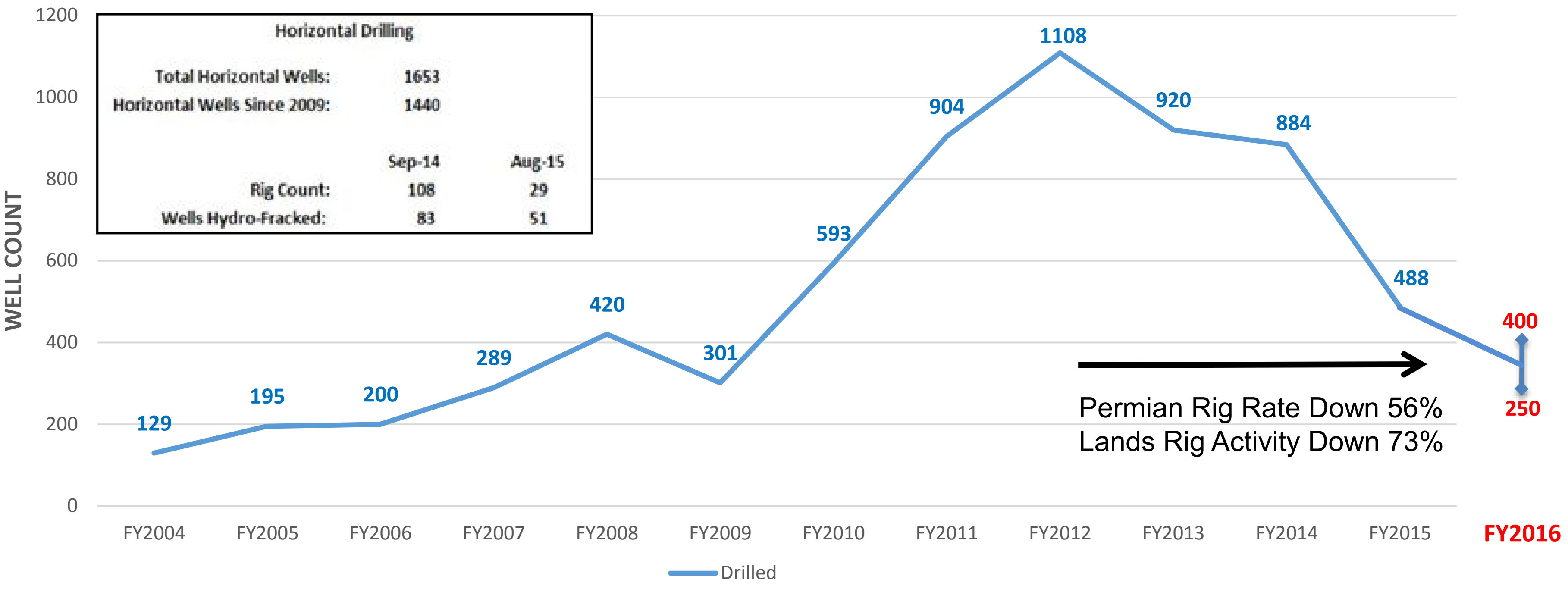
Oil and Gas Lease Status	September 2014	October 2014	November 2014	December 2014	January 2015	February 2015	March 2015	April 2015	May 2015	June 2015	July 2015	August 2015
Leased Acreage	1,591,058	1,557,729	1,558,197	1,558,197	1,557,874	1,555,827	1,532,388	1,513,384	1,511,032	1,510,727	1,505,343	1,503,621
Number of Active Leases	4,389	4,270	4,371	4,272	4,270	4,258	4,217	4,180	4,176	4,175	4,163	4,162
Number of Producing Leases	2,812	2,754	2,807	2,782	2,794	2,786	2,797	2,802	2,800	2,811	2,809	2,825
WTI AVERAGE OIL PRICE	$98.95	$92.68	$89.58	$80.94	$72.14	$55.49	$44.46	$47.34	$44.23	$50.58	$55.95	$56.23
WAHA GAS PRICE (FERC)	$4.40	$3.69	$3.84	$3.77	$3.39	$4.19	$3.00	$2.62	$2.71	$2.49	$2.34	$2.65
WTI OIL PRODUCTION*	828,196	725,151	715,617	777,737	766,357	786,322	753,239	685,002	889,374	842,962	807,828	791,428
WAHA GAS PRODUCTION*	3,680,682	4,276,694	3,962,240	4,037,135	3,618,879	2,578,520	3,758,333	3,083,206	3,256,089	3,663,454	6,765,812	3,240,000

*Production estimates based on monthly revenues divided by average monthly commodity price

UL Easements and Surface Leasing Activity



University Lands Wells Drilled by Fiscal Year

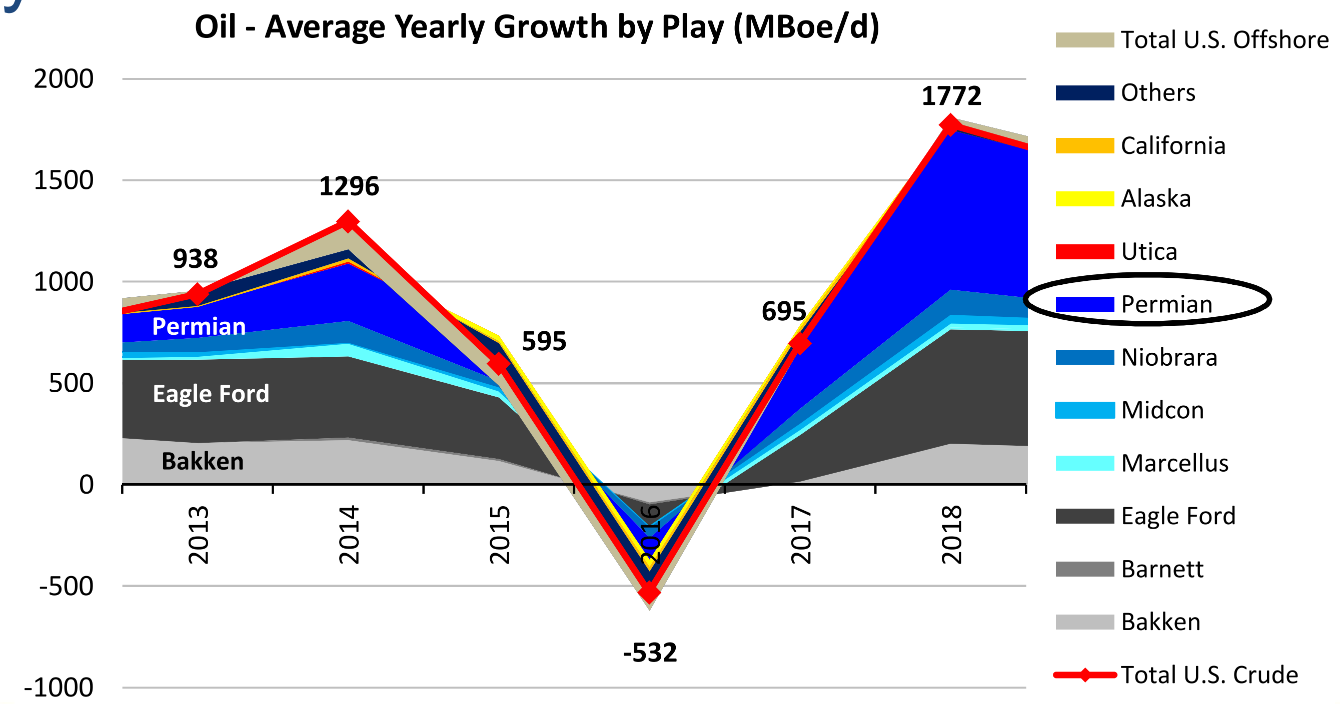


Horizontal Drilling

Total Horizontal Wells:	1653	
Horizontal Wells Since 2009:	1440	
	Sep-14	Aug-15
Rig Count:	108	29
Wells Hydro-Fracked:	83	51

Permian Rig Rate Down 56%
Lands Rig Activity Down 73%

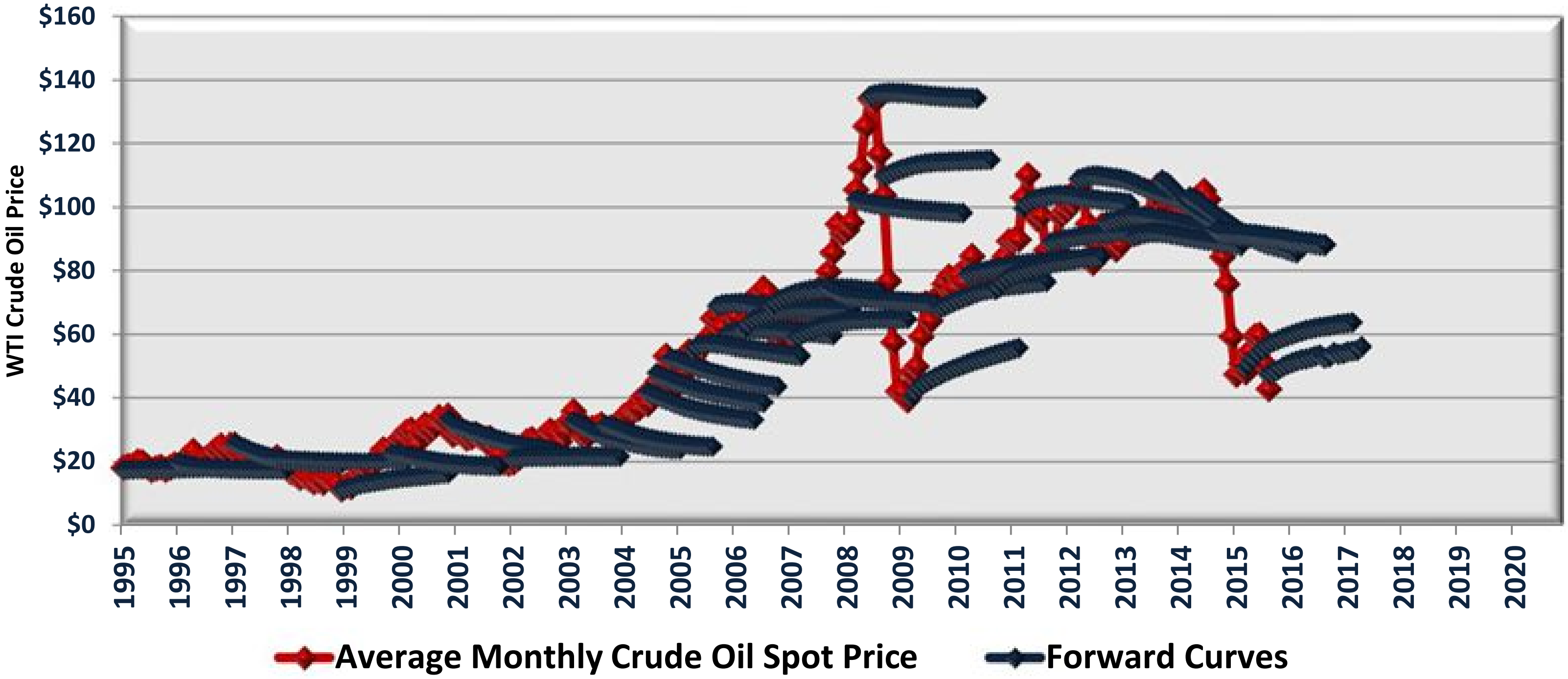
Permian Basin Will Remain a Strong Player in U.S. Supply Growth



Source: Raymond James & Associates, EIA, HPDI, Baker Hughes

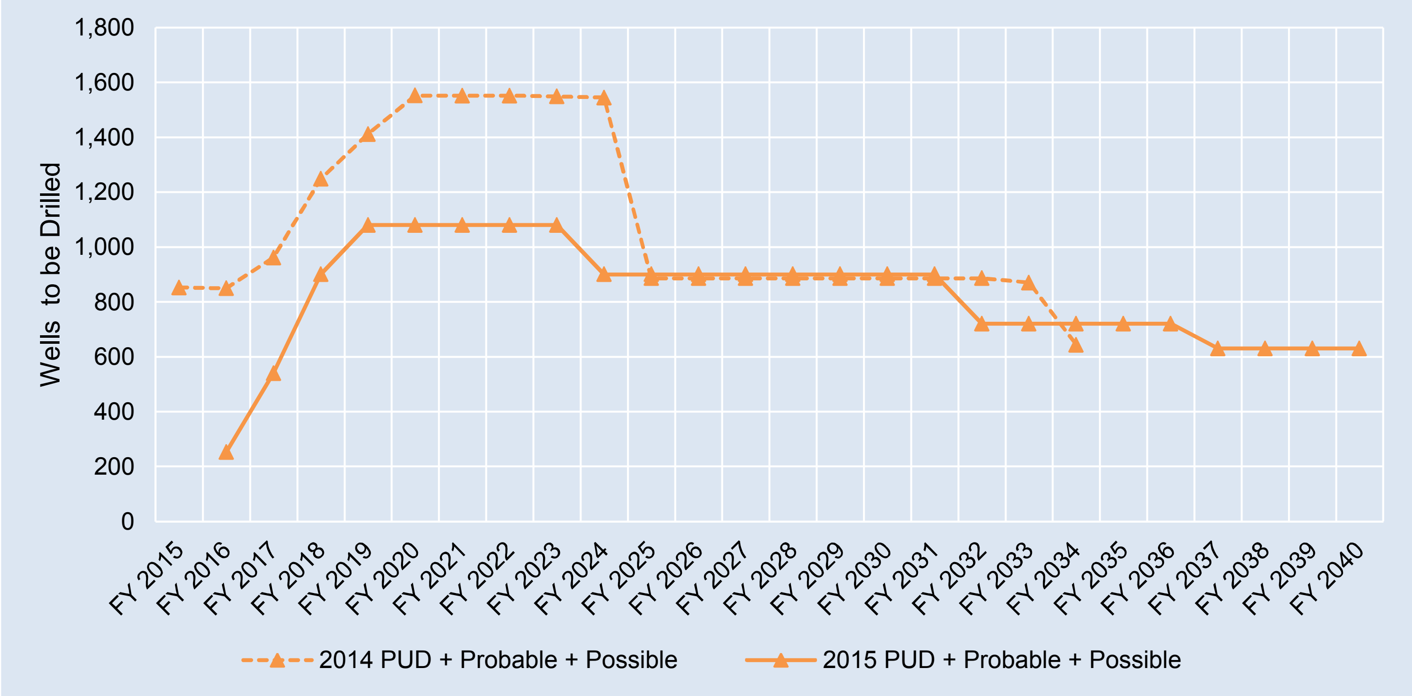
Mboe/d: Thousand barrels oil equivalent per day

Spot Prices vs. the Forward Curve



Source: Plains All American

Wells Drilling Forecast for Reserves
2014 vs. 2015



Total Drilling Locations:
- **2015 ~20,400**
- **2014 ~20,400**

Long Term Pricing:
- **Oil ~40% lower**
- **Gas ~30% lower**

PUD: Proven Undeveloped

Reserves Comparison

NET RESERVES (Million Equivalent Barrels)

	Proved	Probable	Possible	Total
8/31/2014	162	109	943	1,214
8/31/2015	173	158	802	1,133
8/31/15 @ 2014 Price	176	158	802	1,135

FUTURE NET REVENUE - DISCOUNTED AT 10% ($ Millions)

8/31/2014	4,967	2,869	11,767	19,603
8/31/2015	2,972	2,328	6,354	11,654
8/31/15 @ 2014 Price	4,878	3,489	9,179	17,547

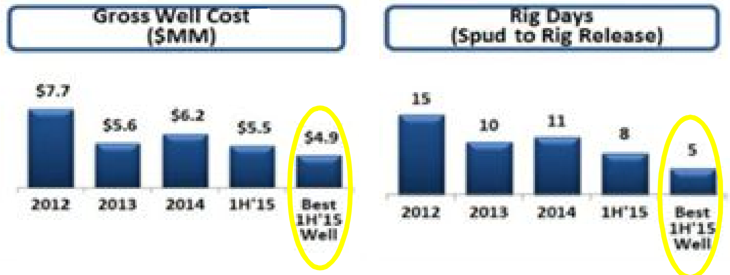
*numbers subject to rounding

2015 approximate net production:
17.6 MMBOE
(million barrels of oil equivalent)

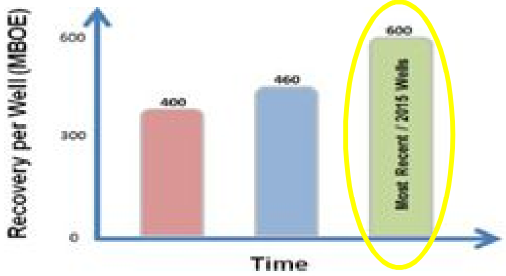
2014 Cash Flow:
$856 million

Increasing Efficiencies: Returns Still Challenging for Producers

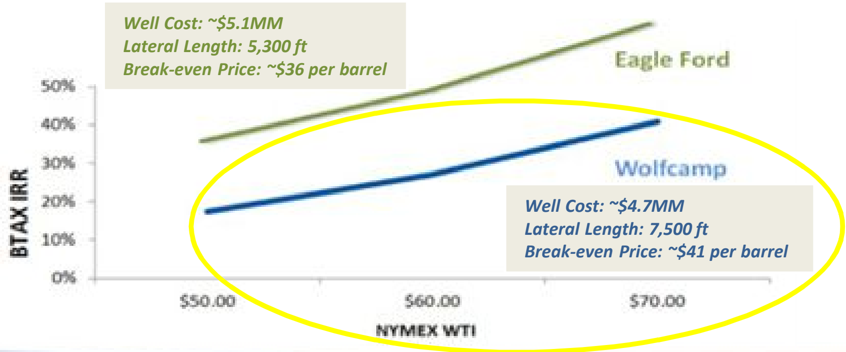
Wolfcamp Cost Efficiencies



Well Recoveries up 50%



Well Economics Create Competition for Capital



Well Cost: ~$5.1MM
Lateral Length: 5,300 ft
Break-even Price: ~$36 per barrel

Well Cost: ~$4.7MM
Lateral Length: 7,500 ft
Break-even Price: ~$41 per barrel

- University Lands is evaluating potential ways for ensuring efficient development of lands over time, including potential price-sensitive royalty structures

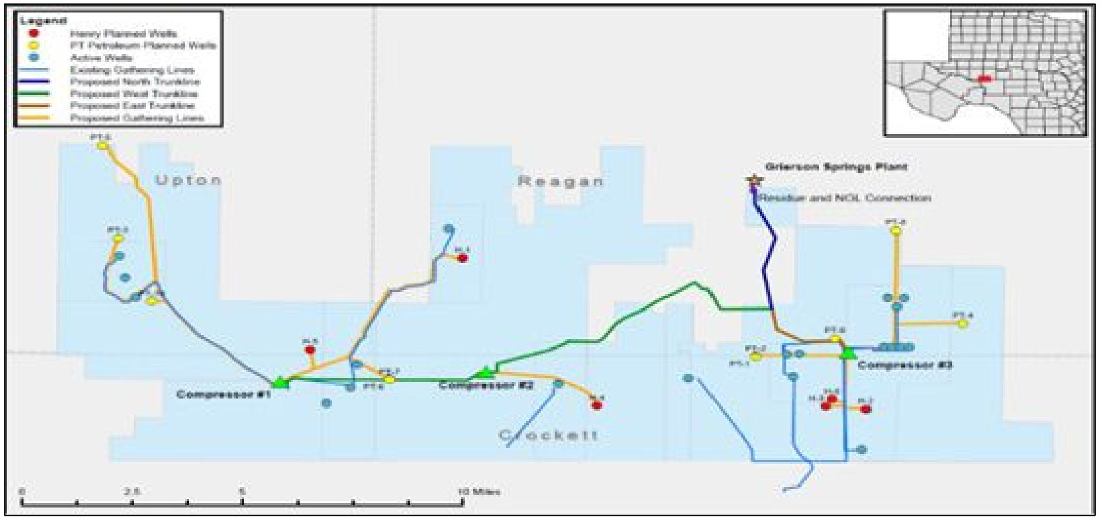
Source: EP Energy

Trinity Project

- **~63,800 acres operated by Henry Petroleum and PT Petroleum**
- Technical review has identified potential for 200 to > 1000 wells drilled across acreage
  - Wolfcamp A & B and Spraberry
- Eight wells have been drilled this year
- 2016 plans provide for another eight new horizontal wells
- Electricity and water infrastructure projects ongoing
- Estimate >$125MM spent through 2016, excluding gathering and processing
- Gathering and processing infrastructure required

Trinity Project – Midstream Joint Venture

- University Lands negotiated a **10% carried equity interest** in a joint venture to build gathering and processing infrastructure with Canyon Midstream, Henry Petroleum and PT Petroleum, et al.
  - Companies are affiliated with Kayne Anderson
  - University Lands contributes **~$3 million in easement and right-of-way**
  - University Lands **waives affiliate language** related to gathering and processing fees deductible from royalty interests
  - University Lands receives a “carried interest” for **its share of $110 million of capital spending**



Phase 1: JT Refrigeration and Field Compression

Phase 2: Cryo Expansion

Trinity Project - Investment Impact

Midstream Investment Economics

	8x EBITDA
Sales Proceeds at 1/21	$ 178,764
Debt Repayment	$ 60,520
Net Proceeds	$ 118,244
Project Internal Rate of Return (IRR)	19%
Project Return on Investment (ROI)	2.00
University Lands 10% Interest	
University Lands 10% Proceeds	$ 11,824
Less: “Foregone” Easements	$ 3,158
Net to University Lands	$ 8,666
University Lands "ROI"	3.7

25% Royalty Generation* Estimate at Current Strip

Present Value 10% of Royalty per Well	1.8	1.8	1.8
Wells	181	500	1000
Present Value of Royalty, $millions	**330**	**900**	**1800**

Potential Other Income:

- $100,000 - $120,000 per well in surface damage income to AUF ($18.1 - $120 million total)
- Third party income through plant

*Based on $60/bbl Oil price

Benefits of Trinity Midstream Investment

- Attractive economics on a stand-alone basis
- Increases likelihood of expanded drilling
- Encourages generation of royalty income
- Affiliated company investing in midstream will help focus development
- Third party income potential from other producers
- Increases midstream competition in area
- Increases University Lands' midstream knowledge from actual operations involvement

2016 Objectives

- Generate revenue of **$600–$800 million** for fiscal year assuming $50/bbl oil price
- Increase “price neutral” proved reserve value
- Review scenarios for development incentives in tough price environment
- Assess and determine optimal structure for University Lands
- Develop integration program with the Texas Energy Research, Education, and Engineering Institute (“Texas Oil and Gas Institute”)
- Complete detailed reservoir study of 20% of University Lands
- Complete technical review with top 20 producers
- Complete one to two lease sales in next 12 months
- Develop and implement “downhole data management process”
- Enhance water management plan
- Develop and implement an effective branding strategy
- Develop an internship program

University Lands Budget Increase Recommendation

- **Request for budget increase from $17.3 million to $23.6 million. Adjustments include:**
  - Salaries (including benefits) for additional Houston staff as discussed with the University Lands Advisory Board (ULAB): $765,600
  - Salary adjustments (including benefits) for Midland office: $660,000
  - Additional software and hardware for Petroleum Engineering and Geoscience use: $1,128,800
  - Finalization of the Opportune project: $300,000
  - Contract for "Texas Oil and Gas Institute": $3,440,000
- Consistent with strategy for University Lands
  - Reviewed with ULAB

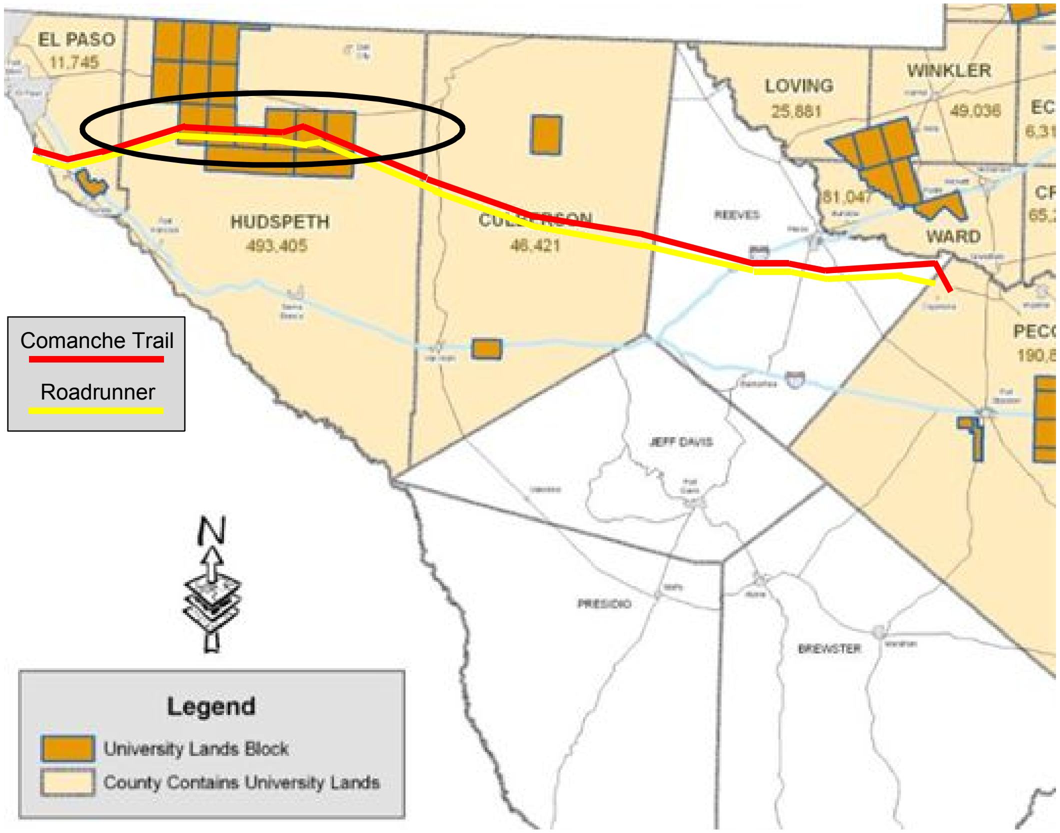
- **Total 2016 Revenue: $600-800M**
- **Total 2016 Production: 15.4M BOE**
- **Total 2016 Projected Costs: $23.6M**
  - **Per unit of production $1.53/BOE**

- **Total 2016 Overhead Costs:**
  - **Excl. Startup/other projects $15.6**
  - **Per unit of production $1.01/BOE**

Similar Minerals Companies
Overhead - >> $1.50 - $2.50+ per BOE

University Lands Easement Requests

- Two pipeline projects to transport gas from the Permian Basin to Mexico
  - Comanche Trail Pipeline (ETP)
  - Roadrunner Pipeline (Oneok)
- Each runs ~37 miles across University Lands
- Requests for approval on Consent Agenda: $6.7 million in total easement revenue
- 10-year lease term through November 2025



University Lands Environmental Practices Go Above and Beyond

- Strong relationships with environmentally-focused organizations including the Texas Commission on Environmental Quality, Texas Railroad Commission, Texas Parks and Wildlife, Natural Resource Conservation Service, and the U.S. Fish and Wildlife Service ensure compliance and best practices
- Many policies unique to University Lands: Operators required to comply with our *Surface Operations Field Manual of Required Operating Procedures for Oil & Gas Leases*
- University Lands' right to conduct unannounced lease inspections
  - 1000+ visits since 2008
  - Monitor permitting, environmental compliance, and general housekeeping
- Robust University Lands Groundwater Management Plan fully operational
- Four of top eight (and maybe more!) operators including EP Energy, Apache, Approach, and Pioneer Resources leading the industry in implementing water recycling and conservation practices
- Continued commitment to prudently evolving practices as technology evolves

5. U. T. System: Approval of a Fiscal Year 2016 University Lands operating budget including delegation of authority to enter into a proposed $3.4 million contract with the Texas Energy Research, Education, and Engineering Institute (EREEI)

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs that the U. T. System Board of Regents approve a Fiscal Year 2016 University Lands operating budget as shown on the following page.

It is also recommended that the Board delegate authority to the Chief Executive Officer - University Lands to enter into a proposed $3.4 million contract with the Texas Energy Research, Education, and Engineering Institute (EREEI) (“Texas Oil & Gas Institute” or "TOGI") for comprehensive petroleum engineering, geological, and geophysical analysis services, following review of the contract by the U. T. System Office of General Counsel.

BACKGROUND INFORMATION

The University Lands Advisory Board (ULAB) was established by the Board of Regents on May 15, 2014, and charged with providing advice on the strategic direction for University Lands. Over the past 18 months, ULAB has advised the Board on the hiring of a new Chief Executive Officer - University Lands (UL-CEO), whose employment began on March 23, 2015. Since that time, ULAB and the UL-CEO have been working on a strategic direction for University Lands.

The Fiscal Year 2016 budget cycle occurred early in the discussions of the strategic direction for University Lands and the University Lands budget numbers approved at the August 20, 2015 Board of Regents' meeting were placeholders subject to change after the beginning of the new fiscal year. The updated operating budget includes a proposed $3.4 million contract with the “Texas Oil & Gas Institute” for comprehensive petroleum engineering, geological, and geophysical analysis services required to assist the University Lands Geoscience and Engineering Team in performing a detailed study of 20% of the University Lands Resource Base during 2015-2016. "TOGI" will also assist in developing a more streamlined and comprehensive data management process for subsurface evaluation and may evaluate opportunities to enhance production operations through assisting in studies of methane emissions and environmental best practices.

UNIVERSITY LANDS OPERATING BUDGET
FISCAL YEAR ENDING 8/31/2016

	Description	FY2016 APPROVED BUDGET	FY 2016 PROPOSED BUDGET	ADDITIONAL BUDGET REQUIRED
Houston Office - Maintenance & Operations (M&O):				
1	Leased Office Space ($30/sq ft)	**$200,000**	**$360,000**	**$160,000**
2	Building Operating Expense ($13/sq ft)	**$58,500**	**$156,000**	**$97,500**
3	Computers, Supplies, Internet, etc.	**$44,700**	**$80,000**	**$35,300**
4	Miscellaneous Labor/Services	**$20,000**	**$75,000**	**$55,000**
5	Technology Allocation	**$30,000**	**$66,000**	**$36,000**
6	Travel	**$50,000**	**$80,000**	**$30,000**
Total Operations (Houston)		**$403,200**	**$817,000**	**$413,800**
Houston Office - Startup Costs:				
7	Furniture & Fixtures	**$0**	**$150,000**	**$0**
8	Facility Enhancements	**$0**	**$240,000**	**$0**
9	Network Infrastructure	**$0**	**$375,000**	**$0**
10	Video Conferencing	**$0**	**$250,000**	**$0**
11	Land Management System	**$0**	**$300,000**	**$0**
12	Reservoir/Geologic System	**$0**	**$1,000,000**	**$0**
Total Startup Costs (Houston)		**$1,600,000**	**$2,315,000**	**$715,000**
TOTAL M&O		**$2,003,200**	**$3,132,000**	**$1,128,800**
ADMIN & PROFESSIONAL SALARIES		**$1,350,000**	**$1,720,000**	**$370,000**
CLASSIFIED PERSONNEL		**$222,000**	**$432,000**	**$210,000**
BENEFITS		**$503,040**	**$688,640**	**$185,600**
TOTAL BUDGET - HOUSTON OFFICE		**$4,078,240**	**$5,972,640**	**$1,894,400**
Midland Office - M&O:				
Total M&O, Travel & Capital Equipment		**$1,158,128**	**$1,158,128**	**$0**
ADMIN & PROFESSIONAL SALARIES		**$989,035**	**$1,489,035**	**$500,000**
CLASSIFIED PERSONNEL		**$2,977,502**	**$2,977,502**	**$0**
BENEFITS		**$1,269,292**	**$1,429,292**	**$160,000**
WAGES		**$20,000**	**$20,000**	**$0**
OPPORTUNE MAINTENANCE		**$200,000**	**$200,000**	**$0**
TOTAL BUDGET - MIDLAND OFFICE		**$6,613,957**	**$7,273,957**	**$660,000**
TOTAL BUDGET (MIDLAND & HOUSTON)		**$10,692,197**	**$13,246,597**	**$2,554,400**
OTHER BUDGET ITEMS:				
UL LAND PROJECTS		**$2,769,800**	**$2,769,800**	**$0**
UL RESEARCH PROJECTS		**$109,425**	**$109,425**	**$0**
UL SPECIAL PROJECTS		**$2,700,000**	**$2,700,000**	**$0**
UL ARIS/OPPORTUNE		**$1,000,000**	**$1,300,000**	**$300,000**
"TEXAS OIL & GAS INSTITUTE"		**$0**	**$3,440,000**	**$3,440,000**
TOTAL OTHER BUDGET ITEMS		**$6,579,225**	**$10,319,225**	**$3,740,000**
TOTAL BUDGET		**$17,271,422**	**$23,565,822**	**$6,294,400**

Prepared by the Office of University Lands
November 2015

6. U. T. System Board of Regents: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the year and quarter ended August 31, 2015

REPORT

The August 31, 2015 UTIMCO Performance Summary Report is set forth on Page 90.

The Investment Reports for the fiscal year and quarter ended August 31, 2015, are set forth on Pages 91 - 94.

Item I on Page 91 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was .43%. The PUF's net asset value increased by $125 million since the beginning of the year to $17,490 million. The increase was due to $807 million PUF Lands receipts, plus a net investment return of $82 million, less the annual distribution to the Available University Fund (AUF) of $764 million.

Item II on Page 92 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was 1.08%. The GEF's net asset value decreased by $88 million during the fiscal year to $8,237 million.

Item III on Page 93 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the fiscal year was negative 3.28% versus its composite benchmark return of 5.11%. The net asset value increased during the fiscal year to $7,037 million due to net contributions of $821 million, less net investment return of $239 million and distributions of $210 million.

All exposures were within their asset class and investment type ranges. Liquidity was within policy.

Item IV on Page 94 presents book and market values 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 and Fidelity money market fund, increased by $102 million to $2,133 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $21 million versus $20 million at the beginning of the period; equities: $267 million versus $281 million at the beginning of the period; and other investments: $6 million versus $1 million at the beginning of the period.

Mr. Zimmerman will provide an update using the PowerPoint presentation on Pages 95 - 100.

UTIMCO Performance Summary

August 31, 2015

	Net Asset Value 8/31/2015 (in Millions)	Periods Ended August 31, 2015 (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
ENDOWMENT FUNDS									
Permanent University Fund	$ 17,490	(0.87%)	(2.79%)	0.43%	1.78%	0.43%	7.94%	8.27%	6.13%
Permanent Health Fund	1,076								
Long Term Fund	7,161								
General Endowment Fund	25,727	(0.80%)	(2.80%)	1.08%	1.81%	1.08%	8.12%	8.41%	6.24%
Separately Invested Funds	367								
Total Endowment Funds	26,094								
OPERATING FUNDS									
Intermediate Term Fund	7,037	(2.37%)	(4.10%)	(3.28%)	(1.75%)	(3.28%)	3.92%	5.16%	N/A
Short Term Fund and Debt Proceeds Fund	2,059								
Total Operating Funds	9,096								
Total Assets Under Management	$ 35,190								

Footnote available upon request.

UTIMCO 10/5/2015

I. PERMANENT UNIVERSITY FUND

Investment Reports for Periods Ended August 31, 2015

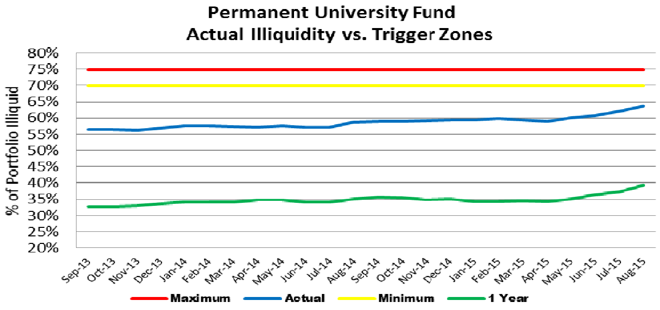
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	6.1%	6.5%	-5.16%	-6.44%	0.03%	0.05%	0.08%
Credit-Related	0.1%	0.0%	-6.24%	-4.66%	0.00%	0.00%	0.00%
Real Estate	2.3%	2.5%	-8.63%	-4.78%	-0.02%	-0.11%	-0.13%
Natural Resources	6.3%	7.5%	-30.36%	-25.03%	0.03%	-0.51%	-0.48%
Developed Country	13.8%	14.0%	4.96%	-4.13%	0.04%	1.27%	1.31%
Emerging Markets	9.4%	9.5%	-16.92%	-22.95%	-0.06%	0.68%	0.62%
Total More Correlated and Constrained	**38.0%**	**40.0%**	**-9.94%**	**-13.15%**	**0.02%**	**1.38%**	**1.40%**
Less Correlated and Constrained	**29.9%**	**30.0%**	**3.04%**	**1.47%**	**0.06%**	**0.42%**	**0.48%**
Private Investments	**32.1%**	**30.0%**	**13.44%**	**n/a**	**n/a**	**n/a**	**n/a**
Total	**100.0%**	**100.0%**	**0.43%**	**n/a**	**n/a**	**n/a**	**n/a**

n/a - not available

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	$14,853	$18,200	$17,365
PUF Lands Receipts	1,129	175	807
Investment Return (Net of Expenses)	2,260	(503)	82
Distributions to AUF	(877)	(382)	(764)
Ending Net Assets	$17,365	$17,490	$17,490



II. GENERAL ENDOWMENT FUND

Investment Reports for Periods Ended August 31, 2015

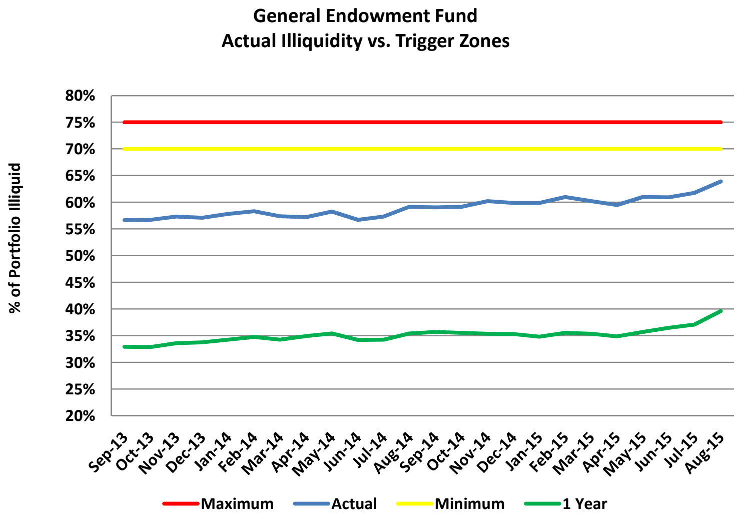
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	5.8%	6.5%	-4.09%	-6.44%	0.08%	0.11%	0.19%
Credit-Related	0.1%	0.0%	-6.24%	-4.66%	0.00%	0.00%	0.00%
Real Estate	2.4%	2.5%	-8.61%	-4.78%	-0.02%	-0.11%	-0.13%
Natural Resources	6.4%	7.5%	-30.38%	-25.03%	0.06%	-0.52%	-0.46%
Developed Country	13.8%	14.0%	4.87%	-4.13%	0.06%	1.24%	1.30%
Emerging Markets	9.3%	9.5%	-12.53%	-22.95%	-0.07%	1.20%	1.13%
Total More Correlated and Constrained	**37.8%**	**40.0%**	**-8.47%**	**-13.15%**	**0.11%**	**1.92%**	**2.03%**
Less Correlated and Constrained	**29.9%**	**30.0%**	**3.04%**	**1.47%**	**0.03%**	**0.46%**	**0.49%**
Private Investments	**32.3%**	**30.0%**	**13.44%**	**n/a**	**n/a**	**n/a**	**n/a**
Total	**100.0%**	**100.0%**	**1.08%**	**n/a**	**n/a**	**n/a**	**n/a**

n/a - not available

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	$7,396	$8,531	$8,325
Contributions	225	44	230
Withdrawals	(13)	(31)	(43)
Distributions	(371)	(74)	(366)
Investment Return (Net of Expenses)	1,088	(233)	91
Ending Net Assets	$8,325	$8,237	$8,237

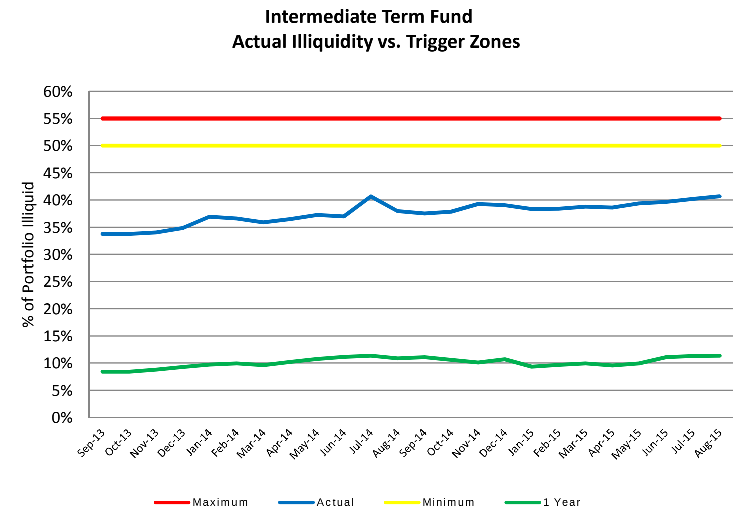

General Endowment Fund
Actual Illiquidity vs. Trigger Zones

III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended August 31, 2015
Prepared in accordance with *Texas Education Code* Sec. 51.0032

	Fiscal Year to Date						
	Asset Allocation		Returns		Value Added		
	Actual	Policy	Portfolio	Policy Benchmark	Tactical Allocation	Active Management	Total
More Correlated and Constrained:							
Investment Grade	30.7%	30.0%	-5.80%	-6.44%	0.02%	0.15%	0.17%
Credit-Related	0.0%	0.0%	0.00%	0.00%	0.00%	0.00%	0.00%
Real Estate	2.7%	3.0%	-8.60%	-4.78%	-0.01%	-0.13%	-0.14%
Natural Resources	5.9%	7.0%	-30.12%	-25.03%	0.08%	-0.43%	-0.35%
Developed Country	8.8%	9.0%	5.07%	-4.13%	0.00%	0.84%	0.84%
Emerging Markets	5.4%	6.0%	-12.52%	-22.95%	-0.01%	0.70%	0.69%
Total More Correlated and Constrained	**53.5%**	**55.0%**	**-8.15%**	**-10.26%**	**0.08%**	**1.13%**	**1.21%**
Less Correlated and Constrained	**46.5%**	**45.0%**	**3.02%**	**1.47%**	**0.00%**	**0.62%**	**0.62%**
Private Investments	**0.0%**	**0.0%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**	**0.00%**
Total	**100.0%**	**100.0%**	**-3.28%**	**-5.11%**	**0.08%**	**1.75%**	**1.83%**

Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2014	Quarter Ended August 31, 2015	Fiscal Year Ended August 31, 2015
Beginning Net Assets	$5,520	$7,196	$6,665
Contributions	2,111	357	1,448
Withdrawals	(1,391)	(164)	(627)
Distributions	(186)	(55)	(210)
Investment Return (Net of Expenses)	611	(297)	(239)
Ending Net Assets	$6,665	$7,037	$7,037



IV. SEPARATELY INVESTED ASSETS

Summary Investment Report at August 31, 2015

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

($ thousands)

FUND TYPE

	CURRENT PURPOSE				ENDOWMENT &		ANNUITY & LIFE				TOTAL EXCLUDING		OPERATING FUNDS (DEBT PROCEEDS AND			
	DESIGNATED		RESTRICTED		SIMILAR FUNDS		INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		(SHORT TERM FUND)		TOTAL	
ASSET TYPES																
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET
Beginning value 05/31/15	-	-	5,494	5,494	45,977	45,977	1,233	1,233	737	737	53,441	53,441	1,977,230	1,977,230	2,030,671	2,030,671
Increase/(Decrease)	-	-	(3,960)	(3,960)	22,319	22,319	833	833	1,045	1,045	20,237	20,237	82,156	82,156	102,393	102,393
Ending value 08/31/15	-	-	1,534	1,534	68,296	68,296	2,066	2,066	1,782	1,782	73,678	73,678	2,059,386	2,059,386	2,133,064	2,133,064
Debt Securities:																
Beginning value 05/31/15	-	-	11	12	11,304	11,661	7,928	7,898	-	-	19,243	19,571	-	-	19,243	19,571
Increase/(Decrease)	-	-	-	(1)	64	(103)	1,172	1,064	-	-	1,236	960	-	-	1,236	960
Ending value 08/31/15	-	-	11	11	11,368	11,558	9,100	8,962	-	-	20,479	20,531	-	-	20,479	20,531
Equity Securities:																
Beginning value 05/31/15	254,273	215,147	1,335	1,327	41,889	51,906	12,538	13,043	-	-	310,035	281,423	-	-	310,035	281,423
Increase/(Decrease)	110	(10,711)	(1,124)	(1,120)	68	(2,369)	303	(635)	-	-	(643)	(14,835)	-	-	(643)	(14,835)
Ending value 08/31/15	254,383	204,436	211	207	41,957	49,537	12,841	12,408	-	-	309,392	266,588	-	-	309,392	266,588
Other:																
Beginning value 05/31/15	-	-	89	89	599	599	572	114	-	-	1,260	802	-	-	1,260	802
Increase/(Decrease)	-	-	5,564	5,564	(564)	(564)	(2)	(3)	572	572	5,570	5,569	-	-	5,570	5,569
Ending value 08/31/15	-	-	5,653	5,653	35	35	570	111	572	572	6,830	6,371	-	-	6,830	6,371
Total Assets:																
Beginning value 05/31/15	254,273	215,147	6,929	6,922	99,769	110,143	22,271	22,288	737	737	383,979	355,237	1,977,230	1,977,230	2,361,209	2,332,467
Increase/(Decrease)	110	(10,711)	480	483	21,887	19,283	2,306	1,259	1,617	1,617	26,400	11,931	82,156	82,156	108,556	94,087
Ending value 08/31/15	254,383	204,436	7,409	7,405	121,656	129,426	24,577	23,547	2,354	2,354	410,379	367,168	2,059,386	2,059,386	2,469,765	2,426,554

Details of individual assets by account furnished upon request.

The University of Texas Investment Management Company

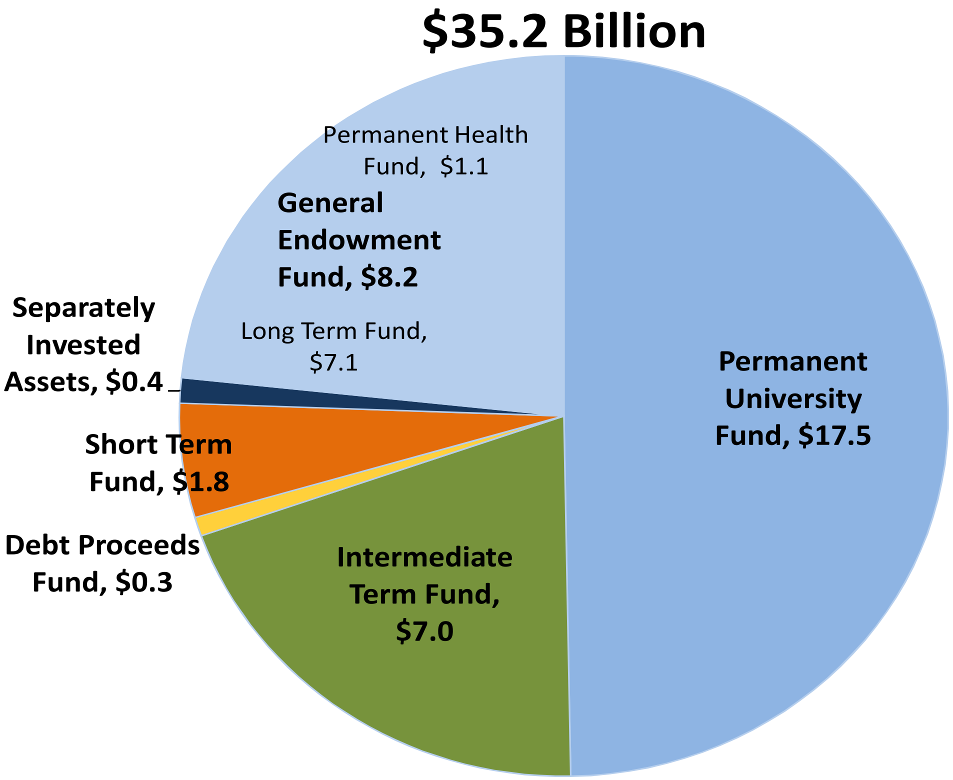
UTIMCO Update

Mr. Bruce Zimmerman
CEO and Chief Investment Officer

U. T. System Board of Regents' Meeting
Finance and Planning Committee
November 2015

UTIMCO ASSETS UNDER MANAGEMENT

As of August 31, 2015



RETURNS

	Periods Ended August 31, 2015			
Fund	**FY**	**Three Years**	**Five Years**	**Ten Years**
Permanent University Fund (PUF)	0.43%	7.94%	8.27%	6.13%
General Endowment Fund (GEF)	1.08%	8.12%	8.41%	6.24%
Intermediate Term Fund (ITF)	-3.28%	3.92%	5.16%	N/A

ENDOWMENT DASHBOARD

Underperformance

FY2015	3-years	5-years	10-years
0.6%	7.9%	8.3%	6.2%

Market

	Beta	
U.S. Equity	Rates	Currency
0.567	(0.309)	(0.156)

Scenarios

Expected	US Liquidity Squeeze	China Slowdown	Japan Implosion
Returns:	-21.6%	-18.7%	-15.6%

Downside Volatility

	1 stdev	2 stdev
Expected returns	-2.2%	-11.1%

VIX: 28.4%

Active Management

Waiting for June 30th
Private Investment benchmark update

Transparency

Full	Full but Lagged	Partial	None
32%	33%	31.5%	3.5%

Concentration

	Manager		Securities (Top 10)	
US	Top 10	Top 20	Bonds	Stocks
54%	25%	42%	5.1%	5.5%

Illiquidity

	90 day liquidity	1 year liquidity	Unfunded Commit-ments
Endowments	36%	61%	25%
ITF	59%	89%	

Leverage

	LCC	LCC ex-FI	Endowments
Gross	1.95	1.65	1.00
Net	0.52	0.60	1.00

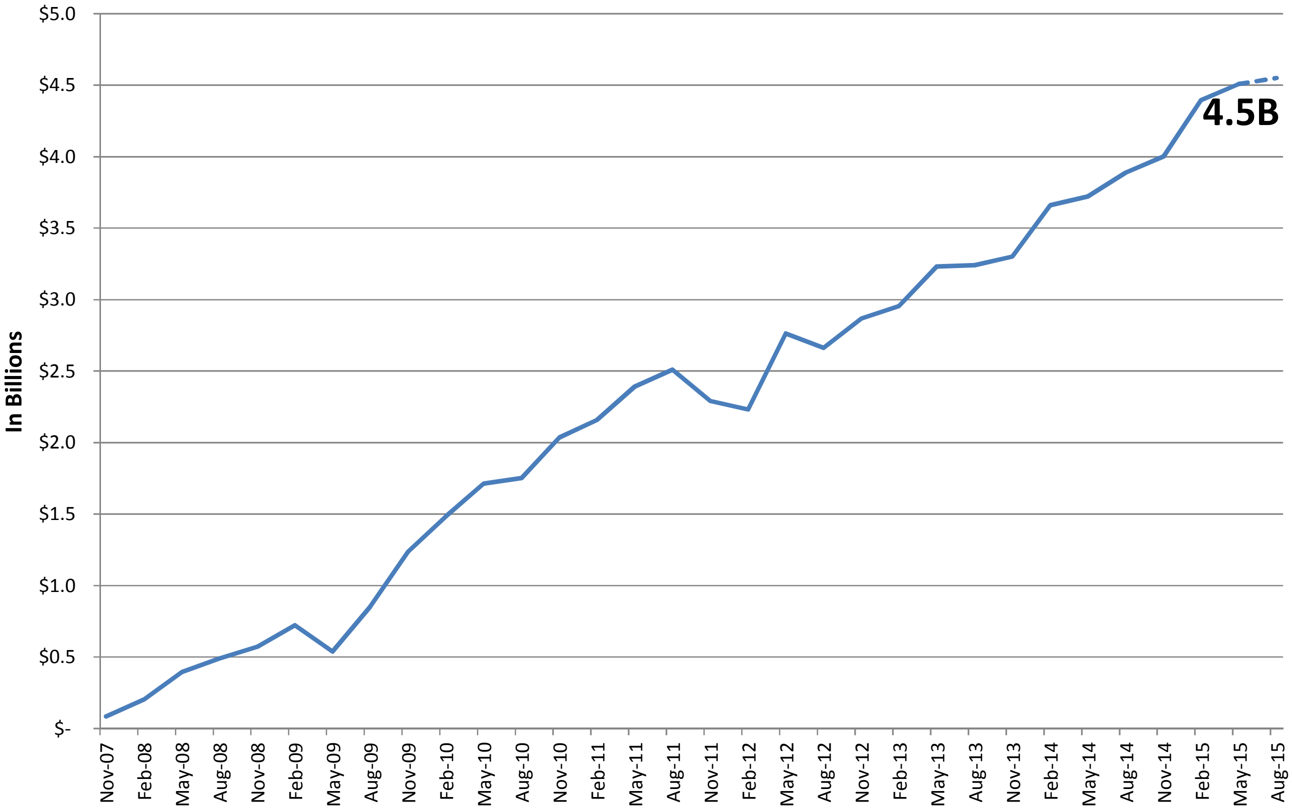
Permanent Loss of Capital

	Invested Capital ($B)	Realized Loss ($M)	Anticipated/ Unrealized Loss ($M)	Total Loss ($M)	Annualized Loss (%)
MCC	$33.3	$622	-	$622	0.34%
LCC	12.7	245	175	420	0.49%
PI	13.9	327	124	451	0.81%
Total	$59.9	$1,194	$299	$1,493	0.46%

ENDOWMENT EXPOSURE

Asset Group	Asset Class	More Correlated and Constrained (Long Only)		Less Correlated and Constrained (Hedge Funds)		Private Investments		Total	
Fixed Income	Investment Grade	$1,558	6.1%	$415	1.6%	$0	0.0%	$1,973	**7.7%**
	Credit-Related	26	0.1%	1,113	4.3%	958	3.7%	2,097	**8.1%**
	Fixed Income Total	**1,584**	**6.2%**	**1,528**	**5.9%**	**958**	**3.7%**	**4,070**	**15.8%**
Real Assets	Real Estate	$597	2.3%	$2	0.0%	$1,261	4.9%	$1,860	**7.2%**
	Natural Resources	1,635	6.4%	2	0.0%	1,911	7.4%	3,548	**13.8%**
	Real Assets Total	**2,232**	**8.7%**	**4**	**0.0%**	**3,172**	**12.3%**	**5,408**	**21.0%**
Equity	Developed Country	$3,518	13.8%	$5,747	22.3%	$3,192	12.4%	$12,457	**48.5%**
	Emerging Markets	2,405	9.3%	428	1.7%	959	3.7%	3,792	**14.7%**
	Equity Total	**5,923**	**23.1%**	**6,175**	**24.0%**	**4,151**	**16.1%**	**16,249**	**63.2%**
	Total	**$9,739**	**38.0%**	**$7,707**	**29.9%**	**$8,281**	**32.1%**	**$25,727**	**100.0%**
Number of Partners		49		56		146		251	

VALUE ADD



4.5B

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

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs 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 proposed amendments to the following Investment Policy Statements, including asset allocation, as set forth in congressional style on the referenced pages, to be effective December 1, 2015. Proposed amendments to the Liquidity Policy and the Derivative Investment Policy, as set forth in congressional style on the referenced pages, are to be effective November 5, 2015.

a. Permanent University Fund (PUF) (See Pages 103 - 114)

b. General Endowment Fund (GEF) (See Pages 115 - 124)

c. Permanent Health Fund (PHF) (See Pages 125 - 133)

d. Long Term Fund (LTF) (See Pages 134 - 142)

e. Intermediate Term Fund (ITF) (See Pages 143 - 152)

f. Separately Invested Fund (SIF) (See Pages 153 - 160)

g. Liquidity Policy (See Pages 161 - 164)

h. Derivative Investment Policy (See Pages 165 - 170)

BACKGROUND INFORMATION

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

The proposed changes to the Investment Policy Statements, the Liquidity Policy, and the Derivative Investment Policy were approved by the UTIMCO Board on October 15, 2015, and are described on the following page.

Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, LTF, and ITF have been amended to reflect the current Fiscal Year End and the revised Investment Type Targets and Ranges. The Expected Annual Real Return (Benchmark) target was also revised. Amendments are also proposed to adjust the one-year downside volatility based on the change in the Expected Annual Real Return (Benchmark) target and to delete a footnote related to the Expected Annual Return (Benchmark). The Exhibits to the Investment Policy Statements for the PUF, GEF, PHF, and LTF would also be amended to set forth the Target Distribution Rates for the respective Fund as determined by the Board of Regents.

Additionally, the PUF, GEF, PHF, LTF, and ITF Investment Policy Statements would be amended to clarify the investment objectives including that the target distribution rate is to be determined by the Board of Regents. Language has also been added to clarify that concentration limits in Investment Guidelines are limited to More Correlated and Constrained Investments, and the timing for the valuation of assets has been changed to be consistent with current practice. All references to risk terminology related to “risk” and “downside deviation” have been changed to “downside volatility” to be more specific, and other minor editorial changes were made.

The PUF Investment Policy Statement was changed to delete a quotation from the Texas Constitution and to clarify the timing of distribution payments from the PUF to the Available University Fund (AUF). The ITF Investment Policy Statement was changed to clarify that investment returns are net of all investment-related expenses and to add language related to additional expenses charged to the ITF. The Investment Grade Fixed Income section was deleted in the SIF Investment Policy Statement to be consistent with other Investment Policy Statements, and the Liquidity Policy was changed to clarify language in the Liquidity Policy Profile.

The Derivative Investment Policy changed the reference to "downside deviation and risk" to "downside volatility" to be more specific. Language was added to allow for limited use of agreements developed by the International Swaps and Derivatives Association, Inc. (ISDA) in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed by the Dodd-Frank Wall Street Reform and Consumer Protection Act. Exhibit B of the Derivative Investment Policy was changed to clarify that limited-loss derivatives are allowed on individual stocks.

Finally, the Short Term Fund Investment Policy Statement was reviewed but no changes were recommended.

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT UNIVERSITY FUND
INVESTMENT POLICY STATEMENT

Purpose

The Permanent University Fund (the "PUF") is a public endowment contributing to the support of eligible institutions of The University of Texas System and The Texas A&M University System as provided in Article VII, Section 18 of the *Texas Constitution*.

PUF Organization

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

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

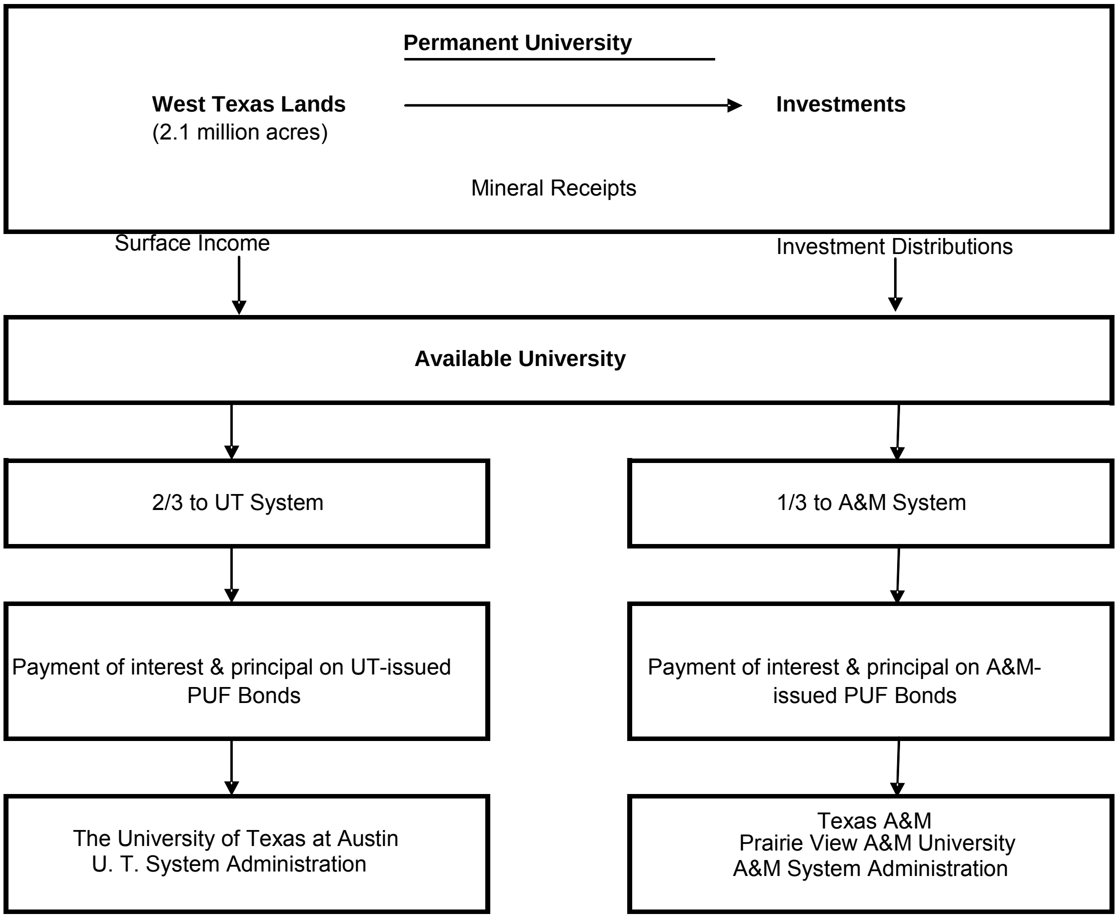
The expenditure of the AUF is subject to a prescribed order of priority:

First, following a 2/3rds and 1/3rd allocation of AUF receipts to the U. T. System and the A&M System, respectively, AUF receipts are expended for debt service on PUF bonds. Article VII of the *Texas Constitution* authorizes the U. T. System Board of Regents (the "Board of Regents") and the Texas A&M University System Board of Regents (the "TAMUS Board") to issue bonds payable from their respective interests in AUF receipts to finance permanent improvements and to refinance outstanding PUF obligations. The Constitution limits the amount of bonds and notes secured by each System's interest in divisible PUF income to 20% and 10% of the book value of PUF investment securities, respectively. Bond resolutions adopted by both Boards also prohibit the issuance of additional PUF parity obligations unless the interest of the related System in AUF receipts during the preceding fiscal year covers projected debt service on all PUF Bonds of that System by at least 1.5 times.

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

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

Exhibit 1



PUF Management

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

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

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

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

PUF Administration

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

PUF Investment Objectives

The PUF and the General Endowment Fund (the "GEF") are ~~pooled~~ managed similarly for efficient investment purposes. The primary investment objective ~~for each fund~~of the PUF shall be to preserve the purchasing power of fund assets and annual distributions by earning an average annual real return after all expenses over rolling ten-year periods or longer at least equal to the target distribution rate ~~of such fund~~ determined by the Board of Regents pursuant to Regents' Rule 80303, Section 2.2~~after all expenses.~~. ~~The current target distribution rate is 4.75%. The target is subject to adjustment from time to time consistent with the primary investment objectives for the funds.~~ Investment returns are expressed net of all investment-related expenses. Additional expenses include U.T. System administrative fees charged to the fund.

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

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

Asset Class and Investment Type Allocation and Policy

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

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

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

Asset Classes:

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

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

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

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

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

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

Investment Types:

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

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

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

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.

- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of PUF assets in such investments.

- No securities may be purchased or held which would jeopardize the PUF's tax-exempt status.

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

- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.

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

- The PUF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of PUF value.

MCC Investment Grade and Credit-Related Fixed Income

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

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

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

- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

PUF Distributions

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

- provide a predictable, stable stream of distributions over time;

- ensure that the inflation adjusted value of distributions is maintained over the long term; and

- ensure that the inflation adjusted value of PUF assets after distributions is maintained over rolling 10-year periods.

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

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

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

Following approval of the distribution amount, distributions from the PUF to the AUF ~~may be quarterly or annually~~ will be made at the discretion of UTIMCO ~~Management~~management in consultation with the U. T. System Office of Finance and The Texas A&M University System Office of Treasury Services.

PUF Accounting

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

Valuation of Assets

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

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

Compliance

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~September 1, 2014~~December 1, 2015.

Permanent University Fund Investment Policy Statement (continued)

EXHIBIT A

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

EFFECTIVE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY PORTFOLIO		FYE ~~2015~~ 2016	
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.0%	9.0%	25.0%
Credit-Related Fixed Income	0.0%	8.5%	30.0%
Real Estate	0.0%	8.5%	12.5%
Natural Resources	5.0%	14.0%	25.0%
Developed Country Equity	30.0%	45.0%	60.0%
Emerging Markets Equity	8.0%	15.0%	25.0%
Investment Types			
More Correlated & Constrained	30.0%	40.0%	60.0%
Less Correlated & Constrained	25.0%	~~30.0%~~29.0%	37.5%
Private Investments	20.0%	~~30.0%~~31.0%	~~35.0%~~40.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2015~~ 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	~~30.0%~~29.0%
Custom Cambridge Fund of Funds Benchmark	~~30.0%~~31.0%

POLICY/TARGET RETURN/RISKS/DISTRIBUTION RATE	FYE ~~2015~~ 2016
Target Distribution Rate*	5.0%
Expected Annual Real Return (Benchmark~~s~~)**	~~6.82%~~ 3.9%
One Year Downside ~~Deviation~~ Volatility	~~9.67%~~ 10.0%
Risk Bounds	
Lower: 1 Year Downside ~~Deviation~~ Volatility	75%
Upper: 1 Year Downside ~~Deviation~~ Volatility	115%

~~**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5% .~~

*Approved by Board of Regents on May 14, 2015.

EXHIBIT A
(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES

EFFECTIVE DATE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2015~~ 2016

FYE ~~2015~~ 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (6.5%)	~~2.5%~~ 2.25%	0.0%	~~9.0%~~ 8.75%
	Credit-Related	0.00%	~~5%~~ 4.25%	3.5%	~~8.5%~~ 7.75%
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (2.5%)	0.5%	5.5%	**8.5%**
	Natural Resources	**33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)** (7.5%)	0.0%	~~6.5%~~ 7.5%	~~14.0%~~ 15.0%
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (14.0%)	20.0%	11.0%	**45.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (9.5%)	2.0%	3.5%	**15.0%**
Total		**40.0%**	~~30.0%~~ 29.0%	~~30.0%~~ 31.0%	**100.0%**

🟨	Hedge Fund Research Indices Fund of Funds Composite Index
🟦	Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM
GENERAL ENDOWMENT FUND
INVESTMENT POLICY STATEMENT

Purpose

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

GEF Organization

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

GEF Management

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

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

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

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

GEF Administration

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

Funds Eligible to Purchase GEF Units

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

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

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

GEF Investment Objectives

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

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

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

Asset Class and Investment Type Allocation and Policy

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

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

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

Asset Classes:

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

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

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

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

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

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

Investment Types:

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

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

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

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.

- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of GEF assets in such investments.

- No securities may be purchased or held which jeopardize the GEF's tax-exempt status.

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

- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.

- The GEF's investments in warrants shall not exceed more than 5% of the GEF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.

- The GEF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative

Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 75 basis points of GEF value.

MCC Investment Grade and Credit-Related Fixed Income

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

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

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

- Not more than 5% of the market value of equity securities may be invested in the securities of one corporation at cost.

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

GEF Accounting

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

Valuation of Assets

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

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

Compliance

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

Purchase of GEF Units

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

Redemption of GEF Units

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~September 1, 2014~~December 1, 2015.

General Endowment Fund Investment Policy Statement (continued)

EXHIBIT A

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES

EFFECTIVE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY PORTFOLIO	FYE ~~2015~~ 2016		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.0%	9.0%	25.0%
Credit-Related Fixed Income	0.0%	8.5%	30.0%
Real Estate	0.0%	8.5%	12.5%
Natural Resources	5.0%	14.0%	25.0%
Developed Country Equity	30.0%	45.0%	60.0%
Emerging Markets Equity	8.0%	15.0%	25.0%
Investment Types			
More Correlated & Constrained	30.0%	40.0%	60.0%
Less Correlated & Constrained	25.0%	~~30.0%~~29.0%	37.5%
Private Investments	20.0%	~~30.0%~~31.0%	~~35.0%~~40.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2015~~ 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	~~30.0%~~29.0%
Custom Cambridge Fund of Funds Benchmark	~~30.0%~~31.0%

POLICY/TARGET RETURN/RISKS/DISTRIBUTION RATE	FYE ~~2015~~ 2016
PHF Target Distribution Rate*	4.8%
LTF Target Distribution Rate*	5.1%
Expected Annual Real Return (Benchmark~~s~~)**	~~6.82%~~ 3.9%
One Year Downside ~~Deviation~~ Volatility	~~9.67%~~ 10.0%
Risk Bounds	
Lower: 1 Year Downside ~~Deviation~~ Volatility	75%
Upper: 1 Year Downside ~~Deviation~~ Volatility	115%

~~**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5%.~~

*Approved by Board of Regents on May 14, 2015.

EXHIBIT A
(continued)

ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2015~~ 2016

FYE ~~2015~~ 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (6.5%)	~~2.5%~~ 2.25%	0.0%	~~9.0%~~ 8.75%
	Credit-Related	0.00%	~~5%~~ 4.25%	3.5%	~~8.5%~~ 7.75%
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (2.5%)	0.5%	5.5%	**8.5%**
	Natural Resources	**33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)** (7.5%)	0.0%	~~6.5%~~ 7.5%	~~14.0%~~ 15.0%
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (14.0%)	20.0%	11.0%	**45.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (9.5%)	2.0%	3.5%	**15.0%**
Total		**40.0%**	~~30.0%~~ 29.0%	~~30.0%~~ 31.0%	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index
🟦 Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM
PERMANENT HEALTH FUND
INVESTMENT POLICY STATEMENT

Purpose

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

A. The Permanent Health Fund for Higher Education (the “PHFHE”), the distributions from which are to fund programs that benefit medical research, health education, or treatment programs at 10 health-related institutions of higher education; and

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

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

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

PHF Organization

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

PHF Management

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

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

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

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

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

PHF Administration

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

Funds Eligible to Purchase PHF Units

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

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

PHF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of PHF assets and annual distributions by earning an average annual real return after all expenses over rolling ten-year periods or longer at least equal to the target distribution rate~~, plus the annual expected expense~~ as determined by the Board of Regents. ~~The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the PHF.~~ Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund. The PHF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

PHF assets shall be allocated among the following investments:

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

B. U. T. System General Endowment Fund (GEF) - See Exhibit B for the current GEF allocation, which is subject to changes by the Board of

Regents. Upon any change to the GEF asset allocation, Exhibit B shall be revised accordingly.

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

Performance Measurement

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

Investment Guidelines

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

PHF Distributions

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

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of PHF assets after distributions is maintained over the long term.

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

The Board of Regents will designate a per unit distribution amount annually.

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

PHF Accounting

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

Valuation of Assets

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

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

Compliance

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

Purchase of PHF Units

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

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

Redemption of PHF Units

Redemption of PHF units shall be paid in cash as soon as practicable after the quarterly valuation date of the PHF. If the withdrawal is greater than $10 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $10 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the PHF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all PHF unit holders. Withdrawals from the PHF shall be at the market value price per unit determined for the period of the withdrawal.

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~September 1, 2014~~December 1, 2015.

EXHIBIT A

PHF ASSET ALLOCATION

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

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

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

*3 trading days or less

Permanent Health Fund Investment Policy Statement (continued)

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY PORTFOLIO	FYE ~~2015~~ 2016		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.0%	9.0%	25.0%
Credit-Related Fixed Income	0.0%	8.5%	30.0%
Real Estate	0.0%	8.5%	12.5%
Natural Resources	5.0%	14.0%	25.0%
Developed Country Equity	30.0%	45.0%	60.0%
Emerging Markets Equity	8.0%	15.0%	25.0%
Investment Types			
More Correlated & Constrained	30.0%	40.0%	60.0%
Less Correlated & Constrained	25.0%	~~30.0%~~29.0%	37.5%
Private Investments	20.0%	~~30.0%~~31.0%	~~35.0%~~40.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2015~~ 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	~~30.0%~~29.0%
Custom Cambridge Fund of Funds Benchmark	~~30.0%~~31.0%

POLICY/TARGET RETURN/RISKS/DISTRIBUTION RATE	FYE ~~2015~~ 2016
PHF Target Distribution Rate*	4.8%
LTF Target Distribution Rate*	5.1%
Expected Annual Real Return (Benchmark~~s~~)**	~~6.82%~~ 3.9%
One Year Downside ~~Deviation~~ Volatility	~~9.67%~~ 10.0%
Risk Bounds	
Lower: 1 Year Downside ~~Deviation~~ Volatility	75%
Upper: 1 Year Downside ~~Deviation~~ Volatility	115%

~~**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5%.~~

*Approved by Board of Regents on May 14, 2015.

EXHIBIT B
(continued)

GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2015~~ 2016

FYE ~~2015~~ 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (6.5%)	~~2.5%~~ 2.25%	0.0%	~~9.0%~~ 8.75%
	Credit-Related	0.00%	~~5%~~ 4.25%	3.5%	~~8.5%~~ 7.75%
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (2.5%)	0.5%	5.5%	**8.5%**
	Natural Resources	**33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)** (7.5%)	0.0%	~~6.5%~~ 7.5%	~~14.0%~~ 15.0%
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (14.0%)	20.0%	11.0%	**45.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (9.5%)	2.0%	3.5%	**15.0%**
Total		**40.0%**	~~30.0%~~ 29.0%	~~30.0%~~ 31.0%	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

🟦 Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM
LONG TERM FUND
INVESTMENT POLICY STATEMENT

Purpose

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

LTF Organization

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

LTF Management

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

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

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

LTF Administration

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

Funds Eligible to Purchase LTF Units

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

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

LTF Investment Objectives

The primary investment objective shall be to preserve the purchasing power of LTF assets and annual distributions by earning an average annual real return after all expenses over rolling ten-year periods or longer at least equal to the target distribution rate~~, plus the annual expected expense~~ as determined by the Board of Regents. ~~The current target rate is 5.2%. The target is subject to adjustment from time to time consistent with the primary investment objective of the LTF.~~ Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund. The LTF's success in meeting its objectives depends upon its ability to generate high returns in periods of low inflation that will offset lower returns generated in years when the capital markets underperform the rate of inflation.

Asset Allocation and Policy

LTF assets shall be allocated among the following investments.

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

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

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

Performance Measurement

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

Investment Guidelines

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

LTF Distributions

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

A. provide a predictable, stable stream of distributions over time;

B. ensure that the inflation adjusted value of distributions is maintained over the long term; and

C. ensure that the inflation adjusted value of LTF assets after distributions is maintained over the long term.

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

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

The Board of Regents will annually approve a per unit distribution amount.

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

LTF Accounting

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

Valuation of Assets

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

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

Compliance

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

Purchase of LTF Units

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

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

Redemption of LTF Units

Redemption of LTF units shall be paid in cash as soon as practicable after the quarterly valuation date of the LTF. If the withdrawal is greater than $25 million, advance notice of 60 business days shall be required prior to the quarterly valuation date. If the withdrawal is for less than $25 million, advance notice of five business days shall be required prior to the quarterly valuation date. If the aggregate amount of redemptions requested on any redemption date is equal to or greater than 5% of the LTF's net asset value, the Board of Regents may redeem the requested units in installments and on a pro rata basis over a reasonable period of time that takes into consideration the time frame to liquidate illiquid investments and the best interests of all LTF unit holders. Withdrawals from the LTF shall be at the market value price per unit determined for the period of the withdrawal except as follows: withdrawals to correct administrative errors shall be calculated at the per unit value at the time the error occurred. To be considered an administrative error, the contribution shall have been invested in the LTF for a period less than or equal to one year determined from the date of the contribution to the LTF. Transfer of units between endowment unit holders shall not be considered redemption of units subject to this provision.

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~September 1, 2014~~December 1, 2015.

EXHIBIT A

LTF ASSET ALLOCATION

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

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

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

*3 trading days or less

EXHIBIT B - GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY PORTFOLIO	FYE ~~2015~~ 2016		
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	3.0%	9.0%	25.0%
Credit-Related Fixed Income	0.0%	8.5%	30.0%
Real Estate	0.0%	8.5%	12.5%
Natural Resources	5.0%	14.0%	25.0%
Developed Country Equity	30.0%	45.0%	60.0%
Emerging Markets Equity	8.0%	15.0%	25.0%
Investment Types			
More Correlated & Constrained	30.0%	40.0%	60.0%
Less Correlated & Constrained	25.0%	~~30.0%~~29.0%	37.5%
Private Investments	20.0%	~~30.0%~~31.0%	~~35.0%~~40.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2015~~ 2016
Barclays Capital Global Aggregate Index	6.5%
FTSE EPRA/NAREIT Developed Index Net TRI USD	2.5%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.5%
MSCI World Index with net dividends	14.0%
MSCI Emerging Markets with net dividends	9.5%
Hedge Fund Research Indices Fund of Funds Composite Index	~~30.0%~~29.0%
Custom Cambridge Fund of Funds Benchmark	~~30.0%~~31.0%

POLICY/TARGET RETURN/RISKS/DISTRIBUTION RATE	FYE ~~2015~~ 2016
PHF Target Distribution Rate*	4.8%
LTF Target Distribution Rate*	5.1%
Expected Annual Real Return (Benchmark~~s~~) **	~~6.82%~~ 3.9%
One Year Downside ~~Deviation~~ Volatility	~~9.67%~~ 10.0%
Risk Bounds	
Lower: 1 Year Downside ~~Deviation~~ Volatility	75%
Upper: 1 Year Downside ~~Deviation~~ Volatility	115%

~~**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5%.~~

*Approved by Board of Regents on May 14, 2015.

EXHIBIT B
(continued)
GENERAL ENDOWMENT FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2015~~ 2016

FYE ~~2015~~ 2016		More Correlated & Constrained	Less Correlated & Constrained	Private Investments	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (6.5%)	~~2.5%~~ 2.25%	0.0%	~~9.0%~~ 8.75%
	Credit-Related	0.00%	~~5%~~ 4.25%	3.5%	~~8.5%~~ 7.75%
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (2.5%)	0.5%	5.5%	**8.5%**
	Natural Resources	**33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)** (7.5%)	0.0%	~~6.5%~~ 7.5%	~~14.0%~~ 15.0%
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (14.0%)	20.0%	11.0%	**45.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (9.5%)	2.0%	3.5%	**15.0%**
Total		**40.0%**	~~30.0%~~ 29.0%	~~30.0%~~ 31.0%	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index
🟦 Custom Cambridge Fund of Funds Benchmark

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

THE UNIVERSITY OF TEXAS SYSTEM
INTERMEDIATE TERM FUND
INVESTMENT POLICY STATEMENT

Purpose and Structure

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

ITF Organization

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

ITF Management

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

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

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

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

ITF Administration

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

Funds Eligible to Purchase ITF Units

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

ITF Investment Objectives

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

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

The secondary investment objective is to generate average annual returns net of all investment-related expenses, in excess of the approved Policy Portfolio over rolling five-year periods. Investment returns are expressed net of all investment-related expenses. Additional expenses include U. T. System administrative fees charged to the fund.

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

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

Asset Class and Investment Type Allocation and Policy

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

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

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

Asset Classes:

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

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

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

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

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

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

Investment Types:

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

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

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

Performance Measurement

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

Investment Guidelines

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

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.
- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of ITF assets in such investments.
- No securities may be purchased or held which would jeopardize the ITF's tax-exempt status.
- No internal investment strategy or program may purchase securities on margin or use leverage unless specifically authorized by the UTIMCO Board.
- No internal investment strategy or program employing short sales may be made unless specifically authorized in the Delegation of Authority Policy, the Derivative Investment Policy or by the UTIMCO Board.
- The ITF's investments in warrants shall not exceed more than 5% of the ITF's net assets or 2% with respect to warrants not listed on the New York or American Stock Exchanges.
- The ITF may utilize derivatives only in accordance with the Derivative Investment Policy. The aggregate prorated annual premium of Derivative Investments utilized to reduce long exposure to an Asset Class or hedge against risk shall not exceed 50 basis points of ITF value.

MCC Investment Grade and Credit-Related Fixed Income

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

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

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

MCC

- Not more than 7.5% of the market value of equity and fixed income securities taken together may be invested in one corporation at cost.

ITF Accounting

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

Valuation of ITF Assets

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

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

Compliance

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

ITF Distributions

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

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

Purchase and Redemption of ITF Units

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

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this Policy shall be ~~September 1, 2014~~December 1, 2015.

Intermediate Term Fund Investment Policy Statement (continued)

EXHIBIT A - INTERMEDIATE TERM FUND
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES, AND PERFORMANCE OBJECTIVES
EFFECTIVE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY PORTFOLIO		FYE ~~2015~~ 2016	
	Min	Target	Max
Asset Classes			
Investment Grade Fixed Income	20.0%	34.5%	50.0%
Credit-Related Fixed Income	0.0%	7.5%	12.0%
Real Estate	0.0%	4.0%	10.0%
Natural Resources	2.5%	7.0%	20.0%
Developed Country Equity	20.0%	38.0%	50.0%
Emerging Markets Equity	2.5%	9.0%	17.5%
Investment Types			
More Correlated & Constrained	45.0%	55.0%	65.0%
Less Correlated & Constrained	35.0%	45.0%	55.0%

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

POLICY BENCHMARK (reset monthly)	FYE ~~2015~~ 2016
Barclays Capital Global Aggregate Index	30.0%
FTSE EPRA/NAREIT Developed Index Net TRI USD	3.0%
33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)	7.0%
MSCI World Index with net dividends	9.0%
MSCI Emerging Markets with net dividends	6.0%
Hedge Fund Research Indices Fund of Funds Composite Index	45.0%

POLICY/TARGET RETURN/RISKS	FYE ~~2015~~ 2016
Expected Annual Real Return (Benchmark~~s~~)**	~~5.28%~~ 2.4%
One Year Downside ~~Deviation~~ Volatility	~~5.96%~~ 6.1%
Risk Bounds	
Lower: 1 Year Downside ~~Deviation~~ Volatility	70%
Upper: 1 Year Downside ~~Deviation~~ Volatility	115%

~~**Equal to nominal return, net of all investment-related expenses and assuming an inflation rate of 2.5% .~~

EXHIBIT A - INTERMEDIATE TERM FUND
(continued)
ASSET CLASS AND INVESTMENT TYPE TARGETS, RANGES AND PERFORMANCE OBJECTIVES
EFFECTIVE DATE ~~SEPTEMBER 1, 2014~~ DECEMBER 1, 2015

POLICY BENCHMARKS BY ASSET CLASS AND INVESTMENT TYPE: FYE ~~2015~~ 2016

FYE ~~2015~~ 2016		More Correlated & Constrained	Less Correlated & Constrained	Total
Fixed Income	**Investment Grade**	**Barclays Capital Global Aggregate Index** (30.0%)	4.5%	**34.5%**
	Credit-Related	(0.0%)	7.5%	**7.5%**
Real Assets	**Real Estate**	**FTSE EPRA/NAREIT Developed Index Net TRI USD** (3.0%)	1.0%	**4.0%**
	Natural Resources	**33.4% Bloomberg Commodity Total Return Index, 33.3% MSCI World Natural Resources Index and 33.3% Gold Spot price (XAU)** (7.0%)	0.0%	**7.0%**
Equity	**Developed Country**	**MSCI World Index with Net Dividends** (9.0%)	29.0%	**38.0%**
	Emerging Markets	**MSCI EM Index with Net Dividends** (6.0%)	3.0%	**9.0%**
Total		**55.0%**	**45.0%**	**100.0%**

🟨 Hedge Fund Research Indices Fund of Funds Composite Index

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

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED FUNDS
INVESTMENT POLICY STATEMENT

Purpose

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

Investment Management

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

Ultimate fiduciary responsibility for the Accounts rests with the Board of Regents. Section 66.08, *Texas Education Code*, as amended, authorizes the Board of Regents, subject to certain conditions, to enter into a contract with a nonprofit corporation to invest funds under the control and management of the Board of Regents. The applicable trust/endowment document will apply to the management of each trust or endowment. The restrictions set forth in this policy and in any separate writing applicable to the Debt Proceeds Accounts and the Other Accounts will apply to the management of those Accounts.

Pursuant to an Investment Management Services Agreement between the Board of Regents and UTIMCO, the assets for the Accounts shall be managed by UTIMCO, which shall: a) recommend investment policy for the Accounts, b) determine specific Asset Class allocation targets, ranges and performance benchmarks consistent with the Accounts objectives, and if appropriate c) monitor the Accounts' performance against Accounts objectives. UTIMCO shall invest the Accounts' assets in conformity with this Policy Statement.

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

Accounts Administration

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

Investment Objectives

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

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

Debt Proceeds Accounts – The primary investment objective shall be safety of principal and maintenance of adequate liquidity sufficient to meet the spend-out schedules of each Account, as provided by the U. T. System Office of Finance.

Debt Proceeds Accounts, other than investments in cash as defined in the Liquidity Policy, will be invested in U.S. government obligations, including obligations of an agency or instrumentality of the United States, taking into consideration the spending needs of the Accounts.

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

Asset Class Allocation

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

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

Asset Classes:

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

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

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

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

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

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

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

Asset Class Allocation Policy

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

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

Performance Measurement

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

Investment Guidelines

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

Investment guidelines include the following:

General

- Investment guidelines for index, commingled funds, limited partnerships, and corporate vehicles managed externally shall be governed by the terms and conditions of the respective investment management contracts, partnership agreements or corporate documents.

- Investment guidelines of all other externally managed accounts as well as internally invested funds must be reviewed and approved by UTIMCO's Chief Investment Officer prior to investment of SIF assets in such investments.

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

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

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

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

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

~~Investment Grade Fixed Income~~

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

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

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

~~a) Floating rate securities with periodic coupon changes in market rates issued by the same entities that are included in the BAGG as issuers of fixed rate securities;~~
~~b) Medium term notes issued by investment grade corporations;~~
~~c) Zero coupon bonds and stripped Treasury and Agency securities created from coupon securities; and~~
~~d) Structured notes issued by BAGG qualified entities.~~

- ~~U.S. Domestic Bonds must be rated investment grade, Baa3 or better by Moody's Investors Services, BBB- by Standard & Poor's Corporation, or BBB- or better by Fitch Investors Service at the time of acquisition.~~

- ~~Not more than 35% of the Account's fixed income portfolio may be invested in non-U.S. dollar bonds. Not more than 15% of the Account's fixed income portfolio may be invested in bonds denominated in any one currency other than U.S. dollar.~~
- ~~Non-dollar bond investments shall be restricted to bonds rated equivalent to the same credit standard as the U.S. Fixed Income Portfolio.~~
- ~~Not more than 7.5% of the Account's fixed income portfolio may be invested in Emerging Market debt.~~
- ~~International currency exposure may be hedged or unhedged at UTIMCO's discretion or delegated by UTIMCO to an external investment manager.~~
- ~~Permissible securities for investment include Fixed Income Mutual Funds and Debt Index Funds as approved by UTIMCO's Chief Investment Officer.~~
- ~~Permissible securities for investment include Fixed Income Variable Annuity Contracts as approved by UTIMCO's Chief Investment Officer.~~

Investment Grade and Credit-Related Fixed Income

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

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

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

The provisions concerning investment in Investment Grade Fixed Income, Credit-Related Fixed Income, and Real Estate, Natural Resources, Developed Country Equity, and Emerging Markets Equity shall not apply to Accounts when expressly prohibited by the terms and conditions of the applicable trust/endowment, trust or other controlling document. To the extent determined practical by the U. T. System Office of Development and Gift Planning Services, donor preferences will be considered in determining whether gifts of securities are held or sold.

Distributions

Distributions of income or amounts from the Accounts shall be made as soon as practicable, either: a) based on the terms of the applicable trust instrument; b) following the fiscal quarter end for endowments; or c) based on specific requirements for other accounts.

Accounting

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

Valuation of Assets

As of the close of business for each month, UTIMCO shall determine the fair market value of all assets in the Accounts. Such valuation of assets shall be based on the bank trust custody agreement in effect or other external source if not held in the bank custody account at the date of valuation. The final determination of the Accounts net assets for a month end close shall normally be completed within ten business days but determination may be longer under certain circumstances.

Compliance

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

Securities Lending

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

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

Investor Responsibility

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

Amendment of Policy Statement

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

Effective Date

The effective date of this policy shall be ~~September 1, 2012~~December 1, 2015.

The University of Texas Investment Management Company
Liquidity Policy

Effective Date of Policy: ~~August 21, 2014~~November 5, 2015
Date Approved by U. T. System Board of Regents: ~~August 21, 2014~~November 5, 2015
Date Approved by UTIMCO Board: ~~July 29, 2014~~October 15, 2015
Original Effective Date of Policy: August 7, 2003
Supersedes: Liquidity Policy dated ~~August 22, 2013~~August 21, 2014

Purpose:

The purpose of this Liquidity Policy is to establish limits on the overall liquidity profile of investments in (1) the Permanent University Fund (PUF) and the General Endowment Fund (GEF), hereinafter collectively referred to as the Endowment Funds and, (2) the Intermediate Term Fund (ITF). For the purposes of this policy, “liquidity” is defined as a measure of the ability of an investment position to be converted into Cash. The established liquidity profile limits will act in conjunction with, but do not supersede, the Investment Policies adopted by the U. T. System Board of Regents.

Objective:

The objective of this Liquidity Policy is to control the element of total risk exposure of the Endowment Funds and the ITF stemming from the uncertainties associated with the ability to convert longer term investments to Cash to meet immediate needs or to change investment strategy, and the potential cost of that conversion.

Scope:

This Liquidity Policy applies to all PUF, GEF, and ITF investments made by The University of Texas Investment Management Company (UTIMCO), both by internal and by external managers. Policy implementation will be managed at the aggregate UTIMCO level and will not be a responsibility of individual internal or external managers managing a portion of the aggregate assets.

Definition of Liquidity Risk:

“Liquidity risk” is defined as that element of total risk resulting from the uncertainty associated with both the cost and time period necessary to convert existing investment positions to Cash. Liquidity risk also entails obligations relating to the unfunded portions of capital commitments. Liquidity risk can result in lower than expected returns and reduced opportunity to make changes in investment positions to respond to changes in capital market conditions.

Definition of Cash:

Cash is defined as short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value. Holdings may include:

- the existing Dreyfus Institutional Preferred Money Market Fund mandate and any other UTIMCO Board approved SEC Rule 2a-7 money market fund rated AAAm by Standard & Poor’s or the equivalent by a Nationally Recognized Statistical Rating Organization (NRSRO),
- securities of the U.S. Treasury and U.S. Agencies and their instrumentalities with maturities of 397 days or less,
- separately managed accounts with investment guidelines equivalent to, or more stringent than, unaffiliated liquid investment funds rated AAAm by Standard & Poor's Corporation or the equivalent by a NRSRO,
- the Custodian’s late deposit interest bearing liquid investment fund,
- municipal short term securities,
- commercial paper rated in the two highest quality classes by Moody’s Investor Service, Inc. (P1 or P2) or Standard & Poor’s Corporation (A1 or A2 or the equivalent),
- negotiable certificates of deposit with a bank that is associated with a holding company whose short-term rating meets the commercial paper rating criteria specified above or that has a certificate of deposit rating of 1 or better by Duff & Phelps, and

- repurchase agreements and reverse repurchase agreements transacted with a dealer that is approved by UTIMCO and selected by the Federal Reserve as a Primary Dealer in U.S. Treasury securities and rated A-1 or P-1 or the equivalent.

Liquidity Risk Measurement-The Liquidity Profile:

For the purposes of this Liquidity Policy, potential liquidity risk will be monitored by measuring the aggregate liquidity profile of the Endowment Funds and ITF. All individual investments within the Endowment Funds and ITF will be segregated into two categories:

- **Liquid:** Investments that could be converted to Cash within a period of 90 days or less in an orderly market at a discount of 10% or less.

- **Illiquid:** Investments that could be converted to Cash in an orderly market over a period of more than 90 days or in a shorter period of time by accepting a discount of more than 10%.

UTIMCO staff will report individual investments within the Endowment Funds and ITF categorized as follows:

- Cash: Short term (generally securities with time to maturity or mandatory purchase or redemption of three months or less), highly liquid investments that are readily convertible to known amounts and which are subject to a relatively small risk of changes in value.

- Liquid (Weekly)**:** Investments that could be converted to Cash within a period of one day to less than 7 days in an orderly market at a discount of 5% or less.

- Liquid (Quarterly): Investments that could be converted to Cash within a period of 90 days or less in an orderly market at a discount of 10% or less.

- Liquid (Annual): Investments that could be converted to Cash within a period of one day to less than 365 days in an orderly market at a discount of 10% or less.

The measurements necessary to segregate all existing investments into one of the two categories assume normally functioning capital markets and cash market transactions. In addition, swaps, derivatives, or other third party arrangements to alter the status of an investment classified as illiquid may be considered, with the prior approval of the UTIMCO Board or the Risk Committee, in determining the appropriate liquidity category for each investment.

The result of this liquidity risk measurement process will be a liquidity profile for the Endowment Funds and the ITF which indicates the percentage of the total portfolio assets within each liquidity category. This Liquidity Policy defines the acceptable range of percentage of total assets within each liquidity category, specifies "trigger zones" requiring special review by UTIMCO staff and special action by the UTIMCO Board or the Risk Committee, and specifies the method of monitoring and presenting actual versus policy liquidity profiles.

Liquidity Policy Profile:

The current Liquidity Policy Profile ranges and trigger zones for each of the Endowment Funds are defined by the table below:

	FY 14+
Liquidity above trigger zone:	30.0%
Liquidity within trigger zone:	25.0%-30.0%
Liquidity below trigger zone:	<25.0%

The ~~allowable range~~permitted maximum for **illiquid** investments is ~~0% to~~ 75% of the total portfolio for the Endowment Funds~~; i.e.,~~. ~~investments~~ Investments for the Endowment Funds that maintain liquidity above the trigger zone do not require any action by the Risk Committee. ~~However, any~~ Any **illiquid** investments made in the 70% to 75% trigger zone require prior approval by the Risk Committee. No investment may be made for the Endowment Funds which would cause illiquidity to be greater than 75%.

The current Liquidity Policy Profile ranges and trigger zones for the ITF are defined by the table below:

	FY 14+
Liquidity above trigger zone:	50%
Liquidity within trigger zone:	45%-50%
Liquidity below trigger zone:	<45%

The ~~allowable range~~permitted maximum for **illiquid** investments is ~~0% to~~ 55% of the total portfolio for the ITF~~;~~ ~~i.e.,~~. ~~investments~~ Investments for the ITF that maintain liquidity above the trigger zone do not require any action by the Risk Committee. ~~However, any~~ Any **illiquid** investments made in the 50% to 55% trigger zone require prior approval by the Risk Committee. No investment may be made for the ITF which would cause illiquidity to be greater than 55%.

Risk Committee review of new investments in the illiquid trigger zone will supplement, rather than replace, the procedures established by the UTIMCO Board for the approval of new investments.

Unfunded Commitments:

As used herein, “unfunded commitments” refers to capital that has been legally committed from an Endowment Fund and has not yet been called but may still be called by the general partner or investment manager. The Maximum Permitted Amount of unfunded commitments for each Endowment Fund is:

	FY 14+
Unfunded Commitment as a percent of total invested assets:	30.0%

No new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such commitment, would exceed the Maximum Permitted Amount.

Documentation and Controls:

Managing Directors responsible for each asset class are responsible for determining the liquidity category for each investment in that asset class as well as the amount of unfunded commitments for each Endowment Fund. The determination of liquidity will include underlying security trading volumes, notice periods, redemption dates, lock-up periods, and “soft” and “hard” gates. These classifications will be reviewed by the Risk Manager and the Chief Compliance Officer, and must receive final approval from the Chief Investment Officer. Classifications and weights within each liquidity category will be updated and reported on a monthly basis. All new investments considered will be categorized by liquidity category, and a statement regarding the effect on overall liquidity and the amount of unfunded commitments for each Endowment Fund of the addition of a new investment must be an element of the due diligence process and will be a part of the recommendation report to the UTIMCO Board.

As additional safeguards, trigger zones have been established as indicated above to trigger required review and action by the UTIMCO Board or the Risk Committee in the event any investment action would cause the actual investment position in illiquid investments to enter the designated trigger zone, or in the event market actions caused the actual investment position in illiquid investments to move into trigger zones. In addition, any proposed investment actions which would increase the actual investment position in illiquid investments in any of the PUF, the GEF, or the ITF by 10% or more of the total asset value of such fund would also require review and action by the UTIMCO Board or the Risk Committee prior to the change. Any actual positions in any trigger zones or outside the policy ranges will be communicated to the Chief Investment Officer immediately. The Chief Investment Officer will then determine the process to be used to eliminate the exception and report promptly to the UTIMCO Board and the Risk Committee the circumstances of the deviation from Policy and the remedy to the situation. Furthermore, as indicated above, no new commitments may be made for an Endowment Fund without approval from the Risk Committee if the actual amount of unfunded commitments for such Endowment Fund exceeds, or, as a result of such new commitment, would exceed, the Maximum Permitted Amount.

Reporting:

The actual liquidity profiles of the Endowment Funds and the ITF, including a detailed analysis of liquidity by category, and the status of unfunded commitments for each Endowment Fund, and compliance with this Liquidity Policy will be reported to the UTIMCO Board on at least a quarterly basis. Any exception to this Liquidity Policy and actions taken to remedy the exception will be reported promptly.

The University of Texas Investment Management Company
Derivative Investment Policy

Effective Date of Policy: ~~August 21, 2014~~November 5, 2015
Date Approved by U. T. System Board of Regents: ~~August 21, 2014~~November 5, 2015
Date Approved by UTIMCO Board: ~~July 29, 2014~~October 15, 2015
Supersedes: Derivative Investment Policy approved ~~August 22, 2013~~August 21, 2014

Purpose:

The purpose of the Derivative Investment Policy is to set forth the applications, documentation and limitations for investment in derivatives in the Permanent University Fund (PUF), the General Endowment Fund (GEF), the Intermediate Term Fund (ITF), and the Separately Invested Funds (SIF), hereinafter referred to as the Funds. The Board of Regents approved investment policy guidelines for the Funds to allow for investment in derivatives provided that their use is in compliance with UTIMCO's Board approved Derivative Investment Policy. This Derivative Investment Policy supplements the Investment Policy Statements for the Funds.

Objective:

The objective of investing in derivatives is to facilitate risk management and provide efficiency in the implementation of various investment strategies for the Funds. Derivatives can provide the Funds with more economical means to improve the Funds' risk/return profile.

Scope:

This Policy applies to all derivatives in the Funds executed by UTIMCO staff and by external managers operating under an Agency Agreement. This Policy does not apply to external managers operating under limited partnership agreements, offshore corporations, or other Limited Liability Entities that limit the liability exposure of the Funds' investments. Derivative policies for external managers are established on a case-by-case basis with each external manager, as described below.

This Policy applies to both Exchange Traded Derivatives and Over the Counter (OTC) derivatives. This Policy shall not be construed to apply to index or other common or commingled funds that are not controlled by UTIMCO. These commingled investment vehicles are governed by separate investment policy statements.

External Managers:

External managers are selected to manage the Funds' assets under either an Agency Agreement or through a Limited Liability Entity. An external manager operating under an Agency Agreement may engage in derivative investments only if (i) such manager has been approved to use derivatives by the UTIMCO Chief Investment Officer and (ii) the investments are consistent with the overall investment objectives of the account and in compliance with this Policy. The use of derivatives by an external manager operating under an Agency Agreement shall be approved by the UTIMCO Chief Investment Officer only for external managers that (i) demonstrate investment expertise in their use, (ii) have appropriate risk management and valuation policies and procedures, and (iii) effectively monitor and control their use.

While this Policy does not specifically include external managers operating through a Limited Liability Entity, it is noted that selecting and monitoring external managers through a Limited Liability Entity requires a clear understanding of the external managers' use of derivatives, particularly as it relates to various risk controls and leverage. The permitted uses of derivatives and leverage must be fully documented in the limited liability agreements with these managers.

Definition of Derivatives:

Derivatives are financial instruments whose value is derived, in whole or part, from the value of any one or more underlying securities or assets, or index of securities or assets (such as bonds, stocks, commodities, and currencies). For the purposes of this Policy, derivatives shall include Derivative Investments but shall not include a broader range of securities, such as mortgage backed securities, structured notes (including participation notes), convertible bonds, exchange traded funds (ETFs), and Bona Fide Spot Foreign Exchange Transactions. Derivatives may be purchased through a national or international exchange or through an OTC direct arrangement with a Counterparty. Refer to the attached Exhibit A for a glossary of terms. If it is unclear whether a particular financial instrument meets the definition of Derivative Investment, the Risk Manager and Chief Compliance Officer, in consultation with the Chief Investment Officer, will determine whether the financial instrument is a Derivative Investment. The Chief Investment Officer will report such determinations to the Chairman of the Risk Committee.

Permitted Derivative Applications:

The primary intent of derivatives should be to hedge risk in portfolios or to implement investment strategies more effectively and at a lower cost than would be possible in the Cash Market.

Permitted Derivative Applications are Derivative Investments used:

- To implement investment strategies in a low cost and efficient manner;
- To alter the Funds' market (systematic) exposure without trading the underlying Cash Market securities through purchases or short sales, or both, of appropriate derivatives;
- To construct portfolios with risk and return characteristics that could not be created with Cash Market securities;
- To hedge and control risks; or
- To facilitate transition trading.

UTIMCO staff may not enter into any Derivative Investment that is not a Permitted Derivative Application. To the extent that a Derivative Investment is a Permitted Derivative Application but is not within the delegated authority as set forth on Exhibit B, the UTIMCO Board will be provided with an "Option to Review" following the process outlined in Exhibit A to the Delegation of Authority Policy. This "Option to Review" applies to any new Derivative Investment recommended by UTIMCO staff and approved by UTIMCO's Chief Investment Officer that is not within the delegated authority set forth on Exhibit B or the engagement of an external manager operating under an Agency Agreement that seeks to engage in a Derivative Investment that is not within the delegated authority set forth on Exhibit B. Notwithstanding the foregoing, UTIMCO's Chief Investment Officer, the Risk Manager, or Chief Compliance Officer may determine that presentation and approval of the proposed Derivative Investment at a Risk Committee meeting is warranted before engaging in the Derivative Investment.

Risk and Investment Policy Controls:

Following the implementation of any Derivative Investment, the Funds' projected downside ~~deviation and risk~~volatility bounds, and projected exposure to Asset Class and Investment Type, must be within the permissible ranges as set forth in the Funds' Investment Policy Statements.

Documentation and Controls:

Prior to the implementation of a new Derivative Investment by UTIMCO staff, UTIMCO staff shall document the purpose, valuation method, methods for calculating delta, delta-adjusted exposure, Asset Class and Investment Type exposure, the effect on portfolio leverage (if applicable), risks (including, but not limited to modeling, pricing, liquidity and Counterparty risks), the expected increase or reduction in risk resulting from the Derivative Investments, and the procedures in place to monitor and manage the derivative exposure. For any short exposure, UTIMCO staff shall also document the basis risk and appropriate stop-loss procedures. UTIMCO shall establish appropriate risk management procedures to monitor daily the risk of (i) internally managed Derivative Investments and (ii) externally managed accounts operating under Agency Agreements that permit derivatives. Internal control procedures to properly account and value the Funds' exposure to the Derivative Investment shall be fully documented.

Additional Limitations:

Leverage: Leverage is inherent in many derivatives. In Cash Markets, in most cases, the cash outlay is equal to the market exposure acquired. By contrast, Derivative Investments offer the possibility of establishing – for the same cash outlay – substantially larger market exposure. Therefore, risk management and control processes must focus on the total risk assumed in a Derivative Investment. Exhibits A of the Fund's Investment Policy Statements provide a limitation on the amount of uncollateralized derivative exposure that can be utilized by the Funds whereby, the total Asset Class and Investment Type exposure, including the amount of derivatives exposure not collateralized by cash, may not exceed 105% (100% in the ITF) of the Asset Class and Investment Type exposures excluding the amount of derivatives exposure not collateralized by cash.

Counterparty Risks: Rigorous Counterparty selection criteria and netting agreements shall be required to minimize Counterparty risk for Over the Counter (OTC) derivatives. Any Counterparty in an OTC derivative transaction with the Funds must have a credit rating of at least A- (Standard and Poor's) or A3 (Moody's). All OTC derivatives, with the exception of Bona Fide Spot Foreign Exchange Transactions, must be subject to established ISDA Netting Agreements and have full documentation of all legal obligations of the Funds. In limited circumstances, the August 2012 DF Protocol Agreement, as published on August 13, 2012 (the "August Protocol Agreement") and the 2002 ISDA Master Agreement with a Schedule (an "ISDA March 2013 DF Protocol Master Agreement"), developed in connection with ISDA's Dodd-Frank Documentation Initiative to implement and comply with the regulatory requirements imposed under Title VII of the Dodd–Frank Wall Street Reform and Consumer Protection Act, may be used in place of an ISDA Netting Agreement or on a temporary basis until an ISDA Netting Agreement with the Counterparty has been executed. In the event a Counterparty is downgraded below the minimum credit rating requirements stated above, UTIMCO staff will take appropriate action to protect the interests of the Funds, including availing itself of all potential remedies contained in the ISDA agreements. The net market value, net of collateral postings, of all OTC derivatives for any individual Counterparty may not exceed 1% of the total market value of the Funds.

Risk Management and Compliance:

To ensure compliance with all terms and limitations of this Policy, all internally managed and externally managed Derivative Investments in accounts under Agency Agreements will be marked to market on a daily basis by the Funds' custodian and reviewed periodically, but no less frequently than monthly, for accuracy by the UTIMCO Risk Manager. In addition, data from the external risk model will be reviewed for accuracy and completeness by the UTIMCO Risk Manager.

Compliance with this Policy will be monitored by the UTIMCO Chief Compliance Officer using data provided by the custodian and the external risk model.

Any instances of noncompliance with this Policy will be reported immediately to the UTIMCO Chief Compliance Officer and the UTIMCO Chief Investment Officer, who will determine the appropriate remedy and report promptly to the Chairs of the Risk Committee, the Audit & Ethics Committee, and the UTIMCO Board Chairman. The UTIMCO Board Chairman may waive immediate remedial action in appropriate circumstances.

Reporting:

On a quarterly basis, UTIMCO shall provide a comprehensive report to UTIMCO's Board and the Risk Committee. This report shall include all outstanding Derivative Investments, by type, entered into during the period being reported for both internal managers and external managers operating under Agency Agreements. Asset allocation as provided in the Funds' Investment Policy Statements shall incorporate the impact of uncollateralized derivative exposure associated with derivatives. For risk reporting purposes, the models used to calculate the expected profit or loss in each scenario will include the effect of delta sensitivity and other derivative sensitivity parameters as appropriate. Risk calculations will take into account leverage, correlation, and exposure parameters such as beta for equities and duration for fixed income. The UTIMCO Risk Manager will calculate risk attribution - i.e., how much of the overall risk is attributed to each Asset Class and Investment Type, including the full effect on risk of the derivatives in each. The UTIMCO Risk Manager will calculate risk attribution for each Derivative Investment.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit A
Glossary of Terms

Agency Agreement – A form of legal agreement that typically grants limited investment discretion to an external investment manager to act as the investment agent of the Funds but does not limit the liability of the Funds for actions taken by that agent.

Basket – A group of securities and a weighting scheme, or a proprietary index. Baskets are typically defined to achieve a certain investment goal, within certain limitations. For example, a Basket could replicate an emerging market index, excluding certain companies that UTIMCO is not permitted to hold.

Bona Fide Spot Foreign Exchange Transaction – Generally, a foreign exchange transaction that settles via an actual delivery of the relevant currencies within two business days (T+2). In addition, an agreement, contract or transaction for the purchase or sale of an amount of foreign currency equal to the price of a foreign security with respect to which (i) the security and related foreign currency transactions are executed contemporaneously in order to effect delivery by the relevant securities settlement deadline and (ii) actual delivery of the foreign security and foreign currency occurs by such deadline (such transaction, a “Securities Conversion Transaction”). For Securities Conversion Transactions, the Commodity Futures Trading Commission (CFTC) will consider the relevant foreign exchange spot market settlement deadline to be the same as the securities settlement deadline.

Cash Market - The physical market for a commodity or financial instrument.

Counterparty - The offsetting party in an exchange agreement.

Derivative Investment – An investment in a Futures Contract, Forward Contract, swap, and all forms of options.

Exchange Traded Derivatives - A Derivative Investment traded on an established national or international exchange. These derivatives “settle” daily in that cash exchanges are made between the exchange and parties to the contracts consistent with the change in price of the instrument. Fulfillment of the contract is guaranteed by the exchange on which the derivatives are traded. Examples include S&P 500 Futures Contracts and Goldman Sachs Commodities Index Futures Contracts.

Forward Contract - A nonstandardized contract for the physical or electronic (through a bookkeeping entry) delivery of a commodity or financial instrument at a specified price at some point in the future. The most typical Forward Contract is a forward foreign currency contract, which involves the contemplated exchange of two currencies.

Futures Contract - A standardized contract for either the physical delivery of a commodity or instrument at a specified price at some point in the future, or a financial settlement derived from the change in market price of the commodity or financial instrument during the term of the contract.

ISDA Netting Agreement - The International Swaps and Derivatives Association (ISDA) is the global trade association representing participants in the privately negotiated derivatives industry, covering swaps and options across all asset classes. ISDA has produced generally accepted “Master Agreements,” a 1992 Master Agreement and a 2002 Master Agreement, that are used by most counterparties in OTC derivatives. Netting agreements are terms within the applicable Master Agreement that deal with the calculation of exposure for each Counterparty. These netting agreements require that exposures between counterparties will be “netted” so that payables and receivables under all existing derivatives between two Counterparties are offset in determining the net exposure between the two Counterparties.

Limited Liability Entity – A legal entity created to define how assets contributed to the entity by external partners to the agreement will be managed by the manager of the entity. These entities are typically limited liability partnerships, corporations, or other such entities that limit the liability of external investors to the current value of the external investors' investment in the entity.

Long Exposure to an Asset Class – The Net Asset Value of the Asset Class and Investment Type as defined in the Funds' Investment Policy Statement.

Option - A derivative that conveys the right but not the obligation to buy or deliver the subject financial instrument at a specified price, at a specified future date.

Over the Counter (OTC) derivatives - A derivative which results from direct negotiation between a buyer and a Counterparty. The terms of such derivatives are nonstandard and are the result of specific negotiations. Settlement occurs at the negotiated termination date, although the terms may include interim cash payments under certain conditions. Examples include currency swaps and Forward Contracts, interest rate swaps, and collars.

Replicating Derivatives – Derivatives that are intended to replicate the return characteristics of an underlying index or any other Cash Market security.

Swap - A contract whereby the parties agree to exchange cash flows of defined investment assets in amounts and times specified by the contract.

The University of Texas Investment Management Company
Derivative Investment Policy

Derivative Investment Policy Exhibit B
Delegated Derivative Investments

Subject to the limitations contained in the Derivative Investment Policy, the UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to enter into the following Derivative Investments:

Delegated Derivative Investments:

1. Replicating Derivatives - Derivative Investments that replicate the return characteristics of a long exposure to an underlying index, Basket or commodity. These investments are generally Futures Contracts and swaps on a passive index, Basket or commodity.

2. Derivative Investments that upon their expiration would not exceed the loss of a similar investment in the cash ~~index~~ market equivalent being referred to in the derivative contract. These investments may include swaps whereby the holder of the instrument will forgo potential upside return in exchange for downside protection or receive a multiple of a referenced return should the return of the underlying referenced ~~index~~ cash market equivalent be within a certain range and may also include the selling of put options.

3. Derivative Investments that reduce Long Exposure to an Asset Class or hedge against risk, and limit maximum loss to the premium paid for the Derivative Investment, i.e., purchase options. The aggregate prorated annual premium of all Derivative Investments under this provision shall be as set forth in the respective Fund's Investment Policy Statement.

4. Futures Contracts and Forward Contracts on foreign currency if used (i) by an external fixed income manager within its investment guidelines, (ii) for hedging purposes by an external equities manager within its investment guidelines, or (iii) to hedge existing or prospective foreign currency risk by UTIMCO staff.

5. Derivative Investments used to manage bond duration or hedge equity exposure to countries, sectors or capitalization factors, or individual stock(s) swaps within the portfolio only if subsequent to the investment the portfolio would not be net short to any one of those factors. An example of such a hedge is selling Futures Contracts or call options on a country or sector index, provided the manager is exposed to that country or sector.

6. Derivative Investments used to gain Long Exposure to an Asset Class and limit maximum loss to the premium paid for the Derivative Investment.

The delegated authority set forth above should not be construed to permit UTIMCO staff to enter into Derivative Investments that are unhedged or 'naked' short positions containing unlimited loss.

Modeling: Each Delegated Derivative Investment must be such that it can be decomposed into one or more components, and each said component can be modeled using a model such as the CDS valuation model, Black-Scholes model, including modifications for foreign currency ("Quanto"), allowing both normal and log-normal distributions (the Black model), and modifications to handle dividends or other model approved by the Policy Committee.

Leverage: Each Delegated Derivative Investment must be modeled on a fully collateralized basis. During the course of the investment, cash collateral backing a Derivative Investment may be utilized to invest in other investments thereby creating leverage at the Fund level. This is only allowed if within the Funds' Investment Policy Statements.

8. U. T. System Board of Regents: Approval of the Annual Budget for FY 2016, including the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule for The University of Texas Investment Management Company (UTIMCO)

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas Investment Management Company (UTIMCO) Board of Directors that the U. T. System Board of Regents approve the proposed Annual Budget for the year ending August 31, 2016, as set forth on Page 172, which includes the capital expenditures budget and other external direct charges to the Funds, and the Annual Fee and Allocation Schedule as set forth on Page 173.

BACKGROUND INFORMATION

The proposed Total Budgeted Costs consist of $31.5 million for UTIMCO services (23.9% increase over FY 2015 budget) and $8.5 million (14.5% increase from FY 2015 budget) for external non-investment manager services such as custodial, legal, audit, and consulting services. These Total Budgeted Costs represent only a portion of total investment costs as they exclude external manager fees. The proposed Total Budgeted Costs was approved by the UTIMCO Board on October 15, 2015.

The proposed Annual Fee and Allocation Schedule shows the allocation of the proposed budgeted expenses among U. T. System funds in total. UTIMCO expenses are 8.7 basis points of forecasted assets under management at August 31, 2016. The fees are to be paid quarterly.

The proposed capital expenditures budget totaling $1.6 million is included in the total Annual Budget.

UTIMCO projects that there will be no cash reserves available to be distributed back to the U. T. System funds per the Master Investment Management Services Agreement (IMSA) between the U. T. System Board of Regents and UTIMCO. The U. T. System Office of Business Affairs has prepared a memorandum for the purpose of reviewing budgeted expenses, which is included as a part of this Agenda Item on Pages 174 - 185.

UTIMCO ANNUAL BUDGET

$ in thousands	FY 2015	FY 2016	FY 2016 Budget v FY 2015 Budget	
	Budget	Budget	$	%
Salaries, Benefits & Taxes	$11,944	$14,186	$2,242	18.8%
Incentive Compensation	8,518	10,441	1,923	22.6%
Total Compensation	20,462	24,627	4,165	20.4%
Other Expenses	4,966	6,883	1,917	38.6%
Total UTIMCO	**$25,428**	**$31,510**	**$6,082**	**23.9%**
Other Investment-related Expenses Charged to the Funds	**$7,422**	**$8,502**	**$1,080**	**14.6%**

Prepared by: UTIMCO
Date: October 15, 2015

UTIMCO Management Fee and Direct Budgeted Investment Expenses

Annual Fee and Allocation Schedule

For the fiscal year ending August 31, 2016

Proposed Budget	Fund Name						Separate Funds	Debt Proceeds	Total
	PUF	PHF	LTF	GEF	ITF	STF	▮▮▮▮▮	▮▮▮▮▮	
Forecasted Market Value 8/31/16 ($ millions)	**18,188**	**1,097**	**7,490**	PHF LTF **8,587**	**7,165**	**1,774**	**367**	**285**	**36,366**
UTIMCO Management Fee									
Dollars (thousands)	16,913	1,290	8,663		4,644				31,510
Basis Points	**9.3**	**11.8**	**11.6**	**0**	**6.5**	**0**	**0**	**0**	**8.7**
Direct Expenses to the Fund, excluding UT System Direct Expenses to the Fund									
Dollars (thousands)	3,924	25	26	2,214	2,313				8,502
Basis Points	**2.2**	**0.2**	**0.0**	**2.6**	**3.2**	**0**	**0**	**0**	**2.3**

Fiscal Year 2016

Review of UTIMCO Services Budget and Other Direct Costs to Funds Excluding External Investment Manager Fees

The University of Texas System

Office of Finance

Presented by:
Terry Hull – Associate Vice Chancellor for Finance
Allen Hah – Assistant Vice Chancellor for Finance

October 16, 2015

Based on UTIMCO Board approval on October 15, 2015

Fiscal Year 2016
Review of UTIMCO Services Budget and Other Direct Costs to Funds
Excluding External Investment Manager Fees

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Executive Summary

This report reviews the UTIMCO Services budget and other budgeted investment management expenses ("Direct Costs to Funds") for fiscal year 2016 that the UTIMCO Board approved on October 15, 2015 and the U. T. System Board of Regents will consider at its November 4-5, 2015 meeting. The "UTIMCO Services Budget" includes corporate expenses paid directly by UTIMCO, and the "Direct Costs to Funds" budget includes costs related to custody, consulting, corporate legal, audit, and risk measurement. The proposed budget for FY16 is:

	FY16 **($ millions)**
• UTIMCO Services Budget	31.5
• Direct Costs to Funds: Other Costs	8.5
Total Budgeted Costs (excludes external manager fees)	$ 40.0

The Total Budgeted Costs excludes external manager fees that are paid by the funds and netted from asset values as well as external investment manager fees paid directly by UTIMCO. The total investment costs for UTIMCO managed funds, comprising Investment Manager Fees paid directly and fees netted against asset values, are reviewed in a separate report.

Highlights:

- **Total Budgeted Costs for FY16**: The FY16 budget is $40.0 million, a 21.8% increase from the FY15 budget.
- **Total Forecast Costs for FY15**: Total costs for FY15 are forecast at $33.8 million, which is 3.0% or $990k over the FY15 budget. The increase is due primarily to higher custodian fees and depreciation expenses partially offset by lower legal fees.
- **The Total Direct Costs to Funds budget (excluding external investment manager fees)**: The FY16 budget of $8.5 million for direct fund costs is up 14.5% from the FY15 budget. Of the $1.1 million increase, $1 million is due to higher custodian costs. Custody fees are billed at higher rates in emerging countries where UTIMCO has increased holdings.
- **The UTIMCO Services Budget:** The FY16 budget is $31.5 million for the "operating" budget of UTIMCO, a 23.9% increase from the FY15 budget. Of the $6.1 million increase, $4.2 million relates to increases in employee-related costs and a $1.1 million increase in depreciation expense. The increase in the UTIMCO Services Budget is partially attributable to 12 additional FTE positions expected for FY16.
- **Compensation:** Compensation-related expenses represent approximately 69% of the UTIMCO Services Budget. Aggregate salaries for FY16 are budgeted to be up 20.1% from the FY15 budget. Budgeted salaries for FY16 include a 21.8% increase due to promotions and an 11.1% increase for existing staff (excluding promotions). Budgeted salaries are also included for three unfilled positions, two open positions, and seven new positions. Budgeted performance compensation for FY16 reflects an increase of $1.9 million or a 22.6% increase due to salary increases, additional FTEs, and increased performance compensation percentages.
- **UTIMCO Reserves:** UTIMCO staff projects that UTIMCO will have no cash reserves available to be distributed at fiscal year-end 2015. We concur with UTIMCO staff in recommending that no distribution of reserves be made at this time.

Budget Analysis and Trends

UTIMCO proposes Total Budgeted Costs for FY16 of $40.0 million. Table 1 shows the Total Budgeted Costs (Direct Costs to Funds and UTIMCO Services Budget excluding external manager fees) as a percent of average Assets Under Management ("AUM") since FY11.

Table 1: Total Budgeted Costs Trend FY11-FY16

($ millions)

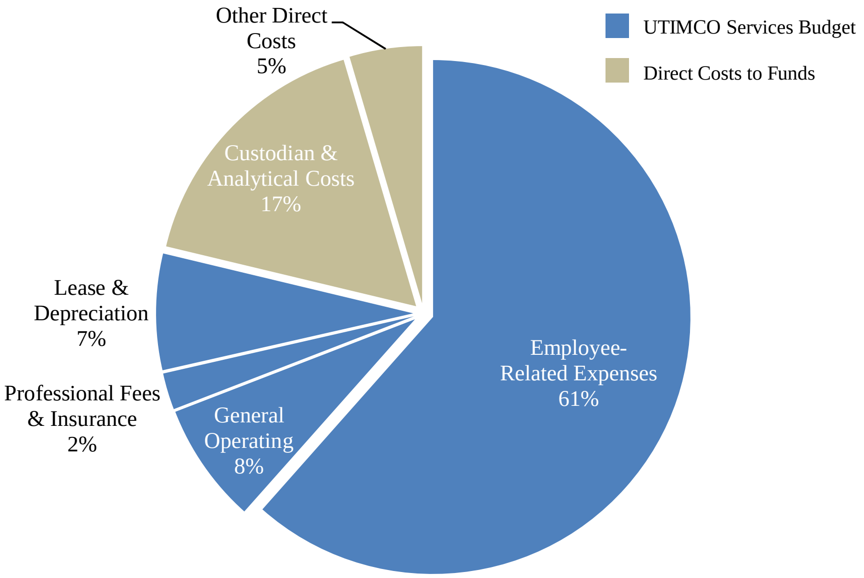
	FY11	FY12	FY13	FY14	Forecast FY15	Budget FY16
Average Total AUM[1]	24,840	27,235	28,886	32,363	34,957	35,778
% Change in AUM	14%	10%	6%	12%	8%	2%
Direct Costs to Funds	7.8	7.3	7.2	7.1	8.1	8.5
% Change in Direct Costs to Funds	36.1%	-5.4%	-2.2%	-1.6%	14.0%	5.6%
Direct Costs to Funds % of AUM	0.03%	0.03%	0.02%	0.02%	0.02%	0.02%
UTIMCO Services Budget	18.2	15.9	26.2	24.1	25.8	31.5
% Change in UTIMCO Services Budget	9.7%	-12.3%	64.6%	-8.2%	7.1%	22.2%
UTIMCO Services Budget % of AUM	0.07%	0.06%	0.09%	0.07%	0.07%	0.09%
Total Budgeted Costs	25.9	23.3	33.4	31.2	33.8	40.0
% Change in Total Budgeted Costs	16.5%	-10.2%	43.5%	-6.8%	8.6%	18.2%
Total Budgeted Costs % of AUM	0.10%	0.09%	0.12%	0.10%	0.10%	0.11%

[1] FY16 Average Total AUM assumes projected FY16 balances based on moderate returns, projected West Texas Land and gift income, and projected distributions.

FY 16 Total Budgeted Costs

(Excluding external manager fees)

$40.0 million



The pie chart above shows the breakdown of Total Budgeted Costs. The UTIMCO Services Budget represents 78% of the total budget, with employee-related expenses being the largest component at 61%. Direct Costs to Funds include Custodian & Analytical Costs (17%) and Other Direct Costs (5%).

Management fees and performance fees paid to external investment managers, which are either paid directly by UTIMCO or netted against asset values by the external managers, are not included in these amounts. UTIMCO retains external managers for approximately 95.5% of the AUM, with UTIMCO staff directly managing approximately 4.5% of assets as well as an internal derivatives portfolio.

Table 2 compares the Total Budgeted Costs for FY15 and FY16. Refer to Exhibits A and B for a detailed budget comparison for FY15-FY16 and budget trend for FY11-FY16.

Table 2: FY15 Forecast and FY16 Budget Overview

($ millions)

	FY15 Forecast				FY16 Budget			
	$ Budget	$ Projected	$ Change vs FY15 Budget	% Change vs FY15 Budget	$ Budget	$ Change vs FY15 Projected	% Change vs FY15 Projected	% Change vs FY15 Budget
UTIMCO Services	25.4	25.8	0.4	1.4%	31.5	5.7	22.2%	23.9%
Direct Costs to Funds	7.4	8.1	0.6	8.5%	8.5	0.4	5.6%	14.5%
Total Budgeted Costs	32.9	33.8	1.0	3.0%	40.0	6.2	18.2%	21.8%

<u>FY15 Forecast versus FY15 Budget</u>: UTIMCO staff forecasts FY15 Total Budgeted Costs will be $33.8 million, $1.0 million (3.0%) over the FY15 budget of $32.9 million. The increase is due primarily to higher than expected custody fees and depreciation expense.

- UTIMCO Services expenses are forecast to be over budget by $359k, due primarily to increased depreciation.

  - Depreciation expense is forecast to be $472k (73.0%) over budget due to staff costs related to the Investment Support System (ISS) project that were required to be capitalized and depreciated, and the variance was due to the timing of placing the asset into service. Fees paid to a consultant were also required to be depreciated.
  - Employee-related expenses are forecasted to be $186k or 0.9% under budget. Performance compensation is forecast to be just slightly over budget by $121k (1.4%), but this was more than offset by lower salary expenses, employee benefits and payroll taxes due to unfilled positions and staff departures.

- Direct Costs to Funds are higher than budgeted by $630k, or 8.5% above budget driven almost entirely by higher custody costs.

  - Custodian fees are forecast to be $929k (20.8%) over budget. The increase is due to UTIMCO holding more assets in emerging countries, including China and India. The asset-based fees and transaction costs are billed at a higher tier for emerging countries.
  - Investment legal fees for FY15 are forecast to be $170k (42.5%) under budget. The hiring of internal legal counsel for deals in FY14 continues to save more money than anticipated; these savings are expected to continue.

- Capital Expenditures are forecast at $70k (5.1%) over budget due to higher Technology and Software Upgrades ($39k or 56% higher than budget), office equipment and fixtures ($67k or 168% higher than budget), and Leasehold ($75k higher or 100% higher than budget). These increases are partially offset by lower Technology Initiatives ($111k or 9% lower than budget).

FY16 Proposed Budget: The proposed $40.0 million Total Budgeted Costs for FY16 is $7.2 million or 21.8% higher than the approved FY15 budget with $6.1 million of the increase attributable to increased UTIMCO Services and $1.1 million of the increase attributable to Direct Cost to Funds.

- The increase in the UTIMCO Services Budget is attributable primarily to a 21.3% increase in salaries and wages and performance compensation, driven primarily by a 16.7% budgeted growth in FTE (from 72 employees as of FY15 to 84 employees in FY16) and increased compensation for existing staff.
- FY16 Direct Costs to Funds of $8.5 million are 14.5% higher than FY15 budget primarily due to increases in Emerging Markets transaction costs.
- Capital Expenditures are budgeted at $1.6 million in FY16, an increase of 14.0% compared to the FY15 budget. UTIMCO continues implementing technology initiatives recommended by its new Chief Technology Officer, primarily related to two key initiatives: a document management system and an investment support system. Additionally, an accounting software upgrade is budgeted for FY16.

Direct Costs to Funds

Direct Costs to Funds for FY16, excluding external manager fees, are budgeted at $8.5 million.

Custodian and Analytical Costs: Custodian and analytical costs for FY15 are forecast at $6.5 million, 14.2% higher than budgeted for FY15, and are budgeted for FY16 at $6.7 million. This is due to increased asset based fees and transaction costs related to securities that are being held in emerging countries.

Legal Fees, Background Searches, and Foreign Tax Consultants: Savings in legal fees due to the hiring of internal legal counsel have continued, resulting in $170k (42.5%) of savings forecast in FY15 compared to FY15 budget of $400k and have been lowered by $100k (25.0%) to $300k for the FY16 budget. Background searches expenses are budgeted higher for FY16 to $275k ($100k or 57.1% higher than FY15 budget) to account for budgeted increases in staffing. FY16 fees for foreign tax consultants is budgeted higher at $169k ($69k or 68.8% higher than FY15 budget) due to increased holdings in China and India.

UTIMCO Services Budget

For FY16, total personnel-related expenses including employee benefits account for 79% of the UTIMCO Services budget (62% of Total Budgeted Costs, excluding external manager fees). Trends in staffing and total compensation in relation to assets under management are shown in Table 3 and Table 3a below. Table 3a adjusts for a one-time deferral of incentive compensation, decreasing FY13 performance compensation by $3.6 million and increasing FY12 performance compensation by the same amount. Highlights from these tables include:

- Staffing had been very steady through FY13 at 58 positions but has increased in recent years to 72 positions by the end of FY15 with 84 positions budgeted for FY16.
- Average AUM per employee has grown approximately 2.3% annually from FY11 to FY15 but is projected to fall given additional staff in FY16.

- Aggregate salaries for FY15 are forecast to be 46% above FY11 levels, which equates to a 10.0% growth rate on an average annual basis.
- Performance Compensation for FY15 is forecast to be 37% above FY11 levels, which equates to a 8.3% growth rate on an average annual basis.
- Since FY11, total compensation per employee has increased 2.5% (annualized) from $227k to $250k forecast in FY15.

Table 3: UTIMCO Compensation and Headcount FY11-FY16

	FY11	FY12	FY13	FY14	Forecast FY15	% Change Since FY11 (annual)	Budget FY16	% Change From FY15
Employees (as of year end)	56	58	58	64	72	6.5%	84	16.7%
Average Total AUM ($ millions)	24,840	27,235	28,886	32,363	34,957	8.9%	35,778	2.3%
Average AUM/Employee ($ millions)	444	470	498	506	486	2.3%	426	-12.3%
Salaries and Wages ($ millions)	6.4	6.9	7.6	8.7	9.4	10.0%	11.4	21.5%
Performance Compensation ($ millions)	6.3	3.3	12.5	9.4	8.6	8.3%	10.4	20.9%
Total Compensation ($ millions)	12.7	10.2	20.1	18.1	18.0	9.1%	21.9	21.2%
Total Compensation per Employee ($)	227,029	175,328	346,573	283,135	250,470	2.5%	260,203	3.9%
Perf. Comp. as % of Salaries and Wages	98%	47%	165%	109%	92%		91%	
Perf. Comp. as % of Total Compensation	49%	32%	62%	52%	48%		48%	

Table 3a: UTIMCO Compensation and Headcount FY11-FY16

(Adjusted for Extraordinary Event Impacting FY12 – FY13)

	FY11	FY12	FY13	FY14	Forecast FY15	% Change Since FY11 (annual)	Budget FY16	% Change From FY15
Employees (as of year end)	56	58	58	64	72	6.5%	84	16.7%
Average Total AUM ($ millions)	24,840	27,235	28,886	32,363	34,957	8.9%	35,778	2.3%
Average AUM/Employee ($ millions)	444	470	498	506	486	2.3%	426	-12.3%
Salaries and Wages ($)	6.4	6.9	7.6	8.7	9.4	10.0%	11.4	21.5%
Performance Compensation ($)	6.3	6.9	8.9	9.4	8.6	8.3%	10.4	20.9%
Total Compensation ($)	12.7	13.8	16.5	18.1	18.0	9.1%	21.9	21.2%
Total Compensation per Employee ($)	227,029	237,954	283,947	283,135	250,470	2.5%	260,203	3.9%
Perf. Comp. as % of Salaries and Wages	98%	100%	117%	109%	92%		91%	
Perf. Comp. as % of Total Compensation	49%	50%	54%	52%	48%		48%	

Staffing: The FY15 budget was based on staffing of 72 employees; actual staffing is forecast at 72 employees at fiscal year-end 2015. The FY16 budget is based on staffing of 84 employees. The FY16 staffing increase is primarily in the investment professional area.

<u>Personnel-related Expenses</u>:

- **Salaries and Wages** are forecast to be $9.4 million in FY15, which is in line with budget. Aggregate salaries and wages are budgeted at $11.4 million in FY16, an increase of 20.1% compared to the FY15 budget. About half of the increase comes from the budgeted increase of 12 employees (9 investment professionals and 3 support/control staff), and the other half of the increase reflects an average 11.1% salary increase for existing staff, excluding promotions. Including promotions, salary increases for existing staff average 13.1%. Budgeted salaries for FY16 are based on 84 positions, up from 72 staff forecast at Aug. 31, 2015.

- **Performance Compensation** for FY15 is projected to be in line with budget, and the FY16 budget is higher by 23.9% due primarily to increased staffing, promotions, increased performance compensation percentages, and increases in base salaries for existing staff.

- **Employee Benefits** are budgeted to increase 14.1% from $1.65 million in FY15 to $1.88 million in FY16. The budget reflects a 10.3% increase in 403(b) contributions and a 17.7% increase in insurance and cell phone costs.

It should be noted that investment staff compensation increases are a result of a peer benchmarking study conducted in 2013 and again in 2015 that detailed UTIMCO's staff compensation to be lower than the compensation plans' objective of paying staff at median levels compared to peers.

<u>General Operating Expenses (non-employee)</u> including office expenses, lease expenses, insurance, travel and accounting fees are forecast to be in line with budget in FY15 at $4.39 million versus a budget of $4.32 million. General operating expenses for FY16 are budgeted to increase 16.9% to $5.1 million. The budgeted increase primarily relates to increased executive coaching and a cost increase related to services used for private investments ($209k), search firm fees for five new positions ($171k), and higher travel expenses related to staff additions and travel expenses ($135k).

<u>Lease Expenses</u>: Lease expenses are budgeted to increase 6.5% compared to FY15 budgeted amounts, due primarily to increased property taxes.

Table 4: UTIMCO Lease Expenses FY11-FY16

	FY11	FY12	FY13	FY14	Forecast FY15	Budget FY16
Property Lease	$518,373	$518,373	$518,373	$518,373	$518,373	$518,376
Operating Expenses	$468,651	$513,894	$554,516	$606,703	$632,036	$673,440
Parking Expenses	$111,911	$114,677	$124,666	$146,272	$149,819	$148,800
Other Expenses	$6,900	$7,334	$7,966	$8,102	$7,050	$7,200
Amortization (Deferred Rent Credit)	($170,344)	($170,344)	($170,344)	($170,344)	($170,344)	($170,352)
Total Lease Expenses (net)	$935,490	$983,934	$1,035,177	$1,109,106	$1,136,934	$1,177,464

UTIMCO Capital Expenditures

The trend for Capital Expenditures for FY11-FY16 is summarized in Table 5 below. The Chief Technology Officer, hired in March 2012, identified several key initiatives including document management, disaster recovery efforts, and upgrading video conferencing and phone systems, all of which significantly increased capital expenditures in FY13 compared to preceding years. Total capital expenditures are forecast to be $1.44 million in FY15, which is slightly higher than the $1.37 million FY15 budgeted amount. Capex is budgeted at $1.56 million in FY15, with the majority of expenditures focused on two continuing key initiatives: a document management system and an investment support system. The document management system is intended to standardize file structures, have enhanced security and search functionality, and assist in record retention. The investment support system will provide investment staff with better access to information from differing perspectives and levels of detail, better automation, and the ability to quickly produce cross-portfolio analysis.

An accounting software upgrade is budgeted for FY16 of $128k, and the $150k forecasted amount for Leasehold was higher than the FY15 budgeted amount of $75k due to higher costs related to construction costs in existing space (28th floor) to accommodate staff increases.

Table 5: UTIMCO Capital Expenditures FY11-FY16

	FY11	FY12	FY13	FY14	Forecast FY15	Budget FY16
Ongoing: Technology and Software Upgrades	$122,048	$121,416	$89,146	$46,623	$107,810	$227,000
Ongoing: Office Equipment and Fixtures	$43,700	$20,021	$105,290	-	$107,135	$50,000
Expansion: Technology Initiatives / Video Conferencing	-	-	$612,482	$1,035,190	$1,076,643	$1,252,000
Expansion: Leasehold	-	-	-	-	$150,085	$35,000
Total Capital Expenditures (net)	$165,748	$141,437	$806,918	$1,081,813	$1,441,673	$1,564,000

EXHIBIT A

Total Budgeted Costs FY15-FY16

	FY15	FY15	Change from FY15 Budget		FY16	Change from FY15 Forecast		Change from FY15 Budget
	Budget	Forecast	$	%	Budget	$	%	%
UTIMCO Services								
Salaries and Wages + Vacation	9,504,386	9,394,865	-109,522	-1.2%	11,415,599	2,020,734	21.5%	20.1%
Performance Compensation + Earnings	8,518,278	8,639,000	120,722	1.4%	10,441,456	1,802,456	20.9%	22.6%
Total Compensation	18,022,664	18,033,864	11,200	0.1%	21,857,055	3,823,191	21.2%	21.3%
Total Payroll taxes	792,636	685,490	-107,146	-13.5%	889,925	204,435	29.8%	12.3%
403(b) Contributions	786,198	696,658	-89,540	-11.4%	867,051	170,393	24.5%	10.3%
Insurance & Cell Phone	861,224	861,002	-222	-0.0%	1,013,439	152,437	17.7%	17.7%
Employee Benefits	1,647,422	1,557,659	-89,763	-5.4%	1,880,490	322,831	20.7%	14.1%
Recruiting and Relocation Expenses	69,000	65,609	-3,391	-4.9%	132,000	66,391	101.2%	91.3%
Employee Education	75,104	62,452	-12,652	-16.8%	76,200	13,748	22.0%	1.5%
Other Employee Related Expenses	144,104	128,061	-16,043	-11.1%	208,200	80,139	62.6%	44.5%
Total Employee Related Expenses	20,606,826	20,405,074	-201,752	-1.0%	24,835,670	4,430,596	21.7%	20.5%
On-Line Data & Contract Services	1,294,080	1,272,828	-21,252	-1.6%	1,540,944	268,116	21.1%	19.1%
Travel & Meetings, Including BOD	630,500	706,348	75,848	12.0%	848,500	142,152	20.1%	34.6%
Phone and Telecommunications	53,340	44,263	-9,077	-17.0%	47,340	3,077	7.0%	-11.2%
Computer & Office Supplies	49,140	57,751	8,611	17.5%	59,760	2,009	3.5%	21.6%
Repairs/Maintenance	292,464	262,642	-29,822	-10.2%	335,268	72,626	27.7%	14.6%
Other Office Expenses	105,252	110,075	4,823	4.6%	123,636	13,561	12.3%	17.5%
Total Office Expense	500,196	474,732	-25,464	-5.1%	566,004	91,272	19.2%	13.2%
Total Lease Expense	1,120,692	1,136,934	16,242	1.4%	1,177,464	40,530	3.6%	5.1%
Board, Comp., & Hiring Consultants	200,100	295,519	95,419	47.7%	400,500	104,981	35.5%	100.1%
Legal Expenses	140,400	100,463	-39,937	-28.4%	120,000	19,537	19.4%	-14.5%
Accounting fees	58,500	60,045	1,545	2.6%	57,804	-2,241	-3.7%	-1.2%
Total Professional Fees	399,000	456,027	57,027	14.3%	578,304	122,277	26.8%	44.9%
Total Insurance	227,400	213,576	-13,824	-6.1%	212,880	-696	-0.3%	-6.4%
Depreciation of Equipment	650,000	1,122,098	472,098	72.6%	1,750,000	627,902	56.0%	169.2%
Total Non-Employee Related Expenses	4,821,868	5,382,542	560,674	11.6%	6,674,096	1,291,554	24.0%	38.4%
Total UTIMCO Services	25,428,694	25,787,616	358,922	1.4%	31,509,766	5,722,150	22.2%	23.9%
Direct Costs to Funds								
Custodian Fees and Other Direct Costs	4,463,774	5,392,899	929,125	20.8%	5,462,258	69,359	1.3%	22.4%
Performance Measurement	470,700	373,975	-96,725	-20.5%	484,668	110,693	29.6%	3.0%
Analytical Tools	395,457	395,581	124	0.0%	407,338	11,757	3.0%	3.0%
Risk Measurement	324,000	292,000	-32,000	-9.9%	324,000	32,000	11.0%	0.0%
Custodian and Analytical Costs	5,653,930	6,454,455	800,525	14.2%	6,678,264	223,809	3.5%	18.1%
Consultant Fees	353,500	292,193	-61,307	-17.3%	300,000	7,807	2.7%	-15.1%
Auditing	720,000	718,663	-1,337	-0.2%	760,000	41,337	5.8%	5.6%
Legal Fees	400,000	229,987	-170,013	-42.5%	300,000	70,013	30.4%	-25.0%
Background Searches & Other	294,500	357,264	62,764	21.3%	463,336	106,072	29.7%	57.3%
Other Direct Costs Total	1,768,000	1,598,107	-169,893	-9.6%	1,823,336	225,229	14.1%	3.1%
Total Direct Costs to Funds	7,421,930	8,052,562	630,632	8.5%	8,501,600	449,038	5.6%	14.5%
Total Budgeted Costs	32,850,624	33,840,178	989,554	3.0%	40,011,366	6,171,188	18.2%	21.8%

EXHIBIT B

Total Budgeted Costs FY11-FY16

	FY11	FY12	FY13	FY14	FY15	FY16
	Actual	Actual	Actual	Actual	Forecast	Budget
UTIMCO Services						
Salaries and Wages + Vacation	6,422,656	6,903,383	7,587,688	8,670,689	9,394,865	11,415,599
Performance Compensation + Earnings	6,290,993	3,265,622	12,513,544	9,449,922	8,639,000	10,441,456
Total Compensation	12,713,649	10,169,005	20,101,232	18,120,611	18,033,864	21,857,055
Total Payroll taxes	492,963	472,196	641,091	674,824	685,490	889,925
403(b) Contributions	485,227	515,669	566,262	650,111	696,658	867,051
Insurance & Cell Phone	585,957	619,546	701,259	853,864	861,002	1,013,439
Employee Benefits	1,071,184	1,135,215	1,267,521	1,503,975	1,557,659	1,880,490
Recruiting and Relocation Expenses	15,210	49,522	25,979	39,886	65,609	132,000
Employee Education	30,159	36,287	55,349	43,996	62,452	76,200
Other Employee-Related Expenses	45,369	85,809	81,328	83,883	128,061	208,200
Total Employee Related Expenses	14,323,165	11,862,225	22,091,173	20,383,292	20,405,074	24,835,670
On-Line Data & Contract Services	1,003,058	1,038,036	1,164,419	1,097,399	1,272,828	1,540,944
Travel & Meetings, Including BOD	416,713	588,240	536,748	531,618	706,348	848,500
Phone and Telecommunications	69,072	32,976	36,781	51,757	44,263	47,340
Computer & Office Supplies	80,768	49,748	50,392	41,156	57,751	59,760
Repairs/Maintenance	182,535	160,071	191,971	253,734	262,642	335,268
Other Office Expenses	52,400	105,966	92,250	114,622	110,075	123,636
Total Office Expense	384,775	348,762	371,394	461,269	474,732	566,004
Total Lease Expense	935,490	983,934	1,035,176	1,109,105	1,136,934	1,177,464
Board, Compensation, & Hiring Consultants	44,500	211,000	165,341	285,917	295,519	400,500
Legal Expenses	247,303	106,483	88,279	77,795	100,463	120,000
Accounting fees	38,950	51,975	49,268	51,934	60,045	57,804
Total Professional Fees	330,753	369,458	302,888	415,646	456,027	578,304
Total Insurance	227,326	208,729	207,103	219,163	213,576	212,880
Depreciation of Equipment	552,739	533,872	518,707	676,524	1,122,098	1,750,000
Total Non-Employee Related Expenses	3,850,854	4,071,032	4,136,434	4,510,724	5,382,542	6,674,096
Total UTIMCO Services	18,174,019	15,933,256	26,227,607	24,894,016	25,787,616	31,509,766
Direct Costs to Funds						
Custodian Fees and Other Direct Costs	4,452,927	4,200,390	4,160,625	4,450,469	5,392,899	5,462,258
Performance Measurement	408,525	429,584	401,220	346,414	373,975	484,668
Analytical Tools	342,534	358,697	390,371	395,504	395,581	407,338
Risk Measurement	292,000	292,000	292,000	292,000	292,000	324,000
Custodian and Analytical Costs	5,495,986	5,280,671	5,244,216	5,484,387	6,454,455	6,678,264
Consultant Fees	554,891	415,375	403,304	353,500	292,193	300,000
Auditing	677,000	371,779	465,410	526,865	718,663	760,000
Legal Fees	795,933	786,122	659,516	272,735	229,987	300,000
Background Searches & Other	231,403	484,991	406,479	427,044	357,264	463,336
Other Direct Costs Total	2,259,227	2,058,267	1,934,709	1,580,144	1,598,107	1,823,336
Total Direct Costs to Funds	7,755,213	7,338,938	7,178,925	7,064,531	8,052,562	8,501,600
Total Budgeted Costs	25,929,232	23,272,194	33,406,532	31,958,547	33,840,178	40,011,366

EXHIBIT C

UTIMCO Reserve Analysis for August 31, 2015

Projected Cash Reserves at August 31, 2015		
Cash		10,331,468
Prepaid Expenses		618,040
Less: Accounts Payable (Includes incentive compensation & earnings payable)		(7,354,418)
Expected Cash Reserves at August 31, 2015		$ 3,595,090
FY16 Proposed Operating Budget	31,509,766	
Applicable Percentage	25%	7,877,442
FY16 Proposed Capital Expenditures	1,564,000	1,564,000
Required Cash Reserves at August 31, 2015		$ 9,441,442
Balance Available for Distribution		$ (5,846,352)
Recommended Distribution		$ -

9. U. T. System Board of Regents: Approval of revisions to the amended and restated University of Texas Investment Management Company (UTIMCO) Compensation Program

RECOMMENDATION

The Chancellor and the Executive Vice Chancellor for Business Affairs concur in the recommendation of The University of Texas Investment Management Company Board of Directors (UTIMCO Board) that the U. T. System Board of Regents (U. T. System Board) approve the amended and restated UTIMCO Compensation Program (Plan) effective September 1, 2015, as set forth in congressional style on the following pages. The Plan was approved by the UTIMCO Board on October 15, 2015, and amends and restates the UTIMCO Compensation Program that was approved by the U. T. System Board on May 15, 2014 (Prior Plan).

BACKGROUND INFORMATION

The Plan consists of two elements: base salary and an annual incentive plan. The UTIMCO Board has the discretion to interpret the Plan, may from time to time adopt such rules and regulations that it may deem necessary to carry out the Plan, and may also amend the Plan. The UTIMCO Board last made editorial amendments to the Plan not requiring U. T. System Board approval on July 29, 2014.

The proposed changes are as follows:

a. Section 1 has been changed to reflect a new effective date of September 1, 2015;

b. Sections 3, 5.5(c) and (e), and 5.12(d) have been changed to remove the language related to the increasing of performance incentive awards in the Extraordinary Circumstance of outperformance by 20% or more;

c. Sections 5.2(b), 5.8(b) and (c) and 8.3 have been changed to eliminate Asset Class/Investment Type as a Quantitative Performance Goal. Appendices C and D have been updated to reflect the removal of the Asset Class/Investment Type Quantitative Performance Goal;

d. Sections 5.4(b) and 5.8(c) [renumbered 5.8(b)(2)] have been changed to remove Asset Class/Investment Type as a Quantitative Performance Goal and add it as a Qualitative Performance Goal. Investment staff portfolio performance will be measured against a universe of funds as determined annually by the UTIMCO Compensation Committee;

e. Sections 5.5(c) and 5.12(c) have been changed to remove the language related to decreasing performance incentive awards when net returns during a performance period are below negative 5.01%;

f. Section 5.8(b)(3) has been changed related to the calculation of the level of attainment of the qualitative portion of an individual’s performance goals;

g. Language in Section 5.9(e) applicable to the change in Plan year end from June 30 to August 31 has been removed since it is no longer relevant;

h. Appendix A, Performance Incentive Award Methodology has been updated to incorporate the Plan design changes;

i. Appendix C, Eligible Positions, Weightings, Incentive Award Opportunities and Percentage of Award Deferred has been revised for the Performance Periods beginning after August 31, 2015;

j. Appendix D, Table 2 has been revised for the Performance Periods beginning September 1, 2013;

k. Appendix E, Table 3 of Eligible positions has been revised for the Performance Periods beginning after September 1, 2015; and

l. Other miscellaneous nonsubstantive and editorial changes are recommended as shown.

UTIMCO
COMPENSATION PROGRAM

Amended and Restated
Effective September 1, ~~2013~~2015

~~(Appendices updated as of September 1, 2014)~~

TABLE OF CONTENTS

1. COMPENSATION PROGRAM STRUCTURE AND EFFECTIVE DATE

The UTIMCO Compensation Program ("Compensation Program" or "Plan") consists of two elements**:** base salary and an annual incentive plan (the "Performance Incentive Plan"):

Base Salary + Performance Incentive = Total Compensation

The base salary portion of the Compensation Program sets forth a structure and guidelines for establishing and adjusting the salaries of key investment and operations staff employees. The Performance Incentive Plan portion of the Compensation Program sets forth the criteria for calculating and receiving annual incentive awards for key investment and operations staff who are eligible Participants in the Performance Incentive Plan. Provisions of the Compensation Program relating solely to the base salary portion of the Compensation Program are described in Section 4. Provisions of the Compensation Program relating solely to the Performance Incentive Plan portion of the Compensation Program are described in Section 5. Sections 1, 2, 3, 6, 7, and 8 of the Compensation Program relate to both the base salary portion and the Performance Incentive Plan portion except where otherwise specified in any such Section.

Effective Date: Except as provided in Section 7.9, this document, with an "Effective Date" of September 1, ~~2013~~2015, supersedes the UTIMCO Compensation Program that was effective September 1, ~~2012~~2013.

2. COMPENSATION PROGRAM OBJECTIVES

UTIMCO's Compensation Program serves a number of objectives:

- To attract and retain key investment and operations staff of outstanding competence and ability.
- To encourage key investment staff to develop a strong commitment to the performance of the assets for which UTIMCO has been delegated investment responsibility.
- To motivate key investment staff to focus on maximizing real, long-term returns for all funds managed by UTIMCO while assuming appropriate levels of risk.
- To facilitate teamwork so that members of UTIMCO operate as a cohesive group.

3. TOTAL COMPENSATION PROGRAM PHILOSOPHY[1]

UTIMCO aspires to attract and retain high caliber employees from nationally recognized peer institutions and the investment management community in general. UTIMCO strives to provide a total compensation program that is competitive nationally, with the elements of compensation evaluated relative to comparably sized university endowments, foundations, and for-profit investment management firms with a similar investment philosophy (e.g., externally managed funds).

UTIMCO's total Compensation Program is positioned against the competitive market as follows:

- Base salaries are targeted at the market median (e.g., 50th percentile).
- Target total compensation (salary plus target Incentive Award Opportunity) is positioned at the market median.
- Maximum total compensation (salary plus maximum Incentive Award Opportunity) is targeted at the market 75th percentile if individual performance is outstanding.~~; provided that if individual performance is outstanding during a Performance Period when endowment investment performance at the end of such Performance Period exceeds 20%, maximum total compensation (salary plus maximum Incentive Award Opportunity modified when Net Returns on Total Endowment Assets exceed 20%) for Affected Participants is targeted at the 90th percentile. (For this purpose, 0 is the lowest point and 100 is the highest.)~~

Although base salaries, as well as target and maximum total compensation, have a targeted positioning relative to market, an individual employee's actual total compensation may vary from the targeted positioning based on the individual's experience, education, knowledge, skills, and performance as well as UTIMCO's investment performance as described in this document. Except as provided in Sections 5.8 and 5.9 for purposes of determining the length of historical performance, base salaries and Incentive Award Opportunities (as well as the actual Performance Incentive Awards) are not determined based on seniority at UTIMCO.

4. BASE SALARY ADMINISTRATION

4.1. Salary Structure

(a) Base salaries are administered through a Salary Structure as set forth in this Section 4.1. Each employment position has its own salary range, with the midpoint set approximately equal to the market median base salary for employment positions with similar job content and level of responsibility.

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[1] This explanation of UTIMCO's "Total Compensation Program Philosophy" is not intended to modify any of the substantive provisions of this document.

(b) The salary range midpoints will be determined by the Compensation Committee based on consultation with an outside compensation consultant and with UTIMCO management. Salary range midpoints for key management, investment, and operations positions will be updated at least every three years based on a salary benchmarking study conducted by a qualified compensation consultant selected by the Compensation Committee. In years in which the Compensation Committee does not commission a formal salary survey, the base salary midpoints may be adjusted at the Compensation Committee's discretion based on expected annual salary structure adjustments as reported in one or more published compensation planning surveys.

4.2. Salary Adjustments

(a) The base salary of the CEO is determined by the Board. The base salary of the Chief Compliance Officer ("CCO") will be determined by the Compensation Committee based on the joint recommendation of the Audit and Ethics Committee and the CEO and the base salaries of the other key investment and operations employees are determined by the Compensation Committee**.** Base salaries will be set within the salary range for each employment position. An individual's base salary within the range may be higher or lower than the salary range midpoint based on his or her level of experience, education, knowledge, skills, and performance. On an exception basis, the Board may set individual base salaries outside of the salary range if an individual either substantially exceeds or does not meet all of the market criteria for a particular position.

(b) Individuals may receive an annual adjustment (increase or decrease) of their base salaries at the discretion of the Compensation Committee or, in the case of the CEO, at the discretion of the Board. Base salary adjustments, if any, will be determined based on each individual employee's experience, education, knowledge, skills, and performance; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. Employees are not guaranteed an annual salary increase.

5. PERFORMANCE INCENTIVE PLAN

5.1. Purpose of the Performance Incentive Plan

The purpose of the Performance Incentive Plan is to provide annual Performance Incentive Awards to eligible Participants based on specific objective criteria relative to UTIMCO's and each Participant's performance. The primary objectives of the Performance Incentive Plan are outlined in Section 2.

5.2. Performance Period

(a) For purposes of the Performance Incentive Plan, the "Performance Period" begins on September 1 of each year and ends the following August 31.

(b) Except as otherwise provided under Sections 5.8 and 5.9, performance for each year in the historical performance period will be measured between September 1 and the following August 31 of the applicable year for gauging achievement of the Entity ~~and Asset Class/Investment Type~~ Performance Goal~~s~~.

5.3. ***Eligibility and Participation***

(a) Each employee of UTIMCO will be a "Participant" in the Performance Incentive Plan for a Performance Period if (and only if) he or she is both (i) employed by UTIMCO in an employment position that is designated as an "Eligible Position" for that Performance Period and (ii) selected by the Board as eligible to participate in the Performance Incentive Plan for that Performance Period. "Eligible Positions" for a Performance Period include senior management, investment staff, and other key positions as designated by the CEO and approved by the Board as Eligible Positions for that Performance Period. An employment position that is an Eligible Position in one Performance Period is not automatically an Eligible Position in any subsequent Performance Period, and each Eligible Position must be confirmed or re-confirmed by the Board as being an "Eligible Position" for the applicable Performance Period. Similarly, an employee who is eligible to participate in the Performance Incentive Plan in one Performance Period is not automatically eligible to participate in any subsequent Performance Period (notwithstanding that such employee may be employed in an Eligible Position in that subsequent Performance Period), and each employee must be designated or re-designated by the Board as being eligible to participate in the Performance Incentive Plan for the applicable Performance Period. The Board will confirm the Eligible Positions and designate the eligible employees who will become Participants for a Performance Period within the first 90 days of the Performance Period or, if later, as soon as administratively feasible after the start of the Performance Period. The Board in its discretion may also designate the employment position of a newly hired or promoted employee as an "Eligible Position" and may designate such newly hired or promoted employee as eligible to participate in the Performance Incentive Plan for a Performance Period (or remainder of a Performance Period) within 30 days of such hire or promotion or, if later, as soon as administratively feasible after such hire or promotion**.** A list of Eligible Positions for each Performance Period is set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period when necessary to set forth the Eligible Positions for that Performance Period as soon as administratively practicable after confirmation of such Eligible Positions by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

(b) An employee in an Eligible Position who has been selected by the Board to participate in the Performance Incentive Plan will become a Participant on the later of (i) the date he or she is employed in an Eligible Position or (ii) the date he or she is selected by the Board to participate in the Performance Incentive Plan; provided, however, that the Board in its discretion may designate any earlier or later date (but not earlier than such employee's date of hire and not later than such employee's date of Termination of employment) upon which such employee will become a Participant, and such employee will instead become a Participant on such earlier or later date. The preceding notwithstanding, except as provided below, an employee may not commence participation in the Performance Incentive Plan and first become a Participant during the last six months of any Performance Period; provided however, that the Board may select an employee to participate in the Performance Incentive Plan during the last six months of the Performance Period when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board in which event participation of the employee in the Performance Incentive Plan will begin on the participation date selected by the Board for the employee but not earlier than the employee's date of hire (assuming such employee is employed by UTIMCO in an Eligible Position on such date).

(c) An employee will cease to be a Participant in the Performance Incentive Plan on the earliest to occur of: (i) the date such employee is no longer employed in an Eligible Position; (ii) the date of Termination of such employee's employment with UTIMCO for any reason (including Voluntary Termination and Involuntary Termination, death, and Disability); (iii) the date of termination of the Performance Incentive Plan; (iv) the date such employee commences a leave of absence; (v) the date such employee begins participation in any other UTIMCO incentive program; (vi) the date the Board designates that such employee's employment position is not an Eligible Position (or fails to designate the employee's employment position as an Eligible Position with respect to a Performance Period); or (vii) any date designated by the Board as the date on which such employee is no longer a Participant.

(d) Except as provided in Sections 5.10(b) and (c), only individuals who are Participants on the last day of a Performance Period are eligible to receive Performance Incentive Awards under the Performance Incentive Plan for that Performance Period.

5.4. Performance Goals

(a) Within the first 60 days of each Performance Period, except as provided below, the CEO will recommend goals ("Performance Goals") for each Participant (other than the Performance Goals for the CEO, which are determined as provided in Section 5.4(c), and the Performance Goals for employees who are hired or promoted later during a Performance Period) subject to approval by the Compensation Committee within the first 90 days of the Performance Period. The CEO will also recommend Performance Goals for employees who are hired or promoted during the Performance Period and become Participants at the time those employees are designated as Participants (with such Performance Goals subject to confirmation by the Compensation Committee as soon as administratively feasible after such Performance Goals are recommended). If the position of the CCO is determined to be an Eligible Position and the employee in the Eligible Position has been designated by the Compensation Committee as a Participant in the Performance Incentive Plan for the Performance Period, the Performance Goals of the employee holding the position of CCO will be determined jointly by the Audit and Ethics Committee and the CEO. References to the CCO hereafter assume that the position of CCO has been determined to be an Eligible Position and the employee holding the position of CCO has been determined to be a Participant in the Performance Incentive Plan for the Performance Period. If the position of CCO has not been determined to be an Eligible Position for the Performance Period the provisions hereafter specific to the CCO have no force and effect.

(b) There are ~~three~~ two categories of Performance Goals:

(1) Entity Performance (measured as described in Section 5.8(a))

~~(2) Asset Class/Investment Type Performance (measured as described in Section 5.8(b))~~

~~(3)~~(2) Qualitative Performance (measured as described in Section 5.8(~~c~~b))

Except for the CEO and CCO, Qualitative Performance Goals will be defined jointly by each Participant and his or her supervisor, subject to approval by the CEO and subject to final approval by the Compensation Committee. Qualitative Performance Goals for the CCO will be defined jointly by the Audit and Ethics Committee and the CEO. Qualitative Performance Goals may be established in one or more of the following areas:

- Asset Class/Investment Type Performance
- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources
- UTIMCO investment performance relative to the Peer Group

(c) The CEO's Performance Goals will be determined and approved by the Board.

(d) Each Performance Goal for each Eligible Position is assigned a weight for the Performance Period. The Audit and Ethics Committee and the CEO will jointly recommend to the Compensation Committee the weightings of the Performance Goals for the CCO. For each Performance Period, the Compensation Committee will approve (or adjust as it deems appropriate) the weightings of the Performance Goals at the same time it approves the Performance Goals. The weightings for each Eligible Position are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period when necessary to set forth the weightings for the Eligible Positions for that Performance Period as soon as administratively practicable after such weightings are approved by the Compensation Committee for such Performance Period. Notwithstanding the identified weighting for a Performance Goal for an Eligible Position, the Compensation Committee, may adjust the weightings (up or down) for any Participant for a Performance Period when it considers the identified weighting for a Performance Goal to be inappropriate for such Participant because of his or her length of service with UTIMCO, his or her tenure in the respective Eligible Position, his or her prior work experience, or other factors as deemed appropriate by the Compensation Committee; provided that, in the case of the CCO, any such adjustment shall be based on the joint recommendation of the Audit and Ethics Committee and the CEO. The weightings for the Performance Goals for each Performance Period are subject to approval by the Board.

5.5. Incentive Award Opportunity Levels and Performance Incentive Awards

(a) At the beginning of each Performance Period, each Eligible Position is assigned an "Incentive Award Opportunity" for each Performance Goal for the Participants in that Eligible Position. The Audit and Ethics Committee and CEO will jointly recommend the Incentive Award Opportunity for the CCO to the Compensation Committee. Each Incentive Award Opportunity is determined by the Compensation Committee (and subject to approval by the Board) and is expressed as a percentage of base salary earned during the Performance Period. The Incentive Award Opportunities include a threshold, target, and maximum award for achieving commensurate levels of performance of the respective Performance Goal.

(b) Incentive Award Opportunities for each Performance Period are set forth in Table 1, which is attached as Appendix C. Table 1 will be revised each Performance Period when necessary to set forth the Incentive Award Opportunities for that Performance Period as soon as administratively practicable after approval of the Incentive Award Opportunities by the Board for such Performance Period, and such revised Table 1 will be attached as Appendix C.

(c) Actual "Performance Incentive Awards" are the amounts that are actually awarded to Participants for the respective Performance Period. Actual

Performance Incentive Awards will range from zero (if a Participant performs below threshold on all Performance Goals~~ or, pursuant to Section 5.12(c) in the case of Affected Participants, Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are below a negative 14.01% at the end of such Performance Period~~) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives~~; provided that, pursuant to Section 5.12(d), actual Performance Incentive Awards for Affected Participants may exceed the maximum Incentive Award Opportunity if the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined exceed positive 20.0% at the end of such Performance Period~~. Awards are capped at maximum levels regardless of whether a Participant exceeds the stated maximum Performance Goals.

(d) Following the end of each Performance Period, the Compensation Committee will review the actual performance of each Participant against the Performance Goals of the respective Participant and determine the Participant's level of achievement of his or her Performance Goals. The Compensation Committee may seek and rely on the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class/Investment Type Performance. The CEO will submit a written report to the Compensation Committee, which documents the Participant's performance relative to the Participant's Performance Goals set at the beginning of the Performance Period, and upon which the Compensation Committee may rely in evaluating the Participant's performance. The Audit and Ethics Committee and the CEO will jointly determine the CCO's level of achievement relative to the CCO's Performance Goals. The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

(e) Performance Incentive Awards will be calculated for each Participant based on the percentage achieved of each Performance Goal, taking into account the weightings for the Participant's Entity Performance~~, Asset Class/Investment Type Performance,~~ and Qualitative Performance Goals and each Participant's Incentive Award Opportunity~~; provided that, Performance Incentive Awards of Affected Participants will be (i) increased if the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined exceed positive 20.0% at the end of such Performance Period and (ii) decreased if the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are below negative 5.0% at the end of such Performance Period, all pursuant to Section 5.12~~. The methodology for calculating Incentive Award Opportunities and Performance Incentive Awards is presented on Appendix A. Performance

Incentive Awards will be interpolated in a linear fashion between threshold and target as well as between target and maximum.

(f) Within 120 days following the end of a Performance Period, and after review by the external auditor, the Compensation Committee will review all Performance Incentive Award calculations, and make any changes it deems appropriate. The Compensation Committee will submit its recommendations to the Board for approval. Subject to the provisions of Section 7.1, the Board will approve Performance Incentive Awards.

(g) Following the approval of a Performance Incentive Award by the Board, each Participant will be notified as to the amount, if any, of his or her Performance Incentive Award as well as the terms, provisions, conditions, and limitations of the Nonvested Deferred Award portion of such Performance Incentive Award.

5.6. Form and Timing of Payouts of Performance Incentive Awards

Except as provided in Sections 5.11, 5.12, and 5.13, approved Performance Incentive Awards will be paid as follows:

(a) Subject to the Applicable Deferral Percentage of an Eligible Position as documented in Table 1, which is attached as Appendix C, the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 120 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the Performance Period ends, and

(b) An amount of the Performance Incentive Award for an Eligible Position equal to the Applicable Deferral Percentage set forth on Table 1 will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section. Table 1 will be revised, as necessary, for each Performance Period to set forth any Applicable Deferral Percentage for each Eligible Position as soon as administratively practicable after approval of the deferral percentages by the Board for such Performance Period and such revised Table 1 will be attached as Appendix C.

5.7. Nonvested Deferred Awards

(a) For each Performance Period, a hypothetical account on UTIMCO's books ("Nonvested Deferred Award Account") will be established for each Participant. As of the date that the corresponding Paid Performance Incentive Award is paid to the Participant, each Participant's Nonvested Deferred Award for a Performance Period will be credited to his or her Nonvested Deferred Award Account established for that Performance Period; provided, however, that, in the case of any Participant whose Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13 on the date such Nonvested Deferred Award would be so credited to his or her Nonvested Deferred Award Account, such Nonvested Deferred Award will not be credited to such Participant's Nonvested Deferred Award Account. The Nonvested Deferred Award Accounts will be credited (or debited) monthly with an amount equal to the net investment returns of the Total Endowment Assets ("Net Returns") for the month multiplied by the balance of the respective Participant's Nonvested Deferred Award Account(s) as of the last day of the month. When the Nonvested Deferred Award is initially credited to the Nonvested Deferred Award Account, the Nonvested Deferred Award Account will be credited (or debited) with Net Returns for the month of the initial credit of a Nonvested Deferred Award, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Nonvested Deferred Award Account. Participants are not entitled to their Nonvested Deferred Award Accounts unless and until they become vested in those accounts in accordance with Section 5.7(b).

(b) Unless a Participant's Nonvested Deferred Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Participant will become vested in, and entitled to payment of, his or her Nonvested Deferred Award Account for each respective Performance Period according to the following schedule:

(1) On the first anniversary of the last day of the Performance Period for which the Nonvested Deferred Award was earned, one third of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(2) On the second anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, one half of the amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(3) On the third anniversary of the end of the Performance Period for which the Nonvested Deferred Award was earned, the remaining amount then credited to the Participant's Nonvested Deferred Award Account for that Performance Period will be vested and paid to the Participant.

(4) Nonvested Deferred Award Accounts payable under the above paragraphs of this Section 5.7(b) will be paid on a date selected in the discretion of UTIMCO after the applicable portion of any such Nonvested Deferred Award Account becomes vested and in no event later than the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested.

5.8. Performance Measurement Standards

(a) Entity Performance

(1) Entity Performance for purposes of the Performance Incentive Plan is the performance of the Total Endowment Assets (weighted at 80%) and the Intermediate Term Fund (weighted at 20%).

(2) The performance of the Total Endowment Assets ("TEA") is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark).

(3) The performance of the Intermediate Term Fund will be measured based on the performance of the ITF relative to the ITF Policy Portfolio Return (ITF benchmark).

(4) Performance standards related to the TEA and ITF for each Performance Period beginning after August 31, ~~2010~~2013, will be updated as necessary and set forth on a revised table for each such Performance Period ~~and set forth on~~in Appendix D as soon as administratively practicable after such standards are determined. Performance of the TEA and ITF is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the TEA and ITF.

(5) Except as provided in Section 5.9, performance of the Total Endowment Assets (based on the TEA benchmark) and the Intermediate Fund (based on the ITF benchmark) will be measured based on a three-year rolling historical performance of each such fund.

~~(b) Asset Class/Investment Type Performance~~

~~Asset Class/Investment Type Performance is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as developed country, private investments, etc.) based on the standards set forth in this Section 5.8(b). Except as provided in Section 5.9, Asset Class/Investment Type Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class and investment type will vary depending on the ability to outperform the respective benchmark. The benchmarks for each asset class and investment type, as well as threshold, target, and maximum performance standards in effect during the three-year rolling historical period, culminating with the current Performance Period, are set forth on Table 2, which is attached as Appendix D. Table 2 will be revised, as necessary, for subsequent Performance Periods to reflect new benchmarks, as well as threshold, target, and maximum performance standards, in effect during the three-year rolling historical period, culminating with the subsequent Performance Period, in~~

~~which event, such revised table will be attached as Appendix D as soon as administratively practicable after the change in such benchmarks and standards necessitating such change are set.~~

(~~c~~b) Qualitative Performance

(1) The level of a Participant's Qualitative Performance will be measured by the CEO (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), subject to approval by the Compensation Committee, based on the level of attainment (below threshold, threshold, target, or maximum) of the Participant's Qualitative Performance Goals for the Performance Period.

~~(1)~~(2) For purposes of determining the level of attainment of a Participant's Qualitative Performance Goal for the Performance Period related to Asset Class/Investment Type Performance, except as provided in Sections 5.8 and 5.9, as a starting point, Asset Class/Investment Type Performance will be based on three-year rolling historical performance measured between September 1 and the following August 31 of the applicable year relative to top quartile performance of a universe of peer funds as determined annually by the Compensation Committee.

~~(2)~~(3) For purposes of determining the level of attainment of each Participant's Qualitative Performance Goals for the Performance Period, the Participant will ~~have attained below threshold level if he or she fails to successfully complete at least 50% of his or her Qualitative Performance Goals for that Performance Period,~~receive 0% (threshold level) if he or she ~~successfully completes 50%~~fails to complete any of his or her Qualitative Performance Goals for that Performance Period, target level if he or she successfully completes ~~75~~50% of his or her Qualitative Performance Goals for that Performance Period, and the maximum level if he or she successfully completes 100% of his or her Qualitative Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).

(~~3~~4) In determining the percentage of successful completion of a Participant's Qualitative Performance Goals, the CEO, and in the case of the CCO, the Audit and Ethics Committee (in the initial determination) and the Compensation Committee (in its review of the attained levels for approval) need not make such determination based solely on the number of Qualitative Performance Goals successfully completed but may take into account the varying degrees of importance of the Qualitative Performance Goals, changes in the Participant's employment duties occurring after the Qualitative Performance Goals are determined for the Performance Period, and any other facts and circumstances determined by the CEO, and in the case of the CCO, the Audit and Ethics Committee, or Compensation Committee (as applicable) to be appropriate for consideration in evaluation of the level of achievement of the Participant's Qualitative Performance Goals for the Performance Period.

5.9. *Modifications of Measurement Period for Measuring Entity and Asset Class/Investment Type Performance Goals*

(a) Although generally Entity Performance and most Asset Class/Investment Type Performance are measured based on three-year rolling historical performance, newly hired Participants will be phased into the Performance Incentive Plan so that Entity Performance and Asset Class/Investment Type Performance are measured over a period of time consistent with each Participant's tenure at UTIMCO. This provision ensures that a Participant is measured and rewarded over a period of time consistent with the period during which he or she influenced the performance of the entity or a particular asset class and investment type. In the Performance Period in which a Participant begins participation in the Performance Incentive Plan, the Entity Performance and Asset Class/Investment Type Performance ~~components of the Incentive Award Opportunity~~ will be based on one full year of historical performance (i.e., the performance for the Performance Period during which the Participant commenced Performance Incentive Plan participation). During a Participant's second year of Performance Incentive Plan participation, the Entity Performance and Asset Class/Investment Type Performance ~~components of the Incentive Award Opportunity~~ will be based on two full years of historical performance. In the third year of a Participant's Performance Incentive Plan participation and beyond, the Entity and Asset Class/Investment Type Performance ~~components of the Incentive Award Opportunity~~ will be based on the three full years of rolling historical performance.

(b) For purposes of measuring Entity and Asset Class/Investment Type Performance, the three-year historical performance cycle will not be utilized for any specific asset class and investment type (or subset of an asset class and investment type) until that asset class and investment type (or subset of that asset class and investment type) has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years (full and partial) of historical performance of that asset class and investment type (or subset of that asset class and investment type) while part of the Performance Incentive Plan will be used as the measurement period.

(c) For purposes of measuring Entity and Asset Class/Investment Type Performance of an asset class and investment type (or subset of an asset class and investment type) that is removed from the Performance Incentive Plan prior to completion of the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed asset class and investment type (or subset of an asset class and investment type), but instead the actual number of full months that the removed asset class and investment type was part of the Performance Incentive Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.

(d) For purposes of measuring Asset Class/Investment Type Performance for a particular Participant of an asset class and investment type (or subset of an asset class and investment type) that is removed from or added to the Participant's responsibility during the then in-progress three-year historical performance cycle, the three-year historical performance cycle will not be utilized for that removed or added asset class and investment type (or subset of an asset class and investment type), but instead the actual number of full months that the removed or added asset class and investment type was part of the Participant's responsibility during the then in-progress three-year historical performance cycle will be used as the measurement period for evaluating the Asset Class/Investment Type Performance with respect to such Participant.

~~(e) Beginning with the Performance Period September 1, 2012 to August 31, 2013, Entity Performance and Asset Class/Investment Type Performance for the one-, two-, and three-year historical performance cycles will be measured from September 1st to August 31st. Notwithstanding anything in this Plan to the contrary, if, as a result of the change in the measurement period, in the opinion of the Board, an adjustment to a Participant's Performance Incentive Award is warranted, the Board in its discretion, is authorized to change the amount of a Participant's Performance Incentive Award for the first three Performance Periods beginning after August 31, 2012, so as not to unduly benefit, nor deprive or eliminate an award of a Participant.~~

5.10. Termination Provisions

(a) Except as otherwise provided in this Section 5.10, any Participant who ceases to be a Participant (either because of Termination of employment with UTIMCO or for any other reason stated in Section 5.3(c)) prior to the end of a Performance Period will not be eligible to receive payment of any Performance Incentive Award for that or any subsequent Performance Periods. In addition, a Participant will forfeit any Nonvested Deferred Awards at such Participant's Voluntary Termination or Involuntary Termination for Cause. Further, upon Involuntary Termination for reasons other than Cause, the amount in the Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs.

(b) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment position is no longer an Eligible Position (but such employee continues to be employed with UTIMCO), such Participant's Performance

Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date the Participant ceases to be in an Eligible Position, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(c) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because his or her employment with UTIMCO terminates due to death or Disability, the Participant's Performance Incentive Award for the Performance Period in which Termination occurs, in lieu of any other Performance Incentive Award under the Performance Incentive Plan, will be paid at target on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or, if applicable, coinciding with the date of the Participant's death or Disability, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Award Accounts of such terminated individual will vest immediately and be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which such termination occurs. Payments under this provision will be made to the estate or designated beneficiaries of the deceased Participant or to the disabled Participant, as applicable.

(d) If a Participant ceases to be a Participant in the Performance Incentive Plan under Section 5.3(c) prior to the end of a Performance Period because he or she commences a leave of absence, such Participant's Performance Incentive Award for the current Performance Period, if any, will be calculated on a prorated basis from the first day of the Performance Period to the Performance Measurement Date immediately preceding or coinciding with the date the Participant commences such leave of absence, and such individual will not be entitled to any Performance Incentive Awards for any Performance Period thereafter (unless he or she again becomes a Participant in accordance with Sections 5.3(a) and (b)). All Nonvested Deferred Awards of such individual continue to vest and be paid subject to the provisions of Section 5.7(b).

(e) In the case of any Participant who ceases to be a Participant in the Performance Incentive Plan prior to the end of Performance Period and is entitled to a Performance Incentive Award or a prorated Performance Incentive Award under this Section 5.10, such Performance Incentive Award will be calculated at the time and in the manner provided in Section 5.5 and Appendix A and paid in accordance with Section 5.6 and will not be calculated or paid prior to such time.

5.11. Eligibility for Retirement

A participant is eligible for retirement on the last day of the month in which the sum of the Participant's age and years of service, including months of age and months of service credit, equals or exceeds the number 75.

In the case of any Participant who is eligible for retirement, any Performance Incentive Award to which the Participant becomes entitled, as well as any remaining Nonvested Deferred Award, will vest immediately and be includible in the Participant's gross income for Federal income tax purposes in the calendar year in which vesting occurs without regard to when payment is made to the Participant. The vested Performance Incentive Award and any remaining Nonvested Deferred Award will be paid to the participant on a date selected by UTIMCO and in no event later than the last day of the calendar year unless the Participant has agreed to a Voluntary Deferral of all or a portion of his Performance Incentive Award that would otherwise have been deferred had the Participant not been eligible for retirement ("Amount Voluntarily Deferred"). If the Participant has agreed to a Voluntary Deferral of such amount of his Performance Incentive Award,

(a) the Amount Voluntarily Deferred (1) will be credited to a hypothetical account established in the Participant's name on UTIMCO's books ("Amount Voluntarily Deferred Account") and (2) will be credited (or debited) monthly with an amount equal to the Net Returns for the month multiplied by the balance in the Participant's Amount Voluntarily Deferred Account as of the last day of the month, provided that when the Amount Voluntarily Deferred is initially credited to the Participant's Amount Voluntarily Deferred Account, the Participant's Amount Voluntarily Deferred Account will be credited (or debited) with Net Returns for the month of the initial credit, but the Net Returns will be prorated to reflect the number of days of the month during which the amounts were credited to the Participant's Amount Voluntarily Deferred Account;

(b) except as provided in clause (c) below, the amount credited to the Participant's Amount Voluntarily Deferred Account shall be paid to the Participant only on the following dates and in the following amounts:

    (1) On the first anniversary of the last day of the Performance Period for which the Amount Voluntarily Deferred was earned, one third of the amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.

    (2) On the second anniversary of the end of the Performance Period for which the Amount Voluntarily Deferred was earned, one half of the amount then credited to the Participant's Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.

(3) On the third anniversary of the end of the Performance Period for which the Amount Voluntarily Deferred was earned, the remaining amount then credited to the Participant’s Amount Voluntarily Deferred Account for that Performance Period will be paid to the Participant.

(4) Amount Voluntarily Deferred Accounts payable under the above paragraphs of this Section 5.11(b) will be paid on a date selected in the discretion of UTIMCO and in no event later than the last day of the calendar year in which the applicable portion of such Amount Voluntarily Deferred Account becomes due and payable; and

(c) any net credits or debits to the Participant’s Amount Voluntarily Deferred Account pursuant to clause (a)(2) above will be includible in the Participant’s gross income and taxable to the Participant as ordinary income for Federal income tax purposes, and will be subject to Federal employment taxes and wage withholding during the year in which such amounts are paid pursuant to clauses (a) or (b) above.

5.12. Extraordinary Circumstances

Notwithstanding anything in this Plan to the contrary, the timing and amount of Performance Incentive Awards of each Participant holding an Eligible Position listed on Table 3, which is attached as Appendix E (each, an “Affected Participant”), are subject to automatic adjustment as follows:

(a) If the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are negative at the end of such Performance Period, (i) an amount otherwise equal to the Paid Performance Incentive Award attributable to such Performance Period for each Affected Participant will be treated as an “Extraordinary Nonvested Deferral Award” for such Affected Participant that is subject to forfeiture in the same manner and for the same reasons as Nonvested Deferral Awards pursuant to Section 5.10(a), (ii) a separate hypothetical account for such Affected Participant will be established on UTIMCO’s books (“Extraordinary Nonvested Deferral Award Account”), which will be (1) credited with such Affected Participant’s Extraordinary Nonvested Deferral Award and (2) credited (or debited) monthly with Net Returns of the Total Endowment Assets on the same dates and in the same manner as applies to Nonvested Deferral Award Accounts pursuant to Section 5.7(a), and (iii) unless such Affected Participant’s Extraordinary Nonvested Deferral Award has been forfeited pursuant to Section 5.10(a) or Section 5.13, such Affected Participant will become vested in, and entitled to payment of, the amount of his or her Extraordinary Nonvested Deferral Award Account on the first anniversary of the last day of such Performance Period; provided that upon the death, Disability or Involuntary Termination of an Affected Participant for reasons other than Cause, the amount in the Extraordinary Nonvested Deferral Award Account of such Affected

Participant will vest immediately and be paid (to the Affected Participant or, in the case of death, to the estate or designated beneficiaries of the deceased Affected Participant) on a date selected by UTIMCO and in no event later than the last day of the calendar year in which such Termination occurs; provided, further, that nothing in this clause (a) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant nor shall it affect the vesting and payment of Performance Incentive Awards to a Participant that has satisfied the requirements for Eligibility for Retirement;

(b) If the Net Returns of the Total Endowment Assets since the end of the Performance Period for which Performance Incentive Awards are being determined are a negative 10.00% or below (measured as of the most recent month-end for which performance data are available) on the date the Board approves the Performance Incentive Award for an Affected Participant, an amount otherwise equal to such Affected Participant's Paid Performance Incentive Award attributable to such Performance Period will also be treated as an "Extraordinary Nonvested Deferral Award" for such Affected Participant that is subject to clause (a) above; provided that nothing in this clause (b) shall affect the vesting and payment of Nonvested Deferral Awards to any Affected Participant nor shall it affect the vesting and payment of Performance Incentive Awards to a Participant that has satisfied the requirements for Eligibility for Retirement; and

~~(c) If the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are below negative 5.00% at the end of such Performance Period, the Performance Incentive Award for each Affected Participant for that Performance Period (calculated pursuant to Section 5.5 above) will be reduced by 10% for each percentage point (or portion thereof) of Net Returns below a negative 5.00%, such that the Performance Incentive Award for each such Affected Participant will be eliminated in the event of negative Net Returns below 14.00% (e.g., negative Net Returns of 5.01% will result in the Performance Incentive Award for such Affected Participant being reduced by 10%, negative Net Returns of 6.01% will result in the Performance Incentive Award for such Affected Participant being reduced by 20%, and so forth);~~

~~(d) If the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are in excess of positive 20.00% at the end of such Performance Period, the Performance Incentive Award for each Affected Participant for that Performance Period (calculated pursuant to Section 5.5 above) will be increased by 10% for each percentage point (or portion thereof) of positive Net Returns in excess of 20.00% (subject to an overall increase limit of 100%), such that the increase in Performance Incentive Award for such Affected Participant will be capped at 100% for positive performance in excess of 29.00% (e.g., positive Net Returns of 20.01% will result in the Performance Incentive Award for such Affected Participant being increased by 10%, positive Net Returns of 21.01% will result in the Performance~~

~~Incentive Award for such Affected Participant being increased by 20%, and so forth); and~~

(~~e~~c) Table 3, which is attached as Appendix E, will be revised, as necessary, for each Performance Period to identify the Eligible Positions whose Performance Incentive Awards are subject to automatic adjustment as to timing and amount pursuant to clauses (a)~~-~~ and (~~d~~b) above as soon as administratively practicable after approval by the Board and such revised Table 3 will be attached as Appendix E.

5.13. Recovery of Performance Incentive Awards

Notwithstanding anything in this Plan to the contrary, if the Board (in its sole discretion, but acting in good faith) determines (a) that a Participant has engaged in willful misconduct that materially disrupts, damages, impairs or interferes with the business, reputation or employee relations of UTIMCO or The University of Texas System, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods during which the Board determines such misconduct occurred, or (b) that a Participant has engaged in fraudulent misconduct that caused or contributed to a restatement of the investment results upon which such Participant's Performance Incentive Awards were determined by knowingly falsifying any financial or other certification, knowingly providing false information relied upon by others in a financial or other certification, or engaging in other fraudulent activity, or knowingly failing to report any such fraudulent misconduct by others in accordance with UTIMCO's Employee Handbook, such Participant will not be entitled to any Performance Incentive Awards for the Performance Periods for which investment results were so restated. To the extent a Participant has been awarded Performance Incentive Awards to which he or she is not entitled as a result of clause (a) or (b) above, Performance Incentive Awards shall be recovered by UTIMCO pursuant to the following remedies in the order listed: first, such Participant's Nonvested Deferred Awards and Extraordinary Nonvested Deferred Awards will be automatically forfeited; second, any Paid Performance Incentive Award not then paid to such Participant will be withheld and automatically forfeited; and third, such Participant must return to UTIMCO the remaining excess amount. Recovery of Performance Incentive Awards to which a Participant is not entitled pursuant to this Section 5.13 does not constitute a settlement of other claims that UTIMCO may have against such Participant, including as a result of the conduct giving rise to such recovery. Further, the remedies set forth above are in addition to, and not in lieu of, any actions imposed by law enforcement agencies, regulators or other authorities.

6. COMPENSATION PROGRAM AUTHORITY AND RESPONSIBILITY

6.1. Board as Plan Administrator

Except as otherwise specifically provided in this Compensation Program with respect to powers, duties, and obligations of the Compensation Committee, the Compensation Program will be administered by the Board.

6.2. Powers of Board

The Board has all powers specifically vested herein and all powers necessary or advisable to administer the Compensation Program as it determines in its discretion, including, without limitation, the authority to:

(1) Establish the conditions for the determination and payment of compensation by establishing the provisions of the Performance Incentive Plan.

(2) Select the employees who are eligible to be Participants in the Performance Incentive Plan**.**

(3) Delegate to any other person, committee, or entity any of its ministerial powers and/or duties under the Compensation Program as long as any such delegation is in writing and complies with the UTIMCO Bylaws.

7. COMPENSATION PROGRAM INTERPRETATION

7.1. Board Discretion

(a) Consistent with the provisions of the Compensation Program, the Board has the discretion to interpret the Compensation Program and may from time to time adopt such rules and regulations that it may deem advisable to carry out the Compensation Program. All decisions made by the Board in selecting the Participants approved to receive Performance Incentive Awards, including the amount thereof, and in construing the provisions of the Compensation Program, including without limitation the terms of any Performance Incentive Awards, are final and binding on all Participants.

(b) Notwithstanding any provision of the Compensation Program to the contrary and subject to the requirement that the approval of Performance Incentive Awards that will result in an increase of 5% or more in the total Performance Incentive Awards calculated using the methodology set out on Appendix A must have the prior approval of the U. T. System Board of Regents, the Board has the discretion and authority to make changes in the terms of the Compensation Program in determining a Participant's eligibility for, or amount of, a Performance Incentive Award for any Performance Period whenever it considers that circumstances have occurred during the Performance Period so as to make such changes appropriate in the opinion of the Board, provided, however, that any such change will not deprive or eliminate an award of a Participant after it has become vested and that such circumstances are recorded in the minutes of a meeting of the Board.

7.2. Duration, Amendment, and Termination

The Board has the right in its discretion to amend the Compensation Program or any portion thereof from time to time, to suspend it for a specified period, or to terminate it entirely or any portion thereof. However, if the Performance Incentive Plan is suspended or terminated during a Performance Period, Participants will receive a prorated Performance Incentive Award based on performance achieved and base salary earned through the Performance Measurement Date immediately preceding such suspension or termination. The Compensation Program will be in effect until suspension or termination by the Board; provided, however, that if the Board so determines at the time of any suspension or termination of the Performance Incentive Plan, Nonvested Deferred Awards credited to Participants' Nonvested Deferred Award Account(s) as of the effective date of such suspension or termination will continue to be administered under the terms of the Performance Incentive Plan after any suspension or termination, except as the Board otherwise determines in its discretion at the time of such suspension or termination.

7.3. Recordkeeping and Reporting

(a) All records for the Compensation Program will be maintained by the Managing Director of Accounting, Finance, and Administration at UTIMCO. Relative performance data and calculations will be reviewed by UTIMCO's external auditor before Performance Incentive Awards are finalized and approved by the Board.

(b) UTIMCO will provide all Participants with a comprehensive report of the current value of their respective Nonvested Deferred Award and Extraordinary Nonvested Deferred Award Account balances, including a complete vesting status of those balances, on at least a quarterly basis.

7.4. Continued Employment

Nothing in the adoption of the Compensation Program or the awarding of Performance Incentive Awards will confer on any employee the right to continued employment with UTIMCO or affect in any way the right of UTIMCO to terminate his or her employment at any time.

7.5. Non-transferability of Awards

Except for the rights of the estate or designated beneficiaries of Participants to receive payments, as set forth herein, Performance Incentive Awards under the Performance Incentive Plan, including both the Paid Performance Incentive Award portion and the Nonvested Deferred Award portion, are non-assignable and non-transferable and are not subject to anticipation, adjustment, alienation, encumbrance, garnishment, attachment, or levy of any kind. The preceding notwithstanding, the Compensation Program will pay any portion of a Performance Incentive Award that is or becomes vested in accordance with an order that meets the requirements of a "qualified domestic relations order" as set forth in Section 414(p) of the *Internal Revenue Code* and Section 206(d) of ERISA.

7.6. Unfunded Liability

(a) Neither the establishment of the Compensation Program, the award of any Performance Incentive Awards, nor the creation of Nonvested Deferred Awards Accounts will be deemed to create a trust. The Compensation Program will constitute an unfunded, unsecured liability of UTIMCO to make payments in accordance with the provisions of the Compensation Program. Any amounts set aside by UTIMCO to assist it in the payment of Performance Incentive Awards or other benefits under the Compensation Program, including without limitation, amounts set aside to pay for Nonvested Deferred Awards, will be the assets of UTIMCO, and no Participant will have any security or other interest in any assets of UTIMCO or the U. T. System Board of Regents by reason of the Compensation Program.

(b) Nothing contained in the Compensation Program will be deemed to give any Participant, or any personal representative or beneficiary, any interest or title to any specific property of UTIMCO or any right against UTIMCO other than as set forth in the Compensation Program.

7.7. Compliance with State and Federal Law

No portion of the Compensation Program will be effective at any time when such portion violates an applicable state or federal law, regulation, or governmental order or directive.

7.8. Federal, State, and Local Tax and Other Deductions

All Performance Incentive Awards under the Compensation Program will be subject to any deductions (1) for tax and withholding required by federal, state, or local law at the time such tax and withholding is due (irrespective of whether such Performance Incentive Award is deferred and not payable at such time) and (2) for any and all amounts owed by the Participant to UTIMCO at the time of payment of the Performance Incentive Award. UTIMCO will not be obligated to advise an employee of the existence of the tax or the amount that UTIMCO will be required to withhold.

7.9. Prior Plan

(a) Except as provided in the following paragraphs of this Section 7.9, this Compensation Program supersedes any prior version of the Compensation Program ("Prior Plan").

(b) All nonvested deferred awards under a Prior Plan will retain the vesting schedule in effect under the Prior Plan at the time such awards were allocated to the respective Participant's account. In all other respects, as of the Effective Date, those nonvested deferred amounts will (1) be credited or debited with the Net Returns over the remaining deferral period in accordance with Section 5.7(a), and (2) be subject to the terms and conditions for Nonvested Deferred Awards under the Performance Incentive Plan as set forth in this restated document.

8. DEFINITION OF TERMS

8.1. **Affected Participant** is defined in Section 5.12.

8.2. **Applicable Deferral Percentage** means, as to each Eligible Position, the percentage set forth opposite such Eligible Position under the heading "Percentage of Award Deferred" on Table 1, which is attached as Appendix C.

8.3. **Asset Class/Investment Type Performance** is the performance of specific asset classes and investment types within the Total Endowment Assets and the Intermediate Term Fund (such as developed country, private investments, etc.) ~~based on the standards set forth in Section 5.8(b)~~.

8.4. **Board** is the UTIMCO Board of Directors.

8.5. **Cause** means, as to any employee, that such employee has committed (as determined by UTIMCO in its sole discretion) any of the following: (1) a violation of any securities law or any other law, rule or regulation; (2) willful conduct that reflects negatively on the public image of UTIMCO or the U. T. System; or (3) a breach of UTIMCO's Code of Ethics.

8.6. **Compensation Committee** is the Compensation Committee of the UTIMCO Board of Directors.

8.7. **Compensation Program** is defined in Section 1.

8.8. **Disability** means a condition whereby a Participant either (i) is unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that is expected either to result in death or to last for a continuous period of not less than 12 months or (ii) is, by reason of a medically determinable physical or mental impairment that is expected to last for a continuous period of not less than 12 months, receiving income replacement benefits for a period of not less than three months under a disability plan maintained or contributed to by UTIMCO for the benefit of eligible employees.

8.9. **Effective Date** is defined in Section 1.

8.10. **Eligible for Retirement** is defined in Section 5.11.

8.11. **Eligible Position** is defined in Section 5.3(a).

8.12. **Entity Performance** represents the performance of the Total Endowment Assets and the Intermediate Term Fund (based on the measurement standards set forth in Section 5.8(a)).

8.13. **Extraordinary Nonvested Deferral Award** is defined in Section 5.12.

8.14. **Extraordinary Nonvested Deferral Award Account** is defined in Section 5.12.

8.15. **Incentive Award Opportunity** is defined in Section 5.5(a).

8.16. Intermediate Term Fund or ITF is The University of Texas System ("U. T. System") Intermediate Term Fund established by the U. T. System Board of Regents as a pooled fund for the collective investment of operating funds and other intermediate and long-term funds held by the U. T. System institutions and U. T. System Administration. Performance of the Intermediate Term Fund is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Intermediate Term Fund.

8.17. Intermediate Term Fund Policy Portfolio Return is the benchmark return for the Intermediate Term Fund policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class and investment type multiplied by the benchmark return for the asset class and investment type) for the various asset classes and investment types in the Intermediate Term Fund policy portfolio for the Performance Period.

8.18. Involuntary Termination means, as to any person the Termination of such person's employment with UTIMCO wholly initiated by UTIMCO and not due to such person's implicit or explicit request, at a time when such person is otherwise willing and able to continue to perform services for UTIMCO.

8.19. Net Returns is the investment performance return of the Total Endowment Assets, net of fees. Net of fees factors in all administrative and other fees for managing the Total Endowment Assets. The net investment return will be calculated as follows:

$$\frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \quad \text{x} \quad \text{Permanent University Fund Net Investment Return}$$

Plus

$$\frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \quad \text{x} \quad \text{General Endowment Fund Net Investment Return}$$

8.20. Nonvested Deferred Award is defined in Section 5.6(b).

8.21. Nonvested Deferred Award Account is defined in Section 5.7(a).

8.22. Paid Performance Incentive Award is defined in Section 5.6(a).

8.23. Participant is defined in Section 5.3(a).

8.24. Peer Group is a peer group of endowment funds that is comprised of all endowment funds with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than $2.5 billion, all to be determined as of the last day of each of the three immediately preceding Performance Periods as set forth on Appendix B; provided, however, that the Total Endowment Assets are excluded from the Peer Group. The Peer Group will be updated from time to time as deemed appropriate by the Board, and Appendix B will be amended accordingly.

8.25. Performance Goals are defined in Section 5.4.

8.26. Performance Incentive Award is the component of a Participant's total compensation that is based on specific performance goals and awarded as current income or deferred at the end of a Performance Period in accordance with Section 5 and Appendix A.

8.27. **Performance Incentive Plan** is as defined in Section 1 and described more fully in Section 5.

8.28. **Performance Measurement Date** is the close of the last business day of the month.

8.29. **Performance Period** is defined in Section 5.2.

8.30. **Prior Plan** is defined in Section 7.9.

8.31. **Salary Structure** is described in Section 4.1.

8.32. **Termination** means, as to any person, a complete severance of the relationship of employer and employee between UTIMCO and such person.

8.33. **Total Endowment Assets or TEA** means the combination of the Permanent University Fund and the General Endowment Fund, but does not include any other endowment funds monitored by UTIMCO such as the Separately Invested Fund. Performance of the Total Endowment Assets is measured net of fees, meaning performance is measured after factoring in all administrative and other fees incurred for managing the Total Endowment Assets.

8.34. **Total Endowment Assets Policy Portfolio Return** is the benchmark return for the Total Endowment Assets policy portfolio and is calculated by summing the neutrally weighted index returns (percentage weight for each asset class and investment type multiplied by the benchmark return for the asset class and investment type) for the various asset classes and investment types in the Total Endowment Assets policy portfolio for the Performance Period.

8.35. **Voluntary Terminations** means, as to any person, the Termination of such person's employment with UTIMCO not resulting from an Involuntary Termination or by reason of Death or disability.

Appendix A

Performance Incentive Award Methodology
(for Performance Periods beginning on or after September 1, ~~2013~~2015)

I. Determine "Incentive Award Opportunities" for Each Participant[2]

Step 1. Identify the weights to be allocated to each of the ~~three~~ two Performance Goals for each Participant's Eligible Position. The weights vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. The total of the weights ascribed to the ~~three~~ two Performance Goals must add up to 100% for each Participant. For example, Table 1 on Appendix C may reflect for a Performance Period for the CEO that the weight allocated to the Entity Performance Goal is ~~60%~~80%, ~~the weight allocated to the Asset Class/Investment Type Performance Goal is 0%,~~ and the weight allocated to the Individual Performance Goal is ~~40%~~20%.

Step 2. Identify the percentage of base salary for the Participant's Eligible Position that determines the Performance Incentive Award for achievement of the Threshold, Target, and Maximum levels of the Performance Goals. The percentages vary for each Eligible Position each Performance Period and are set forth in Table 1 on Appendix C for the applicable Performance Period. For example, Table 1 on Appendix C may show that for a Performance Period the applicable percentages for determining the Performance Incentive Award for the CEO are 0% of his or her base salary for achievement of Threshold level performance of ~~all three~~both Performance Goals, ~~125~~200% of his or her base salary for achievement of Target level performance of ~~all three~~both Performance Goals, and ~~340~~450% of his or her base salary for achievement of Maximum level performance of ~~all three~~both Performance Goals.

Step 3. Calculate the dollar amount of the potential Threshold, Target, and Maximum awards (the "Incentive Award Opportunities") for each Participant by multiplying the Participant's base salary for the Performance Period by the applicable percentage (from Step #2 above). For example, assuming the CEO has a base salary of $~~655,000~~750,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the CEO will be eligible for a total award of $0 if he or she achieves Threshold level performance of ~~all three~~both Performance Goals, $~~818,750~~1,500,00 (~~125~~200% of his or her base salary) if he or she achieves Target level

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[2] These Incentive Award Opportunities represent amounts that each Participant will be awarded if he or she achieves his or her Performance Goals at varying levels and are calculated at the beginning of each Performance Period or, if later, the date such Participant commences participation in the Performance Incentive Plan.

performance of ~~all three~~both Performance Goals, and $~~2,227,000~~3,375,000 (~~340~~450% of his or her base salary) if he or she achieves Maximum level performance of ~~all three~~both Performance Goals.

Step 4. Because a Participant may achieve different levels of performance in different Performance Goals and be eligible for different levels of awards for that achievement (e.g., he or she may achieve Target performance in the Entity Performance Goal and be eligible to receive a Target award for that goal and achieve Maximum performance in the Qualitative Performance Goal and be eligible to receive a Maximum award for that Performance Goal), it is necessary to determine the Incentive Award Opportunity of the Threshold, Target, and Maximum award for each separate Performance Goal (and, because achievement of the Entity Performance Goal is determined in part by achievement of the Total Endowment Assets and in part by achievement of the Intermediate Term Fund, a Threshold, Target, and Maximum Incentive Award Opportunity separately for the TEA and the ITF must be determined)**.** This is done by multiplying the dollar amount of the Threshold, Target, and Maximum awards for the performance of ~~all three~~both Performance Goals calculated in Step #3 above for the Participant by the weight allocated for that Participant to the particular Performance Goal (and, further, by multiplying the Incentive Award Opportunity for the Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (80%) and by the weight ascribed to achievement of the Intermediate Term Fund (20%)).

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the ~~three~~ two Performance Goals, there will be ~~12~~ 9 different Incentive Award Opportunities for each Participant. For example, for the CEO (based on an assumed base salary of $~~655,000~~750,000, the assumed weights for the Performance Goals set forth in Step #1 above, and the assumed percentages of base salary for the awards set forth in Step #2 above), the ~~12~~ 9 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for CEO

(based on assumed base salary of $~~655,000~~750,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. TEA Policy Portfolio Return	~~48~~64% (.80 x .~~60~~80)	$0	$~~393,000~~960,000	$~~1,068,960~~2,160,000
Entity (ITF v. ITF Policy Portfolio Return)	~~12~~16% (.20 x .~~60~~80)	$0	$~~98,250~~240,000	$~~267,240~~540,000
~~Asset Class/Investment Type~~	~~0%~~	~~$0~~	~~$0~~	~~$0~~
Qualitative	~~40~~20%	$0	$~~327,500~~300,000	$~~890,800~~675,000
Total	100%	$0 (0% of salary)	$~~818,750~~1,500,000 (~~125~~200% of salary)	$~~2,227,000~~3,375,000 (~~340~~450% of salary)

II. Calculate Performance Incentive Award for Each Participant~~[3]~~

Step 6. Identify the achievement percentiles or achieved basis points that divide the Threshold, Target, and Maximum levels for each Performance Goal. These divisions for the level of achievement of the Entity ~~and Asset Class/Investment Type Performance Goals~~ are set forth in the table for the applicable Performance Period as set forth on Appendix D. The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Qualitative Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, (in the case of the CCO, jointly by the Audit and Ethics Committee and the CEO), and then is approved (or adjusted) by the Compensation Committee as it deems appropriate in its discretion. If the Participant has no supervisor, the measurement for the level of achievement for the Qualitative Performance Goal is determined each Performance Period by the Compensation Committee**.** The Board will determine the CEO's level of achievement relative to the CEO's Performance Goals.

Step 7. Determine the percentile or basis points achieved for each Performance Goal for each Participant using the standards set forth in Sections 5.5 and 5.8 of the Compensation Program, as modified in Section 5.9. Determine the level of achievement of each Participant's Qualitative Performance Goal.

Step 8. Calculate the amount of each Participant's award attributable to each Performance Goal by identifying the Incentive Award Opportunity amount for each Performance Goal (e.g., as assumed and set forth for the CEO in the table in Step #5 above) commensurate with the Participant's level of achievement for that Performance Goal (determined in Steps #6 and #7

~~[3] In the event that the Net Returns of the Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are below negative 14.0% at the end of such Performance Period, steps 6 through 14 need not be followed with respect to Affected Participants when calculating Performance Incentive Awards for that Performance Period.~~

above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if +~~100~~ 150 bps of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal has been achieved, that +~~100~~ 150 bps is between the Target (+~~75~~ 100 bps) and the Maximum (+~~225~~ 250 bps) levels, so to determine the amount of the award attributable to +~~100~~ 150 bps of achievement of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, perform the following steps: (i) subtract the difference between the dollar amounts of the Target and Maximum Incentive Award Opportunities for the Participant (e.g., for the CEO, as illustrated in the table in Step #5, the difference is $~~675,960~~1,200,000 ($~~1,068,960-$393,000~~2,160,000-960,000)); (ii) divide ~~25~~ 50 (the bps difference between the Target level of +~~75~~ 100 bps and the attained level of +~~100~~ 150 bps) by 150 (the bps difference between the Target level and Maximum level) to get the fraction ~~25~~50/150 to determine the pro rata portion of the difference between Target and Maximum actually achieved; (iii) multiply the amount determined in the preceding Step (i) by the fraction determined in the preceding Step (ii) ($~~675,960~~1,200,000 x ~~25~~50/150 = $~~112,660~~400,000); and (iv) add the amount determined in the preceding Step (iii) to the Target Incentive Award Opportunity for the Participant to get the actual award for the Participant attributable to each Performance Goal ($~~112,660~~400,000+$~~393,000~~960,000=$~~505,660~~1,360,000).

Step 9. ~~In determining the Asset Class/Investment Type Performance portion of an award for a Performance Period for each Participant who is responsible for more than one asset class and investment type during that Performance Period, first, the Participant's attained level of achievement (i.e., Below Threshold, Threshold, Target, or Maximum) is determined for each asset class and investment type for which such Participant is responsible by comparing the actual performance to the appropriate benchmark for the asset class and investment type; then, the award is calculated for the determined level of achievement for each such asset class and investment type by multiplying the award commensurate with the level of achievement by the weight assigned to the Asset Class/Investment Type Performance Goal for such Participant; then, the various asset classes and investment types for which the Participant is responsible are assigned a pro rata weight (i.e., the assets in such asset class and investment type relative to the total assets under such Participant's responsibility); then, each determined award for a separate asset class and investment type is multiplied by the weight for that asset class and investment type; and, finally, the weighted awards are totaled to produce the Participant's award attributable to Asset Class/Investment Type Performance.~~

~~Step 10.~~ In determining the award attributable to the Entity Performance Goal, achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 80% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the Entity Performance Goal (and commensurate award) is weighted at 20% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of $~~655,000~~750,000, if the CEO achieved the Target level (+~~75~~ 100 bps) of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+150 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $~~660,240~~1,500,000 for his or her level of achievement of the Entity Performance Goal as follows: $~~393,000~~960,000 for Target level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal (.80 x ~~.60~~.80 x $~~655,000~~1,500,000) plus $~~267,240~~540,000 for Maximum level of achievement of the ITF portion of the Entity Performance Goal (.20 x ~~.60~~.80 x $~~2,227,000~~3,375,000).

Step ~~11~~10. No award is given for an achievement percentile below Threshold, and no award above the Maximum award is given for an achievement percentile above the Maximum level.

Step ~~12~~11. Subject to any applicable adjustment in Step #~~13~~12 below, add the awards determined in Steps #8~~,~~ and #9~~, and #10~~ above for each Performance Goal (as modified by Step #~~11~~10) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step ~~13~~12. In the case of any Participant who becomes a Participant in the Performance Incentive Plan after the first day of the applicable Performance Period, such Participant's Performance Incentive Award (determined in Step #~~12~~11) will be prorated to reflect the actual portion of the Performance Period in which he or she was a Participant. In the case of a Participant who ceases to be a Participant prior to the end of a Performance Period, his or her entitlement to any Performance Incentive Award is determined under Section 5.10 and, in the case of such entitlement, such Participant's Performance Incentive Award, if any, will be prorated and adjusted as provided in Section 5.10.

~~Step 14. In the case of any Affected Participant, such Affected Participant's Performance Incentive Award calculated pursuant to Steps #1 through #13 above shall be multiplied by the appropriate factor set forth in the following charges:~~

~~When Net Returns of Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are below negative 5.0% at the end of such Performance Period:~~

~~Actual Negative Net Returns (Rounded to Nearest One-Hundredth Decimal)~~	~~Factor~~
~~5.01 - 6.00~~	~~.9~~
~~6.01 - 7.00~~	~~.8~~
~~7.01 - 8.00~~	~~.7~~
~~8.01 - 9.00~~	~~.6~~
~~9.01 - 10.00~~	~~.5~~
~~10.01 - 11.00~~	~~.4~~
~~11.01 - 12.00~~	~~.3~~
~~12.01 - 13.00~~	~~.2~~
~~13.01 - 14.00~~	~~.1~~
~~14.01 and Below~~	~~.0~~

~~When Net Returns of Total Endowment Assets during the Performance Period for which Performance Incentive Awards are being determined are in excess of positive 20.0% at the end of such Performance Period:~~

~~Actual Positive Net Returns (Rounded to Nearest One-Hundredth Decimal)~~	~~Factor~~
~~20.01 - 21.00~~	~~1.1~~
~~21.01 - 22.00~~	~~1.2~~
~~22.01 - 23.00~~	~~1.3~~
~~23.01 - 24.00~~	~~1.4~~
~~24.01 - 25.00~~	~~1.5~~
~~25.01 - 26.00~~	~~1.6~~
~~26.01 - 27.00~~	~~1.7~~
~~27.01 - 28.00~~	~~1.8~~
~~28.01 - 29.00~~	~~1.9~~
~~29.01 and Above~~	~~2.0~~

Appendix B

UTIMCO Peer Group

- Brown University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Harvard University
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Princeton University
- Rice University
- Stanford University
- UNC Management Company
- University of California
- University of Chicago
- University of Michigan
- University of Notre Dame
- University of Pennsylvania
- University of Southern California
- University of Virginia Investment Management Company
- Vanderbilt University
- Washington University in St. Louis
- Yale University

Source: Cambridge Associates. Represents endowment funds (excluding the Total Endowment Assets) with more than 10 full-time employee positions, allocations to alternative assets in excess of 40%, and with assets greater than $2.5 billion, all to be determined as of the last day of each fiscal year end June 2011, 2012, and 2013.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities
Percentage of Award Deferred
for each Eligible Position
(for each Performance Period)

~~TABLE 1 (For the Performance Periods beginning after August 31, 2014)~~

	Weighting							Percentage
		Asset Class/	Qualitative	Incentive Award Opportunity (% of Salary)				of Award
Eligible Position	**Entity**	**Investment Type**	**(Individual)**	**< Threshold**	**Threshold**	**Target**	**Maximum**	**Deferred**
		Investment Professionals						
CEO & Chief Investment Officer	60%	0%	40%	0%	0%	125%	340%	50%
President & Deputy CIO	40%	40%	20%	0%	0%	115%	300%	50%
Senior Managing Director - Investments	30%	40%	30%	0%	0%	110%	260%	45%
Managing Director - Investments	30%	40%	30%	0%	0%	100%	240%	40%
Managing Director - Private Investments	30%	30%	40%	0%	0%	100%	240%	40%
Managing Director - Risk Management	30%	0%	70%	0%	0%	65%	180%	40%
Senior Director - Investments	25%	35%	40%	0%	0%	70%	185%	35%
Senior Portfolio Manager	20%	40%	40%	0%	0%	70%	185%	35%
Senior Director - Risk Management	30%	0%	70%	0%	0%	55%	170%	35%
Portfolio Manager	20%	40%	40%	0%	0%	60%	170%	30%
Director - Investments	20%	40%	40%	0%	0%	60%	170%	30%
Director - Private Investments	20%	30%	50%	0%	0%	60%	170%	30%
Director - Risk Management	30%	0%	70%	0%	0%	50%	150%	30%
Senior Associate - Investments	15%	35%	50%	0%	0%	50%	150%	20%
Senior Associate - Private Investments	15%	25%	60%	0%	0%	50%	150%	20%
Senior Associate - Risk Management	30%	0%	70%	0%	0%	45%	140%	20%
Associate - Investments	15%	30%	55%	0%	0%	35%	135%	15%
Associate - Private Investments	15%	20%	65%	0%	0%	35%	135%	15%
Associate - Risk Management	30%	0%	70%	0%	0%	35%	120%	15%
Senior Analyst - Investments	10%	20%	70%	0%	0%	30%	100%	0%
Analyst - Investments	10%	20%	70%	0%	0%	25%	75%	0%
Analyst - Risk Management	30%	0%	70%	0%	0%	25%	75%	0%
		Operations/Support Professionals						
Senior Managing Director	20%	0%	80%	0%	0%	65%	150%	40%
Chief Technology Officer	20%	0%	80%	0%	0%	55%	100%	30%
General Counsel & Chief Compliance Officer	0%	0%	100%	0%	0%	50%	120%	30%
Senior Manager	20%	0%	80%	0%	0%	50%	90%	25%
Manager	20%	0%	80%	0%	0%	50%	80%	25%
Investment Counsel	20%	0%	80%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	0%	80%	0%	0%	40%	60%	20%
IT Investment Associate	20%	0%	80%	0%	0%	35%	100%	20%

TABLE 1 (For the Performance Periods beginning after August 31, 2015)

	Weighting		Incentive Award Opportunity (% of Salary)				
Eligible Position	**Entity**	**Qualitative (Individual)**	**< Threshold**	**Threshold**	**Target**	**Maximum**	**Percentage of Award Deferred**
Investment Professionals							
CEO & Chief Investment Officer	80%	20%	0%	0%	200%	450%	50%
Senior Managing Director - Investments	70%	30%	0%	0%	120%	300%	45%
Managing Director - Investments	65%	35%	0%	0%	100%	250%	40%
Managing Director - Fixed Income	65%	35%	0%	0%	80%	200%	40%
Managing Director - Risk Management	65%	35%	0%	0%	80%	200%	40%
Senior Director - Investments	60%	40%	0%	0%	70%	185%	35%
Director - Investments	50%	50%	0%	0%	65%	175%	30%
Director - Risk Management	50%	50%	0%	0%	60%	160%	30%
Senior Associate - Investments	40%	60%	0%	0%	60%	155%	20%
Senior Associate - Risk Management	40%	60%	0%	0%	45%	140%	20%
Associate - Investments	35%	65%	0%	0%	50%	145%	15%
Associate - Risk Management	35%	65%	0%	0%	35%	120%	15%
Senior Analyst - Investments	30%	70%	0%	0%	40%	110%	0%
Analyst - Investments	20%	80%	0%	0%	30%	75%	0%
Analyst - Risk Management	20%	80%	0%	0%	25%	75%	0%
Operations/Support Professionals							
Senior Managing Director	20%	80%	0%	0%	65%	150%	40%
Chief Technology Officer	20%	80%	0%	0%	55%	100%	30%
General Counsel & Chief Compliance Officer	0%	100%	0%	0%	50%	120%	30%
Senior Manager	20%	80%	0%	0%	50%	90%	25%
Manager	20%	80%	0%	0%	50%	80%	25%
Senior Investment Counsel	50%	50%	0%	0%	40%	80%	25%
Senior Financial Analyst	20%	80%	0%	0%	40%	60%	20%
Chief Information Security Officer	20%	80%	0%	0%	35%	100%	20%
IT Investment Associate	20%	80%	0%	0%	35%	100%	20%

Appendix D

Benchmarks for Entity and Asset Class/Investment Type and Threshold, Target, and Maximum Performance Standards

(for Performance Periods beginning on or after September 1, ~~2011~~2013)

~~UPDATED TABLE 2 (9/1/12 through 08/31/13)~~

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class/Investment Type	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+75 bps	+225 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	35.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index NET TRI USD	2.5%	5.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%	7.5%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	15.0%	10.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	12.0%	7.5%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index	30.0%	35.0%	+0 bps	+75 bps	+250 bps
Private Investments	Custom Cambridge Fund of Funds Benchmark	25.5%	0%	+0 bps	+150 bps	+450 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

~~UPDATED TABLE 2 (9/1/13 through 08/31/14)~~

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class/Investment Type	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+100 bps	+250 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+50 bps	+150 bps
Investment Grade Fixed Income	Barclays Capital Global Aggregate Index	7.5%	30.0%	+0 bps	+25 bps	+62.5 bps
Real Estate	FTSE EPRA/NAREIT Developed Index NET TRI USD	2.5%	3.0%	+0 bps	+62.5 bps	+150 bps
Natural Resources	50% Dow Jones-UBS Commodity Total Return Index and 50% MSCI World Natural Resources Index	7.5%	7.0%	+0 bps	+62.5 bps	+150 bps
Developed Country Equity	MSCI World Index with net dividends	14.0%	9.0%	+0 bps	+62.5 bps	+150 bps
Emerging Markets Equity	MSCI Emerging Markets with net dividends	10.0%	6.0%	+0 bps	+62.5 bps	+150 bps
Hedge Funds (Less Correlated & Constrained Investments)	Hedge Fund Research Indices Fund of Funds Composite Index	30.0%	45.0%	+0 bps	+75 bps	+250 bps
Private Investments	Custom Cambridge Fund of Funds Benchmark	28.5%	0%	+0 bps	+150 bps	+450 bps
Specific asset class benchmarks:						
Credit-Related Fixed Income	Barclays Capital Global High Yield Index			+0 bps	+37.5 bps	+100 bps
Internal Investment Grade Fixed Income	US Barclays Capital Aggregate			+0 bps	+25 bps	+50 bps

~~UPDATED TABLE 2 (9/1/14 through 08/31/15)~~

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class/Investment Type	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
~~Entity: Benchmark (Total Endowment Funds)~~	~~Policy Portfolio~~	~~n/a~~	~~n/a~~	~~+0 bps~~	~~+100 bps~~	~~+250 bps~~
~~Entity: Benchmark (Intermediate Term Fund)~~	~~Policy Portfolio~~	~~n/a~~	~~n/a~~	~~+0 bps~~	~~+50 bps~~	~~+150 bps~~
~~MCC Investment Grade Fixed Income:~~	~~Barclays Capital Global Aggregate Index~~	~~6.5%~~	~~30.0%~~	~~+0 bps~~	~~+25 bps~~	~~+62.5 bps~~
~~MCC Credit - Related Fixed Income~~	~~Barcalys Capital Global High Yield Index~~	~~0.0%~~	~~0.0%~~	~~+0 bps~~	~~+37.5 bps~~	~~+100 bps~~
~~MCC Real Estate~~	~~FTSE EPRA/NAREIT Developed Index NET TRI USD~~	~~2.5%~~	~~3.0%~~	~~+0 bps~~	~~+62.5 bps~~	~~+150 bps~~
~~MCC Natural Resources~~	~~50% Bloomberg Commodity Total Return Index and 50% MSCI World Natural Resources Index~~	~~5.0%~~	~~4.6%~~	~~+0 bps~~	~~+62.5 bps~~	~~+150 bps~~
~~MCC Natural Resources Gold~~	~~Gold Spot price (XAU)~~	~~2.5%~~	~~2.4%~~	~~+0 bps~~	~~+0 bps~~	~~+0 bps~~
~~MCC Developed Country Equity~~	~~MSCI World Index with net dividends~~	~~14.0%~~	~~9.0%~~	~~+0 bps~~	~~+62.5 bps~~	~~+150 bps~~
~~MCC Emerging Markets Equity~~	~~MSCI Emerging Markets with net dividends~~	~~9.5%~~	~~6.0%~~	~~+0 bps~~	~~+62.5 bps~~	~~+150 bps~~
~~Hedge Funds (Less Correlated & Constrained Investments)~~	~~Hedge Fund Research Indices Fund of Funds Composite Index~~	~~30.0%~~	~~45.0%~~	~~+0 bps~~	~~+75 bps~~	~~+250 bps~~
~~Private Investments~~	~~Custom Cambridge Fund of Funds Benchmark~~	~~30.0%~~	~~0%~~	~~+0 bps~~	~~+150 bps~~	~~+450 bps~~

UPDATED TABLE 2 (beginning 9/1/13)

		Performance Standards		
Entity	Benchmark	Threshold	Target	Maximum
Total Endowment Funds	Policy Portfolio	+0 bps	+100 bps	+250 bps
Intermediate Term Fund	Policy Portfolio	+0 bps	+50 bps	+150 bps

Appendix E

Eligible Positions of Affected Participants

Table 3 (For the Performance Periods beginning ~~after~~ September 1, ~~2014~~2015)

Eligible Position
Investment Professionals
CEO & Chief Investment Officer
President & Deputy CIO
Senior Managing Director
Managing Director
Managing Director - Private Investments
Managing Director, Risk Management
Senior Director, Investment
Senior Portfolio Manager
Senior Director, Risk Management
Portfolio Manager
Director, Investment
Director - Private Investments
Director, Risk Management
Operations/Support Professionals
Senior Managing Director
Chief Technology Officer
General Counsel & Chief Compliance Officer
Senior Manager
Investment Counsel
Manager

Eligible Position
Investment Professionals
CEO & Chief Investment Officer
Senior Managing Director - Investments
Managing Director - Investments
Managing Director - Fixed Income
Managing Director - Risk Management
Senior Director - Investments
Director - Investments
Director - Risk Management
Operations/Support Professionals
Senior Managing Director
Chief Technology Officer
General Counsel & Chief Compliance Officer
Senior Manager
Senior Investment Counsel
Manager

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FOR
ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

Ernest Aliseda, Chairman
Alex M. Cranberg
R. Steven Hicks
Brenda Pejovich
Sara Martinez Tucker

1. <u>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</u>

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 305 - 320.

2. U. T. El Paso: Approval to create the School of Pharmacy at U. T. El Paso and amendment of the Regents' *Rules and Regulations*, Rule 40601, Section 1.7 to include the School of Pharmacy

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Vice Chancellor and General Counsel, and President Natalicio that the Board of Regents approve the creation of a School of Pharmacy and approve amendment to the Regents' *Rules and Regulations*, Rule 40601, Section 1.7, concerning institutions comprising The University of Texas System, as set forth below in congressional style:

Sec. 1 Official Titles. The U. T. System is composed of the institutions and entities set forth below. To ensure uniformity and consistence of usage throughout the U. T. System, the institutions and their respective entities shall be listed in the following order and the following titles (short form of title follows) shall be used:

. . .

1.7 The University of Texas at El Paso (U. T. El Paso)

(a) The University of Texas at El Paso College of Business Administration

(b) The University of Texas at El Paso College of Education

(c) The University of Texas at El Paso College of Engineering

(d) The University of Texas at El Paso Graduate School

(e) The University of Texas at El Paso College of Health Sciences

(f) The University of Texas at El Paso College of Liberal Arts

(g) The University of Texas at El Paso College of Natural Sciences

(h) The University of Texas at El Paso School of Nursing

(i) The University of Texas at El Paso School of Pharmacy

(~~i~~j) The University of Texas at El Paso College of Science

(~~j~~k) The University of Texas at El Paso University College

. . . .

BACKGROUND INFORMATION

This proposed amendment to the Regents' *Rules and Regulations*, Rule 40601 is to reflect the creation of the U. T. El Paso School of Pharmacy, which has been approved by the Executive Vice Chancellor for Academic Affairs pending approval by the Board.

U. T. El Paso proposes to create the School of Pharmacy, which would house the Doctor of Pharmacy (PharmD) program that is also on the Board of Regents' agenda for consideration (Item 3 on Page 236). The School of Pharmacy would provide support to the PharmD program in terms of program administration, student recruitment, student retention services, and other services required by the Accreditation Council on Pharmacy Education.

Texas Education Code Section 65.11 authorizes the Board of Regents to provide for the "administration, organization, and names of the institutions and entities in The University of Texas System in such a way as will achieve the maximum operating efficiency of such institutions and entities[.]"

3. U. T. El Paso: Approval to establish a Doctor of Pharmacy degree program

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

a. establish a Doctor of Pharmacy degree program at U. T. El Paso; and

b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

The proposed Doctor of Pharmacy (PharmD) program at U. T. El Paso is designed to address the severe shortage of pharmacists in the El Paso Border Region and to contribute to a higher level of participation among Hispanics in the pharmacy profession. The program would prepare bilingual and culturally competent pharmacists with important skills in serving the pharmacy needs of communities in the bilingual, bicultural U.S.-Mexican border and South Texas regions.

In 1999, U. T. El Paso entered into a cooperative PharmD program with U. T. Austin that has produced approximately 10 graduates per year, which is insufficient to meet the growing need for pharmacists in El Paso. In the cooperative program, students complete preliminary work at U. T. El Paso and spend two years at U. T. Austin, completing academic training in pharmacy. The final two years, focused on professional training, are completed in El Paso. U. T. El Paso has consequently developed a foundation for a Pharmacy program and a School of Pharmacy (Item 2 on Page 234). U. T. El Paso already offers a pre-pharmacy program and has in place the infrastructure for professional training for students completing the final two years of doctoral training. During the 84th Legislative Session, the Texas Legislature provided $7 million to establish a PharmD program at U. T. El Paso.

The proposed PharmD program requires graduates to complete 166 semester credit hours (SCH) and 1,800 clock hours of practical experience. The proposed program is similar in total SCH required to existing programs in Texas, but the curriculum would reflect the new 2016 standards established by the accrediting agency, the Accreditation Council for Pharmacy Education (ACPE). The curriculum reflects the four standards established by the ACPE: Foundational Knowledge, Essentials for Practice and Care, Approach to Practice and Care, and Personal and Professional Development. Most students would enter the program without completing an undergraduate degree, having completed a pre-pharmacy program that emphasizes basic science training (students who have completed a B.S. degree are also considered for admission). The PharmD program would involve four years of study in El Paso, with greater emphasis on academic training in the first two years and greater emphasis on practice experience in the last two years.

Need and Student Demand

The Texas Workforce Commission projects that the demand for pharmacists in the state will increase by 23.6% from 2012-2022, compounding an existing shortage of pharmacists in the state, and especially in the El Paso Border Region. In Texas, there are approximately 87 pharmacists per 100,000 population, which is below the national average. In El Paso, however, that number is substantially lower: 56 per 100,000 population. A pharmacy program located in the region would represent an important step in addressing this severe shortage. The nearest existing pharmacy program in Texas is located 400 miles from El Paso.

In addition, a regional program would respond to the lack of Hispanics in the pharmacy workforce. Hispanics make up only 5.6% of the pharmacy workforce nationally and only 10.4% of the pharmacy workforce in Texas. Thus, the establishment of a PharmD degree program at U. T. El Paso, located in a community that is more than 80% Hispanic, is expected to contribute both to expanding Hispanic participation in the profession and to addressing the severe shortage of pharmacists in the El Paso Border Region. Graduating 10 students per year, the existing U. T. Austin-U. T. El Paso cooperative program is already among the top five producers of Hispanic pharmacists in the nation. The establishment of a freestanding program at U. T. El Paso would raise the total number of pharmacy graduates to approximately 45 per year. That increase would not only play a significant role in reducing the shortage of pharmacists in El Paso, but it is anticipated that the program will also produce graduates who are bilingual and culturally competent, an important asset in El Paso and South Texas, where a large proportion of the population is made up of people whose native language is Spanish and who have roots in Mexico.

There is a high demand from prospective students for PharmD programs in Texas, and many qualified Texas students are forced to apply to programs outside the state. U. T. Austin, for example, generally attracts more than 800 applicants for only 125 student slots. The high degree of competition is also notable among Hispanic applicants. In 2013, 114 Hispanics students applied to the U. T. Austin program and only 25 were accepted. At U. T. El Paso, although there are only 12 student slots available each year in the cooperative program, an average of 200 students each year declare a pre-pharmacy major. With the establishment of a freestanding program in El Paso, that number would very likely increase.

Program Quality

There are currently seven highly qualified faculty members who train students enrolled in the cooperative pharmacy program in the final two years of the program. The proposal outlines a plan to recruit an additional 14 faculty to offer courses in the academic areas currently offered at U. T. Austin, to provide additional program leadership, and to add to the number of faculty who support professional experience training. Faculty will be expected to develop research programs corresponding to their academic training and teaching responsibilities. The program is targeting a 10:1 student-to-faculty ratio, consistent with leading programs in Texas and other universities. All pharmacy faculty will be committed exclusively to the program.

The program proposal provides a clear set of performance measures, consistent with the requirements of the Accreditation Council for Pharmacy Education, which would subject the program to a rigorous review at each stage of program development and subsequently, at regular intervals, following program accreditation.

Revenue and Expenses

Projected Enrollment	5-Year Total
Number of Full-Time Student Equivalents (FTSE) Used for Formula Funding Calculation	482
Number of Full-Time Student Equivalents	598

Expenses	5-Year Total
Faculty	
Salaries	11,811,121
Benefits	3,307,114
Staff & Administration	
Graduate Coordinator Salary	406,074
Administrative Staff Salaries	4,837,728
Staff Benefits	1,468,265
Other Expenses	
Supplies and Materials	475,000
Library, IT Resources, Equipment	590,000
Recruitment and Travel	610,000
Total Expenses	**23,505,302**

Revenue**	5-Year Total
From Student Enrollment	
Formula Funding	1,536,572
Tuition and Fees	9,877,186
From Institutional Funds	
Reallocation of existing resources	8,175,733
From Other Revenue Sources	
General Revenue – Staff Benefits	3,915,811
Total Revenue	**23,505,302**

**The Texas Legislature provided $7 million for use during the FY 2016 - 2017 biennium to support the development of the Doctor of Pharmacy program at U. T. El Paso. Those funds will support the development of infrastructure, including renovations, for the program and the hiring of faculty and staff required for the program preparation phase mandated by the accrediting body. The first students are expected to enter the program Fall 2017, and the budget presented above covers the five-year period from that point forward.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

4. U. T. Rio Grande Valley: Discussion and appropriate action regarding proposed provisional Mission Statement

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Academic Affairs and President Bailey that the proposed provisional Mission Statement for U. T. Rio Grande Valley as set forth below be approved by the U. T. System Board of Regents.

Proposed Mission Statement

The University of Texas Rio Grande Valley provides a high quality, innovative, and affordable education to the students of South Texas, the State of Texas, the United States and the world. The University will transform Texas and the nation through student success, research, healthcare, and commercialization of university discoveries.

BACKGROUND INFORMATION

The proposed provisional Mission Statement for U. T. Rio Grande Valley is based on the Guiding Principles for the new University approved by the Board of Regents on July 10, 2013, and the priorities defined by the institution's working groups and founding President. The provisional Mission Statement will serve as the foundation for the development of the institution's first strategic plan. This process will commence in Fall 2015 and will involve students, faculty, staff, and administrative staff at U. T. Rio Grande Valley.

In 2013, the Texas Legislature repealed *Texas Education Code* Section 61.051(e), which directed the Texas Higher Education Coordinating Board to review the mission statements of public institutions, typically, every four years. However, each institution is required to have a mission statement under *Texas Education Code* Section 51.359. Section 51.352 of the Code, regarding the Responsibility of Governing Boards, requires governing boards to “insist on clarity of focus and mission of each institution under its governance." Pursuant to a directive by the Board of Regents on March 26, 2008, each Mission Statement must include a statement regarding the commercialization of university discoveries.

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FOR
HEALTH AFFAIRS COMMITTEE

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

Alex M. Cranberg, Chairman
Ernest Aliseda
David J. Beck
Jeffery D. Hildebrand
Sara Martinez Tucker

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 321 - 342.

2. U. T. Health Science Center - San Antonio: Request to retain the Master of Science in Immunology and Infection degree program

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Henrich that the Master of Science in Immunology and Infection, a formerly low-producing degree program in the Graduate School of Biomedical Sciences, be retained.

BACKGROUND INFORMATION

Senate Bill 215, passed into law by the 83rd Texas Legislature in 2013, shifted the authority to consolidate or eliminate a degree program from the Texas Higher Education Coordinating Board to the governing boards of Texas public institutions of higher education. However, the Coordinating Board may recommend such action for a program it identifies as a low-producing program for three or more consecutive years.

The Master of Science in Immunology and Infection (M.S. I and I) program at U. T. Health Science Center - San Antonio was recently identified by the Coordinating Board as a low-producing program because it had graduated fewer than 15 students over the previous five-year period. The M.S. I and I program was initially established in 1970 as an exit master's degree for students admitted to and enrolled in the doctorate program in immunology and infection, and the graduation numbers during the five-year period reviewed by the Coordinating Board reflect historical enrollment and completion trends. U. T. Health Science Center - San Antonio addressed the low-productivity of the M.S. I and I program before the program was recommended for closure by the Coordinating Board, and the newly redesigned program was approved by the Coordinating Board in July 2014.

The institution's Chief Academic Officer collaborated with the Dean and faculty of the Graduate School of Biomedical Sciences to obtain approval for the reinstatement of the M.S. I and I program, which had previously been included in a consolidation of biomedical science degree programs, as a stand-alone master's degree program that would provide classroom and laboratory training in fundamental science principles that link immunology and microbial infection. The action plan to ensure the M.S. I and I program remains sustainable is based on a fully revised and more relevant curriculum that encompasses targeted student recruitment, retention, and timely graduation strategies. The redesigned program is the only master's level microbiology and immunology program at a health science center in the State of Texas.

Active monitoring allowed the institution to address the program's student enrollment issues. With approval to implement the revised program, the Graduate School of Biomedical Sciences and the Department of Microbiology and Immunology in the School of Medicine successfully collaborated during the 2014-2015 academic year to generate high interest in the new curriculum, which enrolled a cohort of 26 students in August 2015.

The curriculum design in the reinstated program differs significantly from that of the former program, which had been created as a specialty evening program for public school teachers. The redesigned program integrates the fields of immunology and infectious disease, such as microbiology, to provide a big-picture multidimensional view of host-pathogen relationships and will produce graduates who are prepared to contribute solutions to the challenges facing biotechnology research and development industries, health care infrastructure, and teaching needs. The revised program also has sustainable student appeal with a new curriculum designed to allow students to prepare for high demand jobs in the state's $75 billion biotechnology industry.

U. T. Health Science Center - San Antonio anticipates that graduates from the two-year program will compete more effectively for entry-level, mid-level, and leadership positions in research and clinical laboratories, as well as in the teaching workforce. With the San Antonio and Austin areas representing a center of rapid growth in the Texas biotech industry, increased employment opportunities are expected to make the redesigned program attractive to a vast array of individuals wishing to become candidates for either research or clinical laboratory positions in Texas and nationwide. Alternatively, graduates will have the educational experiences, insights, and academic credentials that might encourage them to pursue degrees in doctoral or medical programs.

Faculty at U. T. Health Science Center - San Antonio are committed to recruiting highly qualified candidates to the program. Each year, more than 4,000 students graduate from Texas institutions with undergraduate degrees in the biological sciences. This healthy pool of potential candidates will help the program maintain annual enrollments of approximately 15 - 25 students and graduate 8 - 15 students per year through the life of the program.

The M.S. I and I program's inclusion on the Coordinating Board's roster of Low Producing Programs has resulted in desirable curricular examination and redesign and will incur only a time-limited period of enrollment and graduation metrics transition toward improved outcomes. Following action by the U. T. System Board of Regents, U. T. Health Science Center - San Antonio will see that the revised master's degree in immunology and infection remains sustainable.

3. U. T. Health Science Center - San Antonio: Approval to establish a Doctorate of Occupational Therapy degree program in the School of Health Professions

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Henrich that authorization, pursuant to the Regents' *Rules and Regulations*, Rule 40307, related to academic program approval standards, be granted to

a. establish a Doctorate of Occupational Therapy degree program in the School of Health Professions at U. T. Health Science Center - San Antonio; and

b. submit the proposal to the Texas Higher Education Coordinating Board for review and appropriate action.

BACKGROUND INFORMATION

Program Description

U. T. Health Science Center - San Antonio seeks approval to transition its current 30 month entry-level Master of Occupational Therapy (MOT) degree program, which will be phased out, to a 3-year entry-level Doctorate of Occupational Therapy (OTD) degree program starting in Summer 2017. Students enrolled in the MOT program will finish the MOT degree plan and will not transition to the OTD program. This entry-level professional doctorate program will provide in-depth and advanced doctoral level occupational therapy education so that graduates will have satisfied the prerequisites to apply for licensure as registered occupational therapists (OTs). The program will uniquely provide OTD graduates with the interprofessional, communication, clinical, technological, research, and leadership skills needed for advanced practice in the complex health care environment.

The OTD program will consist of 114 semester credit hours at the doctoral level to include all coursework, fieldwork, and doctoral experiential work taken over 36 months. All students graduating from the proposed OTD program will have 1,065 clock hours of embedded clinical experience. These clinical hours are contained with the fieldwork coursework.

Because this entry-level OTD program will not require completion of a MOT degree as an admission requirement, it will be more efficient and comprehensive for students as compared to completing an MOT degree and then a post-professional OTD degree. The total number of hours required for U. T. Health Science Center - San Antonio OTD will also be less than the total required for a typical MOT plus post-master's OTD track. There are no other entry-level OTD programs in Texas at this time, so there is no opportunity to make comparisons with peer programs in the state. However, a review of developing and accredited entry-level OTD programs across the country as listed by the Accreditation Council for Occupational Therapy Education indicate a range from 95 to 134 semester hours (total) for these entry-level OTD programs. Thus, the proposed program at U. T. Health Science Center - San Antonio is within the credit hour range seen at other entry-level OTD programs and less than seen when the master's degree in OT is combined with a post-master's OTD.

Transitioning U. T. Health Science Center - San Antonio's MOT degree program to an entry-level OTD program, where doctoral level education is expected at onset, will provide the needed specialized curricular content and more realistically reflect the level of training needed by the program graduates. The Occupational Therapy faculty members at U. T. Health Science Center - San Antonio have carefully evaluated curricular needs for the OTD program and have a designed a program that is cost-efficient and unique for the needs of the state and South Texas communities. In terms of time to degree completion, implementation of the OTD at U. T. Health Science Center - San Antonio, using a wholly redesigned curriculum from the existing MOT, will only require students to spend one additional semester in training (as compared to the current MOT).

Need and Student Demand

Occupational Therapy is one of the most utilized allied health professions with 108,800 occupational therapists nationwide (*U.S. Bureau of Labor Statistics, 2012*). Occupational therapists help people of all ages participate in the things they want and need to do through the therapeutic use of everyday activities." The American Occupational Therapy Association uses this 2015 description for the field: "Unlike other professions, occupational therapy helps people function in all of their environments (e.g., home, work, school, community) and addresses the physical, psychological, and cognitive aspects of their well-being through engagement in occupation." Based on patients' needs and skills, OTs use evaluation and intervention to improve measurable functional outcomes. OTs provide services within hospitals, home health, outpatient clinics, extended care facilities, and in educational settings. They serve individuals with a variety of disabilities, including autism, traumatic brain injury, stroke, mental illness, spinal cord injuries, hand injuries, and developmental disabilities.

The market demand for occupational therapy is rising with a corresponding demand for occupational therapy graduates to have entry-level competencies and skills at a higher level than in the past. According to the U.S. Bureau of Labor Statistics' *Occupational Outlook Handbook 2013-14*, employment of OTs is anticipated to grow by 29% between 2012 and 2022. This increased need of 32,800 (from 113,200 to 146,100 OTs) identifies a growth rate above that of other professions and contributes to the shortage of OTs. Employment prospects for qualified OTs have increased in all settings (hospitals, nursing homes, private clinics, home health, schools, and specialized treatment settings); thus identifying a shortage in all employment settings (*U.S. Bureau of Labor Statistics, 2012*). By 2020, home health care jobs are expected to increase by 81%, and hospitals are expected to add new jobs at a rate of 17%, including occupational therapy (*Henry Kaiser Family Foundation, 2011*). Likewise, shortages of OTs in pediatric settings exist and more will be needed due to the increased number of children with disabilities needing occupational therapy intervention (*Bureau of Labor Statistics, 2010-2011; National Coalition on Personnel Shortages in Special Education and Related Services, 2006*).

Specifically, advanced training and education at the doctoral level is increasingly needed to prepare OTs with the knowledge, skills, and abilities needed to function in complex medical environments and to care for patients with serious physical, learning, language, or behavioral disabilities, such as neuromuscular disease (e.g., muscular dystrophy, cerebral palsy), cognitive disorders (e.g., Alzheimer's disease, brain injury), vision or hearing impairments, physical disorders (e.g., deformity, spinal cord injury, polytrauma) and chronic disease (e.g., stroke, cancer, heart disease). In particular, the South Texas health care environment requires that

OTs be equipped with these advanced skills needed for independent, unsupervised practice upon graduation, requiring skills and leadership beyond what can be provided in a traditional master's degree OT program. Current master's degree programs in occupational therapy are constrained by their curricular limits to add these content areas referenced above to their program design.

The recent and sustained history of student demand and enrollment indicates that there will be a continued high student demand for the proposed OTD program. Dr. Jane Case-Smith, from the Ohio State University, was an External Reviewer for the MOT graduate program review in February 2014. In her report she stated, "The program admits very high level students who appear motivated and perform well. The student outcomes are positive with very high success in fieldwork and employment. The students evaluate the program to be very good to excellent, particularly in important indicators. An important and somewhat unique asset of the San Antonio program is the diversity among the students and the number of men in the program. It is outstanding that the program has been able to consistently attract these high level students who represent the region, and upon graduation, practice in the communities of San Antonio."

Student interest in occupational therapy and the University's program is demonstrated by the number of applicants to the program. Over the last three (3) years, the average number of applicants has been over 350. The 2014 incoming class of 40 had an average prerequisite GPA of 3.6. Additionally, a 2014 survey of applicants to the University's MOT program revealed that 93% agreed to the benefits of having an OTD degree over an MOT degree. Similarly, 72% of applicants stated that they would select an OTD program (that is longer) over a MOT program.

The MOT program at U. T. Health Science Center - San Antonio has had a retention rate of 95% over the last three years. Between Academic Years 2011-2013, all graduates (100%) passed the National Board for Certification in Occupational Therapy Examination within 12 months of completing the program. A majority of the graduates chose to practice in Texas after graduation with 91% of 2013 graduates licensed in Texas.

Program Quality

The Department of Occupational Therapy has six full-time faculty members, three are tenured; five have earned doctorates; and one is enrolled in a doctoral program. All six faculty members are licensed OTs in the State of Texas. These six faculty members will be assigned exclusively to the OTD program, because it will replace the MOT program, which will be phased out. One additional faculty member will be requested to provide assistance with the increased curriculum requirements associated with a doctoral program.

When external reviewer Dr. Case-Smith evaluated the occupational therapy program at U. T. Health Science Center - San Antonio in 2014, she stated that "the Occupational Therapy faculty members are very strong; each is an expert in his or her teaching areas and each is an outstanding teacher. The faculty members also have accomplished scholarship and are active in service to the University and community. They have built positive relationships with other departments. They are invested in being a team and are supportive of each other. They appear to have a strong vision of how to serve the community. They have built and they deliver a very strong curriculum; they seem highly committed to the teaching mission. They appear to care deeply about education and about student outcomes and are highly dedicated to teaching."

The Occupational Therapy faculty members have the expertise and qualifications required to provide the theoretical and clinical basis to graduate qualified OTs and to provide evidence-based practice in South Texas, the State of Texas, and nationally. The faculty members' theoretical and clinical expertise is strong and covers diverse areas of practice, which supports excellence in student preparation. As noted, five faculty members are doctoral-trained and one is currently enrolled in a doctoral program. All have clinical experience in occupational therapy. The faculty members are highly collaborative in developing an educational vision to support a comprehensive OTD curriculum.

Specialization areas of the faculty support and are aligned with the proposed course offerings. Each faculty member has expertise in areas of occupational therapy, research, and practice that will support the mission of the OTD program and the respective scholarly and research activities. All have actively participated in publications and presentations.

Revenue and Expenses

Projected Enrollment	**5-Year Total**
Number of Students Used for Formula Funding Calculation[1]	194
Total Number of Students[2]	200
Expenses	**5-Year Total**
Faculty	
Salaries (reallocating all current faculty, one new hire)[3]	$3,157,023
Benefits	$820,826
Staff and Administration	
Administrative Staff Salaries (reallocation of current staff)[3]	$251,725
Staff Benefits	$65,449
Other Expenses	
Supplies, materials, and equipment	$2,500
Total Expenses	**$4,297,523**
Revenue	**5-Year Total**
From Student Enrollment	
Formula Funding[4]	$4,129,955
Total Tuition and Fees[5]	$8,111,361
Total Revenue	**$12,241,316**

[1] Includes attrition.
[2] Includes all unduplicated headcount.
[3] While faculty and staff are being reallocated, their current funding source is not reallocated since it is based on MOT program income.
[4] Formula funding amounts are based on Program Y2 FTSE (2 full cohorts) of 136.6 for Y3-4. Program Y5 formula funding is based on the FTSE of 184.1 in Y4 (3 full cohorts, only up to 99 credits).
[5] Total Tuition and Fees include all tuition and fees charged to each student, including statutory, designated, differential, and deregulated differential tuition.

Coordinating Board Criteria

The proposed program meets all applicable Coordinating Board criteria for new doctoral degree programs.

4. U. T. Health Science Center - Houston: Discussion and appropriate action regarding proposed change in tuition and fee rates for out-of-state students in the School of Biomedical Informatics online Master of Science degree program in Health Informatics

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Colasurdo that the U. T. System Board of Regents approve the proposed change in tuition and fee rates for out-of-state students in the School of Biomedical Informatics online Master of Science degree in Health Informatics. More specifically, U. T. Health Science Center - Houston requests approval to transition from charging the current Alternate Delivery Fee (Fee) of $750 per semester credit hour (SCH) flat fee to the currently approved nonresident tuition rate of $736/SCH, effective Summer 2016.

BACKGROUND INFORMATION

The U. T. School of Biomedical Informatics at Houston (School), the only freestanding school of biomedical informatics in the country, seeks to expand enrollment of out-of-state students as part of its overall effort toward enhancing its national reputation and standing. The School's Master of Science degree in Health Informatics includes a fully online option. The online program offered to out-of-state students is self-supporting, and these students are not reported for purposes of State funding. The School has appropriately charged these students the approved Fee of $750/SCH rather than tuition. This proposal will eliminate the Fee and apply the current nonresident tuition rate of $736/SCH.

Proposal

Participation in the Southern Regional Education Board’s (SREB) Academic Common Market (ACM) requires students be charged “tuition” rather than “fees.” The School would like to participate in the SREB’s ACM to expand out-of-state enrollment. The ACM is a tuition savings program within the 16 states served by the SREB that operates on the premise that if public institutions of higher education in a student’s home state do not offer a degree program major (at the undergraduate or graduate level) that a student intends on pursuing, that student may attend a participating institution offering the degree of interest by applying through the ACM and be granted a waiver of out-of-state tuition charges. The SREB will not permit the School to participate in the ACM until the Fee has been replaced with charging tuition.

Out-of-state students in other SREB states who successfully petition to enroll in the School through the ACM would qualify for the waiver and be charged tuition at the currently approved resident rate of $231/SCH. Out-of-state students from outside the SREB region who do not qualify for the ACM will benefit from a $14/SCH savings (or a savings of approximately $336 per year based on full-time student status).

The Fee of $750/SCH will be deleted upon approval of this change effective Summer 2016.

Estimated Net Revenue from Proposed Changes

None

Intended Application of Additional Tuition Funds

Not applicable

Estimated Effect on the Affordability of Biomedical Informatics Education

The proposal will reduce tuition for affected students. This transition will provide a savings for out-of-state students who successfully apply for and receive a tuition waiver through the ACM of over $12,000 per year (based on full-time status of 24 SCH per year). Out-of-state students who do not qualify for participation in the ACM through the SREB would save $336 per year (based on full-time status of 24 SCH per year).

Evidence of Consultation with Students, Faculty, and Staff regarding Proposed Changes

These specific changes have not been discussed with the School's students. However, in prior discussions, any opportunity to maintain or decrease the current tuition rates has been met with favor.

Resident and Nonresident Comparison and Rationale

TUITION		**RATIONALE**
SCHOOL OF BIOMEDICAL INFORMATICS		
RESIDENT	**NONRESIDENT**	
Statutory Tuition: $50	**Statutory Tuition: $440**	Change from a flat fee to the currently approved nonresident rates will allow the School to attract more out-of-state students through participation in the ACM.
Designated Tuition: $131	**Designated Tuition: $46**	
Differential: $50	**Differential Tuition: $250**	
No Change to Tuition	Transitioning from a flat fee of $750/SCH to the currently approved rates above reduces the cost by $14/SCH No Change to Tuition	

5. U. T. System: Report and appropriate action on telemedicine across Texas

REPORT

President Callender and Alexander Vo, Ph.D., Vice President for Telemedicine and Health Services Technology at U. T. Medical Branch - Galveston, will report on the status of telemedicine in Texas. A PowerPoint presentation is set forth on the following pages.

Breaking Down Barriers to Health: Telemedicine and Access to Care

David L. Callender, M.D., M.B.A., F.A.C.S.
President
Alexander Vo, Ph.D.
Vice President, Telemedicine and Health Services Technology

U. T. System Board of Regents' Meeting
Health Affairs Committee
November 2015

Health and Health Care 2025-2030

Major Elements:

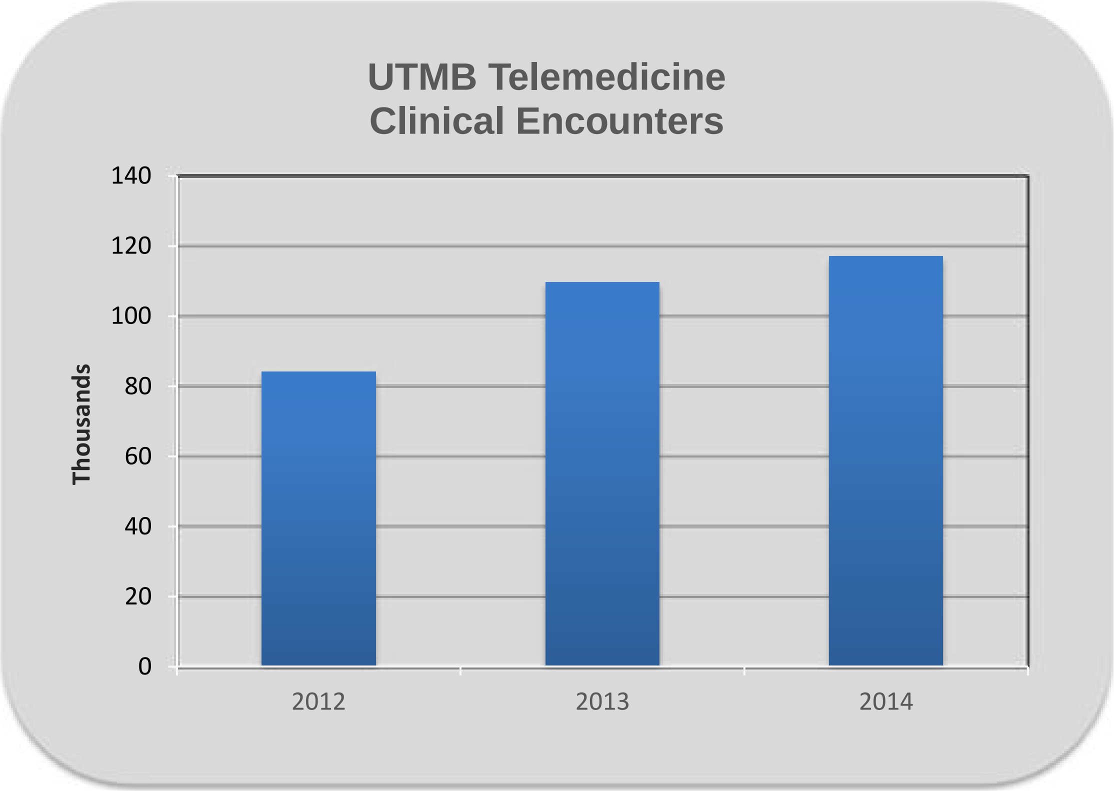
- **Everywhere care**: Shifting care to lower-cost sites, including the home
- **Wellness and prevention**: Shifting the focus from disease management toward disease prevention
- **Personalized care**: Shifting from mass generalization to mass customization and precision
- **Technology-driven health solutions**: Shifting toward greater use of predictive analytics, smart health care devices, and novel healthcare networks based in social media applications to improve decision support for patients and providers

Major Outcome:

- Health care will become connected to daily life through improved application of health technologies (Telehealth)

U. T. Medical Branch - Galveston Telemedicine Today

- Piloted in 1994 in Correctional Managed Care (CMC)
- Increased access, improved outcomes, and reduced costs
- Expanded to rural areas, schools, underserved populations, Antarctic operations, cruise and offshore industries, and corporate health
- In FY14, more than 119,000 encounters
- Vision: Telemedicine as part of a comprehensive care system that provides a medical “home” for all, despite circumstance or location



Where Can We Go From Here?

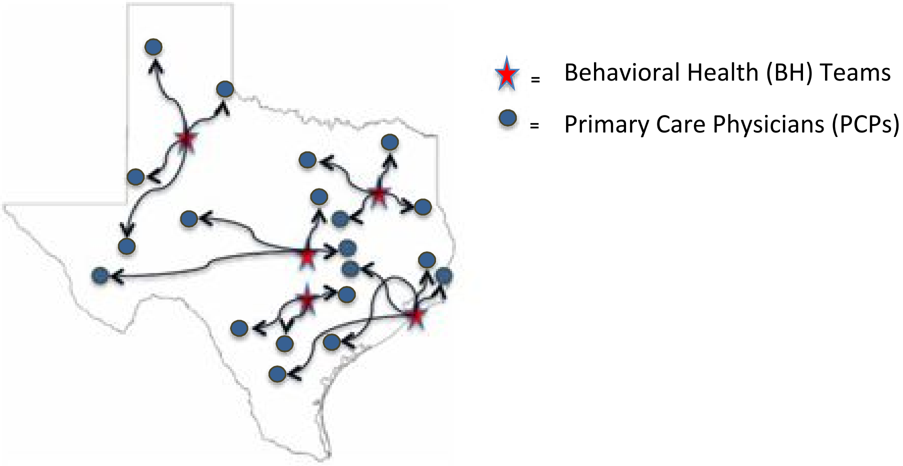
Telemedicine Models

Clinical delivery models:

- Employer-based
- School-based
- Insurer-based
    - Per member per month
    - Per employee per month or per beneficiary per month
- Concierge
    - Providers to consumers – in homes
    - Selected populations
    - Your wellness
- Community integrated care
- Urgent care/Emergency Department (stroke, trauma)

Telehealth Models

Care management
Patient monitoring
Population health management



Opportunity for Integrated Community Care: Concept

Basic premise: Virtual embedment/co-location of BH provider team to support PCPs who provide services to patients with complex medical and BH issues using telemedicine

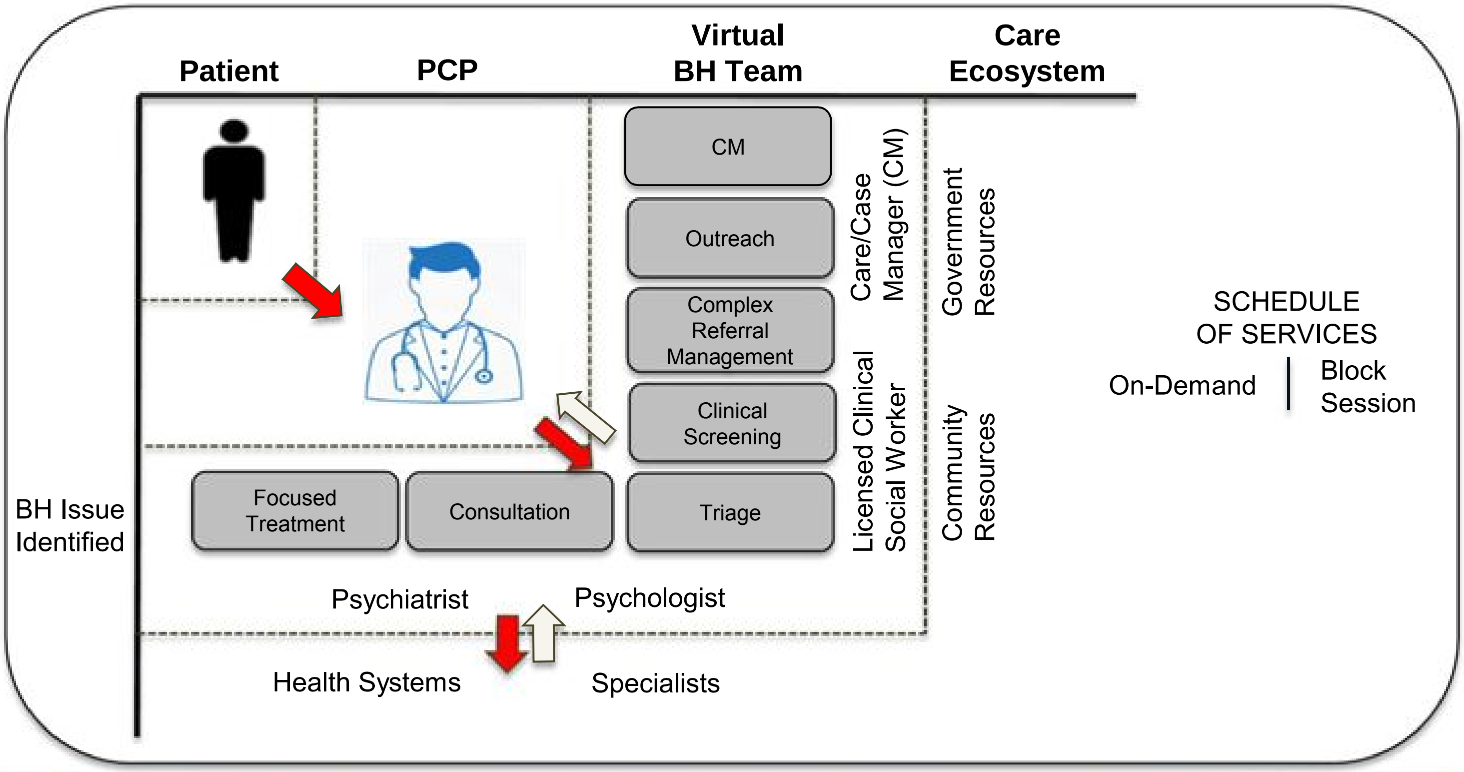
Two distinct evidence-based models of care:

1) BH treatments integrated within primary care settings
    - Increased access, improved quality, decreased costs, improved disease specific conditions (depression), and general functional outcomes
2) BH treatments via telemedicine
    - Has shown equivalency to "in-person" for outcomes

Unique advantage:

- Workforce multiplier
- Physical health - Behavioral health integration
- Team-based approach to treatment
- Establishes true medical home with PCP
- Agility (adding other services)

Integrated Community Care: Design



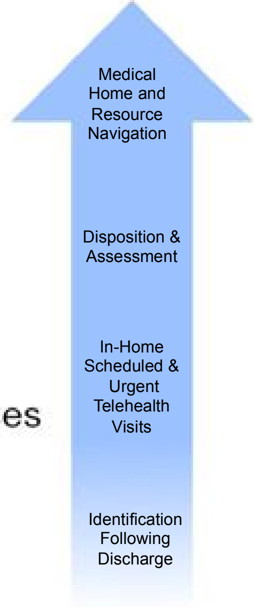
Opportunity for Telehealth Care Management

Telehealth Care Management Model: Virtual Approach

Basic premise: Use of low-to-mid-level care management to support clinical providers to manage patients with complex medical issues using telehealth

Unique advantages:

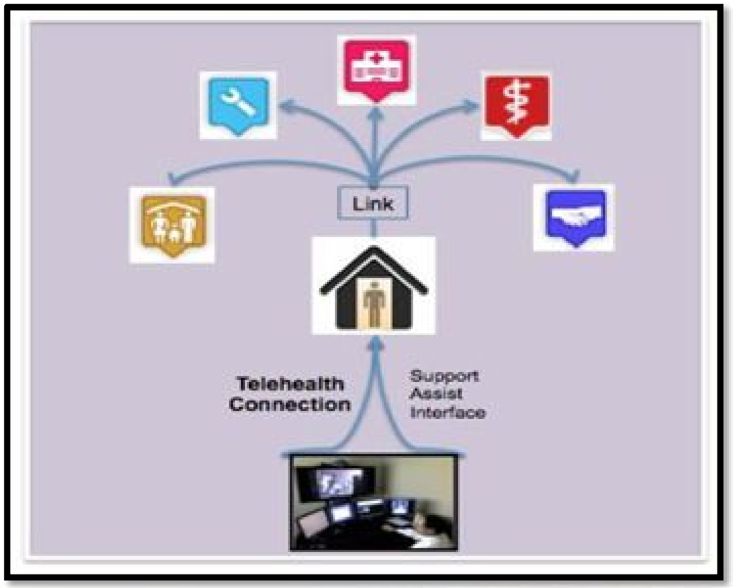
- Optimizes clinical resources
- Enhances maintenance
- Diverts Emergency Department / readmissions
- Manages high utilizers
- Can be adapted for long-term care
- Assists with managing chronic diseases
- Lowers costs


Medical Home and Resource Navigation

Disposition & Assessment

In-Home Scheduled & Urgent Telehealth Visits

Identification Following Discharge



Tasks and Investments Ahead for Next Steps

Technology infrastructure: Identify tools to modernize legacy infrastructure

- Challenge: Hardwired technology infrastructure
- Opportunity to utilize more cost-effective and "light footprint" cloud-based telemedicine technologies

Process: Community and commercially-based telemedicine programs will require new operational workflows and payment structures

- Challenge: Regulatory and reimbursement
- Opportunity to establish novel care delivery systems and innovative non-fee-for-service business models while working closely with state and federal agencies

Clinical capacity: Assessment of and investment in building clinical resources

- Challenge: Medical workforce shortages
- Opportunities for collaborative partnerships with sister U. T. System institutions, use of mid-levels/teams, and preventive care in the homes

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FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

Brenda Pejovich, Chairman
David J. Beck
Alex M. Cranberg
Wallace L. Hall, Jr.
R. Steven Hicks

	Committee Meeting	Board Meeting	Page
Convene	*11:30 a.m.* *Chairman Pejovich*		
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**	*11:30 a.m.* **Discussion**	**Action**	**261**
2. **U. T. System: Discussion on the Hybrid Project Delivery Initiative**	*11:35 a.m.* **Report/Discussion** *Mr. O'Donnell*	Not on Agenda	**262**
3. **U. T. System: Discussion and appropriate action regarding delegation of authority to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects identified for hybrid delivery**	*11:45 a.m.* **Action** *Mr. O'Donnell*	**Action**	**278**
Design Development Approval			
4. **U. T. Austin: East Campus Parking Garage - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)**	*11:50 a.m.* **Action** *Mr. O'Donnell*	**Action**	**279**
Modification to the CIP			
5. **U. T. M. D. Anderson Cancer Center: Alkek Expansion - Renovations to Existing Facility - Amendment of the FY 2016-2021 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)**	*11:55 a.m.* **Action** *Mr. O' Donnell*	**Action**	**281**
Adjourn	*12:00 p.m.*		

1. <u>U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration</u>

RECOMMENDATION

The proposed Consent Agenda is located at the back of the book. Consent Agenda items assigned to this Committee are on Pages 343 - 344.

2. U. T. System: Discussion on the Hybrid Project Delivery Initiative

REPORT

Mr. Michael O'Donnell, Associate Vice Chancellor for Facilities Planning and Construction, will report on the ongoing progress related to implementation of the Hybrid Project Delivery Initiative.

BACKGROUND INFORMATION

As included in the *Hybrid Delivery Methods - Action Plan* presented to the Facilities Planning and Construction Committee on August 19, 2015 (set forth on the following pages), the Office of Facilities Planning and Construction has proceeded with implementation of the Hybrid Project Delivery Initiative. The role of the Project Advocate has been further refined and a discreet list of projects has been identified for demonstration of the intended benefits. The Office of Facilities Planning and Construction continues to conduct focused outreach in the design and construction community to foster interest in the upcoming Capital Improvement Program projects and to incorporate aspects of the Hybrid Project Delivery Initiative in collaboration with Deputy Chancellor Daniel.

THE UNIVERSITY OF TEXAS SYSTEM

OFFICE OF FACILITIES PLANNING AND CONSTRUCTION

Hybrid Delivery Methods – *Action Plan*

August 2015

Hybrid Delivery Methods – *Action Plan*

Executive Summary

While all major projects are highly complex undertakings, regardless of scope, they all have a major common element. The ultimate successful delivery of major projects hinges on the unrelenting demand for a comprehensive and rigorous set of early and effective design processes; we term these *front-end loading*. To be successful, these processes should be led by an effective, formally empowered, institutionally-based leader or team – *The Project Advocate*. This individual or team must be empowered by the Institutional President with the authority to require total participation by the requisite institutional constituents and interface seamlessly and continuously with the capital delivery management team. This Advocate must continue to serve in this demanding role throughout the life of the project. Of special importance is the ability to effectively control the inevitable level of client driven change as the project progresses through the later execution phases of detailed design, construction, and commissioning. While some level of change is unavoidable, managing this single element effectively is the cornerstone to achieving the requisite project cost, schedule, and quality targets. Further, other specific private sector best practices, including modified advocacy and contracting techniques, will be integrated into the delivery process as appropriate in order to increase competition, expertise and the quality of project outcomes by encouraging larger, most sophisticated consultants and contracting firms/teams to consider higher education capital projects. Finally, the targeted utilization of select Advisory Teams, at key steps in the early design process, offers a significant opportunity for added design and constructability review and expertise.

Executed effectively across a select set of major projects, these processes have the potential of reducing needed contingency through the more efficient delivery of facilities, the transparent identification of targeted savings for other key capital initiatives, and the opportunity to expand the use of these elements across the broader University of Texas System’s $7.05 billion capital program. While the current processes employed continue to enable the successful delivery across a large, diverse set of facilities within the public sector, the hybrid elements described further within this Action Plan have an estimated initial cost reduction potential of $30MM - $80MM over a three (3) year period. This Action Plan attempts to delineate a unique opportunity to test new procedures and processes, and further extends these elements to a select segment of the recently approved Tuition Revenue Bond projects funded by actions from the 84th Legislative Session. We are available to discuss any of the concepts described here and seek your impressions and input to further advance these concepts.

Background: The six-year Capital Improvement Program (CIP) at The University of Texas System represents one of the most ambitious programs in higher education today. Owing to the approval of Tuition Revenue Bond (TRB) funding from the 84th Legislative Session, the projected value of the CIP at the conclusion of the August 2015 Board of Regents cycle is estimated at $7.05 billion. The current processes, modeling and techniques employed at The University of Texas System are routinely examined, and improvements integrated, in order to maintain a best-practice delivery system within higher education[1]. While the existing model has facilitated the effective delivery of a large, diverse, public-sector capital program across our institutions, the organization has remained committed to a continuous improvement process.

Current Initiatives: Over the past year, the philosophy and processes for establishing a U. T. System major capital project's scope, cost, and delivery model were examined for best practices and potential areas of improvement were identified. Throughout this analysis, the overarching intent was to test the efficacy of incorporating as many *private sector* best practices as possible into a large, *public sector* higher education facility delivery program. Concurrent activities included a preliminary examination of the traditional delivery processes as governed by existing U. T. System Board of Regents' *Rules & Regulations* and other requisite governing statutes in order to explore acceptable alternate, private sector procurement and project delivery approaches that could positively impact the delivery of large, complex major new facilities. Reviews were conducted with the assistance of the U. T. System Board of Regents Office and the U. T. System Office of General Counsel.

Major topics:

- Establishing Scope: Investment Level / Responsibility
- Establishing Cost: Estimating Accuracy / Contingencies
- Board of Regents' Approval Points
- Contracting Practices

Specific goals and desired outcomes:

(1) Improve information and approval request format to the U. T. System Board of Regents at key project development points - target strategic prioritization and decision making for available funding;

(2) demonstrably reduce facility costs through delivery efficiencies thereby maximizing the value of requisite capital funding to U. T. System and the institutions; and

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[1] A comprehensive reengineering study regarding all aspects of the capital program at U.T. System was initiated with MGT/3DI in 2007 based on an analysis of best-in-class public and private sector serial builders; the overall construct consisting of centralized *program* management and decentralized *project* management was instituted following that effort and remains the fundamental basis of the organization's overall structure.

(3) implement a robust, near-term *Action Plan* that captures targeted savings for a select set of major candidate projects and demonstrates the efficacy of broader key private-sector model element applications across the greater U. T. System capital facilities program.

This effort concluded with a white paper prepared in June 2015 – **Hybrid Delivery Methods – *A Demonstration Project*** which delineated those processes that are considered most leveraging in the efficient delivery of future major facility projects. Included were the areas of Scope Development; Pre-Design/Pre-Construction Processes; Consultants and Contactor Procurement, and Contingency Management. The essence of the paper's conclusions however can be distilled down to a single common element: the ultimate successful delivery of major projects hinges on the unrelenting demand for a comprehensive and rigorous set of early and effective design processes, commonly termed – *front-end loading.* To be successful, these processes must be led by an effective, formally empowered, institutionally-based leadership team – *The Project Advocate*.[2]

Action Plan Development: Initially, it was determined that a series of 2-3 major new candidate projects, executed and subsequently evaluated over the next 3-year period, would provide sufficient feedback to determine which elements of the Hybrid Delivery Methods would be most leveraging for the broader U. T. System capital program. A key finding further proposed the addition of a Board approved Conceptual Phase that would authorize up to a 5% institution spend targeted towards the procurement of early Architectural, Engineering, Construction Management, and other site related consultants necessary to conduct a robust, front-end loaded set of integrated key studies. Under the direction of a Project Advocate, with technical assistance from the institution facilities organization, and the OFPC Project Manager, this phase would be targeted towards the completion of up to 100% schematic design at the conclusion of the conceptual studies. This early phase would culminate with a second presentation to the BOR for addition of the project to the CIP, including a formal presentation by the Project Advocacy team to the FPCC Board Members justifying the drivers for the subject facility based on a detailed and comprehensive Business Plan. Requisite changes to the existing Board of Regents' *Rules and Regulations* and other contractual and procurement related changes necessary to maximize private sector element efficiencies, within the existing governing statutes, would be pursued concurrently; it is presently estimated that these processes could be modified and the proposed changes completed in time for inclusion in the November 2015 Board cycle. Further, an independent listing of potential legislative issues for the 85th session would be compiled over time for discussion with the U. T. System Office of Governmental Relations.

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[2] Previously termed *The Project Champion,* the construct for *The Project Advocate* has been refined to include an individual, or team of one to three individuals, formally empowered by the Institution's President.

The effectiveness of the front-end loading activities during the conceptual phase, coupled with a formal Change Management Plan,[3] would facilitate a reduction in the standard contingencies applied to a major project. Based on the effectiveness of these early exercises, the standard contingencies could be formally reduced from a nominal 10%, to near zero, at the third U. T. System Board of Regent's project approval phase – Design Development.[4] While some projects will potentially need to return to the Board for additional funding, the opportunity for substantive savings will be increased through the transparent segregation of funds before the project enters the construction phase. While the ultimate designation for project savings is a Board decision, it is anticipated that such savings would remain with the specific institution for use on other targeted capital initiatives. As noted earlier, a comprehensive analysis of the results on 2-3 demonstration projects would provide a logical next step towards application of key hybrid elements to the broader U. T. System Capital Program across all institutions.

Tuition Revenue Bond Projects: The fifteen (15) TRB funded projects resulting from the 84th Legislative Session total $1.58 billion and suggest a potential enhancement of the Hybrid Project – Demonstration Program just outlined above. Four (4) of the projects are Repair and Renovation Projects (R&R), or contain significant R&R components within their respective scopes and are long-duration projects within health related facilities. Further, these same four (4) projects, along with one (1) additional Health related project, are Institutionally Managed through existing MOUs, or will be Institutionally Managed as a direct consequence of the nature of the individual project scopes within an operating health related facility. While these circumstances do not necessarily preclude the hybrid project economies previously noted, there are overarching patient and operational concerns that will need to be considered by each of the Institution Presidents, with their respective staffs, regarding application of any of these initiatives.

However, the remaining ten (10) TRB funded projects represent $845.4 million. Some of these projects have proceeded with institutionally funded conceptual studies, and some A/E teams have been procured. Most of these projects will be added to the CIP at the August 2015 Regents' Meeting[5]. Accordingly, it is recommended that these ten (10) projects move forward, considering and appropriately incorporating as many of the Hybrid Delivery element efficiencies as possible, during early execution. Once the initial 2-3 initial demonstration projects have proceed approximately one (1) year, and assessments are made regarding the efficacy of individual Hybrid Model elements, it is recommended that a select number of these TRB projects, or other suitable major projects, be added to this program and that a formal update be presented to the U. T. System Board of Regents in 2016. While a full cost savings reduction may not be possible due to the advanced stage of a particular project definition, a significant segregation of some funding and associated targeted savings is possible and should be established as an achievable target going forward. Augmenting the initial 2-3 demonstration

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[3] All aspects of a Change Management Process are presently defined, developed and reside within the existing e-manual.

[4] At the time of Design Development, the BOR would need a transparent assessment of the projects risk profile since the opportunity for the project to return to the Board for a CIP Modification would increase based on unknowns including Market Factors.

[5] The U.T. Austin Robert A. Welch Hall Renovation is presently on the CIP owing to previous renovation phases and the $125 million TRB project will be added at the August BOR cycle as a CIP Modification.

projects, after a reasonable demonstration period of program element effectiveness, increases the opportunity for greater application of the Hybrid Model across the broader U. T. System capital program.

While, the major hybrid elements of front-end loading and rigorous change management through effective and formal project advocacy are proven project elements and have minimal downside, their successful application requires sustained collective commitment, and often, cultural change. Notwithstanding, all projects under the Hybrid Model will be closely monitored and specific elements can be reduced or eliminated for more traditional processes should any adverse anomalies be noted during the execution phase. A specific report on all of the Hybrid Initiative Projects will be developed and distributed monthly to the U. T. System Executives and the Board of Regents.

Michael O'Donnell
Associate Vice Chancellor
Office of Facilities Planning and Construction
The University of Texas System

APPENDICES:

Hybrid Elements

OFPC Contingency Categories and Typical Ranges

Capital Project Construction Delivery Method Summary

APPENDICES

HYBRID ELEMENTS

Scope and Basis of Design

- Consider a fifty (50)-year building lifespan rather than a 75 to 100-year institutional model, and test each building element for pay-back against that life.
- Similar to projects such as UTHSC-SA's MARC, UT-Austin's Dell Pediatric Research Building and the buildings associated with the Dell Medical School, among others, explore commercial-grade, readily-available, economic standards for structural, envelope, mechanical, electrical and plumbing system application.
- Consider the adoption of generic lab, flexible "flipped classroom" space, and open-office space standards.
- Take advantage of near-site utilities where economically feasible and where redundancy is necessary, but challenge "institutional" standards and building system redundancies against the commercial-grade standards noted above.
- While measures such as shelling space (warm or cold) or reducing square footage could be considered to reduce overall costs, it is not part of this analysis.

Pre-Design and Pre-Construction Processes

- Engage design and constructability consultant team / development management firm(s) with expertise in similar building types to inform the Owner of best practices during the conceptual phase, and to review and challenge the design team and contractor on an on-going basis. This **Design Advisory Team** would also provide input on the early procurement of long-lead items (e.g., curtain wall systems, mechanical equipment, lab equipment, elevators, etc.); operability; schedule; cost, commissioning, etc.
- Assign a Project Advocate, lock-in Owner Project Requirements in the conceptual phase, execute a formal shared-governance Project Charter, and develop a very robust Change Management process. The Project Advocate must be invested in the programmatic needs and operational success of the project, must be empowered and incentivized to ensure input early from the institutional stakeholders and, must discourage late changes. This could allow the reduction of Project Contingency from the standard 2%-3% to near zero. A list of standard project contingency categories and ranges is included as part of the Appendix. It must be emphasized however that rigorous "front-end-loading", through an extended design phase, and minimization of execution phase changes, are fundamental tenants in avoiding a significant increase in the project risk profile.

Procurement of Consultants, Contractors

- U. T. System has recently completed major projects with 6 of the top 10 ENR Texas-Louisiana Contractors. Notwithstanding, as an adjunct to the standard posting of this project on state-required sites, aggressive outreach efforts will include advertising in industry magazines; and additional outreach by OFPC, Campus, and System executives to firms that might not normally consider institutional work.
- Consider promoting a more risk-tolerant, collaborative and solutions-focused approach by eliminating liquidated damages for non-performance, and capping consequential damages at 2x the Contractor's fee. This approach will require review with OGC and modification of our standard contract format but, may result in a greater pool of 1st tier interest.
- Explore a pilot modification to the Regents' Rules, including a review of State procurement statutes, which could allow greater flexibility in negotiating the fees paid to consultants. The intended goal: ensure that a more creative, focused, and incentivized "A Team" is assigned to the project with demonstrated experience in commercial project goals including reduced costs and tighter schedules, resulting in the final delivery of a quality facility through production of more thoroughly vetted design documents.
- Consider procurement of an early site development contractor to clear and prepare the site, perform a thorough subsoil investigation, and survey and re-route any underground obstructions and utilities. This will leave a clean site for the building contractor and allow reduction of Owner Construction Contingency.

Design Processes

- In order to attract and ensure high quality staff and independent input, procure an Architect of Record ("Master Consultant"), and then participate in the selection of all major sub-consultants and the negotiation of their fees.
- To ensure strong competition of all equipment, require the Architect and consultants to provide up to three acceptable models of all major equipment, lighting, etc. in the documents and specifications.

Procurement of Construction Contractors, Contracts, and Reimbursement Processes

- Enhance schedule competition during the contractor procurement to reduce escalation costs.
- Utilize *Design-Assist* to engage key, knowledgeable trade consultants early in the design phase to achieve a market-driven, cost/schedule-effective design for complex elements (including structural, curtain wall, mechanical, electrical and control systems). Further explore the split of identified buy-out savings between the Contractor, Owner, and Subcontractor. This modified approach will require OGC input and concurrence.
- Consider incentivizing the Contractor to take on full responsibility for design errors and omissions in the final documents. Consider incentivizing quality through a 1% - 2% fee consistent with best

practices in the private building sectors. This modified approach will require OGC input and concurrence.

- Participate in the interviews of major subcontractors during selection. Enhance those interviews by seeking cost reduction or quality enhancement strategies from each proposer, with adjustments as necessary to the successful bidder.

Contingencies

- If many of the items above are successfully incorporated into the governance and execution of such a demonstration project, in addition to other potential project savings and schedule enhancements, OFPC's total contingencies could be reduced from the historical level of 9% - 10%, to near zero; this assumes an understanding and acceptance by the Board of Regents and the Institution of a higher than normal project risk profile for the demonstration project.

Improvement Initiatives – Outline by Phase:

- **Strategic Initiatives Plan: Prioritized Institution Initiatives Requiring PUF or other funding w/ 5-10 year horizon – Chancellor / EVC's / Institutions**
    - Facilitates longer-term PUF prioritization strategy
    - Identifies Capital Facility Needs – TPC Range (soft)

- **BOR Conceptual Phase Funding Approval: Identifies Specific Capital Projects Proposed for Conceptual Study Funding: 2 year horizon**
    - Authorizes Institution to spend up to 5% of TPC
    - Work lead by designated Project Advocate
    - Early Identification of Facility Grade (Institutional, Commercial, etc.,) and other Statement of Need (SON)/Owner Project Requirements (OPR)/Basis of Design Decisions
    - Increase Design Consultant and CM Outreach
    - Procure Architect of Record and participate in procurement of major sub-consultants
    - A/E Procurement up through 100% Schematic Design
    - Identify / Engage Design Advisory Team
    - Procure CM for Contractibility Review – Fixed Fee

    - Includes siting and requisite ORE evaluations, geotechnical, historical, and other studies
    - Improves Philanthropic Opportunity
    - Improved Funding Definition

    - Final Phase Activity is presentation to BOR for CIP Approval by Project President/Advocate

- **<u>BOR CIP Approval</u>:**

    - Releases Balance of A/E Funding with Improved Front-End Loading
    - Adjust Forward Fee for Consultants / Contractors
    - Basis of Need Justified through Business Plan – improved definition
    - Increased Design, Cost and Schedule Alignment
    - Reduces Scope Change Paradigm – Project Advocate / Change Management Process
    - Facilitates Earlier / Substantive Review by Design Advisory Team
    - Improves time to 100% CD's

- **<u>BOR Design Development Approval</u>:**

    - Greater Alignment of Expectations
    - Revise Estimate Eliminating Contingencies from Final Working TPC – Advise BOR of Risk Profile
    - Procure Balance of CM / Contractor Services w/ Completed Documents
    - Eliminate LD's and Cap CD's at 2x Fee
    - Utilize Design Assist where appropriate
    - Select and Execute Applicable Changes on 2-3 Candidate Projects
    - Assess Outcomes and Extend Program- Wide as Appropriate
    - Estimated Near-Term Upside - $30MM / 3 years for 2-3 Candidate Projects
    - Increase Near-Term Upside to $80MM / 3 years by including up to ten (10) additional TRB funded projects

<u>OFPC Contingency Categories and Typical Ranges</u>:

Contingencies are funding categories included in a project budget to cover various unspecified project costs that are anticipated to be present throughout the project's duration, yet are difficult to quantify and therefore cannot be estimated at budget creation. The initial contingency percentages at budget development have been established using historical project information, the specific project's complexity and size, and the level of confidence in the project scope and schedule.

The three contingency categories developed and controlled by OFPC and identified at budget development include:

1. **Contractor's Contingency** may be used by the CM-R or D-B contractor as approved by OFPC and to the extent allowed by the contract agreement, for costs identified through the refinement, development and completion of the construction documents or procurement of the work; the Guaranteed Maximum Price is established prior to completion of the construction documents and subject to market validation. Contractor Contingency is not to be used for contractor rework, unforeseen conditions, cost increases caused by lack of coordination or communication with the Project Architect or trade Subcontractors, or to correct errors or omissions in the construction documents. Unused Contractor's Contingency is returned to the Owner as savings. This is typically set between **2% - 4%** of the Guaranteed Maximum Price.

2. **Owner's Construction Contingency** is identified in the Guaranteed Maximum Price or construction contract in order to fund additional costs due to unforeseen conditions, errors or omissions in the construction documents, or items of work the scale of which could not be identified at budget development. This is set typically between **3% - 5% for new buildings**, and **4% - 5% for renovation projects**.

3. **Project Contingency** is included and identified outside the construction contract amount, typically to fund unanticipated increases to any other budget line item within a project budget, to fund scope that may be added by the institution, or to cover potential claims. This is set typically at **3%** of the Total Project Cost. Draw-down of the contingencies is used as one of the performance indicators during the course of a project.

Capital Project Construction Delivery Method Summary

In general, the building construction value of a Capital Improvement Program new construction project represents approximately 70% of the Total Project Cost (TPC) value.

CONSTRUCTION MANAGER AT RISK (CM-R)

Since 1997 when alternate delivery methods were approved by the Texas Legislature, the CM-R delivery method has been used by OFPC for a majority of completed projects (126 representing 47% of completed projects - $5.61B) and projects currently underway (27 representing 63% of ongoing projects - $3.26B). In this method, the Owner holds both the Project Architect/Engineer and construction contractor prime agreements, and the procurement of the construction contractor (Construction Manager at Risk) occurs during the design phase when pre-construction services from the CM-R add tangible benefit to the designers. This method supports multiple design and construction stages as the overall project design is coordinated. This allows the project to be separated into sequential work packages that support engaging the subcontractor market earlier in the overall delivery of the project.

The initial contract with the CM-R establishes the lump sum pre-construction phase fee, defines a not-to-exceed value for General Conditions, and locks percentage values for construction phase fee and Construction Manager at Risk's contingency. General Conditions, CM-R fee, and CM-R contingency are further defined and contracted along with values for cost of work in the Guaranteed Maximum Price proposal (GMP). The CM-R contingency is available to the contractor to address fluctuations in the subcontractor market for material and labor cost increases (escalation) and to address refinements in the design that occur after execution and Owner's acceptance of the GMP. After buy-out, savings and funds remaining in the GMP revert to the Owner.

Pre-Construction Phase Fee covers costs for CM-R participation during the design phase to review constructability and develop cost and schedule alternatives.

The CM-R GMP proposal is typically submitted at the end of Design Development or early in the construction document phase and establishes the overall not-to-exceed value for the work as defined by a specific set of documents provided by the Project Architect/Engineer. The GMP includes detailed information on project scope, estimated costs, and construction schedule. The GMP will also include a defined amount for Owner's construction contingency, and these monies are reserved to address costs for unforeseen conditions that are encountered during construction and to address Errors and Omissions (E&O) in the design and construction documents.

As stated, the Owner manages the contract with the Project Architect/Engineer and architectural and engineering fees are included by the Owner in the budget for associated building costs.

DESIGN-BUILD (D-B)

The D-B delivery method is used for projects that have accelerated schedule requirements, and this method is typically used for delivery of projects that are well-defined in the commercial construction market – housing, parking, utility production facilities, etc. Nonetheless, this method can be used for any project type and has been used for delivery of research and clinical space. This delivery method more fully relies on expertise from the commercial construction sector and should have the least amount of direct Owner participation in design refinements and changes. Since 1997, OFPC has delivered 42 projects using this method (representing 16% of completed projects - $1.23B) and has 8 currently underway (representing 18% of ongoing projects - $146M).

In this delivery, the D-B team is procured based on a scope of work defined by the Owner, and the D-B contractor proposes a Pre-Construction Phase Fee that includes architectural and engineering fees in the overall proposal. Although the initial scope statement is defined by the Owner, the D-B contractor is responsible for completion of design and creation of the construction documents, and the Owner manages a single prime agreement. Any Owner requested changes are contracted to the Project Architect/Engineer through the D-B contractor.

Similar to the CM-R delivery, the initial contract with the D-B establishes the lump sum Pre-construction Phase fee, which includes all design phase costs, defines a not-to-exceed value for General Conditions, and locks percentage values for construction phase fee and D-B contingency. General Conditions, D-B fee, and D-B contingency are further defined and contracted along with values for cost of work in the GMP. The D-B contingency is available to the contractor to address fluctuations in the subcontractor market for material and labor cost increases (escalation) and to address refinements in the design that occur after execution and Owner's acceptance of the GMP. An amount of Owner's construction contingency is typically included to address costs for unforeseen conditions. E&O costs are the responsibility of the D-B contractor. After buy-out, savings and funds remaining in the GMP revert to the Owner.

COMPETITIVE SEALED PROPOSALS (CSP)

The CSP delivery method most closely compares to the traditional design-bid-build delivery in that lump sum proposals based on a completed set of construction documents are submitted to the Owner by general contractors interested in procuring the work. The Owner's best value determination does consider qualifications in conjunction with price, and the selection of a contractor is not based on lowest price alone.

In this delivery, savings in the buy-out are retained by the contractor. The Owner manages the Project Architect/Engineer agreement, and changes are priced as additions (or deletions) to the construction contract. This delivery method reserves the most Owner control in the design phase, but is limited in its early engagement of the subcontractor market. This delivery also procures construction services after completion of the overall design, so time to market is longer and any advantages of releasing the work in packages is diminished.

CSP does offer more certainty in the overall price and avoids some pre-construction phase costs associated with CM-R and/or D-B. There continues to be a need for constructability verification, and multiple cost estimates during the design and construction document phases are expected. Since 1997, OFPC has used this delivery method for 37% of completed projects (99 valued at $1.28B) and 19% of projects currently underway (8 valued at $171M).

ASSOCIATED BUILDING COSTS

The remaining on-average 30% of the TPC consists of a variety of associated building costs. Costs for movable furnishings and movable specialty equipment whether Institution-managed or managed by OFPC are included in this portion of the overall budget. Costs for other work related to the design and performance of the project are also included here and include land surveying, geotechnical investigations, building commissioning and Test and Balance services, and any third-party expertise required based on specific conditions of the project. These may include hazardous material surveys, financial audits, forensic investigations, threat and risk assessments, environment studies, historic structure surveys, and/or specialized IT or security services.

In addition, each CIP project typically includes a portion of the budget directly managed by the institution to address other work associated with the execution of the overall project. This budget may include costs associated with faculty or staff moves, minor renovations, telecommunications re-work, building keying and security modifications, grounds and landscape repair, campus and building signage, and work related to re-routing of utilities and the required utility shut-downs of affected buildings. CIP projects also include miscellaneous costs for reproduction and printing, the Owner-controlled insurance program, and costs for the management fee assigned to OFPC.

The TPC also includes a percentage-based amount for project contingency. This contingency is reserved for close-out and claims costs or changes approved later in the overall project delivery.

Metrics by Delivery Method:

CONSTRUCTION MANAGER AT RISK (CM-R)

9/1997 – 12/2014	*$5,613,000,000*	*Completed*
	$3,259,000,000	*Underway*
Pre-Construction Phase Fee	Average 1.73% of TPC	
CM-R Guaranteed Maximum Price Proposal	Average 68.36% of TPC	
Architectural/Engineering Fees	Average 7.17% of TPC	

DESIGN-BUILD (D-B)

9/1997 – 12/2014	*$1,231,000,000*	*Completed*
	$146,000,000	*Underway*
Pre-Construction Phase Fee (incl. Arch./Eng. fees)	Average 6.40% of TPC	
D-B Guaranteed Maximum Price Proposal	Average 68.91% of TPC	

COMPETITIVE SEALED PROPOSALS (CSP)

9/1997 – 12/2014	*$1,276,000,000*	*Completed*
	$171,000,000	*Underway*

Total Construction Contract	Average 68.14% of TPC
Architectural/Engineering Fees	Average 6.09% of TPC

ASSOCIATED BUILDING COSTS[6]

Movable Furnishings, Institution-Managed	Average 1.04% of TPC
Other Work, OFPC-Managed	Average 5.28% of TPC
Other Work, Institution-Managed	Average 6.59% of TPC
Miscellaneous Expenses	Average 0.59% of TPC
Project Contingency	Average 2.75% of TPC
OFPC Management Fee	Average 3.06% of TPC

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[6] As required Associated Building Cost line items are adjusted to the specific requirements of the project and in order to fully allocate the overall project budget.

3. **U. T. System: Discussion and appropriate action regarding delegation of authority to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects identified for hybrid delivery**

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 delegate authority to the Associate Vice Chancellor for Facilities Planning and Construction to waive the Schedule of Fees for Basic Architect/Engineer Services for Major Projects identified for hybrid delivery.

BACKGROUND INFORMATION

As included in the *Hybrid Delivery Methods - Action Plan* presented to the Facilities Planning and Construction Committee on August 19, 2015, and included on the preceding pages, this authorization would allow greater flexibility in negotiating the fees paid to consultants for Major Projects identified in the Hybrid Project Delivery Initiative. The intended goal is to encourage more creative, incentivized teams focused on institution and project goals, including reduced costs and more efficient schedules.

4. U. T. Austin: East Campus Parking Garage - Approval of design development; appropriation of funds and authorization of expenditure; and resolution regarding parity debt (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Fenves that the U. T. System Board of Regents approve the recommendations for the East Campus Parking Garage project at U. T. Austin as follows:

Project No.:	102-928	
Project Delivery Method:	Design-Build	
Substantial Completion Date:	November 2017	
Total Project Cost:	Source	Current
	Revenue Financing System Bond Proceeds [1]	$62,400,000
Funding Note:	[1] Revenue Financing System (RFS) to be repaid from parking fees and $2,400,000 from capitalized interest	
Investment Metrics:	• Restore revenues displaced from densification of adjacent central campus • Add 2,000 parking spaces for Dell Medical School, visitors, and campus events	

a. approve design development plans;

b. appropriate funds and authorize expenditure of $62,400,000 from RFS Bond Proceeds; 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 $62,400,000.

BACKGROUND INFORMATION

Debt Service

The $62,400,000 in aggregate RFS debt will be repaid from parking revenues. Annual debt service on the $62,400,000 RFS debt is expected to be $4.06 million. The debt service coverage for the institution is expected to be at least 1.5 times and average 2.1 times over FY 2016-2021.

Previous Board Action

On May 14, 2015, the project was included in the CIP with a total project cost of $62,400,000 with funding from RFS Bond Proceeds.

Project Description

This project will construct a new parking garage to provide parking for students, faculty, event patrons, and visitors to the campus. The 2,000 car capacity, multilevel garage will be located at the site of an existing parking lot at University Federal Credit Union (UFCU) Disch-Falk Field, east of IH-35, and will help replace many of the surface parking spaces on campus that have been displaced by new buildings. The garage will provide for more centralized parking to preserve land for densification of the adjacent Central Campus, the Dell Medical School District, and East Campus and will also help restore revenues for U. T. Austin Parking and Transportation Services.

Basis of Design

The planned building life expectancy is 30-50 years.

The exterior appearance and finish are consistent with similar urban parking garages and with the existing Campus Master Plan.

5. U. T. M. D. Anderson Cancer Center: Alkek Expansion - Renovations to Existing Facility - Amendment of the FY 2016-2021 Capital Improvement Program to increase total project cost; and appropriation of funds and authorization of expenditure (Final Board approval)

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President DePinho that the U. T. System Board of Regents approve the recommendations for the Alkek Expansion - Renovations to Existing Facility project at U. T. M. D. Anderson Cancer Center as follows:

Project No.:	703-XX4		
Institutionally Managed:	Yes		
Project Delivery Method:	Construction Manager-at-Risk		
Substantial Completion Date:	November 2017		
Total Project Cost:	Source	Current	Proposed
	Hospital Revenues	$22,000,000	$29,300,000

a. amend the FY 2016-2021 Capital Improvement Program (CIP) to increase the total project cost from $22,000,000 to $29,300,000; and

b. appropriate funds and authorize expenditure of an additional $7,300,000 from Hospital Revenues.

BACKGROUND INFORMATION

Previous Board Actions

On August 23, 2007, the project was added to the CIP with a total project cost of $68,000,000. On July 22, 2012, the President approved a reduction in scope and decrease in total project cost to $22,000,000 with funding from Hospital Revenues.

Project Description

Renovations to Floors 10 and 11 of the Albert B. and Margaret M. Alkek Hospital began in 2013 and are nearing completion. In response to a recommendation and request from the institution's Department of Critical Care, the scope of work on Floor 7 is to be increased to bring the Intensive Care Unit (ICU) rooms and other accommodations on this floor into alignment with current institutional design standards, clinical practice guidelines, and Texas Department of Licensing and Regulation (TDLR) requirements. The increased renovations are to include the conversion from gas columns to standard headwalls, the elimination of in-room toilets, the elimination of sliding glass doors, the enclosure of medication preparation areas to meet Joint Commission requirements, and the construction of family support spaces including restrooms.

To align the critical care capacity with long-range census projections, a portion of Floor 11 has also been renovated for use as ICU beds, and a portion has been renovated for use as an Intermediate Care Unit (IMU) for hematologic patients. These renovations to Floor 11 will support the use of an ICU swing floor during the renovation of Floor 7, as well as meet long-range ICU census projections. Renovations to Floor 7 are to be completed with two ICU Pods closed at a time, as opposed to one ICU Pod at a time as previously planned.

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FOR
TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

Committee Meeting: 11/4/2015

Board Meeting: 11/5/2015
Austin, Texas

Wallace L. Hall, Jr., Chairman
Ernest Aliseda
Alex M. Cranberg
Brenda Pejovich
Sara Martinez Tucker

	Committee Meeting	Board Meeting	Page
Convene	*12:30 p.m.* *Chairman Hall*		
1. **U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration**	*12:30 p.m.* **Discussion**	**Action**	**284**
2. **U. T. System: Report and discussion on the progress of the U. T. Horizon Fund**	*12:31 p.m.* **Report/Discussion** *Dr. Hurn* *Ms. Goonewardene*	Not on Agenda	**285**
Adjourn	*1:00 p.m.*		

1. U. T. System Board of Regents: Discussion and appropriate action regarding Consent Agenda items, if any, assigned for Committee consideration

RECOMMENDATION

No Consent Agenda items are assigned for review by this Committee. The Consent Agenda begins on Page 291.

2. U. T. System: Report and discussion on the progress of the U. T. Horizon Fund

REPORT

Ms. Julie K. Goonewardene, Associate Vice Chancellor for Innovation and Strategic Investment and Managing Director of the U. T. Horizon Fund, will report on the status of the U. T. Horizon Fund. A PowerPoint presentation is set forth on the following pages.

BACKGROUND INFORMATION

The U. T. Horizon Fund, a strategic investment fund for the U. T. System, was initially approved by the Board of Regents on August 25, 2011, and was capitalized with $10 million of Available University Funds (AUF) (Phase I). On February 14, 2013, the U. T. Horizon Fund was reauthorized with expanded funding from AUF (Phase II) to be disbursed in four annual installments of $10 million each. The total committed capital of the U. T. Horizon Fund from both Phase I and Phase II is $50 million. Each year, the funding for the U. T. Horizon Fund is subject to approval and authorization by the Board upon receipt of a satisfactory report of activities undertaken as a result of the previous year's allocation. The purpose of this presentation is to provide that report, with emphasis on expected return on investment and on capital allocation, and to recommend reserved funds to be used for follow-on investments.

The U. T. Horizon Fund is effectively a dual mission investment vehicle. One mission is to create positive financial returns by protecting U. T. System equity positions against dilution. Second, the U. T. Horizon Fund serves a critical role in commercializing innovations of U. T. System institutions by moving novel technologies to the marketplace to impact Texas and the world. Another significant benefit includes creating an environment that values innovation and entrepreneurship, which enables recruiting faculty and students. The U. T. Horizon Fund utilizes existing U. T. System rights where possible; leverages the collective resources of private sector investors; enhances partnerships by attending and supporting entrepreneurial events; and strives to add value by connecting entrepreneurs with investors, subject-matter experts, advisors, and potential customers.

Update on the U. T. Horizon Fund

Dr. Patricia Hurn, Vice Chancellor for Research and Innovation

Ms. Julie Goonewardene, Associate Vice Chancellor for Innovation and Strategic Investment and Managing Director of U. T. Horizon Fund

U. T. System Board of Regents' Meeting
Technology Transfer and Research Committee
November 2015

U. T. Horizon Fund (UTHF) is part of the broad effort to bring U. T. System research to the marketplace

Support Early Discovery

STARs supported faculty brought in nearly $1B in external research funding

Entrepreneurship network, educating next-generation students and faculty

Engage Industry

Texas FreshAIR, connecting researchers to partners, e.g., life sciences, IT, device, cyber industries

Institutional offices of industry engagement

Commercialization

UTHF, optimizing U. T. System equity position and fueling opportunities for start-ups

U. T. System Office of Technology Commercialization collaborates with institutions

Impact

Products in the marketplace

Financial returns

- **Exits**
- **Research agreements**
- **Licensing revenues**

U. T. Horizon Fund – a dual-purpose fund

- Optimizes U. T. System equity positions, reduces dilution
- Performs critical role in moving novel technologies to the marketplace
- Creates an environment that values innovation and entrepreneurship
- Assists in recruiting and retaining the best faculty and students

Key questions

- Is the UTHF expected to make money?
  - Yes, invested capital forecasted to be doubled by 2022
- How much capital is required to fulfill follow-on investments in current and future UTHF portfolio companies?
  - $5.95M reserve required for current portfolio companies
  - $1.37M average estimated reserve requirement for each new portfolio company
  - Reducing reserve requirements increases investable capital

Key questions (cont.)

- What is the estimated point at which UTHF expends all of its currently available capital?
  - Maintaining adequate reserves, capital for new investments is estimated to be fully expended by the end of calendar year 2016
  - Further capitalization is anticipated to be requested for Fiscal Year 2017
- Does the forecast emerging from the current Total Business Return analysis provide a similar picture as the back-testing model?
  - Current assumptions forecast that UTHF will outperform the predictions of the back-testing model

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CONSENT AGENDA

Committee and Board Meetings:
November 4-5, 2015
Austin, Texas

ACADEMIC AFFAIRS COMMITTEE

HEALTH AFFAIRS COMMITTEE

MEETING OF THE BOARD

1. Minutes - **U. T. System Board of Regents**: Approval of Minutes of the regular meeting held on August 19-20, 2015; and the special called meetings held on September 24, 2015, October 2, 2015, and October 30, 2015

AUDIT, COMPLIANCE, AND MANAGEMENT REVIEW COMMITTEE

2. UTIMCO Committee Appointment - **U. T. System Board of Regents**: Proposed appointment of member to the Audit and Ethics Committee of the Board of Directors of The University of Texas Investment Management Company (UTIMCO)

   The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the appointment of David J. Beck to the Audit and Ethics Committee of the UTIMCO Board of Directors.

   Section 66.08 of the *Texas Education Code* requires that the U. T. System Board of Regents approve the appointment of members to the Audit and Ethics Committee of the UTIMCO Board of Directors. The UTIMCO Board of Directors recommended and approved this appointment on October 15, 2015, conditioned on approval of the U. T. System Board of Regents.

FINANCE AND PLANNING COMMITTEE

3. Contract (funds coming in) - **U. T. System**: Provide Comanche Trail Pipeline, LLC, a subsidiary of Energy Transfer Partners, with a pipeline easement (surface)

Agency:	Comanche Trail Pipeline, LLC, a subsidiary of Energy Transfer Partners
Funds:	$3,377,735
Period:	December 1, 2015 through November 30, 2025
Description:	Provide a pipeline easement over 37.7 miles in parts of University Lands, Hudspeth County, Texas.

4. Contract (funds coming in) - **U. T. System**: Provide Roadrunner Gas Transmission, LLC, a subsidiary of ONEOK Partners, L.P., with a pipeline easement (surface)

Agency:	Roadrunner Gas Transmission, LLC, a subsidiary of ONEOK Partners, L.P.
Funds:	$3,368,876
Period:	December 1, 2015 through November 30, 2025
Description:	Provide a pipeline easement over 37.6 miles in parts of University Lands, Hudspeth County, Texas.

5. Contract (funds going out) - **U. T. System**: Opportune LLP to perform study of current University Lands' business process

Agency:	Opportune LLP
Funds:	Amendment to existing contract for an addition of $1,400,000, bringing the estimated total to $10,333,000
Source of Funds:	Service Department Revolving Funds
Period:	Commencing January 17, 2013, and continuing for a period of approximately 36 months
Description:	Amendment of existing agreement with Opportune LLP to complete documentation of the current University Lands' business processes and development of custom programming services, data conversion services, documentation and training services, and other integration functions as they pertain to the new, comprehensive oil and gas royalty reporting and accounting system. Additional programming outside the original scope of work was necessary to accurately convert approximately 3,200,000 historical records essential for future operations. Additional support and program features have been added to the original project design.

6. Request for Budget Change - **U. T. System**: Grant budget authority of $3,000,000, funded from Supply Chain Alliance to fund reimbursements to U. T. M. D. Anderson Cancer Center for program support, administrative fee distribution to participating U. T. System institutions and affiliates, and for other operational expenses (RBC No. 7158) -- amendment to the 2015-2016 budget

7. Other Matters - **U. T. System**: Approval of aggregate amount of $4,000,000 of supplemental equipment financing for Fiscal Year 2016; and resolution regarding parity debt

The Executive Vice Chancellor for Business Affairs recommends approval of an additional $4,000,000 for U. T. San Antonio to finance network infrastructure to be repaid with an automated services fee. U. T. San Antonio therefore requests that the Board resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System (RFS) the findings that are stated below:

- parity debt shall be issued to fund all or a portion of the project, 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 RFS 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;
- U. T. San Antonio, which is a “Member” as such term is used in the RFS 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 parity debt in an aggregate amount of $4,000,000; and
- this resolution satisfies the official intent requirements set forth in Section 1.150-2 of the *Code of Federal Regulations* that evidences the Board’s intention to reimburse project expenditures with bond proceeds.

8. Real Estate Report - **U. T. System**: Summary Report of Separately Invested Assets Managed by U. T. System

THE UNIVERSITY OF TEXAS SYSTEM
SEPARATELY INVESTED ASSETS
Managed by U. T. System
Summary Report at August 31, 2015

FUND TYPE

	Current Purpose Restricted		**Endowment and Similar Funds**		**Annuity and Life Income Funds**		**TOTAL**	
	Book	**Market**	**Book**	**Market**	**Book**	**Market**	**Book**	**Market**
Land and Buildings:								
Ending Value 05/31/2015	$ 1,199,147	$ 8,587,018	$ 97,676,258	$ 268,756,336	$ 862,837	$ 1,666,214	$ 99,738,242	$ 279,009,568
Increase or Decrease	5	9,461,906	5,003	6,748,538	(73,409)	(17,125)	(68,401)	16,193,319
Ending Value 08/31/2015	$ 1,199,152	$ 18,048,924	$ 97,681,261	$ 275,504,874	$ 789,428	$ 1,649,089	$ 99,669,841	$ 295,202,887
Other Real Estate:								
Ending Value 05/31/2015	$ 1,005	$ 1,005	$ 8	$ 8	$ -	$ -	$ 1,013	$ 1,013
Increase or Decrease	-	-	-	-	-	-	-	-
Ending Value 08/31/2015	$ 1,005	$ 1,005	$ 8	$ 8	$ -	$ -	$ 1,013	$ 1,013

Report prepared in accordance with Sec. 51.0032 of the *Texas Education Code*.
Details of individual assets by account furnished on request.

Note: Surface estates are managed by the U. T. System Real Estate Office. Mineral estates are managed by U. T. System University Lands. The royalty interests received from the Estate of John A. Jackson for the John A. and Katherine G. Jackson Endowed Fund in Geosciences are managed by the U. T. Austin Geology Foundation, with the assistance of the Bureau of Economic Geology.

9. Request for Budget Change - **U. T. El Paso**: Transfer $7,127,479 from SEUP Road Shows and Special Events Revenue to SEUP Road Shows and Special Events Maintenance and Operation to adjust budget related to increased event activity (RBC No. 7156) -- amendment to the 2014-2015 budget

10. Request for Budget Change - **U. T. Rio Grande Valley**: Transfer $8,762,924 from U. T. Pan American Designated Tuition to U. T. Rio Grande Valley Designated Funds to cover expenses related to transition (RBC No. 7071) -- amendment to the 2014-2015 budget

11. Request for Budget Change **- U. T. Rio Grande Valley**: Transfer $1,397,089 from U. T. Brownsville Designated Funds to U. T. Rio Grande Valley Designated Funds to cover expenses related to transition (RBC No. 7233) -- amendment to the 2014-2015 budget

12. Contract (funds going out) **- U. T. M. D. Anderson Cancer Center**: Fidelis Companies, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency:	Fidelis Companies, LLC
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $7,000,000.
Source of Funds:	Hospital Patient Income
Period:	The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.
Description:	Fidelis Companies, LLC has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems.

Note: This contract and the following three contracts (Items 13-15) were the result of one Request for Proposals (RFP) issued for PeopleSoft-related projects. The individual projects are different, and no single vendor has the expertise necessary to perform all of the projects defined in the RFP. Thus, a small group of vendors was selected based on varying areas of expertise, and projects will be awarded to each vendor accordingly.

13. Contract (funds going out) **- U. T. M. D. Anderson Cancer Center**: GNC Consulting, Inc. to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency:	GNC Consulting, Inc.
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $7,000,000.
Source of Funds:	Hospital Patient Income
Period:	The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.
Description:	GNC Consulting, Inc. has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

14. Contract (funds going out) **- U. T. M. D. Anderson Cancer Center**: Huron Consulting Services, LLC to provide technical and project management support services for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency:	Huron Consulting Services, LLC
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $12,000,000.
Source of Funds:	Hospital Patient Income
Period:	The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.
Description:	Huron Consulting Services, LLC has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

15. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Perficient, Inc. to provide technical and project management support services t for various projects that will enhance the functionality and end user experience with the PeopleSoft and Hyperion installations

Agency:	Perficient, Inc.
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $7,000,000.
Source of Funds:	Hospital Patient Income
Period:	The term of this agreement will be for a period of 36 months, commencing on September 1, 2015, and continuing through August 31, 2018. The agreement includes the option for two 12-month renewals.
Description:	Perficient, Inc. has expertise with PeopleSoft and Hyperion Enterprise Performance Management and will provide technical and project management support services for initiatives U. T. M. D. Anderson Cancer Center is launching that will enhance the functionality and end user experience with these systems (see note on Page 303, Item 12).

ACADEMIC AFFAIRS COMMITTEE

16. Contract (funds coming in) - **U. T. Arlington**: Cooperative reimbursement contract with the Texas Commission on Environmental Quality (TCEQ) to provide services to assist with compliance requirements

Agency:	Texas Commission on Environmental Quality (TCEQ)
Funds:	$1,307,000
Period:	September 1, 2015 through August 31, 2016
Description:	U. T. Arlington will provide services to assist the TCEQ with the Environmental Protection Agency (EPA) and Federal Energy Policy Act of 2005 compliance requirements concerning Petroleum Storage Tank investigations, records management, and staff training.

17. Interagency Agreement (funds coming in) - **U. T. Arlington**: Contract renewal to provide technical assistance to the Water Supply Division of the Texas Commission on Environmental Quality (TCEQ)

Agency:	Texas Commission on Environmental Quality (TCEQ)
Funds:	$1,131,576
Period:	Original term: September 1, 2012 through August 31, 2015 Proposed renewal: September 1, 2015 through August 31, 2016
Description:	U. T. Arlington requests approval to amend interagency contract number 582-13-30078 by increasing the maximum TCEQ obligation by $242,160 and renewing the contract for one year through August 31, 2016. U. T. Arlington will review Utility and District requests for registration changes and determine accuracy of data consistent with Central Registry, Water Utilities Database, TCEQ, and the Environmental Protection Agency (EPA) data standards.

18. Interagency Agreement (funds coming in) - **U. T. Arlington**: Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)

Agency:	Texas Department of Transportation (TxDOT)
Funds:	$1,701,748
Period:	August 27, 2015 through August 31, 2018
Description:	U. T. Arlington will provide training related to construction/ maintenance inspection, design, project management, environmental storm water, geotechnical engineering, risk management, and traffic management.

19. Interagency Agreement (funds coming in) **- U. T. Arlington**: Interagency Cooperation Contract to provide training at designated locations throughout the State of Texas to the Texas Department of Transportation (TxDOT)

Agency:	Texas Department of Transportation (TxDOT)
Funds:	$9,941,553
Period:	August 31, 2015 through August 31, 2018
Description:	U. T. Arlington will provide training in heavy equipment operations and maintenance; bridge construction inspections; electrical requirements/installation of roadway illumination and traffic devices; seal coat planning, design, application, and inspection; safety operations; traffic control; and work zone operations.

20. Admissions Criteria **- U. T. Arlington**: Changes to Admission Criteria

U. T. Arlington requests approval for changes to the criteria for admission into three College of Business masters' programs, one College of Education master's program, and two College of Education certificate programs. The changes have been reviewed and administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents.

Summary of Changes to Admission Criteria

Master of Business Administration

Admission criteria will be strengthened to increase the quality of students to admit those who reflect a commitment to higher standards and thus strengthen the overall Master of Business Administration program. U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the Graduate Management Admission Test (GMAT) and grade point average, which has been used for admission purposes. There are two fundamental reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures GMAT and the Graduate Record Examination (GRE) are used similarly in the admission process.

Master of Science in Business Analytics

U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the GMAT and grade point average, which has been used for admission purposes. There are several reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures that GMAT and GRE scores are used in a comparable manner. Third, this program is highly quantitative in nature and the strength of an applicant's quantitative skills needs to be assessed independently of grade point average and verbal skills.

Master of Science in Information Systems
U. T. Arlington proposes to end the use of an “index score,” a composite score based on the combined subtest scores on the GMAT and grade point average, which has been used for admission purposes. There are several reasons for this change. First, the Educational Testing Service has concluded that the independent scores are more useful indicators of success than composite scores. Second, it assures that GMAT and GRE scores will be used in a comparable manner. Third, this program is highly quantitative in nature and the strength of an applicant's quantitative skills needs to be assessed independently of grade point average and verbal skills. Finally, U. T. Arlington has seen a large increase in the number of applicants to this program over the past two years. Greater selectivity is needed to better match the number of admitted students to classroom and departmental resources.

Master of Education, Principal Certification only, and Superintendent Certification
Admissions changes are proposed to all three programs to align with other College of Education programs and to respond to calls from professional organizations to increase the rigor of admission criteria. This is accomplished by requiring all applicants to meet specified GPA requirements for unconditional and probationary admission and raising those requirements to better assure student academic and professional success.

For unconditional admission into the master's program or the certification programs, U. T. Arlington proposes to raise the minimum undergraduate GPA requirement from 3.0 to 3.2 during the last 60 hours of coursework or a minimum graduate GPA of 3.3 on 12 or more hours. Performance on the GRE has not been a strong predictor of success in these programs. Therefore, the GRE will no longer be required and letters of reference will be required instead.

21. Contract (funds coming in) **- U. T. Austin**: Agreement between Seton Family of Hospitals and The University of Texas at Austin, on behalf of the Dell Medical School, regarding the Seton Dell Medical School Stroke Institute

Agency:	Seton Family of Hospitals
Funds:	Approximately $1,445,040 over a three-year term ($40,140 per month)
Period:	August 1, 2015 through July 31, 2018
Description:	Agreement between U. T. Austin, on behalf of the Dell Medical School, and Seton Family of Hospitals for collaboration activities, including services by Dr. Steven Warach related to his leadership position at the Seton Dell Medical School Stroke Institute. The funds set forth above are approximate; the parties will meet annually to discuss performance metrics and a possible change to the monthly compensation amount set forth in the Agreement.

22. Contract (funds coming in) - **U. T. Austin**: Armed Security Services Agreement with National Archives and Records Administration

Agency: National Archives and Records Administration

Funds: $6,935,373
Base Year 2015-2016 = $1,134,331
Option Year 2016-2017 = $1,386,971
Option Year 2017-2018 = $1,428,398
Option Year 2018-2019 = $1,470,963
Option Year 2019-2020 = $1,514,710

Period: September 25, 2015 through September 24, 2016, with options to renew for four additional one-year periods

Description: Armed Security Services Agreement between the U. T. Austin Police Department and the National Archives and Records Administration for the provision of armed security services at the Lyndon B. Johnson Presidential Library and Museum.

23. Contract (funds coming in) - **U. T. Austin**: Facilities Management Agreement with National Archives and Records Administration

Agency: National Archives and Records Administration

Funds: $8,397,876
Base Year 2015-2016 = $1,607,171
Option Year 2016-2017 = $1,639,622
Option Year 2017-2018 = $1,677,560
Option Year 2018-2019 = $1,716,636
Option Year 2019-2020 = $1,756,887

Period: September 30, 2015 through September 29, 2016, with options to renew for four additional one-year periods

Description: Facilities Management Agreement between the Department of Facilities Services and the National Archives and Records Administration for the provision of consolidated facilities management, utilities, and additional services for the Lyndon B. Johnson Presidential Library and Museum.

24. Contract (funds going out) - **U. T. Austin**: BarkleyREI will provide marketing and management services for advertising campaigns

Agency:	BarkleyREI, a Barkley Partner Company
Funds:	$3,250,264 total during the initial term and all renewals Initial 8 month term in 2015-2016 = $450,264 Option Year 2016-2017 = $560,000 Option Year 2017-2018 = $560,000 Option Year 2018-2019 = $560,000 Option Year 2019-2020 = $560,000 Option Year 2020-2021 = $560,000
Source of Funds:	Designated Master of Business Administration Funds
Period:	November 30, 2015 (approximate) through July 31, 2016, with options to renew for five additional one-year terms
Description:	Agreement for provision of advertising consulting services and purchase of advertising for the McCombs School of Business Masters of Business Administration Program. Under the Agreement, BarkleyREI will provide consultation regarding advertising, website usage, and Internet and print advertising placement.

25. Request for Budget Change - **U. T. Austin**: New Hire with Tenure -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
Dell Medical School					
Department of Pediatrics					
Associate Professor					
Austin Cooney (T)	7/13-8/31	100	12	130,000	7115

26. Request for Budget Change - **U. T. Austin**: New Hires with Tenure -- amendment to the 2015-2016 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
Cockrell School of Engineering					
Department of Aerospace Engineering					
Associate Professor					
Srinivas V. Bettadpur (T)	8/18-5/31	100	09	140,000	7121
Dell Medical School					
Department of Medicine					
Professor					
Edward J. Bernacki (T)	9/1-8/31	100	12	505,000	7120

27. Request for Budget Change - **U. T. Austin**: Approval of Emeritus Titles

James A. Holcombe, from Professor to Professor Emeritus, Department of Chemistry in the College of Natural Sciences (RBC No. 7088) -- amendment to the 2014-2015 budget

James P. Barufaldi, from Professor and Distinguished Teaching Professor to Ruben E. Hinojosa Regents Professor Emeritus in Education and Distinguished Teaching Professor, Department of Curriculum and Instruction in the College of Education (RBC No. 6880) -- amendment to the 2015-2016 budget

Jerry J. Brand, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7038) -- amendment to the 2015-2016 budget

Frank B. Cross, from Professor to Herbert D. Kelleher Centennial Professorship Emeritus in Business Law, Department of Business, Government, and Society in the McCombs School of Business (RBC No. 7076) -- amendment to the 2015-2016 budget

David V. Edwards, from Professor to Professor Emeritus, Department of Government in the College of Liberal Arts (RBC No. 7077) -- amendment to the 2015-2016 budget

Marye Anne Fox, from Professor to Professor Emerita, Department of Chemistry in the College of Natural Sciences (RBC No. 7082) -- amendment to the 2015-2016 budget

Robert M. Krug, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7096) -- amendment to the 2015-2016 budget

Jon D. Robertus, from Professor to Benjamin Clayton Centennial Professor Emeritus in Biochemistry, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7098) -- amendment to the 2015-2016 budget

Bob G. Sanders, from Professor to Professor Emeritus, Department of Molecular Biosciences in the College of Natural Sciences (RBC No. 7254) -- amendment to the 2015-2016 budget

Thomas K. Seung, from Professor to Jesse H. Jones Regents Professor Emeritus in Liberal Arts, Department of Philosophy in the College of Liberal Arts (RBC No. 7255) -- amendment to the 2015-2016 budget

Margaret A. Syverson, from Associate Professor to Associate Professor Emerita, Department of Rhetoric and Writing in the College of Liberal Arts (RBC No. 7256) -- amendment to the 2015-2016 budget

28. Lease - **U. T. Austin**: Authorization to extend the lease of 3,436 square feet of space located at 2201 Guadalupe Street, Austin, Travis County, Texas, to the United States Postal Service for use as a retail postal facility; and finding of a public purpose

Description:	Extension of the lease of approximately 3,436 square feet in the West Mall Office Building and 540 square feet of exterior platform and ramp area on U. T. Austin's main campus located at 2201 Guadalupe Street in Austin, Travis County, Texas, for use as a retail postal facility by the United States Postal Service
Lessee:	United States Postal Service, an independent agency of the United States of America
Term:	The original lease term commenced on September 1, 1998, and by prior extensions continued through February 28, 2014; the proposed extension term commences March 1, 2014, and ends on February 29, 2016.
Lease Income:	Rent is a nominal $1 per year in exchange for the benefits to U. T. Austin described below.
Public Purpose:	The lease will restrict use of the space to the operation of a U.S. Postal Service retail facility. Location of the facility on the main campus provides students, faculty, and staff at U. T. Austin with easy access to postal services. U. T. Austin will retain the right to terminate the lease on 30 days' notice if the space is not used as a retail postal facility. Staff at U. T. Austin therefore believes that the lease serves a public purpose specific to the mission of the institution and requests that the Board of Regents make a finding of fact to that effect and authorize the lease.

29. Lease **- U. T. Austin**: Authorization to extend the lease of 11,772 rentable square feet of space at 4201 West Parmer Lane, Austin, Travis County, Texas, from Amherst & Parmer Office Park III, LP for use by the Center for Agile Technology

Description: Extension of existing lease of 11,772 rentable square feet of office space at 4201 West Parmer Lane, Austin, Travis County, Texas, for the Center for Agile Technology for a five-year term with one five-year option to extend for general office and computer lab use

Lessor: Amherst & Parmer Office Park III, LP

Term: The original lease term commenced March 29, 2006, and by prior extensions continues through March 31, 2016; the proposed extension term commences April 1, 2016, and ends March 31, 2021, with one five-year option to extend.

Lease Cost: Annual base rent will be $22 per square foot with annual escalations. Base rent is estimated to total approximately $1,289,034 during the primary term. In addition, U. T. Austin will pay the cost of the growth of operating expenses and its pro rata share of the electricity expense. U. T. Austin will receive three months of abated base rent from the landlord during the primary term of the lease. Base rent for the extension option would be at fair market value. The landlord will complete minor improvements to the space at the landlord's sole cost and expense.

Source of Funds: Five-year contract with the Department of Defense

30. Lease **- U. T. Austin**: Authorization to lease approximately 4,064 rentable square feet of space located at 1100 New York Avenue, N.W., Washington, D.C., from AZ/JH REIT (DC) LP for use by the LBJ School of Public Affairs Washington Center

Description: Lease of approximately 4,064 rentable square feet of space located at 1100 New York Avenue, N.W., Washington, D.C. for office and classroom use by the LBJ School of Public Affairs Washington Center.

Lessor: AZ/JH REIT (DC) LP, a Delaware limited partnership

Term: Five-year and four-month term with an estimated commencement date of April 1, 2016, with one option to extend for three years.

Lease Cost: Initial annual base rent will be approximately $215,392 with annual escalations; base rent will total approximately $1,213,375 over the initial term. In addition, U. T. Austin will pay the cost of the growth of taxes and operating expenses. Rent for the extension option would be at fair market value and negotiated between parties.

Lessee Improvements: U. T. Austin and the landlord have agreed to share in the cost of improvements to the premises. The lessor is expected to provide a tenant improvement allowance not to exceed $142,240 and U. T. Austin will pay the tenant improvement expense in excess of the lessor’s allowance, which is currently estimated to be approximately $75,012.

Source of Funds: Gift Funds

31. Purchase - **U. T. Austin**: Authorization to purchase a total of approximately 0.844 of an acre of land located at 2101, 2103, and 2105 Comal Street; 2104 and 2106 Concho Street; and 1504 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Real Bridge Investments, Ltd. for future programmed campus expansion

Description: Purchase of six lots totaling approximately 0.844 of an acre located at 2101, 2103, and 2105 Comal Street; 2104 and 2106 Concho Street; and 1504 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, all within the approved boundaries of the U. T. Austin Campus Master Plan, for future programmed campus expansion

Seller: Real Bridge Investments, Ltd., a Texas limited partnership

Purchase Price: Not to exceed fair market value as determined by an independent appraisal performed by Sayers & Associates; appraisal is confidential pursuant to *Texas Education Code* Section 51.951.

Source of Funds: Investment Funds

32. Purchase **- U. T. Austin**: Authorization to purchase a total of approximately 1.1636 acres of land located at 1503, 1505, 1507, and 1509 East 20th Street; and 1506, 1508, and 1510 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas, from Milton Gooden for future campus expansion

Description:	Purchase of lots within the approved boundaries of the U. T. Austin Campus Master Plan; these lots are located within the 2015 East Campus Master Plan update
Total Area:	Approximately 1.1636 acres
Location:	1503, 1505, 1507, and 1509 East 20th Street; and 1506, 1508, and 1510 East Martin Luther King, Jr. Boulevard, Austin, Travis County, Texas
Seller:	Milton Gooden
Purchase Price:	Not to exceed fair market value as established by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951. A purchase on different terms was approved by the Board of Regents on May 14, 2015, but the acquisition did not close.
Source of Funds:	Investment Funds
Intended Use:	Future campus expansion

33. Contract (funds going out) **- U. T. Dallas**: ACC SC Management LLC dba American Campus Communities to provide management of all housing operations on campus

Agency:	ACC SC Management LLC dba American Campus Communities (ACC)
Funds:	Management fee estimated at $1,073,241 annually for a possible five years for a total of $5,400,000 if all options exercised.
Source of Funds:	Auxiliary Funds
Period:	November 1, 2015 through October 31, 2017 with university option to extend in one-year increments for three additional years not to exceed October 31, 2020 (five years maximum).

Description:	This contract will provide the operations, management fee, and staffing structure for managing all housing operations on campus, including apartments and residence halls. This includes leasing and maintenance and financial operations with the exception of residential life, which the University provides. Currently, University housing consists of Phases 1-9 of the University Village Apartments (2,543 beds in 58 buildings) and Phase 1-5 of the University Commons Residence Halls (2,200 beds in 5 buildings). Students will pay rent to ACC monthly for all apartment and residence hall housing. Each month, ACC will take 3% of gross revenue as a management fee and the remainder will be paid to U. T. Dallas in cash flow transfers. Annual budgeted revenue to U. T. Dallas for Fiscal Year 2016 for housing is $20,232,695. The vendor was selected based on best value through the formal competitive Request for Proposal process. Three proposals were received. The evaluation committee unanimously chose ACC's proposal as providing the best value to the university. The committee's recommendation was accepted and approved by the Vice President for Budget and Finance and the Vice President for Student Affairs.

34. Request for Budget Change - **U. T. Dallas**: Approval of Emeritus Titles

James F. Jerger, from Distinguished Scholar-in-Residence to Distinguished Scholar-in-Residence Emeritus, Texas Auditory Processing Disorder Laboratory in the School of Behavioral and Brain Sciences (RBC No. 7221) -- amendment to the 2014-2015 budget

Russell D. Edmunds, from Professor to Professor Emeritus, Anne and Chester Watson Professor of History in the School of Arts and Humanities (RBC No. 7166) -- amendment to the 2015-2016 budget

Myron B. Salamon, from Professor to Professor Emeritus, Physics in the School of Natural Sciences and Mathematics (RBC No. 7249) -- amendment to the 2015-2016 budget

James C. Murdoch, from Professor to Professor Emeritus, Economics and Public Policy in the School of Economic, Political and Policy Sciences (RBC No. 7167) -- amendment to the 2015-2016 budget

35. Request for Budget Change - **U. T. El Paso**: Tenure Appointment -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Science					
Biological Sciences					
Associate Dean for Research and Professor					
Michael Kenney (T)	12/1-8/31	50	12	194,667	7258
	12/1-5/31	50	09	146,000	
	12/1-8/31	0	12	2,000	

36. Request for Budget Change - **U. T. Permian Basin**: Approval of Emeritus Titles

Douglas Hale, from Professor to Professor Emeritus, Mathematics in the College of Arts and Sciences (RBC No. 7263) -- amendment to the 2015-2016 budget

Lois Hale, from Professor to Professor Emeritus, Kinesiology in the College of Arts and Sciences (RBC No. 7264) -- amendment to the 2015-2016 budget

37. Request for Budget Change - **U. T. Rio Grande Valley**: New Hires with Tenure -- amendment to the 2015-2016 budget

The following Requests for Budget Changes (RBC) have been administratively approved by the Executive Vice Chancellor for Academic Affairs and are recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Liberal Arts					
Criminal Justice					
Associate Professor					
Philip A. Ethridge (T)	9/1-5/31	100	09	75,559	7230
Noel Otu (T)	9/1-5/31	100	09	71,046	7231

Political Science					
Associate Professor					
Daniel Chomsky (T)	9/1-5/31	100	09	70,000	7232
College of Mathematical and Statistical Science					
Criminal Justice					
Professor					
Zhaosheng Feng (T)	9/1-5/31	100	09	77,695	7228
College of Sciences					
Chemistry					
Professor					
Hassan Ahmad (T)	9/1-5/31	100	09	94,341	7227

38. Purchase - **U. T. Rio Grande Valley**: Authorization to purchase land consisting of up to approximately 2.357 acres located near the intersection of East Jackson Street and West University Boulevard, Brownsville, Cameron County, Texas, from the City of Brownsville for future campus expansion

Description:	Purchase of approximately 2.357 acres of land located near the intersection of East Jackson Street and West University Boulevard, Brownsville, Cameron County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements, and to take all further actions deemed necessary or advisable to purchase the property. The property is contiguous to U. T. Rio Grande Valley's main campus and will be used for future campus expansion. This property is not completely within the last Board-approved Campus Master Plan and requires approval by the Board of Regents.
Seller:	City of Brownsville, Texas
Purchase Price:	Not to exceed fair market value as determined by an independent appraisal. Appraisal to be performed following the completion of survey of land by Vasquez Survey, Inc.
Source of Funds:	Unexpended Plant Funds

39. Purchase **- U. T. Rio Grande Valley**: Authorization to purchase an approximately 2.5 acre tract of land and improvements located at 1615 South Closner Boulevard, Edinburg, Hidalgo County, Texas, from Edinburg Real Estate Network, Inc. for office and research lab use

Description:	Purchase of approximately 2.5 acres of land and approximately 27,000 square feet of improvements located at 1615 South Closner Boulevard, Edinburg, Hidalgo County, Texas, and authorization for the Executive Director of Real Estate to execute all documents, instruments, and other agreements and to take all further actions deemed necessary or advisable to purchase the property. This property will be used for offices and research lab space. Board approval is required because this property is not within the Board-approved Campus Master Plan and is valued at greater than $1,000,000.
Seller:	Edinburg Real Estate Network, Inc.
Purchase Price:	Not to exceed fair market value as determined by an independent appraisal. Appraisal is confidential pursuant to *Texas Education Code* Section 51.951.
Source of Funds:	Unexpended Plant Funds

40. Contract (funds going out) **- U. T. San Antonio**: Sports Field Solutions, LLC to provide intercollegiate athletic sports fields maintenance and grounds services

Agency:	Sports Field Solutions, LLC
Funds:	$4,500,000 for the initial term and four optional renewal terms (cumulative)
Source of Funds:	Auxiliary Funds
Period:	An initial 24-month term beginning September 1, 2015, with four additional 24-month renewal options at U. T. San Antonio's discretion
Description:	The Agreement secures intercollegiate athletic sports fields maintenance and related grounds services to ensure field compliance with all National Collegiate Athletic Association and Conference USA requirements. The services were competitively bid.

41. Request for Budget Change - **U. T. San Antonio**: New Hire with Tenure -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Sciences					
Department of Mathematics					
Professor					
Changfeng Gui (T)	8/26-5/31	100	09	$177,500	7171

42. Request for Budget Change - **U. T. San Antonio**: New Hire with Tenure -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Academic Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
College of Sciences					
Department of Chemistry					
Professor					
Aimin Liu (T)	1/16-5/31	100	09	$165,000	7172

HEALTH AFFAIRS COMMITTEE

43. Contract (funds coming in) **- U. T. System**: Joint Admission Medical Program (JAMP) Council for Texas Medical Dental Schools Application Service to perform administrative duties of the JAMP as delegated by the JAMP Council

Agency: Joint Admission Medical Program Council (JAMP)

Funds: $10,206,794

The 84th Texas Legislature allocated $10,206,794 to the Texas Higher Education Coordinating Board (THECB) for JAMP. The funds were transferred from the THECB to U. T. System to be administered by the Texas Medical Dental Schools Application Service (TMDSAS) for the use of the JAMP Council, which delegated the administrative duties of the program to TMDSAS.

Period: September 1, 2015 through August 31, 2017

Description: TMDSAS to perform the administrative duties of the JAMP as delegated by the JAMP Council.

44. Contract (funds coming in) **- U. T. Southwestern Medical Center**: To provide professional consults via telemedicine to the patients of remote providers who have contracted with Complex Care Medical Services

Agency: Complex Care Medical Services

Funds: $905,004 per contract year

Period: July 16, 2015 through July 15, 2016 (one-year contract with option to renew for one additional one-year period)

Description: U. T. Southwestern Medical Center will provide professional consults via telemedicine to the patients of remote providers who have contracted with Complex Care Medical Services. Physicians are able to virtually examine patients at a remote site using specialized cameras and stethoscopes and view and discuss medical tests with colleagues in real time.

45. Contract (funds coming in) **- U. T. Southwestern Medical Center**: To provide physician services for patients at Dallas County Hospital District

Agency:	Dallas County Hospital District
Funds:	$13,000,000
Period:	August 20, 2015 through August 31, 2017
Description:	U. T. Southwestern Medical Center will provide physician services for patients at Dallas County Hospital District Urgent Care Center.

46. Contract (funds going out) **- U. T. Southwestern Medical Center**: TEMPEG, LLC will provide physician and other health care provider coverage services at Parkland Health and Hospital System

Agency:	TEMPEG, LLC
Funds:	$6,054,821
Source of Funds:	MSRDP/DSRDP/PRS Practice Plan Professional Fees
Period:	August 20, 2015 through September 30, 2016
Description:	TEMPEG, LLP will provide physician and other health care provider coverage services at Parkland Health and Hospital System. This procurement was not allowed to be competitively bid because it is for professional services. Under *Texas Government Code*, Chapter 2254.003, a government entity may not select a provider of professional services on the basis of competitive bids, but instead shall make the selection based on the demonstrated competence and qualifications to perform the services and for a fair and reasonable price.

47. Request for Budget Change **- U. T. Southwestern Medical Center**: Approval of Emeritus Titles

Paul Bergstresser, from Professor to Professor Emeritus, Department of Dermatology in the Medical School (RBC No. 7117) -- amendment to the 2015-2016 budget

Charles Reinert, from Professor to Professor Emeritus, Department of Orthopaedic Surgery in the Medical School (RBC No. 7118) -- amendment to the 2015-2016 budget

48. Lease **- U. T. Southwestern Medical Center**: Authorization to extend the lease of approximately 144,094 square feet of space located at 6300 Harry Hines Boulevard, Dallas, Dallas County, Texas, to Dallas County Hospital District dba Parkland Health and Hospital System for general office and clinic use

Description:	Extension of the term of the lease of approximately 144,094 rentable square feet located at 6300 Harry Hines Boulevard, Dallas, Dallas County, Texas, for general office and clinic use
Lessee:	Dallas County, Texas, to Dallas County Hospital District dba Parkland Health and Hospital System
Term:	The term of the lease is extended for a three-year period commencing on March 1, 2016, and continuing through February 28, 2019
Lease Income:	U. T. Southwestern Medical Center will receive a total of $6,512,077 in base rent during the extended lease term and will provide a tenant allowance of $396,282

49. Contract (funds coming in) **- U. T. Medical Branch - Galveston**: To provide preventive and primary care medical services for the Texas Department of State Health Services

Agency:	Texas Department of State Health Services (DSHS)
Funds:	Total amount: $5,815,400 This amendment: $2,907,700
Period:	Original agreement: September 1, 2014 through August 31, 2015 This amendment: September 1, 2015 through August 31, 2016
Description:	U. T. Medical Branch - Galveston will continue to provide preventive and primary care medical services to eligible individuals with this amendment to DSHS Contract No. 2015-046337. This Amendment extends the contract for one year. The original contract ($2,607,700) was approved by the Board of Regents on November 6, 2014, and amended in June 2015 to add $300,000. This proposed Amendment increases the total amount of the contract to $5,815,400.

50. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide comprehensive family planning services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: $2,837,797

Period: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston will provide comprehensive family planning services, which include medical, counseling, client education, referral, community education, and outreach services to eligible individuals. This is the first of two similar family planning agreements (DSHS Contract No. 2016-048339).

51. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide comprehensive family planning services for the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: $2,837,797

Period: September 1, 2015 through August 31, 2016

Description: U. T. Medical Branch - Galveston will provide comprehensive family planning services, which include medical, counseling, client education, referral, community education, and outreach services to eligible individuals. This is the second of two similar family planning agreements (DSHS Contract No. 2016-048455).

52. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide breast and cervical cancer screening services to eligible individuals in agreement with the Texas Department of State Health Services

Agency: Texas Department of State Health Services (DSHS)

Funds: $1,737,521

Period:	September 1, 2015 through February 29, 2016
Description:	U. T. Medical Branch - Galveston will continue to provide breast and cervical cancer screening, diagnostic and support services, tracking, follow-up, case management, and individual client education services to unduplicated clients who live or receive services in the following counties/areas: Austin, Brazoria, Calhoun, Cameron, Chambers, Colorado, Fort Bend, Galveston, Hardin, Harris, Hidalgo, Jasper, Jefferson, Liberty, Matagorda, Montgomery, Orange, San Jacinto, Walker, Waller, Wharton, and Willacy. The original contract total was for $1,254,233 and was approved by the Board of Regents on November 6, 2014; Amendment 1 decreased the contract by $96,270; this Amendment 2 increases the total by $579,558 for a total of $1,737,521 (DSHS Contract No. 2015-047036).

53. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To establish an infectious disease emergency preparedness facility with funding provided by the Texas Health and Human Services Commission

Agency:	Texas Health and Human Services Commission (HHSC)
Funds:	$2,500,000
Period:	HHSC signature date TBD to September 1, 2017
Description:	As a result of the 2014 formation of the Texas Task Force on Infectious Disease Preparedness and Response, the Texas Legislature added a new section to the *Health and Safety Code*, Section 81.49, conferring on HHSC the authority to enter into contracts for the establishment of infectious disease emergency preparedness facilities at health care-related institutions of the State. Under this contract with HHSC, U. T. Medical Branch - Galveston will establish an infectious disease emergency preparedness facility that will qualify to receive designation as a National Ebola Treatment Facility by the Federal Centers for Disease Control and Prevention.

54. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To manage the Commission on State Emergency Communications' Southeast Texas Poison Center

Agency:	Commission on State Emergency Communications
Funds:	Not to exceed $1,174,709 for FY 2016 Not to exceed $1,174,709 for FY 2017
Period:	September 1, 2015 through August 31, 2017
Description:	U. T. Medical Branch - Galveston will manage the Regional Poison Control Center by supplying employees to staff the Commission on State Emergency Communications owned and operated poison center telephone call lines and database on a 24-hour, seven days a week basis. The Commission on State Emergency Communications is a State agency and pursuant to the agreement, U. T. Medical Branch - Galveston will operate the Southeast Texas Poison Center, one of six state-funded Regional Poison Control Centers in Texas.

55. Contract (funds coming in) - **U. T. Medical Branch - Galveston**: To provide a benefit program for health care access using U. T. Medical Branch - Galveston hospitals and providers for eligible individuals employed by qualified small businesses and nonprofit organizations within Galveston County

Agency:	Texas Department of Insurance
Funds:	Fees to be paid during Fiscal Year 2016 shall not exceed $523,350; fees to be paid during Fiscal Year 2017 shall not exceed $689,220
Period:	September 1, 2015 through August 31, 2017
Description:	U. T. Medical Branch - Galveston to provide a benefit program for health care access using U. T. Medical Branch - Galveston hospitals and providers for eligible individuals employed by qualified small businesses and nonprofit organizations within Galveston County. The plan provides specified coverage for preventive care, ambulatory, and inpatient services. The U. T. Medical Branch - Galveston plan is sanctioned under Chapter 75 of the *Texas Health and Safety Code* which allows for the creation, existence, and operation of a Three-Share Premium Assistance Program (Multi-Share Premium Assistance Program) pursuant to *Texas Government Code,* Chapters 2155 and 2156, as applicable, and Rider 14 of Article VIII of House Bill 1 of the 84th Texas Legislature, Regular Session.

56. Contract (funds coming in) **- U. T. Medical Branch - Galveston**: To provide services to Texas Department of Assistive and Rehabilitative Services, Division for Early Childhood Intervention Services

Agency:	Texas Department of Assistive and Rehabilitative Services
Funds:	Not to exceed $1,043,508
Period:	September 1, 2015 through August 31, 2016
Description:	U. T. Medical Branch - Galveston to provide a program of early childhood intervention services for children with development delay and respite services for families of children enrolled in the Texas Department of Assistive and Rehabilitative Services, Division for Early Childhood Intervention Services.

57. Contract (funds coming in) **- U. T. Medical Branch - Galveston**: To provide Correctional Managed Health Care Services to offenders in units operated by the Texas Department of Criminal Justice

Agency:	Texas Department of Criminal Justice (TDCJ)
Funds:	Approximately $905,602,195
Period:	September 1, 2015 through August 31, 2017
Description:	U. T. Medical Branch - Galveston to provide Correctional Managed Health Care Services to offenders in units operated by the TDCJ, through its own capabilities or by further subcontracting. Health care, among other aspects, includes medical services, dental services, and mental health services.

58. Interagency Agreement (funds coming in) - **U. T. Medical Branch - Galveston**: To provide youth health services for the Texas Juvenile Justice Department

Agency:	Texas Juvenile Justice Department (TJJD)
Funds:	Total of $18,782,819 ($9,248,401 during Fiscal Year 2016 and $9,534,418 during Fiscal Year 2017)
Period:	September 1, 2015 through August 31, 2017
Description:	This is Amendment 1 to the Interagency Cooperation Contract I1417 previously entered into between U. T. Medical Branch - Galveston and the TJJD. U. T. Medical Branch - Galveston will continue to provide youth health services for the TJJD. The previous agreement was approved by the Board of Regents on May 15, 2014.

59. Contract (funds coming in and going out) - **U. T. Medical Branch - Galveston**: Nature Publishing Group dba Nature America, Inc. to enter into a publishing agreement

Agency:	Nature Publishing Group dba Nature America, Inc., incorporated in the State of New York
Funds:	$450,000 going out (from Designated - Sponsored Program) and approximately $1,000,000 coming in
Period:	Commence on May 15, 2015, to continue for a term of five years
Description:	U. T. Medical Branch - Galveston (UTMB) and Nature America, Inc. will enter into a publishing agreement to develop an online academic journal specifically related to vaccines jointly run by both parties. UTMB and Nature America will have official marks (e.g., UTMB or UTMB Health) prominently displayed on the site. Each party will share in the revenues (UTMB's share anticipated to exceed $1,000,000) and UTMB will be required to financially support development of the vaccine journal site ($450,000 over five years). This journal will provide recognition for UTMB's Sealy Center for Vaccine Development and be a vehicle for UTMB faculty to publish articles.

60. Contract (funds going out) **- U. T. Medical Branch - Galveston**: Ortho-Clinical Diagnostics, Inc. to provide goods and services for patient care laboratory testing for Galveston, League City, and Angleton Danbury campuses and for lab automation in Galveston

Agency: Ortho-Clinical Diagnostics, Inc.

Funds: Not to exceed $17,000,000 for the initial term and all renewals

Source of Funds: Primary: Education and General, Hospital Patient Income
Secondary: Designated Funds

Period: July 1, 2015 through June 30, 2022, with three optional one-year renewals

Description: U. T. Medical Branch - Galveston is contracting with Ortho-Clinical Diagnostics, Inc. to purchase clinical lab equipment, automation, reagents, and services for chemistry and hematology. Ortho-Clinical Diagnostics, Inc. to provide goods and services for patient care laboratory testing and will install new equipment for the clinical service wing expansion and will replace all old equipment. This is needed for patient care operations. These services were competitively bid.

61. Contract (funds going out) **- U. T. Medical Branch - Galveston**: Acadian Ambulance Service of Texas, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency: Acadian Ambulance Service of Texas, LLC

Funds: Not to exceed $6,600,000 for the initial term and all renewals

Source of Funds: Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts

Period: January 1, 2016 through December 31, 2018; with two one-year renewal periods

Description: To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

62. Contract (funds going out) **- U. T. Medical Branch - Galveston**: AMed Ambulance, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency:	AMed Ambulance, Inc.
Funds:	Not to exceed $12,000,000 for the initial term and all renewals
Source of Funds:	Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts
Period:	January 1, 2016 through December 31, 2018; with two one-year renewal periods
Description:	To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

63. Contract (funds going out) **- U. T. Medical Branch - Galveston**: American Medical Response, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency:	American Medical Response, Inc.
Funds:	Not to exceed $10,000,000 for the initial term and all renewals
Source of Funds:	Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts
Period:	January 1, 2016 through December 31, 2018; with two one-year renewal periods
Description:	To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

64. Contract (funds going out) **- U. T. Medical Branch - Galveston**: Freedom Ambulance, LLC to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency:	Freedom Ambulance, LLC
Funds:	Not to exceed $3,000,000 for the initial term and all renewals
Source of Funds:	Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts
Period:	January 1, 2016 through December 31, 2018; with two one-year renewal periods
Description:	To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

65. Contract (funds going out) **- U. T. Medical Branch - Galveston**: JD & DN Services LLC dba Intrepid EMS to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency:	JD & DN Services LLC dba Intrepid EMS
Funds:	Not to exceed $3,000,000 for the initial term and all renewals
Source of Funds:	Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts
Period:	January 1, 2016 through December 31, 2018; with two one-year renewal periods
Description:	To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

66. Contract (funds going out) **- U. T. Medical Branch - Galveston**: Ventura Medical Services, Inc. to provide ambulance transportation for Texas Department of Criminal Justice inmates and Texas Juvenile Justice Department wards from prison units to and from specific health care institutions

Agency:	Ventura Medical Services, Inc.
Funds:	Not to exceed $3,000,000 for the initial term and all renewals
Source of Funds:	Texas Department of Criminal Justice (TDCJ) and Texas Juvenile Justice Department (TJJD) contracts
Period:	January 1, 2016 through December 31, 2018; with two one-year renewal periods
Description:	To provide ambulance transportation for TDCJ inmates and TJJD wards from prison units to and from specific health care institutions as necessary. These services were competitively bid.

67. Contract (funds going out) **- U. T. Medical Branch - Galveston**: General Electric Company, by and through its GE Healthcare Division, to provide a program for equipment maintenance and repair services of diagnostic imaging equipment

Agency:	General Electric Company, by and through its GE Healthcare Division
Funds:	Not to exceed $40,000,000
Source of Funds:	Primary: Education and General, Hospital Patient Income Secondary: Designated Funds, Correctional Managed Care
Period:	July 1, 2007 through December 31, 2019
Description:	General Electric Company, GE Healthcare Division was selected to provide U. T. Medical Branch - Galveston equipment maintenance and repair services for the GE diagnostic imaging equipment because of the expertise GE brings to servicing and maintaining this highly technical equipment used in patient care.

The term of the original agreement was from July 1, 2007, through June 30, 2010, and was extended in 2010 until June 30, 2017. In 2014, the agreement was extended until 2018. A Third Amendment, effective September 30, 2014, and approved by the Board of Regents on February 11, 2015, extended the agreement through December 31, 2019. The proposed Fourth Amendment adds a cap of $40,000,000 for the contract, but does not change the term of the agreement.

68. Contract (funds going out) - **U. T. Medical Branch - Galveston**: MNI Diesel Inc. to provide emergency generator preventive maintenance and repair services

Agency:	MNI Diesel Inc.
Funds:	Not to exceed $2,000,000
Source of Funds:	Hospital Revenues
Period:	Three year initial term beginning September 1, 2015 through August 31, 2018, with option to renew for two additional one-year periods
Description:	MNI Diesel Inc. will provide preventive maintenance and repair services for emergency generators located on the U. T. Medical Branch - Galveston, League City, and Angleton Danbury campuses. Contract also includes equipment rental services for temporary emergency generators, if needed. Maintenance events are scheduled and comply with national standards. After each inspection, reports will be submitted before MNI Diesel Inc. leaves the campus.

69. Request for Budget Change - **U. T. Medical Branch - Galveston**: Approval of Emeritus Titles

Regina P. Lederman, from Professor to Professor Emeritus, School of Nursing (RBC No. 7116) -- amendment to the 2015-2016 budget

Vicki J. Schnadig, from Professor to Professor Emeritus, Pathology Department in the School of Medicine (RBC No. 7110) -- amendment to the 2015-2016 budget

70. Lease - **U. T. Medical Branch - Galveston**: Authorization to extend the lease of approximately 10,100 square feet of space at 2327 East Mulberry Drive, Angleton, Brazoria County, Texas, from Angleton Danbury Hospital District for clinic use

Description:	Extension of lease for 10,100 square feet of space located at 2327 East Mulberry Drive, Angleton, Brazoria County, Texas, for clinic use. This property is located near the Angleton Danbury Hospital operated by U. T. Medical Branch - Galveston.
Lessor:	Angleton Danbury Hospital District
Term:	The initial term will be for a period of nine years commencing on September 1, 2015, and expiring on August 31, 2024. Additionally, U. T. Medical Branch - Galveston will have the option to renew the lease for up to two periods of five years each. This term coincides with the lease of the Angleton Danbury Hospital to U. T. Medical Branch - Galveston.
Lease Cost:	The amount of rental payments for the period from September 1, 2015 through August 31, 2024 is $1,440,000; an average of $14.26 per square foot. Renewal option rent payments will be agreed upon by the parties prior to renewal at an amount not to exceed fair market value.
Source of Funds:	Hospital Patient Income

71. Request for Budget Change - **U. T. Health Science Center - Houston**: Tenure Appointments -- amendment to the 2015-2016 budget

The following Requests for Budget Change (RBC) have been administratively approved by the Executive Vice Chancellor for Health Affairs, after review of market compensation valuation studies, and are recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
School of Medicine					
Internal Medicine / Advanced Heart Failure Program					
Professor					
Biswajit Kar (T)	9/1-8/31	100	12	$1,000,000	7139

Neurology					
Professor					
Louise D. McCullough (T)	9/1-8/31	100	12	$548,567	7138
Pediatrics					
Dean and Professor					
Barbara J. Stoll (T)	10/1-8/31	100	12	$810,000	7137

72. Request for Budget Change - **U. T. Health Science Center - Houston**: Approval of Emeritus Titles

Richard D. Bebermeyer, from Professor and Chair to Professor Emeritus, Department of General Practice and Dental Public Health in the School of Dentistry (RBC No. 7084) -- amendment to the 2014-2015 budget

Terry J. Crow, from Professor to Professor Emeritus, Department of Neurobiology and Anatomy in the School of Medicine (RBC No. 7026) -- amendment to the 2014-2015 budget

73. Lease - **U. T. Health Science Center - Houston**: Authorization to extend the lease of approximately 24,297 square feet of space located at 1133 M. D. Anderson Boulevard, Houston, Harris County, Texas, from Houston Academy of Medicine for clinical and research use

Description: Extension of the lease of approximately 24,297 square feet of space located at 1133 M. D. Anderson Boulevard, Houston, Harris County, Texas, to be used for clinical and research use.

Lessor: Houston Academy of Medicine, a Texas nonprofit corporation

Term: The term for the extension period is five years, commencing on September 1, 2015.

Lease Cost: Base rent payable during the five-year extension period totals approximately $3,280,095 ($27 per rentable square foot) plus one Consumer Price Index escalation on September 1, 2016. Additionally, the initial lease agreement contains a provision stating that, if lessor shall ever lose its tax-exempt status, U. T. Health Science Center - Houston shall pay its pro rata share of ad valorem taxes attributable to the premises.

The Board of Regents approved the lease of 23,132 square feet of space for an initial five-year term and two five-year extension options on August 10, 2000; however, while a lease cost of $2,081,880 for the initial term was stated, a value for the two extension options was not stated. Additionally, the parties agreed to expand the premises by 1,165 square feet at the commencement of the first extension period. U. T. Health Science Center - Houston paid rent in the cumulative amount of $5,231,144 for the two extension options for the expanded premises.

Source of Funds: MSRDP/DSRDP/PRS Practice Plan Professional Fees

74. Lease - **U. T. Health Science Center - Houston**: Authorization to expand the premises and extend the lease of approximately 2,502 square feet of space located at 12401 ½ South Post Oak Drive, Houston, Harris County, Texas, from The Pyramid Community Development Corporation dba The Power Center for a Women, Infants, and Children (WIC) program clinic

Description: Expansion of premises and extension of the lease of approximately 2,502 square feet of space in a building located at 12401 ½ South Post Oak Drive, Houston, Harris County, Texas, for a Women, Infants, and Children (WIC) program clinic. The value of the initial term of the lease, which commenced on December 1, 1995, and subsequent extensions to date have not exceeded $1,000,000, so Board approval was not previously required; however, the combined value of the rental for the current extension period and the previously accumulated lease term does exceed $1,000,000. The parties have also now agreed to expand the premises to 2,656 square feet.

Lessor: The Pyramid Community Development Corporation, a Texas nonprofit corporation dba The Power Center

Term: Five years, commencing on July 1, 2015, and expiring on June 30, 2020, plus one one-year extension option

Lease Cost: For the lease periods from December 1, 1995, to June 30, 2015, base rent and operating expenses have totaled approximately $947,727; base rent and operating expenses for the expanded premises during the current extension period and subsequent one-year extension option period will total approximately $340,248.

Source of Funds: Federal, State, Local and Private Contracts and Grants

75. Approval of Dual Position of Honor, Trust, or Profit - **U. T. Health Science Center - Houston**: Appointment by Governor Abbott of Allison P. Edwards, DrPH, MS, RN, Assistant Professor of Nursing, as Member of the Texas Board of Nursing

The following item has been approved by the Executive Vice Chancellor for Health Affairs in accordance with Regents' *Rules and Regulations*, Rule 30103.

It has been determined that the holding of this office or position is of benefit to the State of Texas and U. T. Health Science Center - Houston and there is no conflict between holding this position and the appointment with the University.

The Board is also asked to find that holding this position is of benefit to the State of Texas and the University and that there is no conflict between the position and the University.

Name:	Allison P. Edwards, DrPH, MS, RN
Title:	Assistant Professor of Nursing
Position:	Member, Texas Board of Nursing
Period:	July 9, 2015 through January 31, 2021
Compensation:	None
Description:	Governor Abbott has appointed Dr. Edwards to the Texas Board of Nursing. The Texas Board of Nursing was established by the Texas Legislature to regulate the safe practice of nursing in Texas.

76. Request for Budget Change - **U. T. Health Science Center - San Antonio**: Tenure Appointment -- amendment to the 2014-2015 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

			Full-time Salary		
Description	Effective Date	% Time	No. Mos.	Rate $	RBC #
School of Nursing					
Family and Community Health Systems					
Professor					
Kenneth P. Miller (T)	8/1-8/31	100	12	140,000	7136

77. Request for Budget Change **- U. T. Health Science Center - San Antonio**: Approval of Emeritus Titles

Richard Ludueña, from Professor to Professor Emeritus, Department of Biochemistry in the School of Medicine (RBC No. 6977) -- amendment to the 2014-2015 budget

David McCall, from Professor to Professor Emeritus, Department of Medicine in the School of Medicine (RBC No. 6975) -- amendment to the 2014-2015 budget

Victor German, from Professor to Professor Emeritus, Department of Pediatrics in the School of Medicine (RBC No. 7125) -- amendment to the 2015-2016 budget

78. Contract (funds going out) **- U. T. M. D. Anderson Cancer Center**: Sapient Corporation to provide digital experience strategy services

Agency:	Sapient Corporation
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $35,000,000.
Source of Funds:	Hospital Patient Income
Period:	The term of this agreement will be for a period of 36 months, commencing on August 18, 2015, and continuing through August 17, 2018. The agreement includes the option for two 12-month renewals.
Description:	Sapient Corporation will design and implement a customized digital experience for U. T. M. D. Anderson Cancer Center that will deliver content, tools, and information to the U. T. M. D. Anderson Cancer Center's many end users, including patients, employees, students, donors, and job candidates. These services were competitively bid.

79. Contract (funds going out) **- U. T. M. D. Anderson Cancer Center**: The Richards Group to design and implement a digital marketing program

Agency:	The Richards Group
Funds:	The total cost of services under this agreement, including all renewals, will not exceed $34,966,564.
Source of Funds:	Hospital Patient Income

Period: The term of this agreement will be for a period of 36 months, commencing on November 17, 2015, and continuing through November 16, 2018. The agreement includes the option for two 12-month renewals.

Description: The Richards Group will design and implement a digital marketing program for U. T. M. D. Anderson Cancer Center, which will include search engine marketing, digital media buying, integrated digital campaigns, and related research, testing, and analytics that build off of U. T. M. D. Anderson Cancer Center's evolving digital presence. These services were competitively bid.

80. Contract (funds going out) - **U. T. M. D. Anderson Cancer Center**: Viracor-IBT Laboratories, Inc. to provide lab testing and reporting services

Agency: Viracor-IBT Laboratories, Inc.

Funds: The total cost of services under this agreement, including all renewals, will not exceed $6,000,000.

Source of Funds: Hospital Patient Income

Period: The term of the existing agreement is for a period of 36 months, commencing on December 15, 2013, and continuing through December 14, 2016. The agreement includes the option for two 12-month renewals. The 2013 agreement and Amendment No. 1 were not previously submitted to the Board of Regents, as the amount was under the institution’s $2,500,000 delegated contract authority.

Description: U. T. M. D. Anderson Cancer Center cares for a significant patient population of severely immunocompromised patients that are at high risk of morbidity resulting from opportunistic and unusual infections. Rapid lab testing and reporting is required for early diagnosis and intervention. Viracor-IBT Laboratories, Inc. provides lab testing and reporting services that meet these turnaround requirements. The contract was sourced via an Exclusive Acquisition Justification for “Meets Unique Specifications” and it was approved because the vendor met the unique specifications.

81. Request for Budget Change - **U. T. M. D. Anderson Cancer Center**: Tenure Appointment -- amendment to the 2015-2016 budget

The following Request for Budget Change (RBC) has been administratively approved by the Executive Vice Chancellor for Health Affairs and is recommended for approval by the U. T. System Board of Regents:

Description	Effective Date	% Time	Full-time Salary No. Mos.	Full-time Salary Rate $	RBC #
Medical Staff					
Surgical Oncology					
Professor					
Richard E. Royal (T)	9/1-8/31	100	12	384,471	7093

82. Lease - **U. T. M. D. Anderson Cancer Center**: Authorization to lease an approximately 90,000 square foot to-be-constructed building located at the intersection of the U.S. Highway 59 frontage road and Taborwood Avenue, Sugar Land, Fort Bend County, Texas, from PMRG Associates II, LP, or a related entity, for a regional care clinic

Description:	Lease of approximately 90,000 square feet in a single-tenant medical clinic building to be constructed by Lessor at the intersection of the U.S. Highway 59 frontage road and Taborwood Avenue, Sugar Land, Fort Bend County, Texas, for a regional care clinic. On February 11, 2015, U. T. M. D. Anderson Cancer Center presented to the Board of Regents a proposed strategy to establish suburban outpatient clinics throughout the Greater Houston metropolitan area to expand the Cancer Center's reach to outlying patients. As originally presented, the strategy contemplated a relationship with Memorial Hermann Health System (MHHS) for clinics to be located on or near MHHS campuses throughout the Greater Houston metropolitan area. Since then, however, U. T. M. D. Anderson Cancer Center has decided to pursue its suburban strategy on its own and is now seeking to proceed with the relocation and expansion of its suburban outpatient clinics by engaging with other parties and developers to develop, construct, and lease facilities to the Cancer Center on sites selected by the Cancer Center. In furtherance of its suburban expansion strategy, the Cancer Center is entering into a ground lease with U. T. Medical Branch - Galveston (UTMB) to establish a clinic at UTMB's League City campus; the Board approved this ground lease on

August 20, 2015. This current lease in Sugar Land represents the Cancer Center's continuing efforts to effectuate its suburban expansion strategy.

Lessor: PMRG Associates II, LP, a Texas limited partnership, or a related entity

Term: The term commences on the date that Lessor substantially completes construction of the project and continues for 20 years, plus two five-year renewal options. The estimated commencement date is March 1, 2019.

Lease Cost: The base rent will be calculated using a rent constant of 6.25% applied to the total project development cost (including the cost of land acquisition, hard and soft costs of construction, and financing costs). Based on preliminary plans and current construction cost estimates, the Year One base rental rate would be $36.50 per square foot per year and will escalate annually; the projected total lease cost will be approximately $106,512,549 in base rent and estimated operating expenses over the initial 20-year term. Base rent for the renewal option periods will be 95% of the then-prevailing market rental rate. The Lessor is providing an allowance of up to $200 per square foot for tenant improvements to the leased premises. U. T. M. D. Anderson Cancer Center believes that the allowance provided by the Lessor will be sufficient to cover the costs of tenant improvements.

Additionally, because U. T. M. D. Anderson Cancer Center is requesting that the Lessor acquire the site in early 2016, but delay construction commencement until approximately April 1, 2017, U. T. M. D. Anderson Cancer Center will pay the Lessor's reasonable carrying costs attributable to the land (including Lessor's interest on financing of the land, ad valorem taxes, and insurance) for a period of approximately 13 months.

Source of Funds: Patient Revenue

83. Contract (funds coming in) **- U. T. Health Science Center - Tyler**: To provide support services to the Texas Collaborative for Healthy Mothers and Babies of the Texas Department of State Health Services

Agency:	Texas Department of State Health Services, Office of Title V and Family Health
Funds:	Not to exceed $501,787 per fiscal year; or $1,505,360 for the three-year contracted period
Period:	November 1, 2015 through August 31, 2018
Description:	U. T. Health Science Center - Tyler will support, coordinate, and facilitate the Texas Collaborative for Healthy Mothers and Babies and its three Standing Committees (Neonatology, Obstetrics, and Community Health) and will support graduate students engaged in these efforts. Findings will be coordinated and published in peer-reviewed journals.

84. Contract (funds going out) **- U. T. Health Science Center - Tyler**: Pathology Associates of Tyler, PA, to provide professional pathology services

Agency:	Pathology Associates of Tyler, PA
Funds:	Estimated at $1,200,000
Source of Funds:	MSRDP/DSRDP/PRS Practice Plan Professional Fees
Period:	September 1, 2015 through August 31, 2016
Description:	Proposed renewal agreement for the provision of full-time/full-range professional pathology services to U. T. Health Science Center - Tyler, including anatomic pathology, histology, cytopathology, and clinical pathology services, and medical director services.

FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

85. Contract (funds going out) - **U. T. San Antonio**: Himjar, LLC dba VIP Staffing to provide on-call temporary staffing services to support construction projects

Agency: Himjar, LLC dba VIP Staffing

Funds: Possible service fees of more than $1,000,000 for the initial term and three optional one-year renewal terms (cumulative). Agreement includes a service fee cap of $1,500,000.

Source of Funds: Service Funds

Period: An initial 12-month term beginning August 18, 2015, with three additional 12-month renewal options

Description: On-call temporary staffing services to support construction and renovation projects managed by the U. T. San Antonio Facilities Department.

86. Contract (funds going out) - **U. T. Health Science Center - Houston**: E&C Engineers & Consultants, Inc. to perform structural and civil engineering design services on an as-needed basis

Agency: E&C Engineers & Consultants, Inc.

Funds: Not to exceed $1,500,000

Source of Funds: Each department choosing to utilize this service may pay from a different fund source

Period: September 1, 2014 through August 31, 2019

Description: E&C Engineers & Consultants, Inc. were selected after a formal bid to provide structural and civil engineering design services to include preparation of schematic design, design development, and construction documents on an as-needed basis. The contract period began on September 1, 2014, and this request is for approval of an amendment that will increase the contract value to $1,500,000.

87. Contract (funds going out) **- U. T. Health Science Center - Tyler**: Garrett & Associates General Contractors to provide construction services to renovate the 'A' Wing Lab of the Biomedical Research Center

Agency:	Garrett & Associates General Contractors
Funds:	$1,813,000
Source of Funds:	STARs Funding and Hospital Patient Income
Period:	August 3, 2015 through January 29, 2016
Description:	The Biomedical Research Center 'A' Wing Lab Renovations will consist of construction alterations to approximately 4,400 square feet of existing lab space. The project will include lab space, microscope rooms, culture rooms, a walk-in cooler, and office space for faculty and staff. This contract was competitively bid.

TECHNOLOGY TRANSFER AND RESEARCH COMMITTEE

No items for Consent Agenda

ADDITIONAL CONSENT AGENDA ITEM
ACADEMIC AFFAIRS COMMITTEE

Employment Agreement **- U. T. System**: Amendment of employment agreement for Jeffrey Spath, Ph.D., as Chief Executive Director for the U. T. System Energy Research, Engineering, and Education Institute to provide a one-time payment of $50,000 for moving and relocation expenses

Approval is requested to amend the employment agreement with Jeffrey Spath, Ph.D., as Chief Executive Director for the U. T. System Energy Research, Engineering, and Education Institute to provide a one-time payment of $50,000 in lieu of any additional payment for costs associated with moving, storage, relocation, and transitional living expenses, and approval of funding for the allocation.

This previously negotiated contract term was not included in the original employment agreement with Dr. Spath. The original contract was approved by the Board on August 20, 2015.