TABLE OF CONTENTS FOR MEETING OF THE BOARD

November 8-9, 2007
Austin, Texas

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers – Section 551.071

   U. T. System Board of Regents: Discussion with Counsel on pending legal issues — *Mr. Burgdorf*

3. Deliberations Regarding the Purchase, Exchange, Lease, Sale, or Value of Real Property – Section 551.072

4. Negotiated Contracts for Prospective Gifts or Donations – Section 551.073

   U. T. Health Science Center - San Antonio: Discussion and appropriate action related to a proposed negotiated gift — *Mr. Burgdorf*, *Dr. Safady*, *President Cigarroa*

B. RECONVENE IN OPEN SESSION TO CONSIDER ACTION ON EXECUTIVE SESSION ITEMS, IF ANY — *5:25 p.m.*

C. RECESS — *5:30 p.m.*

1. U. T. System Board of Regents: Election of officers

2. U. T. System Board of Regents: Historical presentation on former Board Chairman Frank C. Erwin, Jr.

REPORT

Mr. Richard A. Holland will give a presentation on former Board Chairman Frank C. Erwin, Jr. Mr. Erwin served on the U. T. System Board of Regents from May 1963 to January 1975 and served as Chairman of the Board from December 2, 1966 until March 12, 1971.

Mr. Holland is a Senior Lecturer at U. T. Austin, where he teaches in the Liberal Arts Honors program. His courses have included classes on Texas culture, American music, and the 1960s.

His edited book, *Larry L. King: A Writer's Life in Letters, Or, Reflections in a Bloodshot Eye,* was published by the TCU Press in 1999. In Fall 2006, The University of Texas Press published an anthology by Mr. Holland titled, *The Texas Book: Profiles, History, and Reminiscences of the University*. Mr. Holland wrote the introduction and three chapters of the anthology, two of which are about U. T. System Regents: "Thirteen Ways of Looking at Chairman Frank," and "George W. Brackenridge, George W. Littlefield, and the Shadow of the Past."

Mr. Holland was the special collections librarian at Texas State University in San Marcos and the founding curator of the Southwestern Writers Collection, now a recognized repository for Texas literary archives, southwestern film, and Texas and Mexican photography from 1987-1997.

3. U. T. System: Chancellor's Quarterly Update

REPORT

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

4. U. T. System: Annual report on research and technology transfer

REPORT

Dr. H. Keith McDowell, Vice Chancellor for Research and Technology Transfer, will present the annual report on research and technology transfer trends for the U. T. System.

Supplemental Materials: PowerPoint presentation on Pages 1 – 9 of Volume 2.

5. **U. T. System Board of Regents: Amendment to the Regents' *Rules and Regulations* to add Series 30107, concerning veteran's employment preferences**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations* be amended to add Series 30107 as set forth below regarding veteran's employment preferences:

1. Title

Veteran's Employment Preferences

2. Rule and Regulation

Sec. 1 Preference in Employment. As authorized in Chapter 657 of the *Texas Government Code*, an individual who qualifies for a veteran's preference is entitled to a preference in State employment over other applicants for the same position who do not have greater qualifications.

Sec. 2 Complaint Regarding Employment Decision. Chapter 657 of the *Texas Government Code* provides that an individual entitled to a veteran's employment preference who is aggrieved by a decision of a state agency or institution, relating to hiring or to retention of the individual in the event of a workforce reduction, may appeal the decision by filing a complaint with the governing body of the agency.

Sec. 3 Delegation. The Board delegates to the Chief Administrative Officer of each U. T. System institution the authority to review all such written complaints and to respond within 15 business days of receipt. The Chief Administrative Officer shall review complaints promptly and may render a different employment decision if it is determined that the veteran's preference was not applied. The decision of the Chief Administrative Officer shall be final.

3. Definitions

Chief Administrative Officer – The Chancellor of the U. T. System and the presidents of each of the institutions of the U. T. System.

BACKGROUND INFORMATION

House Bill 1275, passed by the 80th Legislature, Regular Session allows an individual entitled to a veteran's employment preference, who is aggrieved by a decision of a state agency related to hiring the individual or retaining the individual, in the event of a workforce reduction, to appeal the decision by filing a written complaint with the governing body of the agency. The governing body must respond to the complaint not later than the 15th business day after the date of receipt.

In accordance with *Texas Education Code* Section 65.31(g), the Board delegates to the Chief Administrative Officer for each institution of the U. T. System the responsibility and authority for receiving and deciding appeals filed by individuals who believe they were improperly denied a veteran's employment preference.

6. U. T. System Board of Regents: Amendments to the Regents' *Rules and Regulations*, Series 30601, concerning U. T. System-wide discipline and dismissal of classified employees

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor for Administration, and the Vice Chancellor and General Counsel that Regents' *Rules and Regulations*, Series 30601, concerning discipline and dismissal of employees be amended as a revised policy as set forth in its entirety on Pages 4 - 6.

BACKGROUND INFORMATION

U. T. System Administration and U. T. System institutions are required to comply with the provisions of Regents' *Rules and Regulations*, Series 30601 when disciplining or discharging a classified employee. The current Rule sets out an elaborate process that has worked well since its adoption. The institutions have experience in disciplinary matters, but requested streamlining of the process and the flexibility to make decisions based on the needs of the institution.

These proposed revisions will allow U. T. System Administration and each U. T. System institution to adopt a policy governing discipline and dismissal of classified employees. U. T. System Administration and each U. T. System institution will provide notice to the affected employee and provide an opportunity to respond to avoid mistaken decisions in discipline. Presidents of the institutions have been notified of the proposed revisions and provided no further comment. A model policy has been formulated to assure compliance with provisions of the revised Rule.

1. Title

Discipline and Dismissal of Classified Employees

2. Rule and Regulation

Sec. 1 Policy. It is the policy of The University of Texas System to encourage fair and efficient processes to resolve disputes arising out of the employment relationship and to meet the requirements of State and federal law.

Sec. 2 Establishment of Policies. System Administration and each U. T. System institution shall adopt a policy governing discipline and dismissal of classified employees. Such a policy, at the minimum, shall comply with the provisions below and become effective upon approval by the appropriate Executive Vice Chancellor and the Vice Chancellor and General Counsel.

2.1 Purpose. The purpose of a policy is to provide a procedure for the discipline and dismissal of classified employees who are subject to its provisions.

2.2 At-Will Employees. Classified employees are at-will employees who serve without tenure. No provision of this policy or any policy adopted by System Administration or any U. T. System institution shall confer rights to employees that are contrary to the employment-at-will doctrine.

Sec. 3 Required Provisions. The policy adopted by System Administration and each U. T. System institution shall address the following elements:

3.1 Applicability. The policy shall be applicable to conduct or job performance of a classified employee that results in a decision to impose a disciplinary penalty of demotion, suspension without pay, or dismissal. The policy shall not apply to:

(a) Faculty or Police. Institutional police or faculty who are subject to other approved discipline or dismissal procedures;

(b) Suspension. Suspension with pay pending investigation of allegations relating to an employee;

(c) Appointed Positions. Decisions not to offer reappointment to persons whose appointment for a stated period of one year or less expires at the end of such period;

(d) Positions without Fixed Term. Employees who are appointed to positions without fixed term and serve at the pleasure of a specific administrative officer;

(e) Student Status. Persons who are employed in positions that require student status as a condition of employment; or

(f) Dismissal. Dismissal of employees:

(1) who occupy positions that are dependent upon funding from a specific source and such funding is not received;

(2) as a result of a reduction in force;

(3) due to financial exigency;

(4) during any probationary period of employment;

(5) who are appointed for a stated period that is less than 180 days;

(6) who are appointed at a per diem or hourly rate and work on an as needed basis;

(7) who have not attained or maintained the necessary clearance, certification, or licensure for their positions; or

(8) who have exhausted applicable leave entitlements.

3.2 Conduct Subject to Disciplinary Actions. The policy shall include provisions pertaining to requisite standards of conduct for employees, work performance, and unacceptable conduct that can subject an employee to disciplinary action.

3.3 Procedures. The policy shall include disciplinary and appeal procedures consistent with the following provisions:

(a) Notice and Opportunity to Respond. The employee shall be informed in writing of the reasons for the proposed disciplinary action and the facts upon which the proposed discipline is based. The employee shall be provided with a reasonable opportunity to respond to the proposed disciplinary action before a final decision is made to take disciplinary action.

(b) Appeals. The employee shall be provided a process to appeal a disciplinary demotion, suspension without pay, or dismissal to the vice president or administrative equivalent for the employee's department.

(1) The vice president or administrative equivalent shall, at his or her discretion, handle the appeal or appoint a delegate(s). The decision of the vice president or administrative equivalent is final.

(2) The employee has the right to be represented during the appeal by an attorney or other individual representative. If the employee is represented by an attorney or an individual from an employee organization, the institution may be represented by an attorney from the institution or the Office of General Counsel of The University of Texas System.

3. Definitions

Classified Employee – any employee in a position that has been designated as a classified employee in the Classified Personnel Pay Plan of the employing U. T. System institution.

Financial Exigency – a state in which financial demands call for budget cuts.

Work Performance – includes all aspects of an employee’s work including the performance of job duties and adherence to work conduct standards.

7. **U. T. System Board of Regents: Amendment of Regents' *Rules and Regulations*, Series 60301, related to private development campaigns**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Vice Chancellor for External Relations and the Vice Chancellor and General Counsel that the Regents' *Rules and Regulations*, Series 60301 (Development Board of an Institution), Section 7 related to private development campaigns be amended as set forth below in congressional style:

Sec. 7 Private Development Campaigns.

7.~~2~~1 Comprehensive ~~Capital~~ Campaigns. All broad-scale, institution-wide campaigns must be reviewed and approved by the Vice Chancellor for External Relations and the appropriate Executive Vice Chancellor before campaign plans, or any activity, including a silent phase of a campaign, are implemented and consultants retained. ~~Other than planning efforts necessary for appropriate review, no such campaign shall be authorized or undertaken until it is approved by the Board of Regents.~~

7.~~1~~2 Special Purpose Campaigns. From time to time, special purpose campaigns for campus-specific objectives (for example, a significant scholarship fund or faculty endowment program) may be conducted without approval by the Vice Chancellor for External Relations and the appropriate Executive Vice Chancellor ~~Board of Regents~~. However, special purpose campaigns regarding prominent buildings and programs as identified in Series 80307~~,~~ must be approved as set out in Section 7.1 above ~~by the Board of Regents~~.

BACKGROUND INFORMATION

These amendments are proposed to streamline the approval procedures for the initiation of private development campaigns.

8. U. T. System Board of Regents: Amendments to Regents' *Rules and Regulations*, Series 80103 (Solicitation), Section 2 to add language concerning restrictions on credit card marketing

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*, Series 80103 (Solicitation), Section 2, be amended to add language concerning restrictions on credit card marketing as set forth below in congressional style:

Sec. 1 Prohibition of Solicitation. No solicitation shall be conducted on any property, street, or sidewalk, or in any building, structure, or facility owned or controlled by the U. T. System or any of its institutions unless permitted by the Regents' *Rules and Regulations*.

Sec. 2 Exceptions to Prohibition.

. . .

2.20 Commonly Used Services.

(a) Delegation. The display and distribution of printed material from tables or booths by providers of services that are commonly utilized by students, faculty, and staff of the U. T. System or any of its institutions, such as financial institutions, long distance telephone carriers, utilities, housing locators, printers and duplicators, tutors, or employment agencies. The Board delegates to the Chancellor or president the authority to designate ~~N~~no more than two one-day periods each academic year ~~may be designated~~ for the activities authorized under this provision and will determine their time and place as well as the number of providers who participate ~~during which all authorized providers may engage in such activities in an area selected by the U. T. System or any of its institutions~~. ~~The U. T. System or any of its institutions will determine the number of providers authorized to participate on each of the two one-day periods~~. The activities of a provider ~~must be limited to the time and place designated by the U. T. System or any of its institutions and~~ must be conducted in compliance with State law, Section 1 above, and other U. T. System or institutional guidelines ~~specified by the U. T. System or any of its institutions~~. A provider may not make sales of or take orders for services. The U. T. System or any of its institutions shall charge an appropriate fee for the privilege of conducting such activities. Any provider who violates State law, the Regents' *Rules and Regulations* or the ~~rules and regulations~~ applicable guidelines of the institution in the course of ~~such~~ activities permitted under this provision, ~~or who has violated a provision of the Regents' *Rules and Regulations* or the rules and regulations of the institution during the 12-month period preceding a day designated by the institution for activities authorized by this subdivision~~ shall not be permitted to participate in such activities for a period of one (1) year from the date of the violation.

(b) Restrictions on Credit Card Marketing. An individual who has exercised delegated authority under (a) above to allow campus credit card marketing activities shall comply with all requirements of Subchapter L of the *Texas Business and Commerce Code* Section 35.131 et seq. and shall assure that a session on credit card and debt education, as well as protecting personal information from identity theft, is included in all orientation programs for new students.

2.21 Athletic Events.

(a) Delegation. ~~An institution~~ A president may designate a reasonable number of areas ~~immediately adjacent~~ in a reasonable proximity to the exterior of a facility used for intercollegiate athletic events and may authorize such areas to be used for the display of motor-propelled vehicles and for the location of booths, tables, or kiosks to be used for the display of merchandise, the distribution of free samples of merchandise, and the display and distribution of printed material related to merchandise, products, or services. Such activities may be authorized only on the day before and the day of an intercollegiate athletic event or an event that is related to athletics that takes place in the facility. ~~An institution~~ The president may designate a reasonable number of areas inside a facility to be used for intercollegiate athletic events for such activities if the safety officer of the institution approves the designation and use of the area. All persons engaged in or associated with such displays and distributions must conduct those activities in compliance with State law, ~~this~~

~~Series~~ the Regents' *Rules and Regulations*, and with other guidelines specified by the institution. Such persons may not make sales of or take orders for such vehicles, merchandise, products, or services. The institution shall charge an appropriate fee for the privilege of using such areas. ~~If persons engaged in such activities~~ Persons or entities that violate State law, the Regents' *Rules and Regulations*, or the ~~rules and regulations~~ applicable guidelines of the institution while using designated areas under this provision~~, such persons, and any entity that they are acting for~~ shall not be permitted to engage in activities under this provision ~~subdivision~~ for a ~~12-month~~ period of one (1) year from the date of the violation.

(b) Restrictions on Credit Card Marketing. An individual who has exercised delegated authority under (a) above to allow campus credit card marketing activities shall comply with all requirements of Subchapter L of the *Texas Business and Commerce Code* Section 35.131 et seq. and shall assure that a session on credit card and debt education, as well as protecting personal information from identity theft, is included in all orientation programs for new students.

BACKGROUND INFORMATION

The proposed amendments add language required by House Bill 85, passed by the 80th Legislature, Regular Session (to be codified as Subchapter L of the *Texas Business and Commerce Code* Section 35.131 et seq.). The new legislation provides that a credit card issuer may not engage in credit card marketing activities outside of locations and times designated by the governing board of an institution. The new legislation defines “marketing activities” to include any activity designed to encourage and enable students to apply for a credit card and includes the act of placing a display together with a credit card application. A governing board that allows credit card marketing shall adopt a policy requiring credit card and debt education as a part of new student orientation. The proposed amendments include this requirement and also require the orientation to cover protection against identity theft.

Pursuant to the current Regents' *Rules and Regulations*, limited credit card company activities that do not involve sales or orders, may be allowed under guidelines concerning time, place, and manner as determined by each president. The proposed amendments do not authorize any additional credit card activities.

9. U. T. System Board of Regents: Amendments to Regents' *Rules and Regulations*, Series 80302 (Building Committees), Section 4, regarding Special Interest Projects

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*, Series 80302 (Building Committees), Section 4, regarding Special Interest Projects, be amended as set forth below in congressional style:

Sec. 4 Special Interest Projects. Upon recommendation of the Associate Vice Chancellor for Facilities Planning and Construction following consultation with the Chairman of the Facilities Planning and Construction Committee, a ~~For~~ project~~s identified~~ may be designated by the Board of Regents to be of special interest because of proposed building site, historical or cultural significance, proposed use, or other unique characteristics.~~, the FPCC will select the architect.~~ For these special interest projects, the institutional president, in consultation with the Office of Facilities Planning and Construction, will appoint an Architect Selection Advisory Committee that may include any two members of the Board of Regents named by the Chairman of the Board. The Architect Selection Advisory Committee will investigate the competence and qualifications of the candidates. Board members of the Architect Selection Advisory Committee will report the findings and recommendations based on the interviews to the FPCC. The FPCC may select an architect from this list, or may ask the Selection Advisory Committee for additional recommendations of architects responding to the Request for Qualifications (RFQ), or may select an architect responding to the RFQ but not on the list on the basis of competence and qualifications. The FPCC may conduct interviews and site visits as necessary and will select the most qualified architect for the project based on demonstrated competence, qualifications, and the criteria published in the RFQ, without consideration of fees or costs.

BACKGROUND INFORMATION

The current process for capital improvements requires that each project be the subject of individual review by the Facilities Planning and Construction Committee and the Board to determine whether it is historically or architecturally significant. In practice, the Chairman of the Facilities Planning and Construction Committee and the Associate Vice Chancellor for Facilities Planning and Construction have recommended the projects for this designation. These proposed amendments to the Regents' *Rules* would formalize that practice and streamline the process for approval of construction projects. Minor editorial amendments are suggested to delete repetitive language.

10. U. T. System: Acceptance and approval of the final report from the Task Force on Doctoral Education and the Postdoctoral Experience and authorization to implement the recommendations held within the report

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs that the Board accept and approve the final report from the Task Force on Doctoral Education and the Postdoctoral Experience, recognizing the significance of their efforts and the importance of the recommendations contained in the report.

It is also recommended that the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs be authorized to implement the recommendations held within the report in the most feasible, practical, and timely manner.

Supplemental Materials: Report on Pages 10 - 54 of Volume 2.

BACKGROUND INFORMATION

A task force with representation by all U. T. System institutions offering Ph.D. programs was appointed in June 2006 by the Executive Vice Chancellor for Academic Affairs and the Executive Vice Chancellor for Health Affairs. Meetings were held in Austin, Dallas, El Paso, Houston and San Antonio with input from administrative leaders, faculty, doctoral students, and postdoctoral scholars.

Before finalizing the report, the Task Force distributed drafts for review by the institutional presidents, other campus and U. T. System leaders, and the Faculty Advisory Council (FAC).

Dr. George Stancel, Chairman of the Task Force, reported to the Student, Faculty, and Staff Campus Life Committee of the Board of Regents on May 9, 2007, on the progress of the work of the Task Force.

A few of the key recommendations from the Report are as follows:

The U. T. System must

- prominently address doctoral and postdoctoral education in major U. T. System planning efforts;
- hold institutional leaders accountable for establishing and maintaining competitive doctoral and postdoctoral programs in line with System plans and institutional missions; and
- provide health benefits equivalent to those received by faculty and staff for all full-time, salaried doctoral students and postdoctoral scholars.

U. T. System institutions must

- explicitly include doctoral and postdoctoral education in planning, budget preparation, evaluation, and external communications;
- disseminate expectations, commitments, and anticipated timelines for their doctoral and postdoctoral programs; and
- conduct rigorous peer reviews with external reviewers of new proposals and ongoing programs.

In 2006, the U. T. System issued a Strategic Plan for the coming decade to ensure a competitive System, Texas, and nation in the 21st century. The Plan called for a Task Force on Doctoral Education and the Postdoctoral Experience to be convened to consider how to:

- recruit, retain, and graduate more doctoral students and postdoctoral scholars;
- enhance the value and contributions of these programs to their institutions, the U. T. System, and the state; and
- increase the competitiveness and prestige of the U. T. System's research, education, and service programs.

These recommendations are but the beginning of what must be a continuing process to achieve the U. T. System's strategic goals. In addition to recommendations, the report includes several key appendices to assist the U. T. System and institutions, guide the implementation of recommendations, and aid programmatic reviews. It is further suggested that additional metrics be proposed for future accountability reports.

11. U. T. System: 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 General Appropriations Act, House Bill 1, Article III, Section 52 to the Lieutenant Governor, the Speaker of the House, the Chair of the Senate Finance Committee, the Chair of the House Appropriations Committee, and the 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, 2008, 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 consists of two principal sections. For selected years, the first section of the Report identifies the amount of designated tuition collected, the purposes for which it was spent, the amount spent for each purpose, and the amounts set aside for resident undergraduate and graduate student assistance as required by Sections 56.011 and 56.012, *Texas Education Code*. For specific semesters, the second section of the Report includes the total academic cost for resident undergraduates enrolled for 15 semester credit hours as derived from actual fee bills.

Completion of the Report requires certain financial information contained in the pending annual financial report, and therefore the Report can not be completed in time for approval at this meeting. Upon completion, the Report will be provided to members of the Board for review prior to delivery to the appropriate oversight bodies on or before January 1, 2008.

12. U. T. System Board of Regents: Approval to amend the Resolution regarding the list of individuals authorized to negotiate, execute, and administer classified government contracts (Key Management Personnel)

RECOMMENDATION

The National Industrial Security Program Operating Manual (NISPOM) defines Key Management Personnel (KMP) as "officers, directors, partners, regents or trustees." The manual requires that the senior management official and the Facility Security Officer must always be designated KMPs and be cleared at the level of the Facility Clearance. Other officials or KMPs, as determined by the Defense Security Service, must be granted Personal Security Clearances or be formally excluded by name from access to classified material. To comply with the Department of Defense NISPOM requirements, approval is requested to amend the following Resolution adopted by the Board in February 2004 to update the list of members of the Board:

BE IT RESOLVED:

That the following named members of the U. T. System Board of Regents shall not require, shall not have, and can be effectively excluded from access to all classified information in the possession of The University of Texas System and do not occupy positions that would enable them to affect adversely the policies and practices of The University of Texas System in the performance of classified contracts for the Department of Defense, or User Agencies of its Industrial Security Program, and need not be processed for a personnel clearance:

Members of the U. T. System Board of Regents (in alphabetical order):

John W. Barnhill, Jr.
H. Scott Caven, Jr.
James D. Dannenbaum
Robert A. Estrada
Paul Foster
Printice L. Gary
James R. Huffines
Colleen McHugh
Robert B. Rowling

BACKGROUND INFORMATION

The Resolution was last approved on February 4, 2004. The Student Regent is not listed since he is a nonvoting member.

A list of Key Management Personnel is not needed as in the past because there is no requirement to do so. Changes to the KMPs require only the signature of someone on the KMP list.

13. U. T. System Board of Regents: Opportunity for public comment and discussion regarding the Brackenridge Tract Task Force Report

BACKGROUND INFORMATION

On October 12, 2007, Mr. Larry E. Temple, Chairman of the Brackenridge Tract Task Force, reported the findings and recommendations of the Task Force to the U. T. System Board of Regents, who accepted the report of the Task Force for further review and discharged the Task Force with appreciation for their work. Chairman Huffines suggested the Board continue to review the findings and recommendations contained in the report and provide a formal opportunity for additional public comment at the Board's November meeting.

Individuals who provide written requests in advance to the General Counsel to the Board will have an opportunity to provide comments on the Brackenridge Tract Task Force Report.

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

Committee Meeting: 11/8/2007
Austin, Texas

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

Representatives of the U. T. System Employee Advisory Council will meet with the Board to discuss the Council's past year activities and plans for the future according to the following agenda. Council members scheduled to attend are:

Chair: Mr. Michael Swindle, U. T. Permian Basin
Vice Chair: Mr. Glen Worley, U. T. Austin
Secretary: Mr. Randolph Scott, U. T. Health Science Center - Houston
Historian: Ms. Melanie Loving, U. T. Medical Branch - Galveston
Past Chair: Ms. Ann Tate, U. T. Southwestern Medical Center - Dallas

AGENDA

1. Introductions

2. Outgoing Chairperson's report on the accomplishments of the past year and plans for the new fiscal year and an update of the Tuition, Strategic Plan and Grievance Subcommittees.

BACKGROUND INFORMATION

The U. T. System Employee Advisory Council was established in August 2000 to provide a vehicle for communication and to facilitate the flow of ideas and information between employees, the Board of Regents, the institutions, and Executive Officers of U. T. System Administration. The Employee Advisory Council functions to define, analyze, and make recommendations on employee issues to appropriate groups and individuals.

Attached on Pages 18 - 20 is a chart showing the status of prior recommendations from the Council.

Employee Advisory Council Recommendations
Cumulative List/Update

Subject	Recommendation	System Administration Response
EAC Web site **BOR Meeting 2/13/02**	Recommended the implementation of a Web site for the EAC, so staff may have access to the recommendations and discussions occurring in the EAC.	The EAC Web site is in place for access by any staff member. U. T. System provides necessary support to keep it up-to-date and functional.
Employee Educational Benefits **BOR Meeting 2/13/02**	Encourage individual institutions to review and implement employee educational benefits. The EAC recommended a System-wide review of eligibility, fee/tuition waivers, and/or assistance.	The Executive Vice Chancellors distributed a letter to the Presidents of each institution encouraging review of the employee educational benefits. The EAC formed a committee in 2006-2007 to review educational benefits at each institution and similar institutions outside of UT System. The committee has put together a recommendation that has been sent to the Chancellor. Acknowledged and ongoing.
Parking Benefits **BOR Meeting 2/13/02**	Review current parking at individual campuses and review for possible collaboration between the institutions.	The EAC is no longer reviewing this recommendation and does not require a response from U. T. System.
Best Practices Document – Nonmonetary Compensation **BOR Meeting 2/12/03**	Compile all nonmonetary compensation programs from each institution, making it available to all employees through the EAC Web site. This document was completed and placed on the Web site, making it available for all institutions to share. The document is a "living" document to be updated by EAC members periodically.	System Administration has supported the use of the document and the Web support to keep it a functioning document.

Prepared by: The Office of Employee Benefits
Date: 10/2/07

Subject	Recommendation	System Administration Response
Wellness Program **BOR Meeting 2/3/04**	EAC recommended compiling all the wellness programs available at various institutions to be shared between institutions.	U. T. System Employee Benefits Office has placed this information on their Web site for easy access for all faculty and staff.
Diversity Awareness **BOR Meeting 11/9/05**	Promote greater staff involvement in the diversity initiatives set forth by U. T. System. Staff represent the most diverse groups on campuses and their input will be critical to the overall success of these initiatives.	U. T. System and the Board of Regents were very responsive to including the staff in diversity initiatives and recognize the importance of staff involvement.
Staff Councils **BOR Meeting 11/9/05**	Establish Staff Advisory Councils at each institution. Currently, three institutions do not have Staff Councils. The EAC believes Staff Councils encourage involvement and ownership in decisions impacting employees and the institutions as a whole.	The Board of Regents agreed with this recommendation and encouraged participation from the Executive Vice Chancellors of Academic and Health Affairs to facilitate the development of these Councils. U .T. M. D. Anderson Cancer Center, U. T. Medical Branch – Galveston, and U. T. Southwestern Medical Center - Dallas are in the process of developing their own councils.
Improved functionality of the EAC **BOR Meeting 11/15/06**	The EAC spent the 2006-2007 year evaluating the mission and bylaws established 5 years earlier. As a group, the EAC decided that structurally some changes needed to occur to make the group more effective in the upcoming years. 1. To minimize the change to the group each year, terms were increased from 2 to 3 years. This minimizes the turnover of representatives from 50% each year to 33%, providing a greater continuity in planning.	Acknowledged and ongoing.

Prepared by: The Office of Employee Benefits
Date: 10/2/07

Subject	Recommendation	System Administration Response
	2. The four standing committees were removed from the bylaws. Outlining the committees in the bylaws was restrictive and limited the scope of the EAC. The group believed it was important for the EAC to have the ability to address current issues facing the staff outside of the scope of these committees. All committees are now designed as ad hoc committees with the EAC chair solely responsible for appointing the chair of each ad hoc committees. 3. Establish a new SharePoint site making communication more effective within the group.	

2. U. T. System: Update on student diversity at U. T. System health institutions

REPORT

Executive Vice Chancellor Shine will report on student diversity at U. T. System health institutions using the attachments.

The total enrollment at U. T. System health-related institutions has increased from 9,480 in Fall 2001 to 11,235 in Fall 2006. Of the 1,755 (19%) increase in students, the bulk of the increase is at the graduate level, which increased by 1,725 students and now represents 45% (up from 35%) of total enrollment at the health-related institutions. The number of undergraduate students actually declined by 201 and now represents 17% (down from 22%) of total enrollment. The number of professional students (medical and dental) increased by 231, but now represents 38% (down from 43%) of total enrollment.

Of particular note is the 1,209 increase in female students who now represent 60% of total enrollment at the U. T. System health-related institutions. International students and students classified as "Unknown" represent the largest percentage increases, 128% and 136%, respectively, in total enrollment over this period. The percentage of African-American and Hispanic students increased 31% and 10%, respectively, over this period. As a percentage of total students, White student enrollment declined from 58% to 50% of total student enrollment.

At the undergraduate level, the decrease of 201 students includes a decline of 42 males and 159 females. The most significant declines were at U. T. Health Science Center - San Antonio (24%), and at U. T. Southwestern Medical Center - Dallas and U. T. Medical Branch - Galveston, both with 14% declines. The shift of occupational and physical therapy programs from a bachelor's to a master's degree as the entry level resulted in the overall decline of undergraduate enrollment.

At the graduate level, the increase of 1,725 students is the result of a 51% increase in males and 52% increase in females. Females remain at 63% of the graduate enrollment at U. T. System health institutions. Enrollment of International, African-American and Hispanic graduate students increased 133%, 95%, and 54%, respectively. While U. T. Health Science Center - Houston has the largest graduate-level enrollment with 2,024 students, U. T. Southwestern Medical Center - Dallas had the largest increase (147%) in graduate enrollment (from 520 to 1,282 students). U. T. Medical Branch - Galveston had the second highest increase (78%), while graduate enrollment at U. T. Health Science Center - San Antonio and U. T. Health Science Center - Houston grew 65% and 13%, respectively.

At the professional level, the increase of 231 students masks the fact that male student enrollment declined by 39 (2%), while female students increased by 270 (15%).
As a percentage of professional students, females increased from 45% in 2001 to 49% in 2006. While the number of professional students classified as "Unknown" increased 246% (from 54 to 187 students), the next highest percentage increases were African-American (24%) and Hispanic and Asian-American (at 8% each). Each institution with professional students increased the number of professional students enrolled.
U. T. Southwestern Medical Center - Dallas was the only institution with a double digit percentage increase (14% -- 813 to 925 students).

The Joint Admissions Medical Program (JAMP) identifies economically disadvantaged college undergraduates who aspire to Medical School. The program provides mentoring, summer institutes and other enhancements. If successfully completed, participants are guaranteed a place in one of the Texas Medical Schools.

Supplemental Materials:

- **Diversity Information (Total Fall Enrollment by Level, Gender, and Ethnicity) on Pages 55 - 60 of Volume 2.**
- **Diversity Information Highlights on Pages 61 - 64 of Volume 2.**
- **Top 10 Medical Schools for Hispanics on Pages 65 - 69 of Volume 2.**
- **JAMP History on Page 70 of Volume 2.**
- **Description of JAMP on Pages 71 - 78 of Volume 2.**
- **Outreach, Recruitment and Retention Programs on Pages 78.1 – 78.20 of Volume 2.**

TABLE OF CONTENTS
FOR
FINANCE AND PLANNING COMMITTEE

Committee Meeting: 11/8/2007

Board Meeting: 11/9/2007
Austin, Texas

1. U. T. System: Discussion and appropriate action related to approval of *Docket No. 132*

RECOMMENDATION

It is recommended that *Docket No. 132*, beginning on Page Docket - 1, be approved.

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

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

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

Dr. Scott C. Kelley, Executive Vice Chancellor for Business Affairs, will discuss the Key Financial Indicators Report, as set forth on Pages 24 - 31. The report represents the consolidated and individual operating results of the U. T. System institutions.

REPORT

The Key Financial Indicators Report compares the System-wide results of operations, key revenues and expenses, reserves, and key financial ratios in a graphical presentation from Fiscal Year 2003 through July 2007. Ratios requiring balance sheet data are provided for Fiscal Year 2002 through Fiscal Year 2006.

THE UNIVERSITY OF TEXAS SYSTEM

KEY FINANCIAL INDICATORS REPORT

JULY 2007

KEY

Actual 2002 through 2006 amounts
(SOURCE: Annual Financial Reports Fiscal Years 2002, 2003, 2004, 2005 and 2006)

2007 Budget amounts
(SOURCE: Operating Budget Summary 2007)

Projected 2007 amounts
(trend based on the average change of the previous four years of data)

Monthly Financial Report Year to Date amounts for July 2006 and July 2007

Annual State Net Revenue Collections for 2002, 2003, 2004, 2005 and 2006
(SOURCE: Texas Revenue History by Source 1978-2006, State Comptroller's Office)

Year to Date State Net Revenue Collections for July 2006 and July 2007
(SOURCE: State Comptroller's Office)

Estimated State Revenue Collections for 2007
(SOURCE: Revenue Estimate for the 79th Legislature 3rd Called Session, April 2006, State Comptroller's Office)

2002, 2003, 2004, 2005 & 2006 Annual Average of FTEs, and Average of 1st, 2nd, & 3rd Quarter 2007 FTEs
(SOURCE: State Auditor's Office Quarterly FTE Report)

Year to Date margin for July 2007
(SOURCE: Monthly Financial Report for July 2007)

Projected 2007
(SOURCE: Monthly Financial Report Year- End Projections collected July 2007)

Year to Date margin for July 2006
(SOURCE: Monthly Financial Report for July 2007)

Target Normalized Rates

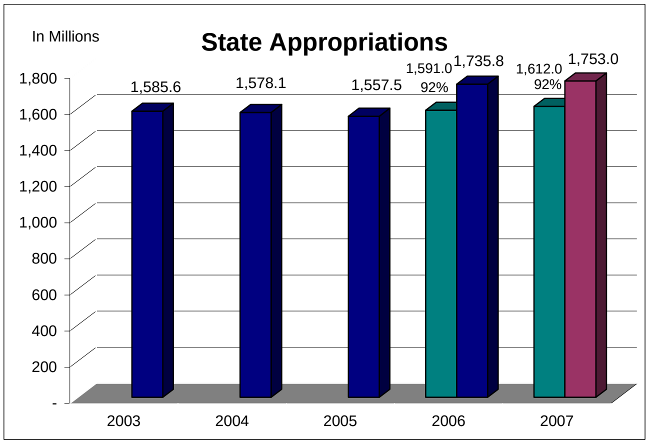
Aaa/Aa1 Median
(SOURCE: Moody's)

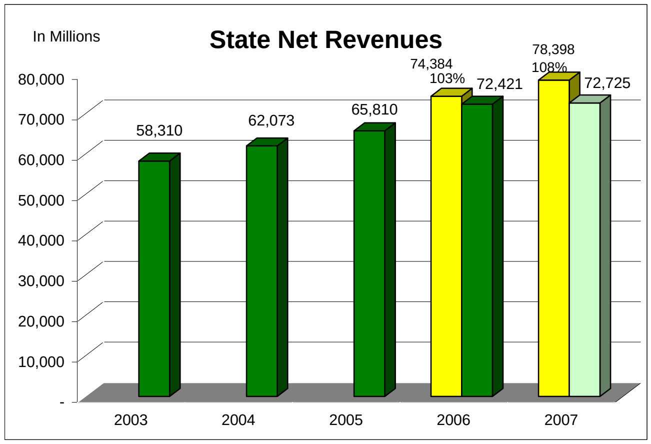
A2 Median
(SOURCE: Moody's)

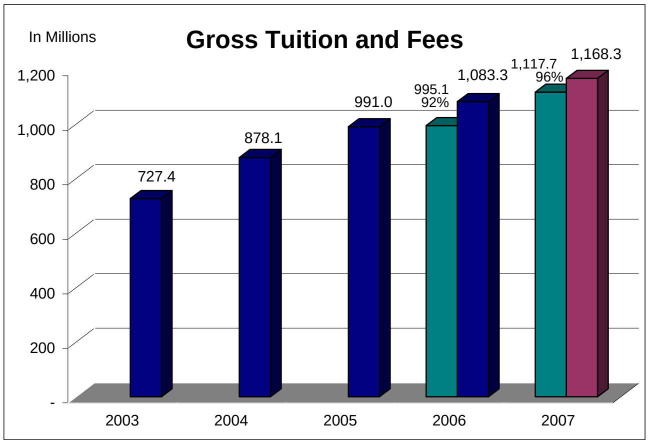
Fair Facilities Condition Index (5% - 10%)

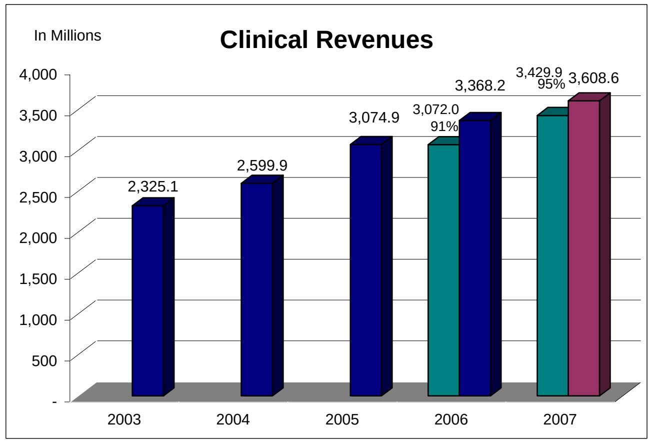
Good Facilities Condition Index (Exceeds 10%)

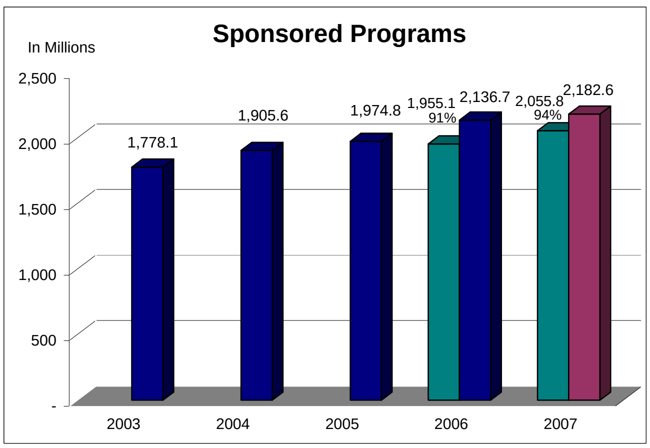
KEY INDICATORS OF REVENUES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM JULY MONTHLY FINANCIAL REPORT

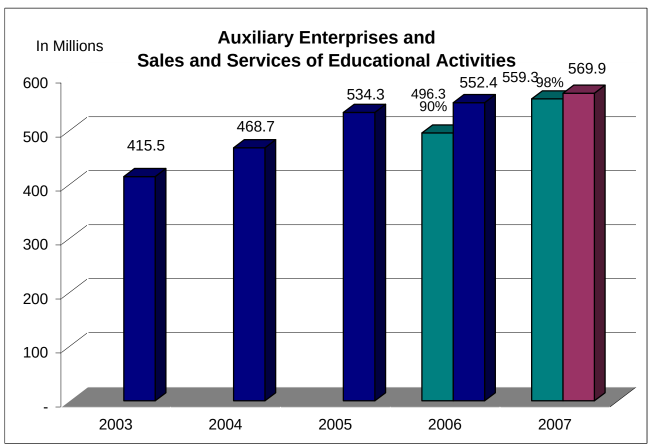


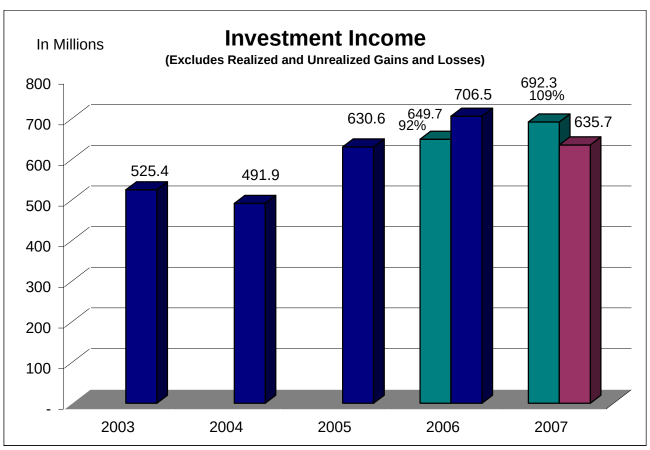


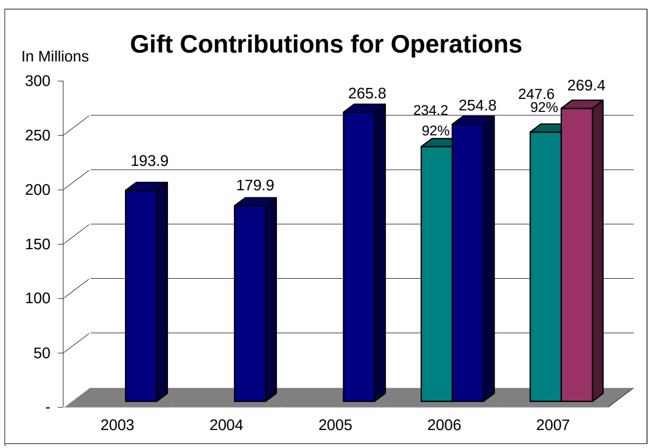




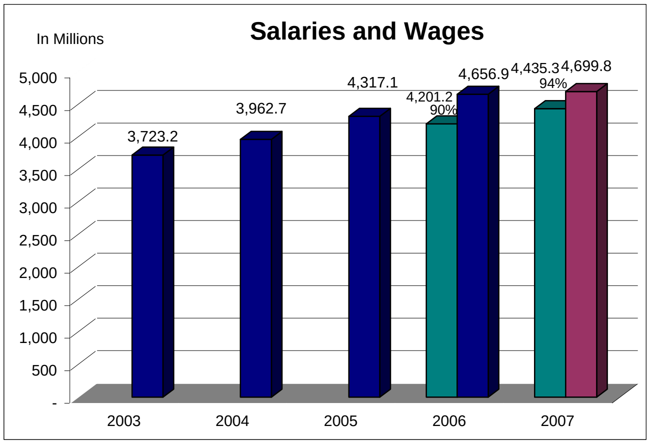


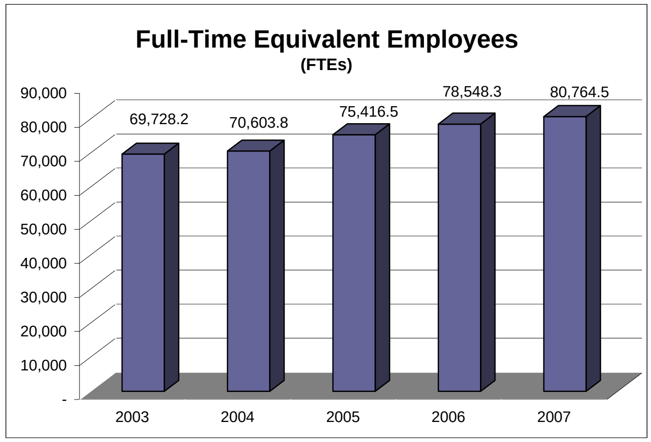


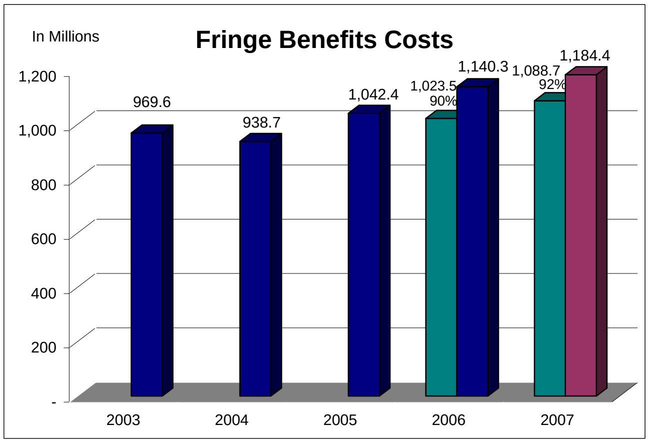


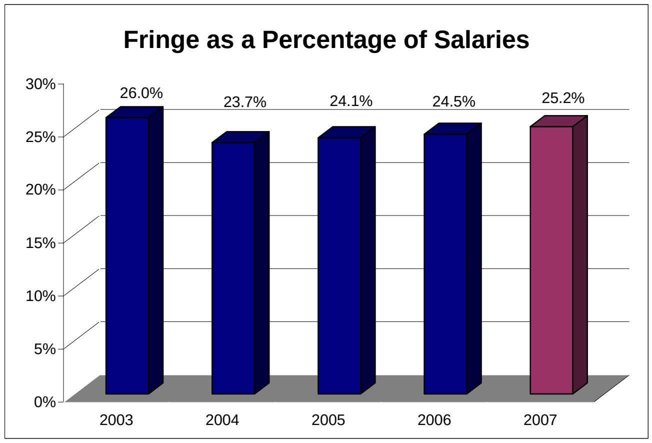


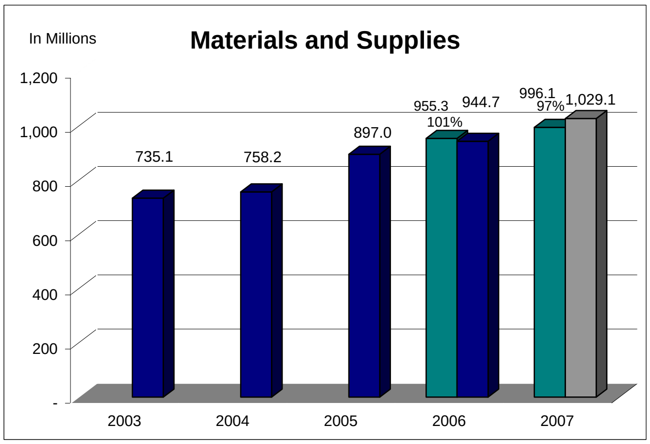
KEY INDICATORS OF EXPENSES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM JULY MONTHLY FINANCIAL REPORT

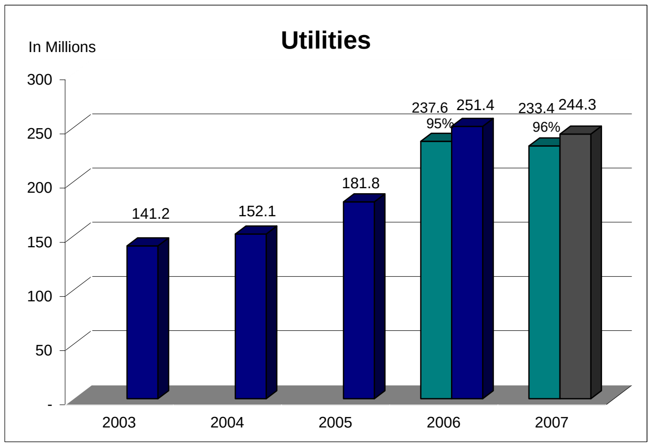


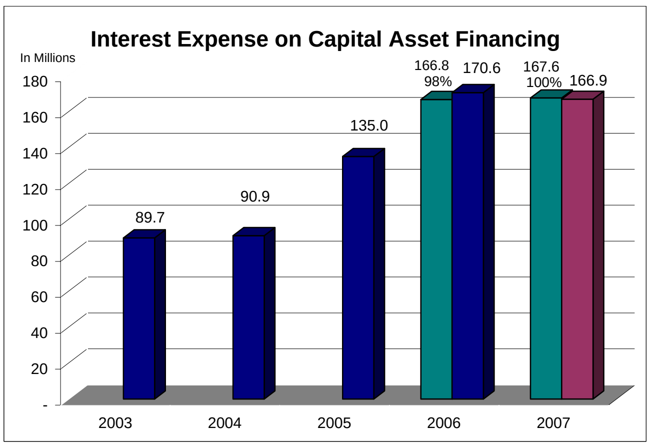


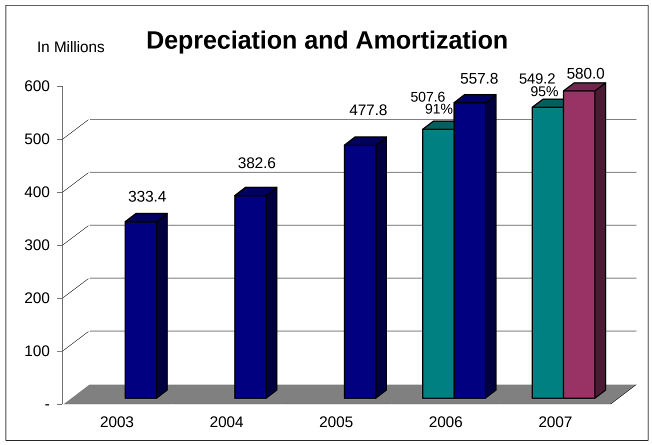




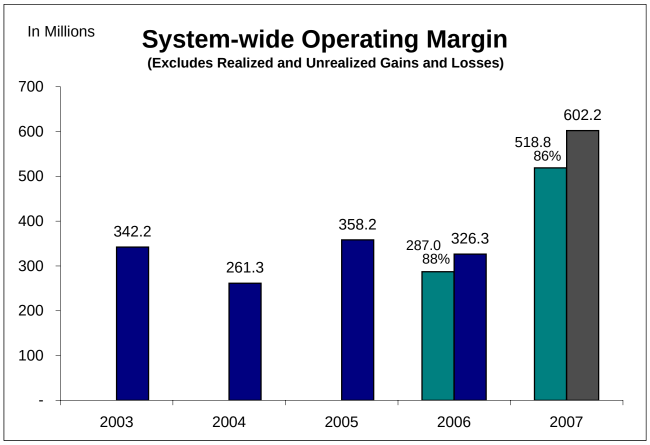


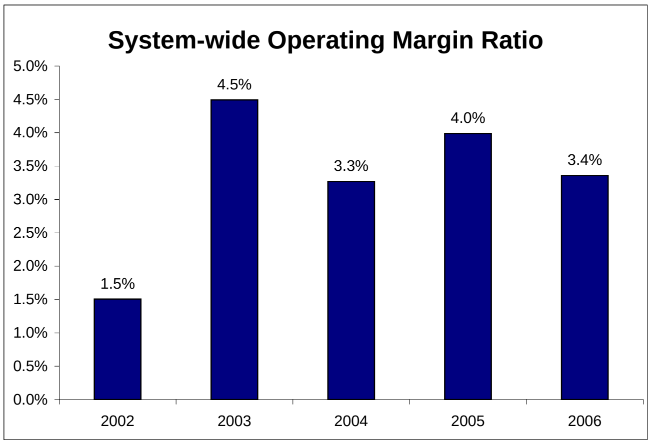


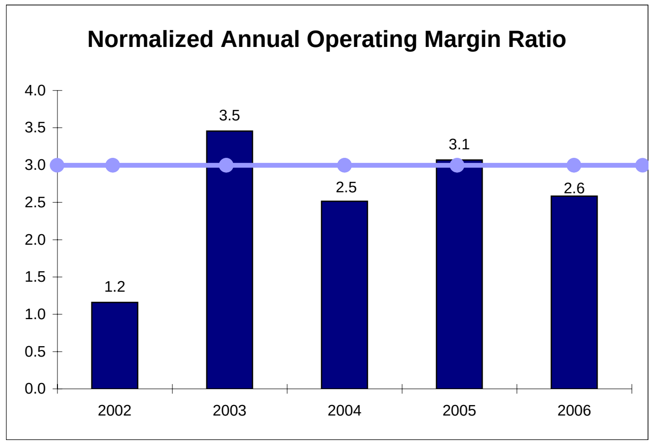


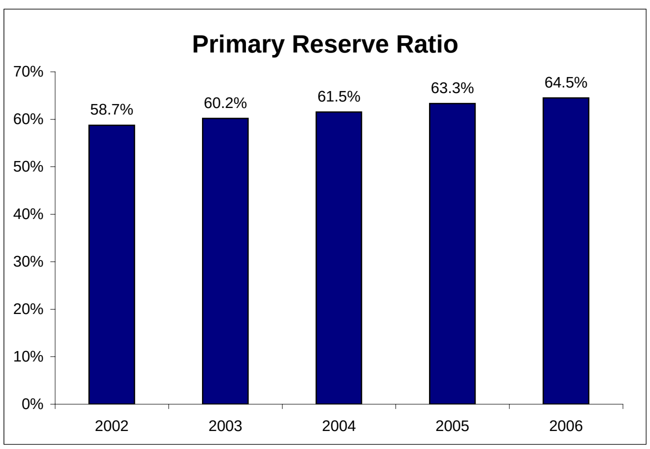


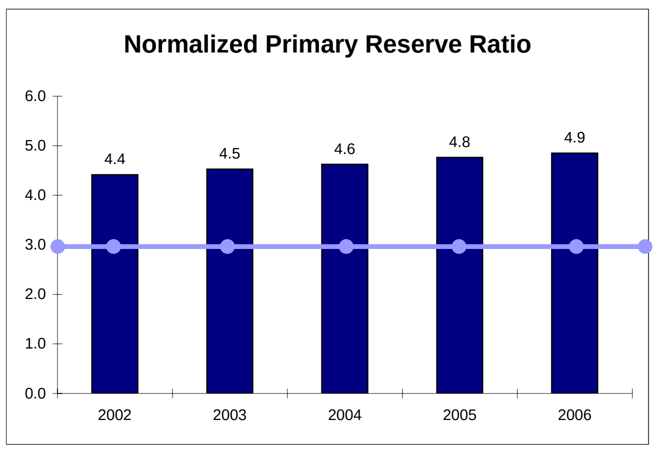
KEY INDICATORS OF RESERVES
ACTUAL 2003 THROUGH 2006
PROJECTED 2007
YEAR TO DATE 2006 AND 2007 FROM JULY MONTHLY FINANCIAL REPORT

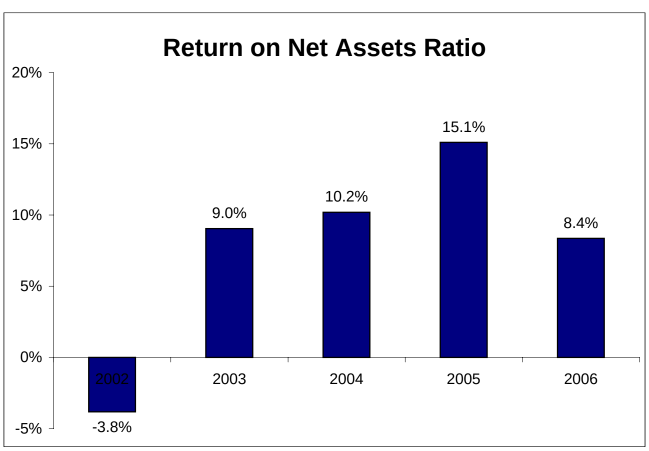


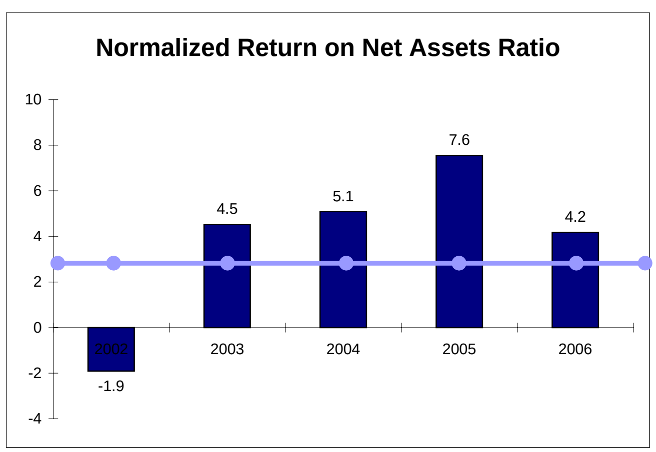




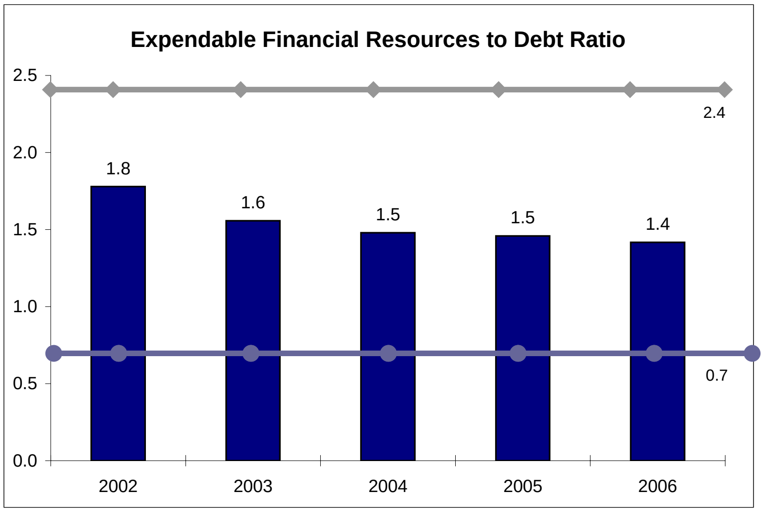


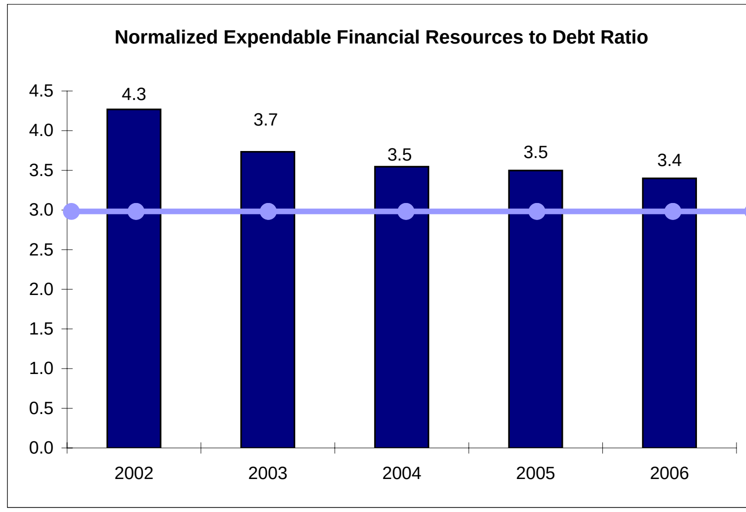


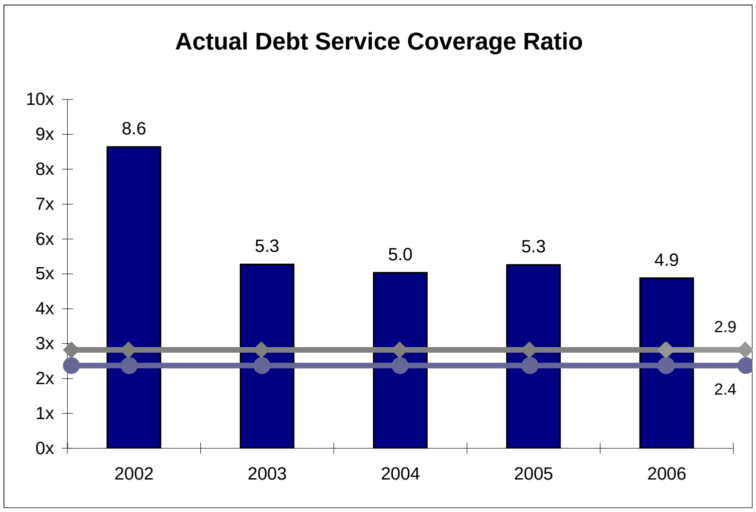


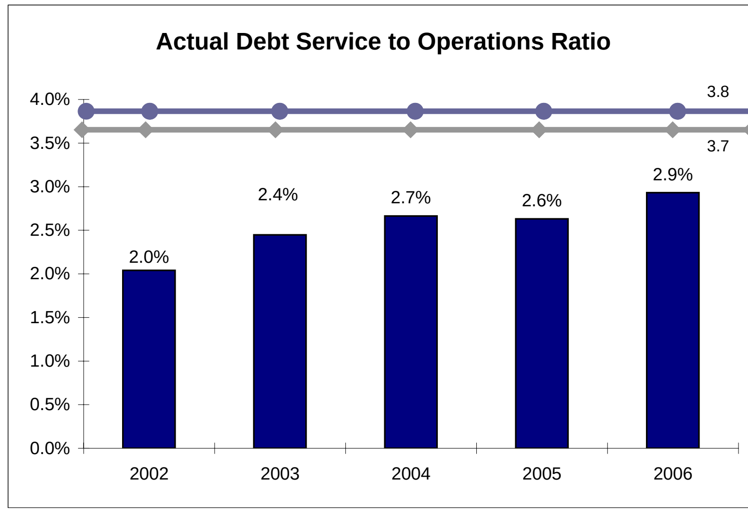


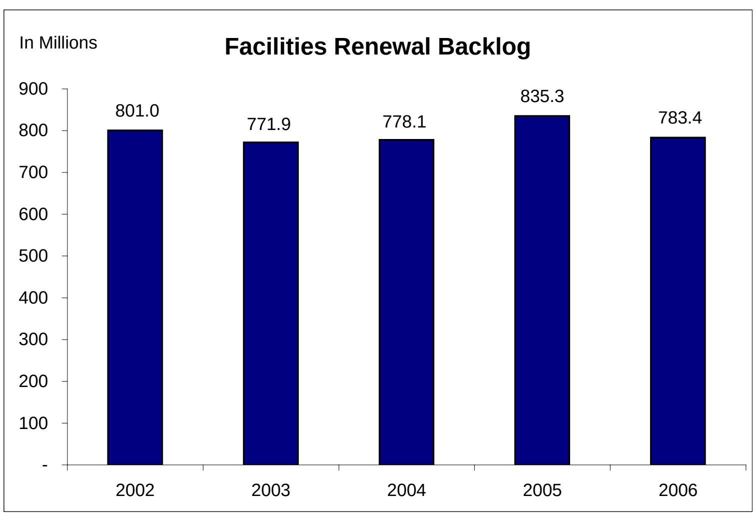
KEY INDICATORS OF CAPITAL NEEDS AND CAPACITY
2002 THROUGH 2006

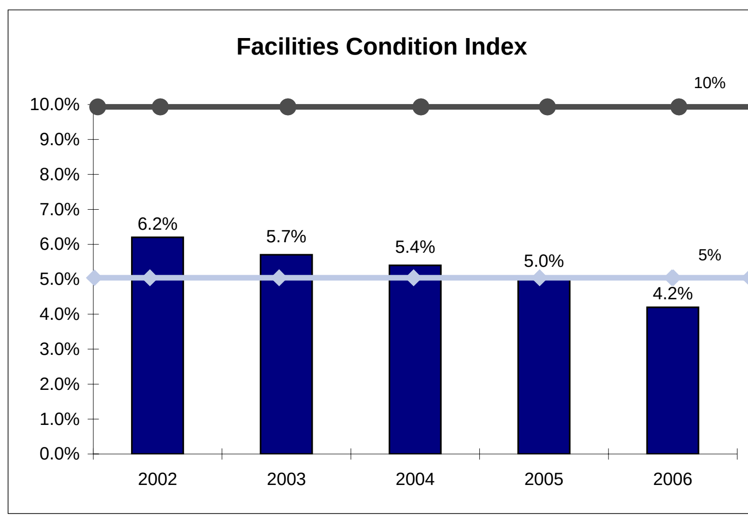


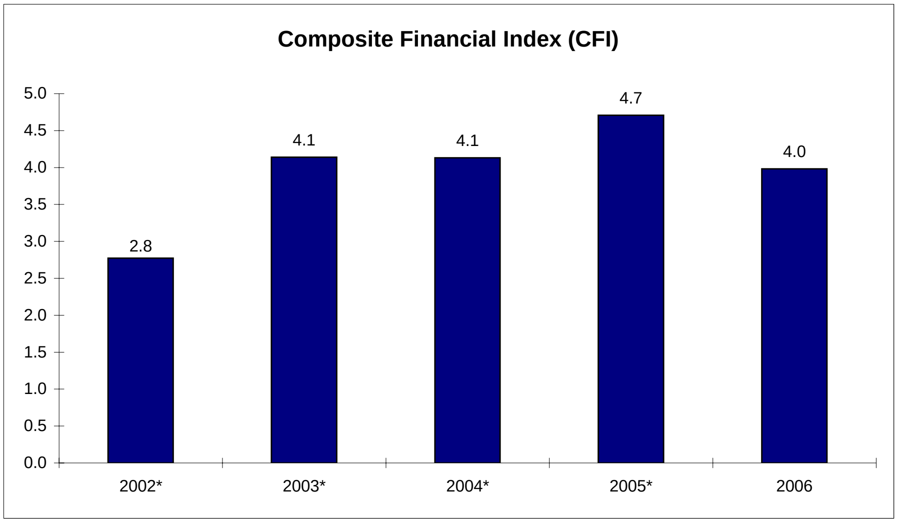






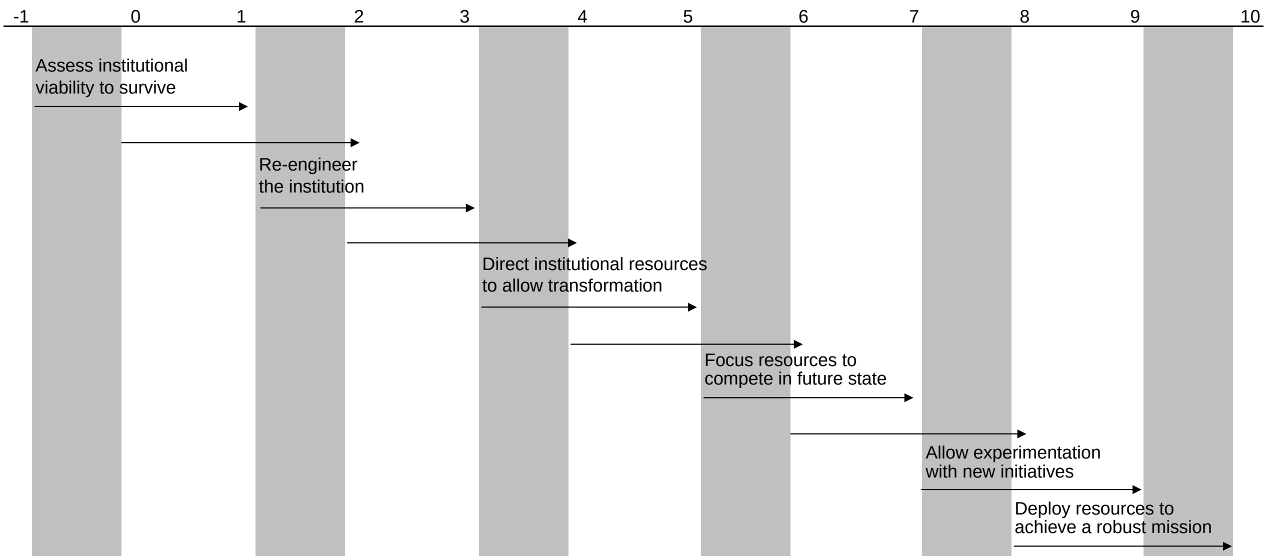




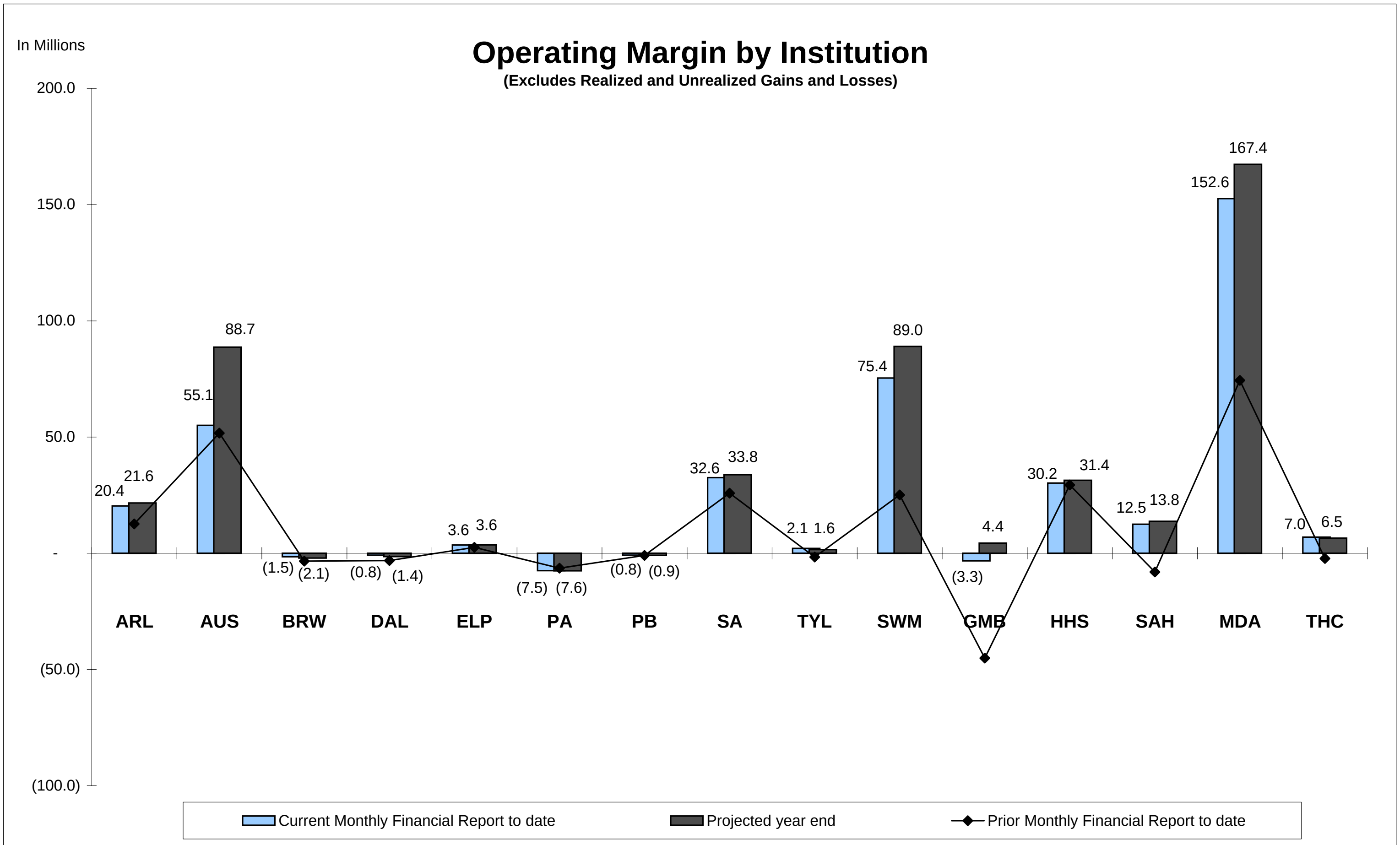


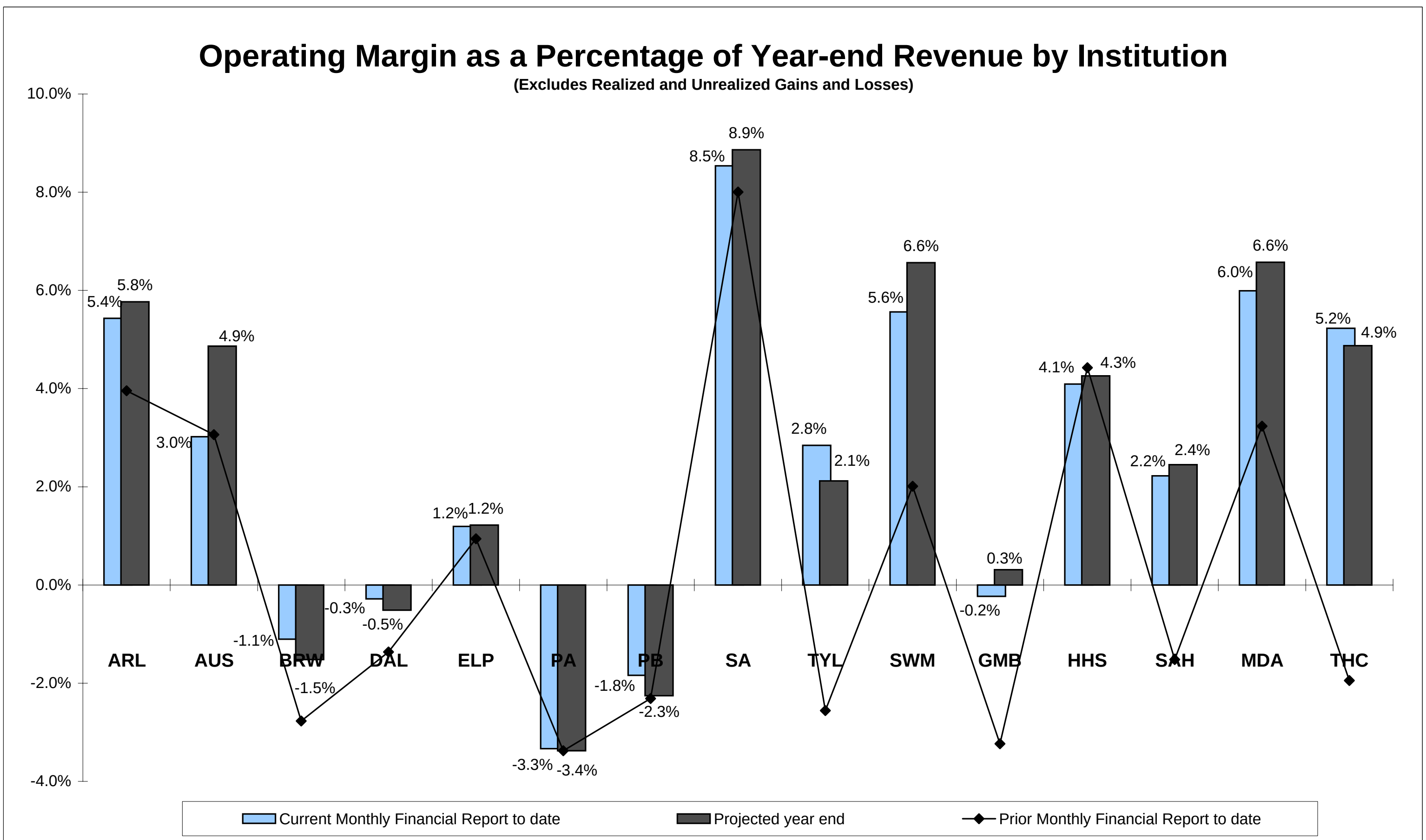
*Restated to reflect appreciation on endowments as restricted expendable net assets as a result of the 2006 external audit. Permanent University Fund Appreciation Restatements are not included above.

Scale for Charting CFI Performance



KEY INDICATORS OF RESERVES
YEAR TO DATE 2006 AND 2007 FROM JULY MONTHLY FINANCIAL REPORT
PROJECTED 2007 YEAR-END MARGIN





3. **<u>U. T. System: Approval of a contract with Huron Consulting Group to support an online effort reporting system</u>**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Research and Technology Transfer in the recommendation to approve a contract with Huron Consulting Group to support an online effort reporting system that will be funded with $3,392,553 from the Available University Fund (AUF), as set forth on Page 34, at all U. T. System institutions except U. T. Dallas, which is reviewing options regarding an enterprise-wide financial system.

BACKGROUND INFORMATION

The extraordinarily complex and ever-changing world of research compliance demands constant and heightened awareness of the many different functions and activities within research enterprises to identify and successfully manage U. T. System's research compliance risk areas.

A critical risk facing all higher education institutions is time and effort reporting compliance. The Office of Management and Budget (OMB) Circular A-21, *Cost Principles for Educational Institutions*, sets forth the cost principles that higher education institutions must follow in expenditures of federally sponsored program funds. Section J.10 of OMB Circular A-21 stipulates institutions must have a payroll distribution system, which allows salaries paid under federal grants to be properly allocated and confirmation to be made by the institution that individual salaries paid under federal awards are appropriate to the awards.

Over the last several years, there have been numerous examples of higher education institutions repaying millions of dollars in fines and penalties to the federal government for failure to properly account for the time charged by researchers to grants. In October 2005, the Chancellor instructed Mr. Richard St. Onge in the Office of Health Affairs to lead the time and effort reporting initiative to: develop appropriate policy guidance, develop an education program, and identify the online effort reporting system.

In July 2006, the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Health Affairs, and the Vice Chancellor for Research and Technology Transfer promulgated The University of Texas System Administration Policy UTS163, *Guidance on Effort Reporting Policies*. UTS163 identified the critical policy areas for time and effort reporting and established minimum standards for each policy area.
In July 2006, the Office of Health Affairs, in conjunction with the UT TeleCampus, distributed a Web-based time and effort reporting education program that could be easily modified for unique circumstances. Finally, the Office of Health Affairs recently

concluded a two-year review of commercially available online effort reporting systems. A Request for Proposals for an online effort reporting system was issued and three responsive proposals were received. Following several days of demonstration activities in which all U. T. System institutions participated, and several site visits to institutions of higher education with success in implementing one of the online systems being evaluated, a recommendation to pursue a license for the Huron product was made.

In June 2007, the Executive Vice Chancellor for Business Affairs, acting pursuant to delegated authority, signed a U. T. System-wide contract with Huron Consulting Group (Huron) for its Effort Certification and Reporting Tool (ECRT). Huron's ECRT was developed in partnership with the University of Minnesota in 2004. In the last few years, Huron has licensed ECRT to several institutions of higher education across the United States. Huron's ECRT is the type of software cost savings project discussed with the Board on August 9, 2006, in the context of the U. T. System Shared Services Initiative. Potential significant benefits that U. T. System institutions will receive in conjunction with implementing Huron's ECRT are:

1) a proven system that is compliant with OMB Circular A-21 requirements;

2) a system that would improve the consistency across the U. T. System in regards to policies, procedures, internal controls, and training;

3) a system that has robust information technology architecture to mitigate high implementation costs for customization;

4) a system that is Web-based and easy to use by both the end users and the contracts and grants personnel; and

5) the benefit of leveraging Huron's expertise as well as that of other higher education institutions with respect to future enhancements of the system to address changes in federal requirements.

The University of Texas System
Total Cost of Ownership for Huron's ECRT

Institution	Discounted License Fee (Note 1)	Discounted License Fee Paid by UT System	Implementation & Out-of Pocket Costs	Data Center Costs	Total Implementation, Out-of-Pocket, & Data Center Costs Year 1	Year 1 Costs Paid by UT System	Institutional Net Costs Year 1	Ongoing Institutional Costs Years 2 through 5	Total Institutional Costs Years 1 - 5	Total Payments by UT System Cost Share Program
UT Austin (Note 2)	$ 77,546	$ (77,546)	$ 774,168	$ 36,483	$ 810,651	$ (568,997)	$ 241,654	$ 277,165	$ 518,819	$ (646,543)
UT Arlington	46,528	(46,528)	125,000		125,000	(50,000)	75,000		75,000	(96,528)
UT El Paso	46,528	(46,528)	125,000		125,000	(50,000)	75,000		75,000	(96,528)
UT Permian Basin	46,528	(46,528)	50,000		50,000	(42,500)	7,500		7,500	(89,028)
UT San Antonio	46,528	(46,528)	125,000		125,000	(50,000)	75,000		75,000	(96,528)
UT Tyler	46,528	(46,528)	50,000		50,000	(42,500)	7,500		7,500	(89,028)
UT System Administration	46,528	(46,528)	50,000		50,000	(42,500)	7,500		7,500	(89,028)
Medical Branch	62,037	(62,037)	375,803	36,483	412,286	(187,286)	225,000	277,165	502,165	(249,323)
Southwestern Medical Center (Note 3)	77,546	(77,546)	442,500	36,483	478,983	(178,983)	300,000	277,165	577,165	(256,529)
Health Center - Tyler	46,528	(46,528)	125,000		125,000	(100,000)	25,000		25,000	(146,528)
HSC-Houston	62,037	(62,037)	371,700	36,483	408,183	(183,183)	225,000	277,165	502,165	(245,220)
HSC-San Antonio (Note 4)	62,037	(62,037)	369,903	36,483	406,386	(181,386)	225,000	277,165	502,165	(243,423)
UT Brownsville	46,528	(46,528)	125,000		125,000	(100,000)	25,000		25,000	(146,528)
UT Pan American	46,528	(46,528)	125,000		125,000	(100,000)	25,000		25,000	(146,528)
MD Anderson Cancer Center	77,546	(77,546)	424,662	36,483	461,145	(111,145)	350,000	277,165	627,165	(188,691)
Required Upgrades			416,573		416,573	(416,573)	-		-	(416,573)
Contingency Fund @ UT System						(150,000)	(150,000)		(150,000)	(150,000)
Total:	$ 837,500	$ (837,500)	$ 4,075,309	$ 218,898	$ 4,294,207	$ (2,555,053)	$ 1,739,154	$ 1,662,992	$ 3,402,146	$ (3,392,553)
		100%				60%	40%	100%	50%	50%

TOTAL COST OF OWNERSHIP FOR HURON'S ECRT: $ 6,794,699

Note Legend:

1) - The non-discounted license fee for all UT System institutions would have been $2,850,000. The UT System-wide license fee of $837,500 represents a 71% discount off of list price.
2) - UT Austin will perform a joint implementation with UTA, UTEP, UTPB, UTSA, UTT, and UT System Administration.
3) - Southwestern Medical Center will perform a joint implementation with HCT.
4) - Health Science Center at San Antonio will perform a joint implementation with UTB and UTPA.

Prepared by the Office of Health Affairs October 2007

4. U. T. System: Fiscal Year 2007 Energy Utility Task Force Report

REPORT

Mr. Philip R. Aldridge, Associate Vice Chancellor for Finance, will provide the annual report on the progress of the Energy Utility Task Force for Fiscal Year 2007. The Task Force was created in February 2001 to evaluate and recommend strategies for U. T. System institutions to reduce energy consumption, better manage commodity price risk, and leverage their purchasing power to reduce energy costs.

Initial recommendations and energy consumption reduction goals were presented to and previously endorsed by the Board in November 2001 and a 10%-15% reduction in energy usage was targeted for Fiscal Year 2011. The estimated reduction in energy usage for Fiscal Year 2007 from baseline levels is 3.6%. Since Fiscal Year 2001, reductions in energy consumption per square foot by U. T. System institutions have resulted in cumulative savings of $60.4 million.

Supplemental Materials: Report on Pages 79 - 82 of Volume 2.

5. U. T. System Board of Regents: Approval of revisions to The University of Texas Investment Management Company (UTIMCO) Compensation Program

RECOMMENDATION

The University of Texas Investment Management Company (UTIMCO) Board of Directors recommends that the U. T. System Board of Regents approve the amended and restated UTIMCO Compensation Program effective July 1, 2007, as set forth in congressional style on Pages 40 - 75. The proposed revisions, effective for the full plan year beginning July 1, 2007, approved by the UTIMCO Board of Directors on September 21, 2007, amend and restate the UTIMCO Compensation Program that was approved by the Board of Regents on August 10, 2006.

BACKGROUND INFORMATION

The UTIMCO Compensation Program (Plan) includes a two-part structure for determining annual compensation: base salary and an annual incentive plan. The original Plan was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004, and again on July 1, 2006, except that certain provisions related to (i) deferred awards and (ii) Section 409A of the *Internal Revenue Code of 1986* were effective September 1, 2004 and January 1, 2005, respectively.

Changes to the current Plan were approved by action of the UTIMCO Board on September 21, 2007, and the Plan has been amended and restated in its entirety with an effective date of July 1, 2007. With the exception of changes to the appendices in the Plan, the Plan is subject to approval by the Board of Regents. CEO Bruce Zimmerman is not a participant in the Plan for the Performance Period ending June 30, 2008. Mr. Zimmerman's performance compensation will be determined as provided in his employment agreement.

Primary Substantive Changes

The most significant changes to the Plan are:

1. Changing the measurement of the entity performance of the Total Endowment Assets (TEA). Entity performance is the performance of the TEA (weighted at 85%) and the Intermediate Term Fund (weighted at 15%). The entity performance of the TEA has been measured based on the performance of the TEA against the Peer Group as set forth in Appendix B of the Plan. The revision requested will allow the TEA to be measured at a weight of 75% of its benchmark and a weight of 25% at its Peer Group. Sections of the Plan affected are:

    - Section 5.8.(a) Entity Performance sets forth how the TEA is measured.

    - Section 8, Definition of Terms, Section 8.22 related to the definition of Policy Portfolio Return has been deleted and moved to Section 8.11. The definition remains the same but is now referred to as the Intermediate Term Fund Policy Portfolio Return. A new Section 8.26 definition has been added to define the Total Endowment Assets Policy Portfolio Return.

    - Appendix A, Performance Incentive Award Methodology, is changed to reflect the calculation of awards consistent with the change in the measurement of Entity Performance.

    - Appendix D, Benchmarks for Asset Class, adds an updated Table 4 for the Performance Period beginning 7/1/2007 through 6/30/2008, including the performance standards for the TEA policy portfolio benchmark. The performance standards for the TEA policy portfolio are threshold +0 bps, target +100 bps, and maximum +150 bps.

2. Language has been added to Section 5.8.(c) of the Plan related to the individual performance goals to clarify how the level of attainment of individual performance goals should be measured based on comments received from the Compensation Committee of the UTIMCO Board.

Additional Changes

The remaining changes clarify operational provisions of the Plan and/or are stylistic.

1. Section 1, Program Structure and Effective Date. The effective date has been amended to document that the restated plan will have an effective date of July 1, 2007.

2. Section 5.3.(d), Eligibility and Participation. The reference to Section 5.10(d) has been deleted to exempt the Plan from the provisions of Section 409A of the *Internal Revenue Code of 1986*, as amended, consistent with the short-term deferral rules contained in the final regulations that were effective April 17, 2007.

3. Section 5.4.(b), Performance Goals. Minor editorial changes have been made in this section.

4. Section 5.6, Form and Timing of Payouts of Performance Incentive Awards. The language has been changed consistent with the short-term deferral rules in the final regulations issued under Section 409A of the *Internal Revenue Code of 1986*, as amended, that were effective April 17, 2007.

5. Section 5.7, Nonvested Deferred Awards. The language has been changed consistent with the short-term deferral rules in the final regulations issued under Section 409A of the *Internal Revenue Code of 1986*, as amended, that were effective April 17, 2007.

6. Section 5.8.(b)(2), Asset Class Performance. Language has been added to clarify that the private asset class consists of private equity and venture capital.

7. Section 5.9., Modifications of Measurement Period for Measuring Entity and Asset Class Performance Goals. Subsections (c), (d), and (e) have been added to clarify the measurement of entity and asset class performance when asset classes have not been in existence for the full three years due to both a removal of or addition to the asset class.

8. Section 5.10, Termination Provisions. Minor editorial changes have been made to Subsections (b), (c), and (d). The language in Subsection (c) has been changed consistent with the short-term deferral rules in the final regulations issued under Section 409A of the *Internal Revenue Code of 1986*, as amended, that were effective April 17, 2007.

9. General. All references to “President and CEO” have been changed to “CEO” to accommodate the change in the UTIMCO CEO’s title, eliminating “President” from the title. No delegation of duties or responsibilities has occurred as a result of the title change.

This page left intentionally blank.

UTIMCO
COMPENSATION PROGRAM

Restated: Effective July 1, 2007~~2006~~

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: The original Compensation Program was effective September 1, 2000. It was amended and restated in its entirety effective September 1, 2004~~.~~, and again on ~~This document amends and restates the Compensation Program with an "Effective Date" of~~ July 1, 2006, except that (i) provisions of the Performance Incentive Plan relating to the further deferral of Nonvested Deferred Awards after they become vested are eliminated effective September 1, 2004, and (ii) provisions of the Performance Incentive Plan that are deleted, added, or modified to conform to, or exempt the plan from, section 409A of the Internal Revenue Code (Sections 5.6(a), 5.7(b)(4), 5.10(c), and 8.5) are effective January 1, 2005. This document amends and restates the Compensation Program with an "Effective Date" of July 1, 2007.

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

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, in-house managed pension funds, 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 performance is outstanding. (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. In most cases, the salary range will be from 20% below the midpoint to 20% above the midpoint.

(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 ~~President and~~ CEO is determined by the Board, 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 (e.g., recent promotion).

(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 ~~President and~~ 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. 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 July 1 of each year and ends the following June 30.

(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 July 1 and the following June 30 of the applicable year for gauging achievement of the Entity and Asset Class Performance Goals.

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 ~~President and~~ 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 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 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 when compelling individual circumstances justify a shorter period of time and such circumstances are recorded in the minutes of a meeting of the Board, 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, and, if an employee is selected by the Board to participate in the Performance Incentive Plan or becomes employed in an Eligible Position during the last six months of any Performance Period, participation of such employee in the Performance Incentive Plan will be delayed until the first day of the next Performance Period (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 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)~~, and (d)~~, 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, the ~~President and~~ CEO will recommend goals ("Performance Goals") for each Participant (other than the Performance Goals for the ~~President and~~ 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 ~~President and~~ 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).

(b) There are three categories of Performance Goals:

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

(2) Asset Class Performance (measured as described in Section 5.8(b))

(3) Individual Performance (measured as described in Section 5.8(c))

Except for the ~~President and~~ CEO, Individual Performance Goals will be defined jointly by each Participant and his or her supervisor, subject to approval~~. These Individual Performance Goals will be measured and approved~~ by the ~~President and~~ CEO and subject to final approval by the Compensation Committee. Individual Performance Goals may be established in one or more of the following areas:

- Leadership
- Implementation of operational goals
- Management of key strategic projects
- Effective utilization of human and financial resources

(c) The ~~President and~~ 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. 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 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 an Eligible Position, the Compensation Committee may adjust the weightings (up or down) for any Participant for a Performance Period where it considers the assigned 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, or his or her prior work experience. 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. 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 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) to the maximum Incentive Award Opportunity (if a Participant performs at or above maximum on all Performance Goals) depending on performance relative to objectives. 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 will seek, and may rely on, the independent confirmation of the level of Performance Goal achievement from an external investment consultant to evaluate Entity Performance and Asset Class Performance. The ~~President and~~ 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 Board will determine the ~~President and~~ CEO's level of achievement relative to the ~~President and~~ 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 Performance, and Individual Performance Goals and each Participant's Incentive Award Opportunity. 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 150 days following the end of a Performance Period, the Compensation Committee will review all Performance Incentive Award calculations, based on the certification of its advisors, 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

Approved Performance Incentive Awards will be paid as follows:

(a) Seventy percent of the Performance Incentive Award will be paid to the Participant ("Paid Performance Incentive Award") within 150 days of the completion of the Performance Period on a date selected in the discretion of UTIMCO ~~(~~and in no event later than ~~the 15th day of the third month following the later of (i)~~ the last day of the calendar year in which the Performance period ends ~~Incentive Award is determined or (ii) the last day of the fiscal year of UTIMCO in which the Performance Incentive Award is determined)~~, and

(b) Thirty percent of the Performance Incentive Award will be treated as a "Nonvested Deferred Award" subject to the terms of Section 5.7 and paid in accordance with that Section.

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 who is not employed by UTIMCO 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 but will instead be forfeited. 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) Assuming and contingent upon continued employment with UTIMCO, except as provided in Section 5.10(c), a 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 ~~as soon as administratively practicable~~ 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 15th day of the third month following the later of (i)~~ the last day of the calendar year in which the applicable portion of such Nonvested Deferred Award Account becomes vested ~~or (ii) the last day of the fiscal year of UTIMCO 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 85%) and the Intermediate Term Fund (weighted at 15%).

(2) The performance of the Total Endowment Assets is measured based on the TEA's performance relative to the TEA Policy Portfolio Return (TEA benchmark) (weighted at 75%) and to the Peer Group (weighted

at 25%). The Board's chosen investment advisor will determine the performance of the Peer Group annually for the Performance Period. 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. The Board's investment advisor will calculate a percentile rank for the performance of the Total Endowment Assets relative to the Peer Group, with the 100th percentile representing the highest rank, the 50th percentile representing the median, and the 0th percentile representing the lowest rank.

(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). The performance standards related to the Intermediate Term Fund for the Performance Period beginning July 1, 2006, are reflected in Table 4 on Appendix D. Performance standards related to the ITF for each Performance Period beginning after June 30, 2007, will be set forth on a revised table for each such Performance Period and set forth on Appendix D as soon as administratively practicable after such standards are determined. 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 ITF.

(4) Except as provided in Section 5.9, performance of the Total Endowment Assets (based on the TEA benchmark and Peer Group performance) 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 Performance

(1) Asset Class Performance is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in this Section 5.8(b). Except as provided in paragraph (2) below and Section 5.9, Asset Class Performance will be measured relative to the appropriate benchmark based on three-year rolling historical performance. Performance standards for each asset class will vary depending on the ability to outperform the respective benchmark. Table 2 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards for the Performance Periods ending June 30, 2003, 2004, and 2005 and includes July 2005 and August 2005. Table 3 below identifies the benchmarks for each asset class as well as threshold, target, and maximum performance standards beginning September 1, 2005, through December 31, 2005. Table 4 below identifies the benchmarks for each asset class as well as threshold, target, and maximum

performance standards beginning January 1, 2006, through June 30, 2006. The benchmarks for each asset class as well as threshold, target, and maximum performance standards for Performance Periods beginning after June 30, 2006, will be set forth in a revised table for each such Performance Period as soon as administratively practicable after such benchmarks and standards are set, and such revised table will be attached as Appendix D.

TABLE 2 (7/1/04 through 8/31/05)

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards: Threshold	Target	Maximum
Entity: Peer goup	Peer group (Endowments w/ >$ 1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000	20.0%	+0 bps	+31 bps	+62 bps
International Equity	MSCI All Country World Index, Ex US	17.0%	+0 bps	+52.5 bps	+105 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10.0%	+0 bps	+12.5 bps	+25 bps
Private Capital	Roll up of Private Equity & Venture Capital	15.0%			
Private Equity	Venture Economics Private Equity Database	--	+0 bps	+100 bps	+200 bps
Venture Capital	Venture Economics Venture Capital Database	--	+0 bps	+112.5 bps	+225 bps
Absolute Return Hedge Funds	91-Day T-Bill	15.0%	+300 bps	+350 bps	+400 bps
Equity Hedge Funds	91-Day T-Bill	10.0%	+400 bps	+465 bps	+530 bps
Inflation Hedge	Roll up of Commodities, TIPS & REITS	13.0%			
Commodities	Goldman Sachs Commodity Index	3.0%	-100 bps	-15 bps	+0 bps
TIPS	Lehman Brothers US TIPS Index	5.0%	+0 bps	+2.5 bps	+5 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5.0%	+0 bps	+37.5 bps	+75 bps
Cash	91-Day T-Bill	0.0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

TABLE 3 (9/1/05 through 12/31/05)

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards		
			Threshold	Target	Maximum
Entity: Peer Group	Peer group (Endowments w/>$1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000 Index	20%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	Combination index: 50% S&P Event-Driven Hedge Fund Index plus 50% S&P Directional/Tactical Hedge Fund Index	10%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	Combination index: 66.7% S&P Event-Driven Hedge Fund Index plus 33.3% S&P Arbitrage Hedge Fund Index	15%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

TABLE 4 (1/1/06 through 6/30/06)

Asset Class	Benchmark	Policy Portfolio Weights (% of Portfolio)	Performance Standards		
			Threshold	Target	Maximum
Entity: Peer Group	Peer group (Endowments w/>$1 B assets)	n/a	40th %ile	60th %ile	75th %ile
US Public Equity	Russell 3000 Index	20%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	+0 bps	+0 bps	+0 bps
Short Intermediate Term Fund	SITF Policy Statement	--	+0 bps	+5 bps	+10 bps

(2) Performance for the private capital asset class (Private Equity and Venture Capital) is calculated differently from other asset classes due to its longer investment horizon and illiquidity of assets. Performance of the private capital asset class is determined based on the performance of partnership commitments made by the current private capital team since 2001 based on internal rates of return (IRR's) relative to the respective Venture Economics benchmarks.

(c) Individual Performance

(1) The level of a Participant's Individual Performance will be measured by 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 Individual Performance Goals for the Performance Period.

(2) For purposes of determining the level of attainment of each Participant's Individual 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 Individual Performance Goals for that Performance Period, threshold level if he or she successfully completes 50% of his or her Individual Performance Goals for that Performance Period, target level if he or she successfully completes 75% of his or her Individual Performance Goals for that Performance Period, and maximum level if he or she successfully completes 100% of his or her Individual Performance Goals for that Performance Period (with interpolation for levels of attainment between threshold, target, and maximum).

(3) In determining the percentage of successful completion of a Participant's Individual Performance Goals, the CEO (in his or her 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 Individual Performance Goals successfully completed but may take into account the varying degrees of importance of the Individual Performance Goals, changes in the Participant's employment duties occurring after the Individual Performance Goals are determined for the Performance Period, and any other facts and circumstances determined by the CEO or Compensation Committee (as applicable) to be appropriate for consideration in evaluation of the level of achievement of the Participant's Individual Performance Goals for the Performance Period.

~~Individual Performance of each Participant will be measured based on that Participant's performance of the duties of his or her employment position during the Performance Period.~~

5.9. ***Modifications of Measurement Period for Measuring ~~Equity~~ Entity and Asset Class Performance Goals***

(a) Although generally Entity Performance and most Asset Class 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 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. In the Performance Period in which a Participant begins participation in the Performance Incentive Plan, the Entity Performance and Asset Class 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 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 Performance components of the Incentive Award Opportunity will be based on the three full years of rolling historical performance. This provision will apply to Participants who are UTIMCO employees hired after July 1, 2001.

(b) For purposes of measuring the Intermediate Term Fund component of Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized until the Intermediate Term Fund has three years of historical performance as part of the Performance Incentive Plan and, until that time, the actual years of historical performance will be used as the measurement period. The Intermediate Term Fund was formed on February 1, 2006, and is added as a measurement of performance under the Performance Incentive Plan effective July 1, 2006. Therefore, as of June 30, 2007, the ITF will have one year of historical performance that will be measured for purposes of determining ~~Equity~~ Entity and Asset Class Performance; as of June 30, 2008, the ITF will have two consecutive years of historical performance that will be measured for purposes of determining ~~Equity~~ Entity and Asset Class Performance; and as of June 30, 2009, and for each Performance Period thereafter, three consecutive years of historical performance will be utilized for purposes of measuring the ITF prong of ~~Equity~~ Entity and Asset Class Performance.

(c) For purposes of measuring Entity and Asset Class Performance, the three-year historical performance cycle will not be utilized for any specific asset class (or subset of an asset class) until that asset class (or subset of that asset class) 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 (or subset of that asset class) while part of the Performance Incentive Plan will be used as the measurement period.

(d) For purposes of measuring Entity and Asset Class Performance of an asset class (or subset of an asset class) 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 (or subset of an asset class), but instead the actual number of full months that the removed asset class was part of the Performance Incentive Plan during the then in-progress three-year historical performance cycle will be used as the measurement period.

(e) For purposes of measuring Asset Class Performance for a particular Participant of an asset class (or subset of an asset class) 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 (or subset of an asset class), but instead the actual number of full months that the removed or added asset class 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 Performance with respect to such 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 only continue to vest in Nonvested Deferred Awards while he or she is employed with UTIMCO and will forfeit any Nonvested Deferred Awards at termination of employment with UTIMCO.

(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 ~~as soon as administratively practicable after such termination~~ on a date selected in the discretion of UTIMCO and in no event later than ~~the 15th day of the third month following the later of (i)~~ the last day of the calendar year in which such termination occurs ~~or (ii) the last day of the fiscal year of UTIMCO 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.

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 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 restatement of the Compensation Program amends and 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. Asset Class Performance is the performance of specific asset classes within the Total Endowment Assets and the Intermediate Term Fund (such as US public equity, private capital, etc.) based on the standards set forth in Section 5.8(b).

8.2. Board is the UTIMCO Board of Directors.

8.3. Compensation Committee is the Compensation Committee of the UTIMCO Board of Directors.

8.4. Compensation Program is defined in Section 1.

8.5. 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.

8.6. Effective Date is defined in Section 1.

8.7. Eligible Position is defined in Section 5.3(a).

8.8. 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)).

8.9. Incentive Award Opportunity is defined in Section 5.5(a).

8.10. 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.

8.11. 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 multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund policy portfolio for the Performance Period.

~~8.11.~~**8.12. 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:

$$\frac{\text{Permanent University Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{Permanent University Fund Net Investment Return}$$

Plus

$$\frac{\text{General Endowment Fund Beginning Net Asset Value}}{\text{Total Endowment Beginning Net Asset Value}} \times \text{General Endowment Fund Net Investment Return}$$

~~8.12.~~8.13. **Nonvested Deferred Award** is defined in Section 5.6(b).

~~8.13.~~8.14. **Nonvested Deferred Award Account** is defined in Section 5.7(a).

~~8.14.~~8.15. **Paid Performance Incentive Award** is defined in Section 5.6(a).

~~8.15.~~8.16. **Participant** is defined in Section 5.3(a).

~~8.16.~~8.17. **Peer Group** is a peer group of endowment funds maintained by the Board's external investment advisor that is comprised of all endowment funds with assets greater than $1 billion on the last day of each of the three immediately preceding Performance Periods and set forth on Appendix B; provided, however, that Harvard University's endowment fund, Yale University's endowment fund, and 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.

~~8.17.~~8.18. **Performance Goals** are defined in Section 5.4.

~~8.18.~~8.19. **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.

~~8.19.~~8.20. **Performance Incentive Plan** is as defined in Section 1 and described more fully in Section 5.

~~8.20.~~8.21. **Performance Measurement Date** is the close of the last business day of the month.

~~8.21.~~8.22. **Performance Period** is defined in Section 5.2.

~~8.22. **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 multiplied by the benchmark return for the asset class) for the various asset classes in the Intermediate Term Fund portfolio for the Performance Period.~~

8.23. **Prior Plan** is defined in Section 7.9.

8.24. **Salary Structure** is described in Section 4.1.

8.25. **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.

8.26. 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 multiplied by the benchmark return for the asset class) for the various asset classes in the Total Endowment Assets policy portfolio for the Performance Period.

Appendix A

Performance Incentive Award Methodology
(for Performance Periods beginning on or after July 1, ~~2006~~2007)

I. Determine "Incentive Award Opportunities" for Each Participant[1]

Step 1. Identify the weights to be allocated to each of the three 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 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 ~~President and~~ CEO that the weight allocated to the Entity Performance Goal is 70%, the weight allocated to the Asset Class Performance Goal is 0%, and the weight allocated to the Individual Performance Goal is 30%.

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 ~~President and~~ CEO are 18% of his or her base salary for achievement of Threshold level performance of all three Performance Goals, 90% of his or her base salary for achievement of Target level performance of all three Performance Goals, and 180% of his or her base salary for achievement of Maximum level performance of all three 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 ~~President and~~ CEO has a base salary of $495,000 for a Performance Period, based on the assumed percentages set forth in Step #2 above, the ~~President and~~ CEO will be eligible for a total award of $89,100 (18% of his or her base salary) if he or she achieves Threshold level performance of all three Performance Goals, $445,500 (90% of his or her

[1] 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.

base salary) if he or she achieves Target level performance of all three Performance Goals, and $891,000 (180% of his or her base salary) if he or she achieves Maximum level performance of all three 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 Individual 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 ~~Equity~~ 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 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 ~~Equity~~ Entity Performance by the weight ascribed to achievement of the Total Endowment Assets (85%) and by the weight ascribed to achievement of the Intermediate Term Fund (15%)). The 85% Entity Performance of the Total Endowment Assets is derived from the weighting of the Peer Group portion at 25% and the TEA benchmark portion (TEA Policy Portfolio Return) at 75%.

Step 5. After Steps #3 and #4 above are performed for each of the three levels of performance for each of the three Performance Goals, there will be ~~12~~ 15 different Incentive Award Opportunities for each Participant. For example, for the ~~President and~~ CEO (based on an assumed base salary of $495,000, 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~~ 15 different Incentive Award Opportunities for achievement of the Performance Goals for the Performance Period are as follows:

Incentive Award Opportunities for ~~President and~~ CEO
(based on assumed base salary of $495,000)

Performance Goal	Weight	Threshold Level Award	Target Level Award	Maximum Level Award
Entity (TEA v. Peer Group)	~~59.5~~14.875% (.25 x.85 x .70)	$13,253~~53,015~~	$66,268~~265,073~~	$132,536~~530,145~~
Entity (TEA v. TEA Policy Portfolio Return	44.625% (.75 x .85 x .70)	$39,761	$198,804	397,609
Entity (ITF v. ITF Policy Portfolio Return)	10.5% (.15 x .70)	$9,356	$46,778	$93,555
Asset Class	0%	$0	$0	$0
Individual	30%	$26,730	$133,650	$267,300
Total	100%	$89,100 (18% of salary)	$445,500 (90% of salary)	$891,000 (180% of salary)

II. Calculate Performance Incentive Award for Each Participant

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 Performance Goals are set forth in the table for the applicable Performance Period (i.e., Table 2, Table 3, Table 4, or any later table set forth on Appendix D, as applicable). The measurement for the level of achievement (i.e., Threshold, Target, or Maximum) for the Individual Performance Goal is initially determined each Performance Period by the Participant's supervisor, if any, 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 Individual Performance Goal is determined each Performance Period by the Compensation Committee. The Board will determine the ~~President and~~ CEO's level of achievement relative to the ~~President and~~ 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 the case of new hires~~ in Section 5.9. Determine the level of achievement of each Participant's Individual 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 ~~President and~~ 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 above). An award for achievement percentiles in between the stated Threshold, Target, and Maximum levels is determined by linear interpolation. For example, if the 65th percentile of the Peer Group portion of Total Endowment Assets portion of the Entity Performance Goal has been achieved, that percentile is between the Target (60th percentile) and the Maximum (75th percentile) levels, so to determine the amount of the award attributable to the 65th percentile achievement of the Peer Group portion of the TEA 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 ~~President and~~ CEO, as illustrated in the table in Step #5, the difference is $66,268~~265,072~~ ($132,536-$66,268~~530,145-$265,073~~)); (ii) divide 5 (the percentile difference between the Target level of 60th percentile and the attained level of 65th percentile) by 15 (the percentile difference between the Target level and Maximum level) to get the fraction 5/15 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) ($66,268~~265,072~~ x 5/15 = $22,089~~88,357~~); 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 ($22,089~~88,357~~ + $66,268~~265,073~~ = $88,357~~353,430~~).

Step 9. In determining the Asset Class Performance portion of an award for a Performance Period for each Participant who is responsible for more than one asset class 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 for which such Participant is responsible by comparing the actual performance to the appropriate benchmark for the asset class; then, the award is calculated for the determined level of achievement for each such asset class by multiplying the award commensurate with the level of achievement by the weight assigned to the Asset Class Performance Goal for such Participant; then, the various asset classes for which the Participant is responsible are assigned a pro rata weight (i.e., the assets in such asset class relative to the total assets under such Participant's responsibility); then, each determined award for a separate asset class is multiplied by the weight for that asset class; and, finally, the weighted awards are totaled to produce the Participant's award attributable to Asset Class Performance.

Step 10. In determining the award attributable to the Entity~~Equity~~ Performance Goal (TEA Peer Group at 25% and TEA Policy Portfolio Return at 75%), achievement of the Total Endowment Assets portion of the Entity Performance Goal (and the commensurate award) is weighted at 85% with 14.875% for the TEA Peer Group and 44.625% for the TEA Policy Portfolio Return (and then both multiplied by the weight assigned to the Entity Performance Goal for the Participant), and achievement of the Intermediate Term Fund portion of the ~~Equity~~ Entity Performance Goal (and commensurate award) is weighted at 15% (and then multiplied by the weight assigned to the Entity Performance Goal for the Participant). For example, assuming a base salary of $495,000, if the ~~President and~~ CEO achieved the Target level (60th percentile) of the TEA Peer Group portion of the Total Endowment Assets portion of the Entity Performance Goal, achieved the Maximum level (+150 bps) of the TEA benchmark portion of the Total Endowment Assets portion of the Entity Performance Goal, and achieved the Maximum level (+65 bps) of the Intermediate Term Fund portion of the Entity Performance Goal, he or she would have earned an award of $557,432~~358,628~~ for his or her level of achievement of the ~~Equity~~ Entity Performance Goal as follows: $66,268~~265,073~~ for Target level of achievement of the TEA Peer Group portion of the TEA portion of the ~~Equity~~ Entity Performance Goal (.25 x .85 x .70 x $445,500); plus $397,609 for Maximum level of achievement of the TEA benchmark portion of the TEA portion of Entity Performance Goal (.75 x .85 x .70 x $891,000) plus $93,555 for Maximum level of achievement of the ITF portion of the ~~Equity~~ Entity Performance Goal (.15 x .70 x $891,000).

Step ~~10~~11. 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 ~~11~~12. Subject to any applicable adjustment in Step #~~12~~ 13 below, add the awards determined in Steps #8, #9, and #~~9~~ 10 above for each Performance Goal (as modified by Step #~~10~~11) together to determine the total amount of the Participant's Performance Incentive Award for the Performance Period.

Step ~~12~~13. 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 #~~11~~12) 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.

Appendix B

UTIMCO Peer Group

- Boston College
- Brown University
- California Institute of Technology
- Case Western Reserve University
- Columbia University
- Cornell University
- Dartmouth College
- Duke University
- Emory University
- Grinnell College
- Indiana University and Foundation
- Johns Hopkins University
- Massachusetts Institute of Technology
- New York University
- Northwestern University
- Ohio State University and Foundation
- Pennsylvania State University
- Pomona College
- Princeton University
- Purdue University
- Rice University
- Stanford University
- Swarthmore College
- The Rockefeller University
- The Texas A&M University System and Foundations
- UNC at Chapel Hill and Foundations
- University of California
- University of Chicago
- University of Illinois and Foundation
- University of Michigan
- University of Minnesota and Foundation
- University of Notre Dame
- University of Pennsylvania
- University of Pittsburgh
- University of Richmond
- University of Rochester
- University of Southern California
- University of Virginia
- University of Washington
- Vanderbilt University
- Washington University
- Wellesley College
- Williams College
- Yeshiva University

Source: Cambridge Associates. Represents University endowments (excluding Harvard, Yale, and Total Endowment Assets) with total assets in excess of $1 billion as of each fiscal year end June 2004, 2005, 2006.

Appendix C

Eligible Positions
Weightings
Incentive Award Opportunities for each Eligible Position
(for each Performance Period)

TABLE 1 (2005/2006 Performance Period)

Eligible Position	Weighting: Entity	Weighting: Asset Class	Weighting: Individual	Incentive Award Opportunity (% of Salary): < Threshold	Threshold	Target	Maximum
Investment Professionals							
President, CEO & CIO	70%	0%	30%	0%	18%	90%	180%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	13%	65%	130%
Risk Manager	70%	0%	30%	0%	12%	60%	120%
MD, Public Markets Invest.	20%	60%	20%	0%	12%	60%	120%
MD, Inflation Hedging Assets	20%	60%	20%	0%	12%	60%	120%
Co-MD, Non-Marketable Alt Inv (n=2)	30%	50%	20%	0%	12%	60%	120%
Manager of Operating Fund Investments	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Equity Invest.	20%	60%	20%	0%	10%	50%	100%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	100%
Analytical Support-Investment	20%	60%	20%	0%	5%	25%	50%
Analytical Support-Risk Management	70%	0%	30%	0%	5%	25%	50%
Operations/Support Professionals							
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	100%
MD, Information Technology	20%	0%	80%	0%	10%	50%	100%
Manager, Finance & Administration	20%	0%	80%	0%	5%	25%	50%
Manager, Investment Reporting	20%	0%	80%	0%	5%	25%	50%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	5%	25%	50%

UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2006)

Eligible Position	Weighting: Entity	Weighting: Asset Class	Weighting: Individual	Incentive Award Opportunity (% of Salary): < Threshold	Threshold	Target	Maximum
Investment Professionals							
President, CEO & CIO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	70%	0%	30%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Non-Marketable Alt Inv	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Non-Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	70%	0%	30%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	70%	0%	30%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Non-Marketable Alternative	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	70%	0%	30%	0%	6%	30%	50%
Operations/Support Professionals							
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
Manager, Client Services	20%	0%	80%	0%	8%	40%	80%

UPDATED TABLE 1 (For the Performance Periods beginning after June 30, 2007)

	Weighting			Incentive Award Opportunity (% of Salary)			
		Asset					
Eligible Position	**Entity**	**Class**	**Individual**	**< Threshold**	**Threshold**	**Target**	**Maximum**
		Investment Professionals					
CEO	70%	0%	30%	0%	20%	100%	200%
Deputy CIO & MD of Marketable Alt. Invest.	40%	40%	20%	0%	18%	90%	190%
Risk Manager	30%	0%	70%	0%	18%	90%	190%
MD, Public Markets Invest.	20%	60%	20%	0%	18%	90%	190%
MD, Inflation Hedging Assets	20%	60%	20%	0%	18%	90%	190%
MD, Private Markets	30%	50%	20%	0%	18%	90%	190%
Sr. Portfolio Mgr., Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Portfolio Manager, Fixed Income Invest.	20%	60%	20%	0%	10%	50%	140%
Director, Public Markets	20%	60%	20%	0%	8%	40%	80%
Director, Marketable Alternative	20%	60%	20%	0%	8%	40%	80%
Director, Inflation Hedging Assets	20%	60%	20%	0%	8%	40%	80%
Director, Private Markets	20%	60%	20%	0%	8%	40%	80%
Director, Risk Management	30%	0%	70%	0%	8%	40%	80%
Associate, Public Markets	20%	60%	20%	0%	6%	30%	70%
Associate, Marketable Alternative	20%	60%	20%	0%	6%	30%	70%
Associate, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	70%
Associate, Private Markets	20%	20%	60%	0%	6%	30%	70%
Associate, Risk Management	30%	0%	70%	0%	6%	30%	70%
Analyst, Public Markets	20%	60%	20%	0%	6%	30%	50%
Analyst, Marketable Alternative	20%	60%	20%	0%	6%	30%	50%
Analyst, Inflation Hedging Assets	20%	60%	20%	0%	6%	30%	50%
Analyst, Private Markets	20%	20%	60%	0%	6%	30%	50%
Analyst, Risk Management	30%	0%	70%	0%	6%	30%	50%
		Operations/Support Professionals					
MD, Accounting, Finance & Admin.	20%	0%	80%	0%	10%	50%	140%
MD, Information Technology	20%	0%	80%	0%	10%	50%	140%
Manager, Finance & Administration	20%	0%	80%	0%	8%	40%	80%
Manager, Investment Reporting	20%	0%	80%	0%	8%	40%	80%
Manager, Portfolio Accounting & Ops.	20%	0%	80%	0%	8%	40%	80%
General Counsel	0%	0%	100%	0%	8%	40%	80%
Chief Compliance Officer	0%	0%	100%	0%	8%	40%	80%

Appendix D

Benchmarks for Asset Class
Threshold, Target, and Maximum Performance Standards
(for Performance Periods beginning on or after July 1, 2006)

Performance Standards for Intermediate Term Fund
(for Performance Periods beginning on or after July 1, 2006)

UPDATED TABLE 4 (7/1/06 through 6/30/07)

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B assets)	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

UPDATED TABLE 4 (7/1/07 through 6/30/08)

		Policy Portfolio Weights		Performance Standards		
		Total Endowment Assets	ITF			
Asset Class	Benchmark	(% of Portfolio)	(% of Portfolio)	Threshold	Target	Maximum
Entity: Peer Group (Total Endowment Funds)	Peer group (Endowments w/>$1 B	n/a	n/a	40th %ile	60th %ile	75th %ile
Entity: Benchmark (Total Endowment Funds)	Policy Portfolio	n/a	n/a	+0 bps	+100 bps	+150 bps
Entity: Benchmark (Intermediate Term Fund)	Policy Portfolio	n/a	n/a	+0 bps	+32.5 bps	+65 bps
US Public Equity	Russell 3000 Index	20%	15%	+0 bps	+31 bps	+62 bps
Non-US Developed Equity	MSCI EAFE Index with net dividends	10%	5%	+0 bps	+37.5 bps	+75 bps
Emerging Markets Equity	MSCI Emerging Markets Index with net dividends	7%	5%	+0 bps	+75 bps	+150 bps
Directional Hedge Funds	MSCI Investable Hedge Fund Index	10%	12.5%	+0 bps	+65 bps	+130 bps
Absolute Return Hedge Funds	MSCI Investable Hedge Fund Index	15%	12.5%	+0 bps	+50 bps	+100 bps
Private Equity	Custom Benchmark Created from Venture Economics Database	11%	0%	+0 bps	+103.5 bps	+207 bps
Venture Capital	Custom Benchmark Created from Venture Economics Database	4%	0%	+0 bps	+103.5 bps	+207 bps
REITS	Dow Jones Wilshire Real Estate Securities Index	5%	10%	+0 bps	+37.5 bps	+75 bps
Commodities	Combination index: 66.7% Goldman Sachs Commodity Index minus .5% plus 33.3% DJ-AIG Commodity Index	3%	5%	+0 bps	+17.5 bps	+35 bps
TIPS	Lehman Brothers US TIPS Index	5%	10%	+0 bps	+2.5 bps	+5 bps
Fixed Income	Lehman Brothers Aggregate Bond Index	10%	25%	+0 bps	+12.5 bps	+25 bps
Internal Credit	Credit Related Composite Index	0%	0%	+0 bps	+12.5 bps	+25 bps
Cash	90 day t-bills	0%	0%	+0 bps	+0 bps	+0 bps

6. U. T. System: The University of Texas Investment Management Company (UTIMCO) Performance Summary Report and Investment Reports for the fiscal year and quarter ended August 31, 2007

REPORT

The August 31, 2007, UTIMCO Performance Summary Report is attached on Page 77.

The Investment Reports for the fiscal year and quarter ended August 31, 2007, are set forth on Pages 78 - 81.

Item I on Page 78 reports activity for the Permanent University Fund (PUF) investments. The PUF's net investment return for the fiscal year was 15.34% versus its composite benchmark return of 13.38%. The PUF's net asset value increased by $1,429 million since the beginning of the fiscal year to $11,743 million. This change in net asset value includes increases due to contributions from PUF land receipts and net investment return and decreases by the annual distribution of $401 million.

Item II on Page 79 reports activity for the General Endowment Fund (GEF) investments. The GEF's net investment return for the fiscal year was 15.90% versus its composite benchmark return of 13.38%. The GEF's net asset value increased during the fiscal year to $6,433 million.

Item III on Page 80 reports activity for the Intermediate Term Fund (ITF). The ITF's net investment return for the fiscal year was 10.62% versus its composite benchmark return of 8.47%. The net asset value has increased to $3,721 million due to contributions and net investment return, net of distributions of $104 million.

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

Item IV on Page 81 presents book and market value of cash, debt, equity, and other securities held in funds outside of internal investment pools. Total cash and equivalents, consisting primarily of institutional operating funds held in the Dreyfus money market fund, decreased by $109 million to $1,512 million during the three months since the last reporting period. Market values for the remaining asset types were debt securities: $29 million versus $34 million at the beginning of the period; equities: $69 million versus $74 million at the beginning of the period; and other investments: $4 million versus $0.1 million at the beginning of the period.

UTIMCO Performance Summary

August 31, 2007

	Net Asset Value 8/31/2007 (in Millions)	Periods Ended August 31, 2007 (Returns for Periods Longer Than One Year are Annualized)							
		Short Term		Year-to-Date		Historic Returns			
ENDOWMENT FUNDS		1 Mo	3 Mos	Calendar	Fiscal	1 Yr	3 Yrs	5 Yrs	10 Yrs
Permanent University Fund	$ 11,743	0.24	0.17	9.28	15.34	15.34	15.06	14.38	9.09
General Endowment Fund		0.38	0.33	9.66	15.90	15.90	15.23	14.65	N/A
Permanent Health Fund	1,100	0.35	0.27	9.52	15.76	15.76	15.12	14.52	N/A
Long Term Fund	5,333	0.35	0.27	9.52	15.76	15.76	15.12	14.54	9.62
Separately Invested Funds	211	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total Endowment Funds	18,387								
OPERATING FUNDS									
Short Term Fund	1,404	0.45	1.33	3.55	5.39	5.39	4.15	2.96	3.96
Intermediate Term Fund	3,721	0.29	(0.36)	5.75	10.62	10.62	N/A	N/A	N/A
Total Operating Funds	5,125								
Total Investments	$ 23,512								
VALUE ADDED									
Permanent University Fund		0.19	0.55	2.40	1.96	1.96	1.42	2.25	(0.35)
General Endowment Fund		0.33	0.71	2.78	2.52	2.52	1.59	2.52	N/A
Permanent Health Fund		0.30	0.65	2.64	2.38	2.38	1.48	2.39	N/A
Long Term Fund		0.30	0.65	2.64	2.38	2.38	1.48	2.41	0.52
Short Term Fund		(0.11)	(0.01)	0.04	0.10	0.10	0.13	0.07	0.16
Intermediate Term Fund		0.05	0.82	2.31	2.15	2.15	N/A	N/A	N/A

Footnotes available upon request.

I. PERMANENT UNIVERSITY FUND

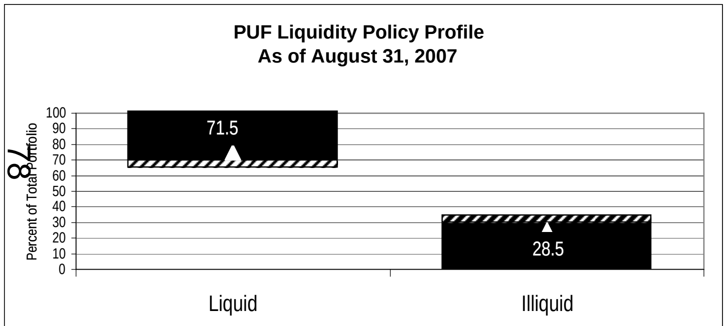
Investment Reports for Periods Ended August 31, 2007

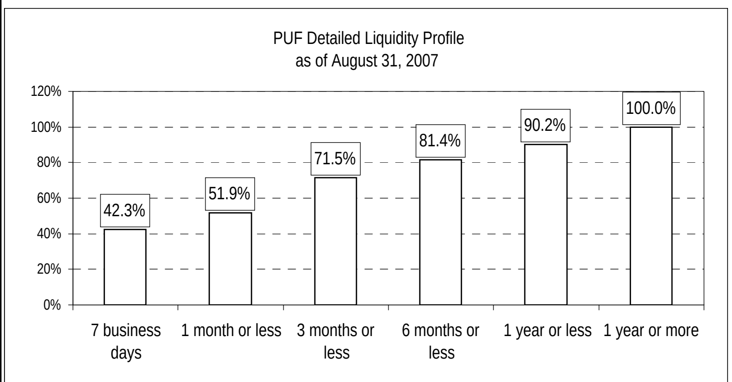
Prepared in accordance with *Texas Education Code* Sec. 51.0032

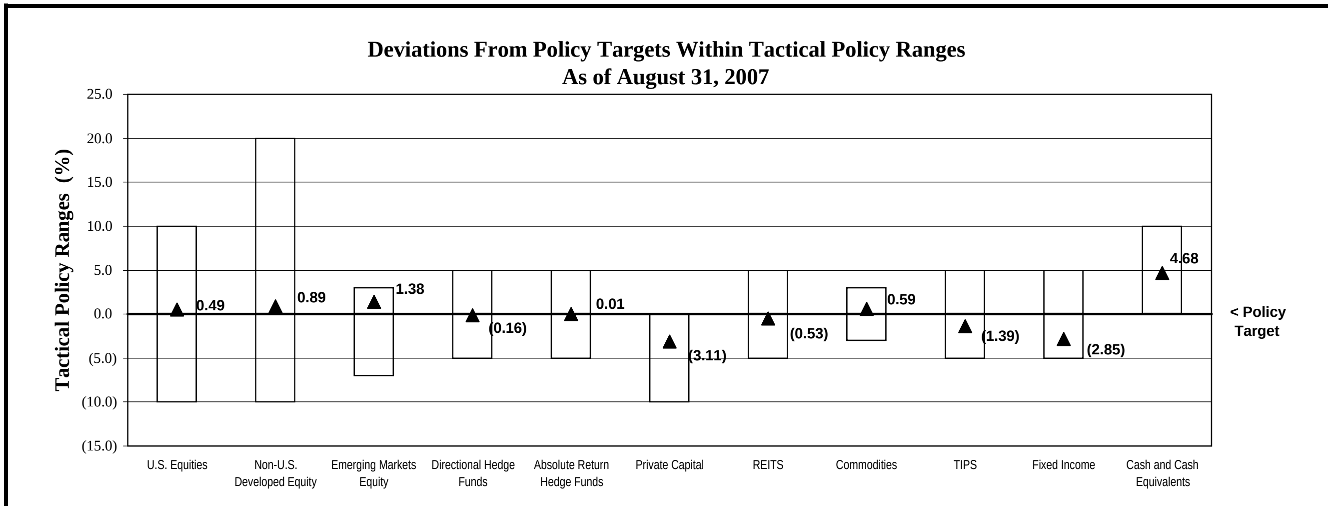
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2006	Quarter Ended August 31, 2007	Fiscal Year Ended August 31, 2007
Beginning Net Assets	$ 9,426.7	$ 11,763.6	$ 10,313.4
PUF Lands Receipts	214.9	65.6	272.8
Investment Return	1,111.7	36.6	1,639.8
Expenses	(82.6)	(22.8)	(82.5)
Distributions to AUF	(357.3)	(100.2)	(400.7)
Ending Net Assets	$ 10,313.4	$ 11,742.8	$ 11,742.8

	August 31, 2007		Fiscal Year to Date Returns		Fiscal Year to Date Value Added		
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	4.68%	0.00%	5.39%	5.29%	-0.27%	0.00%	-0.27%
U.S. Equities	20.49%	20.00%	15.14%	14.94%	0.01%	0.03%	0.04%
Non-U.S. Developed Equity	10.89%	10.00%	14.07%	18.71%	0.01%	-0.45%	-0.44%
Emerging Markets Equity	8.38%	7.00%	37.28%	43.63%	0.37%	-0.37%	0.00%
Directional Hedge Funds	9.84%	10.00%	19.01%	6.18%	-0.01%	1.30%	1.29%
Absolute Return Hedge Funds	15.01%	15.00%	14.69%	6.18%	-0.01%	1.32%	1.31%
REITS	4.47%	5.00%	5.65%	1.71%	0.02%	0.20%	0.22%
Commodities	3.59%	3.00%	-9.81%	-5.07%	-0.43%	-0.16%	-0.59%
TIPS	3.61%	5.00%	3.84%	3.76%	0.11%	0.00%	0.11%
Fixed Income	7.15%	10.00%	5.07%	5.26%	0.20%	-0.02%	0.18%
Total Marketable Securities	**88.11%**	85.00%	**13.80%**	**11.18%**	**0.00%**	**1.85%**	**1.85%**
Private Capital	11.89%	15.00%	28.59%	23.33%	-0.64%	0.75%	0.11%
Total	**100.00%**	100.00%	**15.34%**	**13.38%**	**-0.64%**	**2.60%**	**1.96%**







II. GENERAL ENDOWMENT FUND

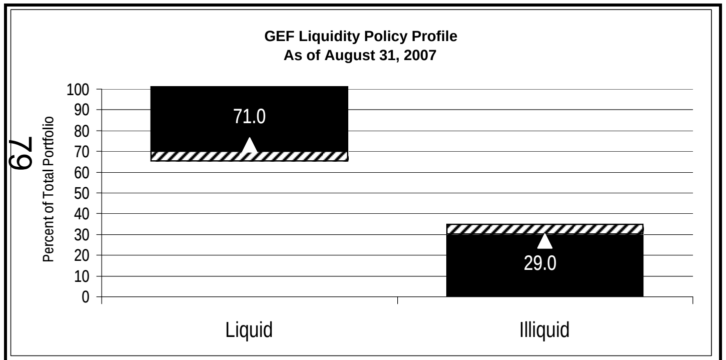
Investment Reports for Periods Ended August 31, 2007

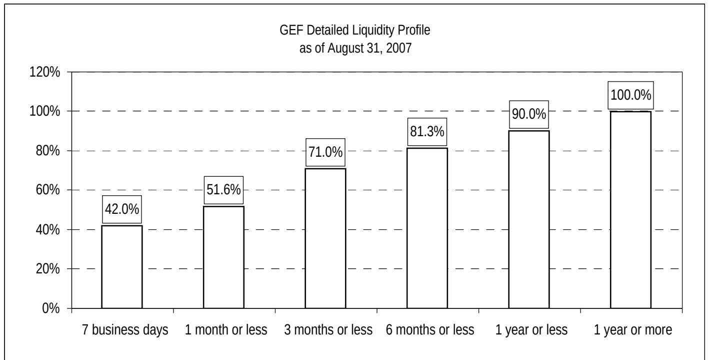
Prepared in accordance with *Texas Education Code* Sec. 51.0032

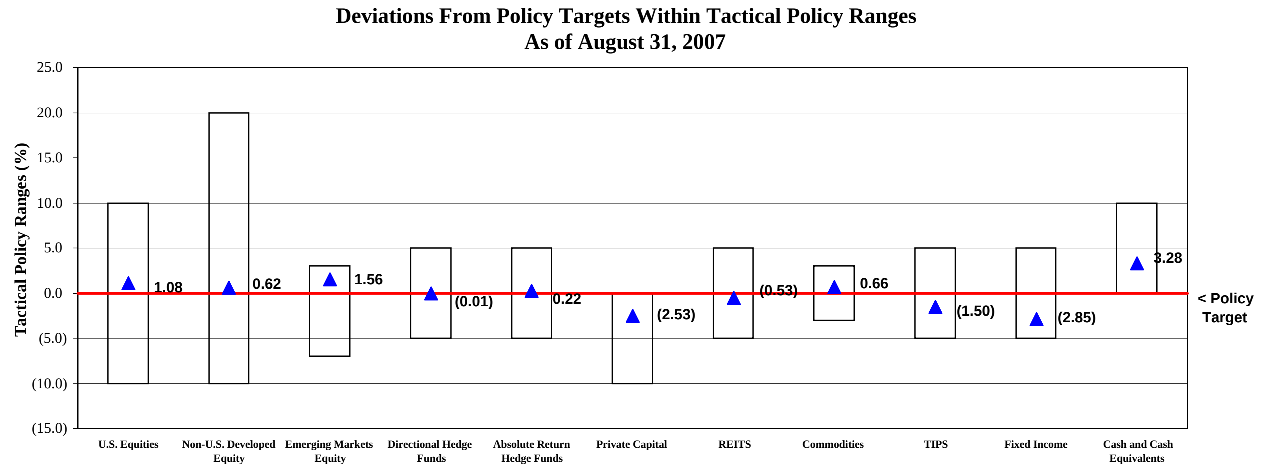
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2006	Quarter Ended August 31, 2007	Fiscal Year Ended August 31, 2007
Beginning Net Assets	$ 4,926.8	$ 6,435.5	$ 5,427.8
Contributions	273.9	44.3	360.7
Withdrawals	(108.0)	(4.3)	(6.2)
Distributions	(220.0)	(60.8)	(239.6)
Investment Return	593.3	29.6	928.5
Expenses	(38.2)	(11.2)	(38.1)
Ending Net Assets	$ 5,427.8	$ 6,433.1	$ 6,433.1

	August 31, 2007		Fiscal Year to Date Returns		Fiscal Year to Date Value Added		
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	3.28%	0.00%	5.39%	5.29%	-0.20%	0.00%	-0.20%
U.S. Equities	21.08%	20.00%	15.06%	14.94%	0.03%	0.01%	0.04%
Non-U.S. Developed Equity	10.62%	10.00%	14.14%	18.71%	0.01%	-0.45%	-0.44%
Emerging Markets Equity	8.56%	7.00%	37.66%	43.63%	0.37%	-0.35%	0.02%
Directional Hedge Funds	9.99%	10.00%	19.01%	6.18%	-0.02%	1.31%	1.29%
Absolute Return Hedge Funds	15.22%	15.00%	14.69%	6.18%	0.00%	1.32%	1.32%
REITS	4.47%	5.00%	5.72%	1.71%	0.01%	0.21%	0.22%
Commodities	3.66%	3.00%	-9.68%	-5.07%	-0.39%	-0.16%	-0.55%
TIPS	3.50%	5.00%	3.81%	3.76%	0.11%	0.00%	0.11%
Fixed Income	7.15%	10.00%	5.27%	5.26%	0.20%	0.00%	0.20%
Total Marketable Securities	**87.53%**	**85.00%**	**14.00%**	**11.18%**	**0.12%**	**1.89%**	**2.01%**
Private Capital	12.47%	15.00%	31.86%	23.33%	-0.69%	1.20%	0.51%
Total	**100.00%**	**100.00%**	**15.90%**	**13.38%**	**-0.57%**	**3.09%**	**2.52%**







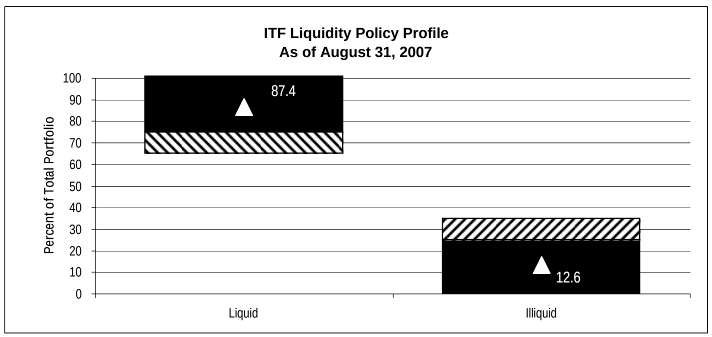
UTIMCO 9/24/2007

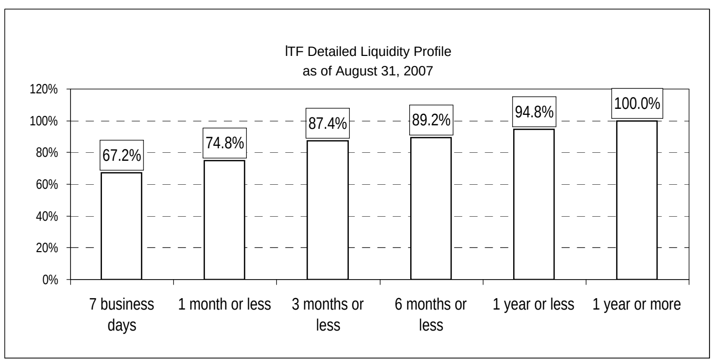
III. INTERMEDIATE TERM FUND
Investment Reports for Periods Ended August 31, 2007
Prepared in accordance with *Texas Education Code* Sec. 51.0032

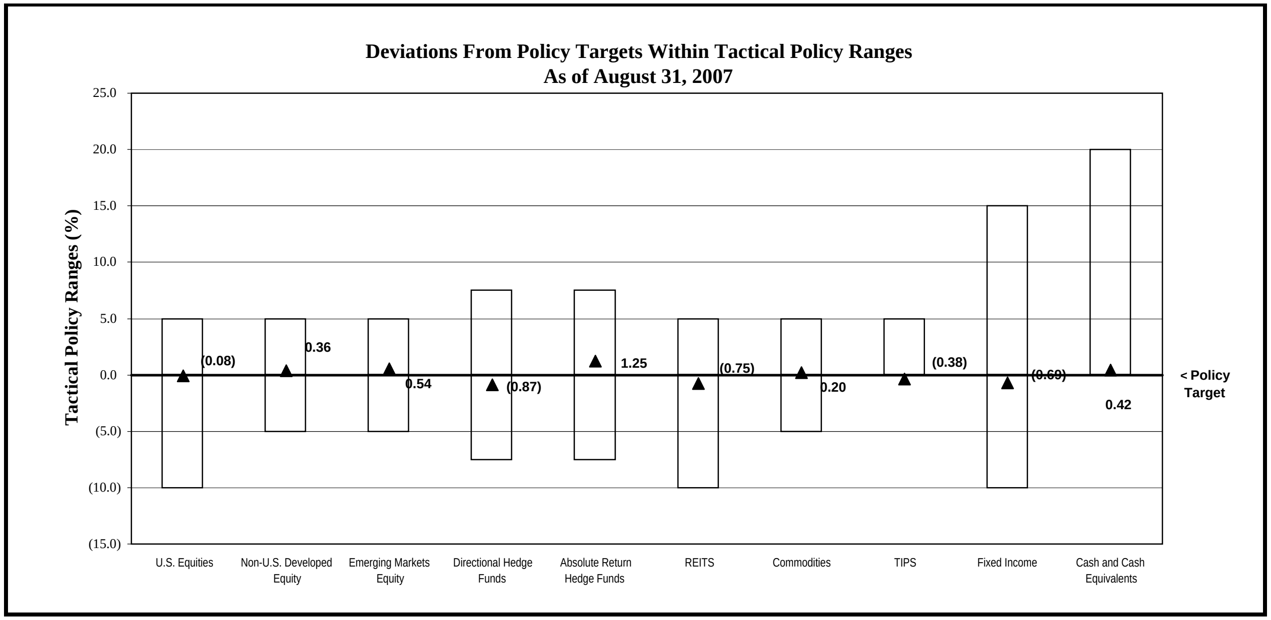
Summary of Capital Flows

($ millions)	Fiscal Year Ended August 31, 2006	Quarter Ended August 31, 2007	Fiscal Year Ended August 31, 2007
Beginning Net Assets	$ -	$ 3,740.0	$ 3,048.8
Contributions	3,112.3	61.4	664.6
Withdrawals	(111.2)	(39.1)	(228.6)
Distributions	(52.7)	(28.0)	(104.0)
Investment Return	115.4	(4.4)	377.4
Expenses	(15.0)	(9.3)	(37.6)
Ending Net Assets	$ 3,048.8	$ 3,720.6	$ 3,720.6

	August 31, 2007		Fiscal Year to Date				
			Returns		Value Added		
	Portfolio Exposure	Policy Target	Portfolio	Policy Benchmark	From Asset Allocation	From Security Selection	Total
Cash and Cash Equivalents	0.42%	0.00%	5.39%	5.29%	-0.06%	0.00%	-0.06%
U.S. Equities	14.92%	15.00%	14.72%	14.94%	0.04%	-0.03%	0.01%
Non-U.S. Developed Equity	5.36%	5.00%	15.12%	18.71%	0.00%	-0.17%	-0.17%
Emerging Markets Equity	5.54%	5.00%	37.54%	43.63%	-0.06%	-0.24%	-0.30%
Directional Hedge Funds	11.63%	12.50%	19.04%	6.18%	-0.15%	1.57%	1.42%
Absolute Return Hedge Funds	13.75%	12.50%	14.34%	6.18%	0.03%	1.01%	1.04%
REITS	9.25%	10.00%	4.98%	1.71%	0.17%	0.30%	0.47%
Commodities	5.20%	5.00%	-7.98%	-5.07%	-0.03%	-0.15%	-0.18%
TIPS	9.62%	10.00%	3.84%	3.76%	-0.01%	0.01%	0.00%
Fixed Income	24.31%	25.00%	5.05%	5.26%	-0.03%	-0.05%	-0.08%
Total	**100.00%**	100.00%	**10.62%**	**8.47%**	**-0.10%**	**2.25%**	**2.15%**







IV. SEPARATELY INVESTED ASSETS
Summary Investment Report at August 31, 2007
Report prepared in accordance with *Texas Education Code* Sec. 51.0032

($ thousands)

	FUND TYPE													
	CURRENT PURPOSE				ENDOWMENT &		ANNUITY & LIFE				TOTAL EXCLUDING		OPERATING FUI	
	DESIGNATED		RESTRICTED		SIMILAR FUNDS		INCOME FUNDS		AGENCY FUNDS		OPERATING FUNDS		(SHORT TERM FI	
ASSET TYPES														
Cash & Equivalents:	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MARKET	BOOK	MAI
Beginning value 05/31/07	1,853	1,853	1,838	1,838	28,636	28,636	7,712	7,712	22,862	22,862	62,901	62,901	1,558,096	1,5
Increase/(Decrease)	46	46	308	308	16,247	16,247	(369)	(369)	29,231	29,231	45,463	45,463	(154,073)	(1
Ending value 08/31/07	1,899	1,899	2,146	2,146	44,883	44,883	7,343	7,343	52,093	52,093	108,364	108,364	1,404,023	1,4
Debt Securities:														
Beginning value 05/31/07	-	-	263	222	18,377	18,661	15,276	15,046	-	-	33,916	33,929	-	
Increase/(Decrease)	-	-	8	15	(5,169)	(4,952)	-	165	-	-	(5,161)	(4,772)	-	
Ending value 08/31/07	-	-	271	237	13,208	13,709	15,276	15,211	-	-	28,755	29,157	-	
Equity Securities:														
Beginning value 05/31/07	24	7,629	728	828	32,597	40,786	18,025	24,633	-	-	51,374	73,876	-	
Increase/(Decrease)	-	(1,814)	(289)	(340)	94	(1,729)	(95)	(635)	-	-	(290)	(4,518)	-	
Ending value 08/31/07	24	5,815	439	488	32,691	39,057	17,930	23,998	-	-	51,084	69,358	-	
Other:														
Beginning value 05/31/07	-	-	16	16	4	4	283	116	-	-	303	136	-	
Increase/(Decrease)	1,293	1,293	2,305	2,305	(3)	(3)	5	-	539	539	4,139	4,134	-	
Ending value 08/31/07	1,293	1,293	2,321	2,321	1	1	288	116	539	539	4,442	4,270	-	
Total Assets:														
Beginning value 05/31/07	1,877	9,482	2,845	2,904	79,614	88,087	41,296	47,507	22,862	22,862	148,494	170,842	1,558,096	1,5
Increase/(Decrease)	1,339	(475)	2,332	2,288	11,169	9,563	(459)	(839)	29,770	29,770	44,151	40,307	(154,073)	(1
Ending value 08/31/07	3,216	9,007	5,177	5,192	90,783	97,650	40,837	46,668	52,632	52,632	192,645	211,149	1,404,023	1,4

Details of individual assets by account furnished upon request.

TABLE OF CONTENTS
FOR
FACILITIES PLANNING AND CONSTRUCTION COMMITTEE

Committee Meeting: 11/8/2007

Board Meeting: 11/9/2007
Austin, Texas

	Committee Meeting	Board Meeting	Page
11. **U. T. Austin: San Antonio Garage Additional Parking Levels (Formerly Nueces Garage) - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**	*1:10 p.m.* **Action** *Mr. O'Donnell*	**Action**	**99**
12. **U. T. Dallas: Student Housing Living/Learning Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**	*1:14 p.m.* **Action** *Mr. O'Donnell*	**Action**	**102**
13. **U. T. Southwestern Medical Center - Dallas: Biotechnology Development Complex - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to decrease the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**	*1:18 p.m.* **Action** *Mr. O'Donnell*	**Action**	**104**
14. **U. T. M. D. Anderson Cancer Center: Center for Targeted Therapy Research Building (formerly U. T. Research Park Building 4) - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt**	*1:22 p.m.* **Action** *Mr. O'Donnell*	**Action**	**107**
15. **U. T. Austin: Student Activity Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include the Phase I - Liberal Arts project; approval to increase total project cost; and approval to redesignate the project as Student Activity Center/Phase I - Liberal Arts**	*1:26 p.m.* **Action** *Mr. O'Donnell*	**Action**	**110**
Adjourn	*1:30 p.m.*		

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

- **U. T. Arlington Center for Structural Engineering Research**
- **U. T. Arlington Fire and Life Safety Projects**
- **U. T. El Paso College of Health Sciences/School of Nursing**
- **U. T. San Antonio Fire and Life Safety Projects**
- **U. T. Health Science Center - Houston Fire and Life Safety Projects**
- **U. T. Health Science Center - San Antonio Fire and Life Safety Projects**

<u>RECOMMENDATION</u>

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 President Spaniolo, President Natalicio, President Romo, President Cigarroa, and President Willerson that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include recommendations for six projects as set out in Table 1 on Page 84 and as set forth below:

a. include two new construction projects for the Center for Structural Engineering Research at The University of Texas at Arlington and the College of Health Sciences/School of Nursing at The University of Texas at El Paso; and

b. include the four repair and rehabilitation fire and life safety projects at The University of Texas at Arlington, The University of Texas San Antonio, The University of Texas Health Science Center at Houston, and The University of Texas Health Science Center at San Antonio; appropriate funds and authorize expenditure; and authorize institutional management.

<u>BACKGROUND INFORMATION</u>

On August 23, 2007, the U. T. System Board of Regents approved the allocation of $177,200,000 of Permanent University Fund (PUF) Bond Proceeds for 13 capital projects. Six of these capital projects are being recommended at this time for inclusion in the FY 2008-2013 CIP with a total project cost of $106,500,000 with $87,500,000 allocated from PUF.

The total project cost of the four fire and life safety repair and rehabilitation projects is $12,500,000 with funding from PUF. The four institutional Facilities Management personnel have the experience and capability to manage all aspects of the work.

PUF funding for the two new construction projects totals $75,000,000. The approval of total project costs, design development plans, and appropriation of funding will be brought back to the Board at a later date.

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

Projects to be included in CIP

($ in millions)

Project Name	Project Type	TPC	PUF	Gifts	Project Description
UT Arlington					
Center for Structural Engineering Research	New construction	$ 34.0	$ 25.0	$ 9.0	Plans include three floors, basement, and penthouse of office space and reaction floor research space, totaling 84,500 sq. ft., constructed on donated land. This is one of the campus key research and industry collaboration areas. $4 million is available in "in-kind" contributions toward the total cost.
Fire and Life Safety Projects		$ 4.3	$ 4.3		
UT El Paso					
College of Health Sciences/School of Nursing	New construction	$ 60.0	$ 50.0	$ 10.0	Health sciences complex located on or contiguous to the main campus & near major health facilities to house health-related programs & activities. Note: Would serve one of UTEP's and the region's fastest growing educational and employment areas. No other source of funding is available. Project is for Phase I construction.
UT San Antonio					
Fire and Life Safety Projects		$ 0.4	$ 0.4		
Health Science Ctr Houston					
Fire and Life Safety Projects		$ 0.9	$ 0.9		
Health Science Ctr San Antonio					
Fire and Life Safety Projects		$ 6.9	$ 6.9		
TOTAL PROJECTS		######	**$ 87.50**	$ 19.0	
TOTAL: NET OF FIRE AND LIFE SAFETY			**$ 12.50**		High priority projects include installation of fire alarms, fire sprinkler systems, fire pumps, smoke exhausts, and means of egress. Categories of buildings affected are medical facilities (patient care), high-rise buildings, large assembly occupancies, highly populated academic buildings with lecture auditoriums and large traffic flows, and laboratory or special hazard use buildings.

Recommendations:

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

Investment Metrics:

UT Arlington Center for Structural Engineering Research: 1. Increase research funding - $5.0 million by Year 5, $10.0 million by Year 10, and $10.0 to $15.0 million in subsequent years. 2. Increase enrollment and number of graduates, currently 305 undergraduate civil engineering students; increase to 500 in Year 5. 3. Improve recruitment of highly regarded faculty, new research scientists, and raise national program ranking to top 25 in Year 7.

UT El Paso College of Health Sciences/School of Nursing: By the year 2015: 1. Increase external research funding in health sciences. 2. Enrollment in master's degree programs will more than double. 3. Enrollment in doctoral programs in the health professions will increase from 15 to 175. 4. Enrollment in each of the undergraduate nursing programs will increase by 30%. 5. The number of degrees awarded annually in health-related disciplines at all levels will increase by more than 50%. 6. Endowment funding in the College of Health Sciences and in the School of Nursing will double.

2. U. T. Arlington: Parking Garage for South Campus - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project

RECOMMENDATION

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

Project No.:	301-372	
Project Delivery Method:	Design/Build	
Substantial Completion Date:	July 2009	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$10,867,000
	Unexpended Plant Funds	$10,868,000
		$21,735,000

Investment Metrics:

- Facility replaces all student parking spaces lost due to construction/capital projects through 2010/2011
- Revenue will be sufficient to offset debt service and operating costs

BACKGROUND INFORMATION

The parking garage will include construction of a new five-story structure of approximately 434,760 gross square feet to accommodate 1,449 vehicles. The structure will be located at the intersection of South Cooper and West Mitchell Streets.

This garage will be used for general student parking as existing lots are removed for campus growth and the construction of facilities.

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

3. **U. T. Austin: Computer Sciences Building - Phase 2 - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Computer Sciences Building - Phase 2 project at The University of Texas at Austin as follows:

Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	March 2012	
Total Project Cost:	Source Gifts	Proposed $53,000,000

Investment Metrics:

- Will enhance Computer Sciences (CS) retention and recruitment efforts by 2012
- Will facilitate efforts to enhance the stature of the CS department by 2012
- Will provide desperately needed space for CS research labs, offices, classrooms, lecture halls, and social meeting/study spaces by 2012

BACKGROUND INFORMATION

The Department of Computer Sciences currently occupies space in portions of five different buildings scattered across the U. T. Austin campus. The Department's goal is to bring the entire Computer Sciences faculty together in a new building complex adjacent to the Applied Computational Engineering and Sciences (ACES) Building with laboratory, office, and classroom space.

The Department's 2005 endowment proposal identified over 230,000 gross square feet of space needed to meet current demand and projected growth. The Dell Computer Science Hall, previously approved by the U. T. System Board of Regents, will provide 133,000 gross square feet to meet this need. The proposed Computer Sciences Building project will provide 97,000 gross square feet for a second phase to provide the total amount of space necessary to meet the future needs of the Department.

The Department of Computer Sciences currently occupies approximately 60,000 gross square feet in T. U. Taylor Hall. This project may require that T. U. Taylor Hall be replaced to provide space to construct the Computer Sciences Building and achieve optimal utilization of the available land area.

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

4. **<u>U. T. Austin: Houston Research Center Warehouse Addition - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; authorization of institutional management; and resolution regarding parity debt</u>**

<u>RECOMMENDATION</u>

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

Project No.:	102-373	
Institutional Managed:	Yes ☒ No ☐	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	December 2008	
Total Project Cost:	<u>Source</u>	<u>Proposed</u>
	Revenue Financing System Bond Proceeds	$1,500,000
Investment Metrics:	• House 200,000 additional geological research drilling core storage boxes by 2008/09 • Increased research resource by 2008/09	

a. approve a total project cost of $1,500,000 with funding from Revenue Financing System Bond Proceeds;

b. appropriate and authorize expenditure of funds;

c. authorize U. T. Austin to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $1,500,000.

BACKGROUND INFORMATION

Debt Service

The $1,500,000 in Revenue Financing System debt will be repaid from interest on local funds. Annual debt service on the $1,500,000 Revenue Financing System debt is expected to be $155,000. The institution's debt service coverage is expected to be at least 1.7 times and average 2.0 times over FY 2008-2013.

Project Description

The project will consist of a 26,000 square foot addition to an existing warehouse in Houston, Texas, for additional storage of geologic cores and cuttings used for research conducted by the Bureau of Economic Geology, a part of the John A. and Katherine G. Jackson School of Geosciences. The Bureau of Economic Geology recently received major donations of geologic core materials, which require immediate action to support storage and preservation of these valuable assets for future research activities.

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

5. U. T. Austin: Indoor Tennis Facility at Whitaker Fields - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project

RECOMMENDATION

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

Project No.:	102-371
Project Delivery Method:	Construction Manager at Risk

Substantial Completion Date: April 2010

Total Project Cost:	Source Gifts	Proposed $8,000,000

Investment Metrics:

- Enclose 6 courts for use during inclement weather by 2010
- Be able to host a NCAA event by 2010
- Provide recreational opportunities for an additional 2400 students/faculty/staff

BACKGROUND INFORMATION

The project will include construction of a new structure to enclose six tennis courts at Whitaker Fields located at 51st and Guadalupe Streets. The new structure will include courts, lighting and air conditioning, necessary circulation space, required restroom and dressing areas, a small lobby and spectator amenities, and necessary site work and parking modifications.

An indoor tennis facility will permit the varsity tennis teams to play and practice indoors in inclement weather. It will also enhance the ability to secure the right to host National Collegiate Athletic Association (NCAA) sanctioned championship events. The Department of Recreational Sports will use the facility for faculty, staff, and students.

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

6. U. T. Austin: Renovation of E. P. Schoch Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and resolution regarding parity debt

RECOMMENDATION

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

Project No.: 102-374

Project Delivery Method: Construction Manager at Risk

Substantial Completion Date: July 2009

Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$10,000,000

Investment Metrics:

- Will enhance retention and recruitment effort by 2009/10
- Will facilitate efforts to enhance the stature of the Jackson School of Geosciences by 2009/10
- Will provide needed space for research labs, faculty offices, and classrooms by 2009/10

a. approve a total project cost of $10,000,000 with funding from Revenue Financing System Bond Proceeds;

b. appropriate and authorize expenditure of funds; and

c. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Austin, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $10,000,000.

BACKGROUND INFORMATION

Debt Service

The $10,000,000 in Revenue Financing System debt will be repaid from interest on local funds. Annual debt service on the $10,000,000 Revenue Financing System debt is expected to be approximately $772,000. The institution's debt service coverage is expected to be at least 1.7 times and average 2.0 times over FY 2008-2013.

Project Description

The John A. and Katherine G. Jackson School of Geosciences is experiencing a significant increase in the number of faculty positions to support the strategic plan to place the School at the forefront of research, student services, and student opportunities. This project will include renovations of approximately 48,980 gross square feet to the interior of the existing E. P. Schoch Building.

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

7. U. T. Southwestern Medical Center - Dallas: Biotechnology Development Complex - Phase I Finish Out - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; authorization of institutional management; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Biotechnology Development Complex - Phase I Finish Out project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.:	303-375	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Competitive Sealed Proposals	
Substantial Completion Date:	February 2010	
Total Project Cost:	Source	Proposed
	Revenue Financing System Bond Proceeds	$13,500,000

Investment Metrics:

- Occupy/lease 1/3 of the space by 2010 with at least 1 biotech tenant
- Occupy/lease 2/3 of space by 2012 with biotech tenants numbering at least 2 or occupying 1/3 of space
- Occupy/lease all space by 2014 with biotech tenants numbering at least 4 or occupying 2/3 of space

a. approve a total project cost of $13,500,000 with funding from Revenue Financing System Bond Proceeds;

b. appropriate and authorize expenditure of funds;

c. authorize U. T. Southwestern Medical Center - Dallas to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;
- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and
- U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $13,500,000.

BACKGROUND INFORMATION

Debt Service

The $13,500,000 in Revenue Financing System debt will be repaid from lease revenues. Annual debt service on the $13,500,000 Revenue Financing System debt is expected to be approximately $1,000,000. The institution's debt service coverage is expected to be at least 1.7 times and average 2.2 times over FY 2008-2013.

Project Description

The interior modifications will finish out Levels 2 and 3 of the Biotechnology Development Complex - Phase 1. During the design of the Phase 1 building, it was determined that it would be better to remove the tenant improvement (TI) allowances and create a separate project to fully fund the finish out space as the tenants were identified. Funds for the finish out work will be accessed when leases are entered into with tenants. The work will include the finish-out of 58,500 rentable square feet as a mix of offices and laboratories (see Item 13 on Page 104).

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

8. **U. T. Health Science Center - Houston: Center for Clinical and Translational Science - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include project; approval of total project cost; appropriation of funds and authorization of expenditure; and authorization of institutional management**

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Willerson that the U. T. System Board of Regents amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Center for Clinical and Translational Science (CCTS) project at The University of Texas Health Science Center at Houston as follows:

Project Delivery Method:	Competitive Sealed Proposals	
Institutional Managed:	Yes ☒ No ☐	
Substantial Completion Date:	February 2008	
Total Project Cost:	Source Auxiliary Enterprise Balances	Proposed $2,800,000

Investment Metrics:

- Clinical and translation researchers under the auspices of the CCTS. Postdoctoral and junior faculty – 12-14 per year by the 4th quarter 2008; predoctoral – 15-20 per year
- Number of clinical researchers (faculty, staff and trainees housed) within the CCTS – 40 by 4th quarter 2008
- Number of clinical and translational research projects supported by the components of the CCTS – 150 by 2009
- Annual growth rate in total sponsored research funding for clinical and translational research – 5% per year

a. approve a total project cost of $2,800,000 with funding from Auxiliary Enterprise Balances;

b. appropriate and authorize expenditure of funds; and

c. authorize U. T. Health Science Center - Houston to manage the total project budgets, appoint architects, approve facility programs, prepare final plans, and award contracts.

BACKGROUND INFORMATION

The CCTS is the result of a $36 million grant from National Institutes of Health (NIH) designed to spur research innovation so new treatments can be developed more efficiently and delivered more quickly to patients. The CCTS at U. T. Health Science Center - Houston is one of the first such centers in the nation and the only one in Texas. The Center will have participation from U. T. M. D. Anderson Cancer Center, the U. T. Public Health School at the Brownsville Regional Campus, and Memorial Hermann Healthcare System as collaborative partners in this research program.

The CCTS will occupy the eleventh floor of the U. T. Professional Building, which is approximately 18,000 gross square feet. This project is for the CCTS renovations as well as associated renovations needed on other floors to create the contiguous space on the eleventh floor. The space will house offices and meeting spaces to accommodate a think-tank type of environment for the various departments and visiting scientists that will inhabit the CCTS.

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

9. U. T. Arlington: Civil Engineering Laboratory Building - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

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

Project No.:	301-347		
Institutionally Managed:	Yes ☒ No ☐		
Project Delivery Method:	Competitive Sealed Proposals		
Substantial Completion Date:	August 2008		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$5,400,000	$9,800,000

Investment Metrics:

- Increased enrollment and graduation rates in Civil and Environmental Engineering
- Undergraduate enrollment will grow from 280 to over 400 by Year 5
- Graduate student enrollment will increase from 206 to over 300 students by Year 5
- Increase research funding by $1.0 million annually by Year 5, $2.0 million annually by Year 10, and $3.0 million annually thereafter
- 3 to 5 additional tenure-track faculty lines as well as new graduate and undergraduate assistants
- Assist U. T. Arlington Civil Engineering in attaining top 25 ranking in 10 years

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from $5,400,000 to $9,800,000 with funding from Revenue Financing System Bond Proceeds;

b. approve design development plans;

c. appropriate and authorize expenditure of funds;

d. approve the evaluation of alternative energy economic feasibility; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Arlington, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $9,800,000.

BACKGROUND INFORMATION

Debt Service

The $9,800,000 in Revenue Financing System debt will be repaid from institutional funds. Annual debt service on the $9,800,000 in Revenue Financing System debt is expected to be approximately $724,000. The institution's debt service coverage is expected to be at least 2.3 times and average 2.8 times over FY 2008-2013.

Previous Board Action

On August 23, 2007, the project was included in the CIP with a total project cost of $5,400,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The institutionally managed project will construct a new building of approximately 25,000 gross square feet with an exterior material storage area for the College of Engineering. The building will provide much needed additional space to meet increasing demands for research space. The new space will provide faculty and student offices, conference rooms, and laboratories. Research labs will be relocated from the existing Engineering Lab Building to provide for growth expansion in these specific research labs, thus freeing up space in the existing Engineering Lab Building. The original project cost was based on an early programming estimate prior to a full understanding of project scope and programmed spaces to define individual research laboratory needs.

Exterior construction for the new building will be metal and will blend with the surrounding buildings. Energy efficient lighting and separate mechanical systems will be incorporated. The new space will be used to provide growth expansion for the following laboratories within the Department of Civil and Environmental Engineering of the College of Engineering: asphalt, environmental, construction, transportation, geotechnical, and material/structures.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

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

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

10. U. T. Austin: Library and Artifact High-Density Repository (formerly Library Storage Facility) - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; and approval of evaluation of alternative energy economic feasibility

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the U. T. System Board of Regents approve the recommendations for the Library and Artifact High-Density Repository (formerly Library Storage Facility) project at The University of Texas at Austin as follows:

Project No.:	102-016		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	March 2009		
Total Project Cost:	Source	Current	Proposed
	Designated Funds	$4,800,000	$5,875,000
	Unexpended Plant Funds		$1,250,000
			$7,125,000

Investment Metrics:

- Essential component of the U. T. Austin Libraries collections program to provide long-term storage and preservation for approximately 1.6 million print volumes. Current staff at Collection Deposit Library (CDL) (2) will move to Pickle Research Center. No new FTE. By 2009/10.
- By placing needed, but lesser-used, scholarly materials in high-density storage, campus libraries will not require expanded space and can, in fact, relinquish space to be used for more critical U. T. Austin campus needs. Will facilitate vacating + 60,000 square feet at CDL. By 2010/11.
- An agreement with The Texas A&M University System to partner in this project assures that volumes held in storage will be considered as "resources in common" and will prevent the storage of duplicate items, thus maximizing the use of the high-density shelving. By 2009/10.

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from $4,800,000 to $7,125,000;

b. approve design development plans;

c. appropriate and authorize expenditure of funds of $5,875,000 from Designated Funds and $1,250,000 from Unexpended Plant Funds; and

d. approve the evaluation of alternative energy economic feasibility.

BACKGROUND INFORMATION

Previous Board Actions

On August 12, 1999, the project was included in the CIP with a total project cost of $4,300,000 with funding of $3,800,000 from Designated Funds and $500,000 from Permanent University Fund (PUF) Bond Proceeds. On August 9, 2001, the Board approved design development plans and increased the total project cost to $4,800,000 with funding from Designated Funds. On February 13, 2006, the Associate Vice Chancellor for Facilities Planning and Construction approved the nonhonorific renaming of the facility to the Library and Artifact High-Density Repository.

Project Description

The project consists of 12,882 gross square feet to provide a new temperature and humidity controlled high-density storage building and support area to double the amount of storage available at the Library Storage Facility on the J. J. Pickle Research Campus and to provide a public service area for visitors to conduct research using materials located at the site. The proposed increase in total project cost is to revise the original design development approval in 2001, and includes the complete finish-out of the facility.

The existing facility houses some components of the Texas Memorial Museum and the Institute for Geophysics and is currently filled to capacity. Because acquisition of new information resources in paper will continue, and on-campus library space will most likely not increase, the need for additional off-site storage will only increase.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 40-50 years
- Building Systems: 15-20 years
- Interior Construction: 40-50 years

The exterior appearance and finish are consistent with high-end commercial facilities. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish include open, flexible space with support areas.

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

11. U. T. Austin: San Antonio Garage Additional Parking Levels (formerly Nueces Garage) - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to increase the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Powers that the

U. T. System Board of Regents approve the recommendations for the San Antonio Garage Additional Parking Levels project at The University of Texas at Austin as follows:

Project No.:	102-246		
Project Delivery Method:	Design-Build		
Substantial Completion Date:	April 2009		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$8,500,000	$8,800,000

Investment Metrics:

- Continues to be a self-sustaining facility by 2009
- Reduces the number of people on the waiting list for that garage by 2009
- Able to adequately offer more resident parking for the students living in the recently built Almetris Duren Residence Hall
- Continues to fulfill the Campus Master Plan of having visitor parking directed toward the perimeter of campus by 2009
- Increase the capacity of the current parking garage by two levels and 315 parking spaces for a total of 1,040 spaces by 2009
- Increase revenues by over $700,000 annually by 2009

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to increase the total project cost from $8,500,000 to $8,800,000;

b. approve design development plans;

c. appropriate and authorize expenditure of funds;

d. approve the evaluation of alternative energy economic feasibility; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

  - parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

  - sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. 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 $8,800,000.

BACKGROUND INFORMATION

Debt Service

The $8,800,000 in Revenue Financing System debt will be repaid from parking revenues. Annual debt service on the $8,800,000 in Revenue Financing System debt is expected to be approximately $625,000. The project's debt service coverage is expected to be at least 1.3 times and average 1.3 times over FY 2010-2015.

Previous Board Action

On May 11, 2006, the Nueces Garage was redesignated as the San Antonio Garage Additional Parking Levels project and included in the CIP with a total project cost of $8,500,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The San Antonio Garage located at 25th and San Antonio Street was originally constructed in 1992. The existing parking structure comprises four supported levels and one grade level and provides parking for 725 vehicles. The exterior facade is brick clad with capstones at the top of the spandrel walls. The structure was engineered to accommodate this expansion. The proposed project is to add two floors and 315 spaces to the existing parking garage while maintaining the same exterior appearance. The completed project will provide 1,040 parking spaces. U. T. Austin requested the increase to the total project cost to include the funding of capitalized interest.

Basis of Design

The planned garage life expectancy includes the following elements:

- Enclosure: 50-60 years
- Building Systems: 25-30 years
- Interior Construction: 25-30 years

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

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

12. U. T. Dallas: Student Housing Living/Learning Center - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that the U. T. System Board of Regents approve the recommendations for the Student Housing Living/Learning Center project at The University of Texas at Dallas as follows:

Project No.:	302-325	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	May 2009	
Total Project Cost:	Source	Current
	Revenue Financing System Bond Proceeds	$37,800,000
Investment Metrics:	• On-campus housing and food service capacity for 400 students	

a. approve design development plans;

b. appropriate and authorize expenditure of funds;

c. approve the evaluation of alternative energy economic feasibility; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $37,800,000.

BACKGROUND INFORMATION

Debt Service

The $37,800,000 in Revenue Financing System debt will be repaid from rental income. Annual debt service on the $37,800,000 Revenue Financing System debt is expected to be approximately $2,800,000. The project's debt service coverage is expected to reach 1.3 times in FY 2014. The institution expects to use Unexpended Fund Balances to retire a portion of the short-term financing before the project is permanently financed with bonds in approximately FY 2010.

Previous Board Action

On November 16, 2006, the project was included in the Capital Improvement Program (CIP) with a total project cost of $37,800,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The project will consist of 404 student beds with amenities such as a recreation/lounge area with kitchen, study rooms, mail room, laundry room, and an outdoor basketball court. Complimenting the student housing building is a separate 550 person capacity food service facility connected to the existing student union. The expanded food service facility provides a lounge area, separated faculty dining/university reception room with pre-function lobby, and exterior courtyard. Current facilities are operating at close to 100% occupancy with 200 students on the waiting list.

Basis of Design

The planned student housing and food service facility life expectancy includes the following elements:

- Enclosure: 25-35 years
- Building Systems: 25-35 years
- Interior Construction: 15-25 years

The exterior appearance and finish are consistent with high-end commercial facilities and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish include open, flexible space with support areas.

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

13. U. T. Southwestern Medical Center - Dallas: Biotechnology Development Complex - Phase I - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to decrease the total project cost; approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Wildenthal that the U. T. System Board of Regents approve the recommendations for the Biotechnology Development Complex - Phase I project at The University of Texas Southwestern Medical Center at Dallas as follows:

Project No.:	303-375
Institutionally Managed:	Yes ☒ No ☐
Project Delivery Method:	Competitive Sealed Proposals

Substantial Completion Date: February 2010

Total Project Cost:

Source	Current	Proposed
Revenue Financing System Bond Proceeds	$46,100,000	$39,700,000

Investment Metrics:

- Occupy/lease 1/3 of the space by 2010 with at least 1 biotech tenant
- Occupy/lease 2/3 of space by 2012 with biotech tenants numbering at least 2 or occupying 1/3 of space
- Occupy/lease all space by 2014 with biotech tenants numbering at least 4 or occupying 2/3 of space

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to decrease the total project cost from $46,100,000 to $39,700,000;

b. approve design development plans;

c. appropriate and authorize expenditure of funds;

d. approve the evaluation of alternative energy economic feasibility; and

e. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. Southwestern Medical Center - Dallas, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount of $39,700,000.

BACKGROUND INFORMATION

Debt Service

The $39,700,000 in Revenue Financing System debt will be repaid from lease revenues. Annual debt service on the $39,700,000 in Revenue Financing System debt is expected to be approximately $3,000,000. The institution's debt service coverage is expected to be at least 1.7 times and average 2.2 times over FY 2008-2013.

Previous Board Action

On August 10, 2006, the project was included in the CIP with a total project cost of $46,100,000 with funding from Revenue Financing System Bond Proceeds.

Project Description

The project consists of a three-story building with 110,000 gross square feet to accommodate biomedical research and commercial development and marketing of U. T. Southwestern Medical Center - Dallas. Space would be leased to biotechnology companies that would have a symbiotic relationship with U. T. Southwestern Medical Center - Dallas. The project includes the building shell and core, site utilities, parking, and driveways. Only one floor of finish out work is included in this project. The remaining construction of two floors will be completed in a subsequent project. The project would also include the demolition of an existing garage and warehouse structures left on the site after the property was purchased from the City of Dallas.

The original total project cost included tenant improvement (TI) allowances and a TI allowance reserve. During the design of the project, it was determined that the total project cost should be reduced by removing the TI allowances and requesting a separate project to finish out Levels 2 and 3 as tenants are identified (see Item 7 on Page 91).

Basis of Design

The planned life expectancy includes the following elements:

- Enclosure: 25-40 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with existing high-end commercial biomedical research facilities and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish are consistent with existing high-end commercial biomedical research facilities.

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

14. U. T. M. D. Anderson Cancer Center: Center for Targeted Therapy Research Building (formerly U. T. Research Park Building 4) - Request for approval of design development; appropriation of funds and authorization of expenditure; approval of evaluation of alternative energy economic feasibility; and resolution regarding parity debt

RECOMMENDATION

The Chancellor concurs with the Executive Vice Chancellor for Health Affairs, the Executive Vice Chancellor for Business Affairs, and President Mendelsohn that the U. T. System Board of Regents approve the recommendations for the Center for Targeted Therapy Research Building (formerly U. T. Research Park Building 4) project at The University of Texas M. D. Anderson Cancer Center as follows:

Project No.:	703-328	
Institutionally Managed:	Yes ☒ No ☐	
Project Delivery Method:	Construction Manager at Risk	
Substantial Completion Date:	August 2010	
Total Project Cost:	Source	Current
	Tuition Revenue Bond Proceeds	$40,000,000
	Permanent University Fund Bond Proceeds	$30,000,000
	Hospital Revenues	$25,400,000
		$95,400,000

Investment Metrics:

- House 50 principal investigators by 2011
- 45% growth in graduate students by 2015
- 50% growth in new extramural research funding by 2015
- Establish RNAi Molecular Biology Screening Program by 2011

a. approve design development plans;

b. appropriate and authorize expenditure of funds;

c. approve the evaluation of alternative energy economic feasibility; and

d. resolve in accordance with Section 5 of the Amended and Restated Master Resolution Establishing The University of Texas System Revenue Financing System that

- parity debt shall be issued to pay the project's cost, including any costs prior to the issuance of such parity debt;

- sufficient funds will be available to meet the financial obligations of the U. T. System, including sufficient Pledged Revenues as defined in the Master Resolution to satisfy the Annual Debt Service Requirements of the Financing System, and to meet all financial obligations of the U. T. System Board of Regents relating to the Financing System; and

- U. T. M. D. Anderson Cancer Center, 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 $40,000,000.

BACKGROUND INFORMATION

Debt Service

The 79th Legislature authorized $40,000,000 of Tuition Revenue Bonds for a center for targeted therapy research building. While the debt service is payable from pledged revenues, it is expected that the State will reimburse debt service on Tuition Revenue Bonds through general revenue appropriations.

Previous Board Actions

On August 11, 2005, the project was included in the Capital Improvement Program (CIP) as the U. T. Research Park Building 4 with a total project cost of $70,000,000 with funding of $10,000,000 from Hospital Revenues, $25,000,000 from Gifts, and $35,000,000 from Revenue Financing System Bond Proceeds. On June 27, 2006, the project was redesignated as the Center for Targeted Therapy Research Building by the Associate Vice Chancellor for Facilities Planning and Construction. On August 10, 2006, the Board approved the funding source revision to $40,000,000 from Tuition Revenue Bond Proceeds and $30,000,000 from Permanent University Fund (PUF) Bond Proceeds. With the adoption of the FY 2008-2013 CIP, the total project cost was increased to $95,400,000 with funding of $40,000,000 from Tuition Revenue Bond Proceeds, $30,000,000 from PUF Bond Proceeds, and $25,400,000 from Hospital Revenues.

Project Description

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

The new six-story facility will contain approximately 210,000 gross square feet. The building will house the laboratories and offices of the Department of Experimental Therapeutics including support areas such as cold rooms, dark rooms, and equipment rooms as well as the existing Pharmaceutical Development Center, a melanoma core laboratory, wet laboratories for biomedical engineering, a research medical library satellite, a distance learning center, and a support office complex for the Office of Technology Commercialization, Grants and Contracts, and Legal Services for activities related to intellectual properties and patent review.

The Center for Targeted Therapy will develop and facilitate more effective collaboration and sharing of knowledge with health care providers, extramural researchers, academic institutions, and industry and organizations involved in early cancer detection and treatment. This facility is part of a three-building parcel and provides continuity between adjacent facilities.

Basis of Design

The planned building life expectancy includes the following elements:

- Enclosure: 45-50 years
- Building Systems: 15-20 years
- Interior Construction: 10-20 years

The exterior appearance and finish are consistent with high-end commercial facilities and with the existing Campus Master Plan. The mechanical and electrical building systems are designed with sufficient flexibility and space for future capacity to allow for changes without significant disruption to ongoing activities. The interior appearance and finish include open, flexible space with support areas.

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

The economic impact of the project will be reported to the U. T. System Board of Regents as part of the design development presentation.

15. U. T. Austin: Student Activity Center - Amendment of the FY 2008-2013 Capital Improvement Program and the FY 2008-2009 Capital Budget to include the Phase I - Liberal Arts project; approval to increase total project cost; and approval to redesignate the project as Student Activity Center/Phase I - Liberal Arts

RECOMMENDATION

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

Project No.:	102-248		
Architecturally or Historically Significant:	Yes ☒ No ☐		
Project Delivery Method:	Construction Manager at Risk		
Substantial Completion Date:	September 2010		
Total Project Cost:	Source	Current	Proposed
	Revenue Financing System Bond Proceeds	$44,000,000	$69,400,000

Investment Metrics:

- Increase study and lounge space for students in the core of campus, some of which will be open very late by 2010
- Add much needed meeting rooms of various sizes primarily reserved for student groups by 2010
- Add 40,000 square feet for a Liberal Arts component that will vacate a nearby building for other uses by 2010

a. amend the FY 2008-2013 Capital Improvement Program (CIP) and the FY 2008-2009 Capital Budget to include the Phase I - Liberal Arts project;

b. approve a total project cost of $69,400,000 with funding from Revenue Financing System Bond Proceeds; and

c. redesignate the project as Student Activity Center/Phase I - Liberal Arts.

BACKGROUND INFORMATION

Previous Board Actions

On May 10, 2006, the project was included in the CIP with a total project cost of $44,000,000 with funding from Revenue Financing System Bond Proceeds. The Board also designated the project as architecturally significant.

Project Description

The site for the Student Activity Center project, Parking Lot F11, is the last large interior building site on U. T. Austin's main campus. The significance and location of this site demand optimal utilization of the available land area. A comprehensive site analysis conducted by Overland Partners Architects for the Student Activity Center shows 356,000 gross square feet of building space can be accommodated within a building mass that meets the intent of the Campus Master Plan. The 108,000 gross square feet proposed for the Student Activity Center would not optimize the available site. Considering this, other occupants for the phased development of the site are proposed.

The site would be ideal for consolidating Social Science programs within the College of Liberal Arts, the largest undergraduate college on campus. The Social Science programs would complement and provide infrastructure for the Student Activity Center. Relocating these programs would also create expansion opportunities for other programs. The Student Activity Center, as a first phase of development, is much smaller than the preferred building mass for this site. Therefore, the proposed 40,000 gross square foot Phase I - Liberal Arts component is being recommended to be added to the project at this time.

The John A. and Katherine G. Jackson School of Geosciences is in need of additional space to support expansion within the school's programs and has funding available for this purpose. U. T. Austin has determined that the E. P. Schoch Building, located adjacent to the John A. and Katherine G. Jackson Geological Sciences Building, could provide much needed space if the current occupants from the College of Liberal Arts were relocated. An agreement was reached whereby the School of Geosciences will fund the additional square footage within the Student Activity Center/Phase I - Liberal Arts project in return for the use of the E. P. Schoch Building (see Item 6 on Page 89).

This proposed funding increase is for the first stage of the project, Student Activity Center/Phase I - Liberal Arts. The comprehensive site analysis also included building massing options for a future Phase II 208,000 gross square foot Liberal Arts Building at an estimated cost of $100,000,000. Phase II - Liberal Arts will be developed and submitted for approval as funds become available.

TABLE OF CONTENTS
FOR
HEALTH AFFAIRS COMMITTEE

Committee Meeting: 11/8/2007

Board Meeting: 11/9/2007
Austin, Texas

	Committee Meeting	Board Meeting	Page
7. **U. T. System: Quarterly report on health issues by Executive Vice Chancellor Shine**	*2:15 p.m.* **Report** *Dr. Shine*	Not on Agenda	**123**
Adjourn	*2:30 p.m.*		

1. **<u>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 28,195 square feet of unimproved land located at 7605 Almeda Road, also known as Lots 1 and 2, Block 40 and the abandoned portion of Pawnee Street located between Blocks 40 and 41, Institute Place, Houston, Harris County, Texas, from MDM Realty, L.L.C., a Texas limited liability company, for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions</u>**

<u>RECOMMENDATION</u>

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

a. purchase approximately 28,195 square feet of unimproved land located at 7605 Almeda Road, also known as Lots 1 and 2, Block 40, Institute Place, Houston, Harris County, Texas, and the abandoned portion of Pawnee Street located between Blocks 40 and 41, Institute Place, Houston, Harris County, Texas, from MDM Realty, L.L.C., a Texas limited liability company, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

<u>BACKGROUND INFORMATION</u>

Acquisition of the subject property is part of the land assemblage being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important but noncritical functions that will allow greater use of core facilities in the Texas Medical Center for patient treatment and research. Although the property is not within the most recent Campus Master Plan, it represents a strategic acquisition for the institution.

MDM Realty, L.L.C., a Texas limited liability company, owns the subject tract, which is adjacent to a 2.2497-acre tract on Almeda Road that was recently purchased by U. T. M. D. Anderson Cancer Center pursuant to authority granted by the Board on February 8, 2007. The MDM Realty, L.L.C. site is also directly across the railroad tracks from a 28.8008-acre tract that was also approved for acquisition by the Board on February 8, 2007. The subject property is adjacent to a 24,829-square foot tract owned by Mr. and Mrs. Jerald W. Fletcher, Jr., and Soapy Sam's Car Wash, Inc., a Texas corporation, and for which acquisition authority is also currently being requested (see Item 2 on Page 115).

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and the south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

Details of this acquisition, which will be funded with Local Hospital Revenues, are summarized in the transaction summary below:

Transaction Summary

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 28,195 square feet
Improvements:	None
Location:	7605 Almeda Road, Houston, Harris County, Texas; see attached map
Seller:	MDM Realty, L.L.C., a Texas limited liability company
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	$45 per square foot (equating to a value of $1,268,775) (Edward B. Schultz and Company, September 16, 2007) Appraisal by Lewis Realty Advisors is pending
Source of Funds:	Local Hospital Revenues
Intended Use:	Campus administrative and support functions

28.008-acre site,
approved February 8, 2007
2.2497 acre site,
approved
February 8, 2007
Almeda Road
Fletcher/Soapy Sam's
MDM Realty

2. <u>U. T. M. D. Anderson Cancer Center: Authorization to purchase approximately 24,829 square feet of land and improvements located at the northeast corner of Lydia Avenue and Almeda Road, also known as Lots 3, 4, 5, and 6, Block 40, Institute Place, Houston, Harris County, Texas, from Mr. Jerald W. Fletcher, Jr., Mrs. Dorothy Fletcher, and Soapy Sam's Car Wash, Inc., a Texas corporation, for a purchase price not to exceed fair market value as established by independent appraisals for future use for campus administrative and support functions</u>

RECOMMENDATION

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

a. purchase approximately 24,829 square feet of land and improvements located at the northeast corner of Lydia Avenue and Almeda Road, also known as Lots 3, 4, 5, and 6, Block 40, Institute Place, Houston, Harris County, Texas, from Mr. Jerald W. Fletcher, Jr., Mrs. Dorothy Fletcher, and Soapy Sam's Car Wash, Inc., a Texas corporation, for a purchase price not to exceed fair market value as established by independent appraisals, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for future use for campus administrative and support functions; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

Acquisition of the subject property, which is presently used as a commercial coin-operated car wash, is part of the land assemblage being undertaken by U. T. M. D. Anderson Cancer Center to accommodate the relocation of important but noncritical functions that will allow greater use of core facilities in the Texas Medical Center for patient treatment and research. Although the property is not within the most recent Campus Master Plan, it represents a strategic acquisition for the institution.

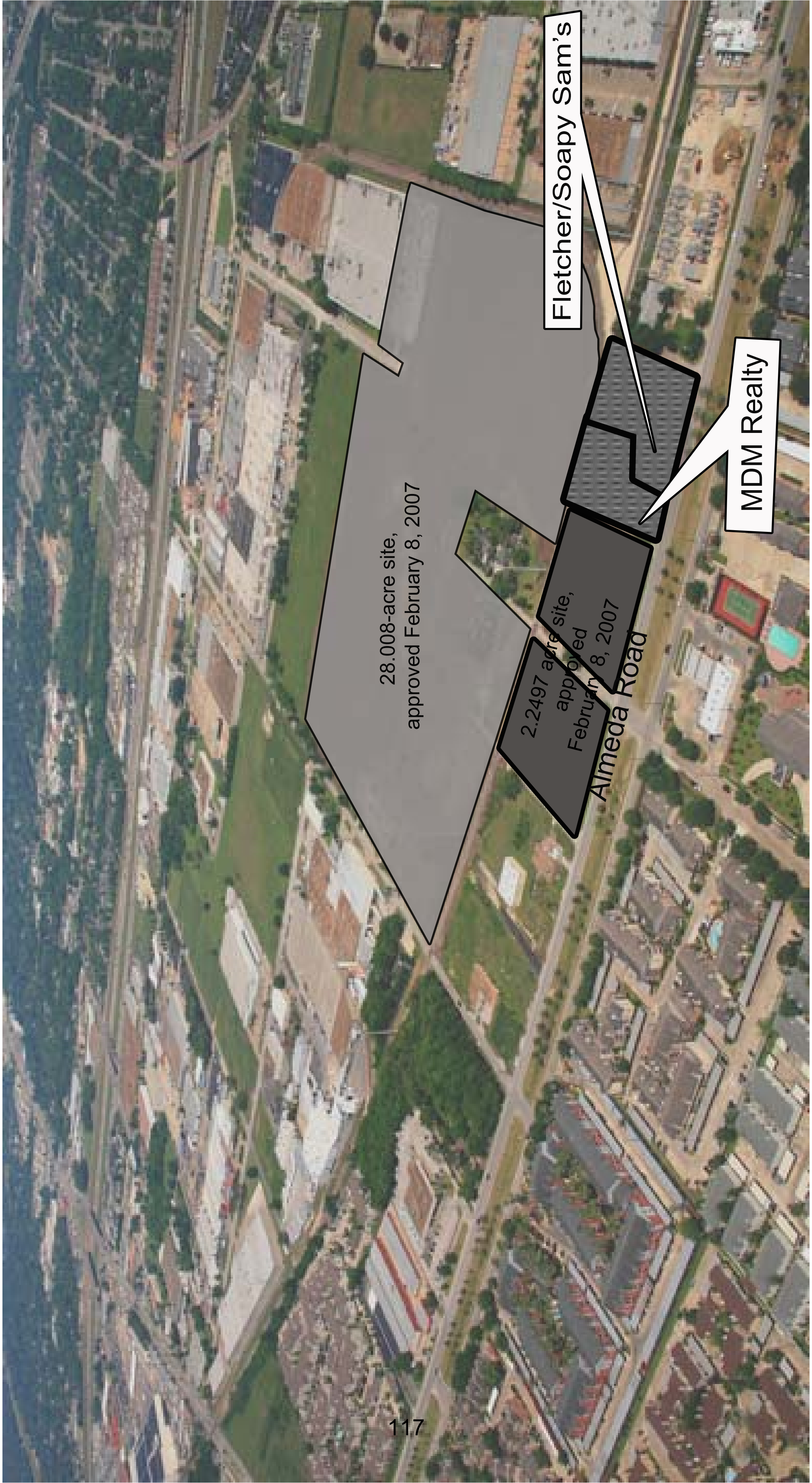
The subject property is adjacent to a 28,195-square foot tract owned by MDM Realty, L.L.C., and for which acquisition authority is also currently being requested (see Item 1 on Page 112). That 28,195-square foot tract site is adjacent to a 2.2497-acre tract on Almeda Road that was recently purchased by U. T. M. D. Anderson Cancer Center pursuant to authority granted by the Board on February 8, 2007. The 2.2497-acre site and the two tracts for which acquisition authority is currently being requested are directly across the railroad tracks from a 28.8008-acre tract that was also approved for U. T. M. D. Anderson Cancer Center's acquisition by the Board on February 8, 2007.

U. T. M. D. Anderson Cancer Center has concluded that the main campus in the Texas Medical Center and the south campus should be reserved for use for research and critical patient care functions. Accordingly, many administrative and support activities currently in the main and south campuses will be relocated to the area in which the subject property and adjacent tracts are located to allow expansion of the research and patient care functions on the main and south campuses.

Details of this acquisition, which will be funded with Local Hospital Revenues, are summarized in the transaction summary below:

<u>Transaction Summary</u>

Institution:	U. T. M. D. Anderson Cancer Center
Type of Transaction:	Purchase
Total Area:	Approximately 24,829 square feet
Improvements:	Commercial coin-operated car wash and paved parking areas
Location:	Lots 3, 4, 5, and 6, Block 40, Institute Place, Houston, Harris County, Texas; see attached map
Seller:	Mr. Jerald W. Fletcher, Jr., and Mrs. Dorothy Fletcher (Lots 3, 4, and 6), and Soapy Sam's Car Wash, Inc., a Texas corporation (Lot 5)
Purchase Price:	Not to exceed fair market value as established by independent appraisals
Appraised Value:	$45 per square foot (equating to a value of $1,117,305) (Edward B. Schultz and Company, September 16, 2007) Appraisal by Lewis Realty Advisors is pending
Source of Funds:	Local Hospital Revenues
Intended Use:	Campus administrative and support functions


Fletcher/Soapy Sam's
MDM Realty
28.008-acre site, approved February 8, 2007
2.2497 acre site, approved February 8, 2007
Almeda Road

3. U. T. Medical Branch - Galveston: Approval of a deferred compensation plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Business Affairs, the Executive Vice Chancellor for Health Affairs, the Vice Chancellor and General Counsel, and President Callender that the U. T. System Board of Regents authorize establishment and implementation of a deferred compensation plan pursuant to Section 457(f) of the *Internal Revenue Code* of 1986, as amended, subject to review and approval of the Vice Chancellor and General Counsel.

BACKGROUND INFORMATION

U. T. Medical Branch - Galveston is proposing to establish a deferred compensation plan (the Plan) for selected individuals as identified by the president with approval of the Executive Vice Chancellor for Health Affairs. The purpose of the Plan is to competitively recruit and encourage retention of individuals key to the success of U. T. Medical Branch - Galveston. The structure of the Plan would allow deferral of compensation pursuant to Section 457(f) of the *Internal Revenue Code*, similar to the U. T. System Deferred Compensation Plan.

The details of the Plan are as follows:

a. Certain individuals (Eligible Employees) as designated by the president, with the approval of the Executive Vice Chancellor for Health Affairs, would be determined to be eligible for deferred compensation under the Plan on an annual basis.

b. The deferrals would be for a minimum of three (3) years as determined by the president, with the approval of the Executive Vice Chancellor for Health Affairs.

c. During the deferral period, U. T. Medical Branch - Galveston may make approved payments on an annual basis to a separate deferred compensation account in the name of each Eligible Employee.

d. At the end of the deferral period, the Eligible Employee will become vested in the contributed payments and any applicable earnings thereon. At that time, all payments and applicable earnings will be considered taxable income to the Eligible Employee.

e. The Eligible Employee must be employed by U. T. Medical Branch - Galveston and performing satisfactorily at the end of the deferral period in order to receive payment of any and all deferred monies and applicable earnings thereon.

f. Once vested, the Eligible Employee will receive a lump sum distribution as soon as practicable after the date the Eligible Employee has vested in such benefits, but not later than two and one-half (2 1/2) months after the date of said vesting.

4. <u>U. T. Health Science Center - San Antonio: Approval regarding proposed revisions to Mission Statement</u>

<u>RECOMMENDATION</u>

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Cigarroa that proposed changes to the U. T. Health Science Center - San Antonio Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Revised Mission Statement

The mission of The University of Texas Health Science Center at San Antonio is to:

- educate a diverse student body to become excellent health care providers and scientists
- engage in biomedical research focused on seeking information fundamental to the prevention, diagnosis and treatment of disease
- provide compassionate and culturally competent state-of-the-art clinical care
- enhance community health awareness, education and practices thereby improving the wellness of the citizenry.

Current Mission Statement

The mission of The University of Texas Health Science Center at San Antonio is to serve the needs of the citizens of Texas, the nation, and the world through programs committed to excellence and designed to:

- educate health professionals for San Antonio and the entire South Texas Community and for the State of Texas to provide the best possible health care, to apply state-of-the-art treatment modalities, and to continue to seek information fundamental to the prevention, diagnosis, and treatment of disease.

- play a major regional, national and international role as a leading biomedical education and research institution in the discovery of new knowledge and the search for answers to society's health care needs.

- be an integral part of the health care delivery system of San Antonio and the entire South Texas community, as well as an important component of the health care delivery system of the State of Texas and the nation.

- serve as a catalyst for stimulating the life science industry in South Texas, culminating in services and technology transfer that benefit local and state economies.

- offer continuing education programs and expertise for professional and lay communities.

Approved by U. T. System Board of Regents on 2/11/1999.

BACKGROUND INFORMATION

Periodically, the Mission Statement is reviewed by faculty and administration to ensure its accuracy and applicability to an ever-changing and growing institution. The current statement was last approved by the Board of Regents on February 11, 1999, affirmed by the Acting Executive Vice Chancellor for Health Affairs in September 2003, and approved by the Texas Higher Education Coordinating Board in January 2004. Upon review, the consensus was that the core mission of U. T. Health Science Center - San Antonio is education, research, clinical care, and service, and the revised Mission Statement better reflects this core.

5. **U. T. Health Science Center - San Antonio: Approval of a Doctor of Physical Therapy (DPT) degree program**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Health Affairs and President Cigarroa that authorization, pursuant to the Regents' *Rules and Regulations*, Series 40307, related to academic program approval standards, be granted to

a. establish a Doctor of Physical Therapy (DPT) degree program 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

This proposal is in accordance with the national trend to recognize the increasing complexity and science-based practice of physical therapy by moving the entry level of physical therapist education from the current Master of Physical Therapy (MPT) degree to the clinical doctorate. The nationwide degree transition movement began in 1995, and is similar to the professional doctorate currently offered in other health professions such as Audiology and Pharmacy. As of July 2007, there are 211 accredited physical therapy programs in the U.S.; 179 of these programs, or 84.8%, offer the Doctorate of Physical Therapy (DPT) as their entry-level degree. The accrediting body of the American Physical Therapy Association estimates that 98% of physical therapy programs in the U.S. will be offering a DPT program by 2010.

The proposed DPT degree program would replace the current MPT degree program at U. T. Health Science Center - San Antonio. The DPT is a professional doctoral qualification that enables recipients to be eligible for state licensure to practice physical therapy in Texas. Proposed curricular changes will focus on the practitioner's ability to provide primary access to care. Over recent years, physical therapists have developed expertise in the diagnosis and treatment of patients who have mobility and movement disorders. With such expertise comes increased responsibility for recognition of problems falling outside the physical therapy scope of practice and referral to appropriate sources. Differential diagnostic processes in physical therapy require enhanced understanding of diagnostic imaging, pathophysiology, and pharmacology, together with expanded knowledge to access and treat patients with complex medical disorders.

Need and Student Demand

The U.S. Department of Labor, Bureau of Labor Statistics, lists physical therapists as one of the fastest growing occupations for the Years 2002 to 2012. This data projects a 35% growth rate, and the demographics of Texas further support the need for more and better trained professionals in the physical therapy field. According to U. T. Health Science Center - San Antonio, the national average for physical therapists is 51 per 100,000 population. The statewide average for Texas is 39 per 100,000.

There are currently 10 physical therapist educational programs in Texas: eight are in public institutions, one is at Hardin-Simmons University, and one is offered by the U.S. Army at Fort Sam Houston in connection with Baylor University. Both Hardin-Simmons University and the U.S. Army-Baylor program provide the DPT as the entry-level degree, and as of August 2007, five public institutions have been granted permission to begin a DPT curriculum: U. T. Southwestern Medical Center - Dallas, U. T. Medical Branch - Galveston, Texas Woman's University, Texas State University, and Texas Tech University.

Program Quality

The proposed DPT degree program at U. T. Health Science Center - San Antonio will be offered through the Department of Physical Therapy in the School of Allied Health Sciences, and will compliment and be supported by other professional programs offered in the allied health sciences and other schools of the institution. The DPT degree will be an eight-semester program consisting of 100 credit hours, including didactic work and 34 weeks of full-time supervised clinical practice. The current core faculty consists of eight full-time employees, seven of which have doctoral degrees. Several adjunct faculty members and clinical instructors also assist with teaching.

Program Cost

The DPT degree program at U. T. Health Science Center - San Antonio can be self-sufficient since it will replace the current MPT program, which is self-supporting with a class limit of 40 students. Since the current MPT program is a seven-semester, three-year program, there will be a minimal difference in cost to the student. Funding sources associated with the current MPT program will be used to support the new DPT program, and reallocation of $40,000 within the School of Allied Health will be used to cover new faculty salaries. The institution's Department of Physical Therapy has a wide range of teaching and research equipment, sufficient to meet the requirements of a DPT program, and institutional facilities are particularly well suited for the education and training of allied health professionals.

6. **U. T. System: Report on governance of faculty practice plans**

REPORT

Associate Vice Chancellor and Counsel for Health Affairs Amy Shaw Thomas will report on progress and recommendations to modify the model bylaws governing physician practice plans, known as Medical Service, Research and Development Plan/Physician Referral Service (MSRDP/PRS) Faculty Practice Plan Bylaws, to clarify the elements of faculty compensation, continue the effective governance, operation, and oversight of the plans, and revise outdated provisions.

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

REPORT

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

TABLE OF CONTENTS
FOR
ACADEMIC AFFAIRS COMMITTEE

Committee Meeting: 11/8/2007

Board Meeting: 11/9/2007
Austin, Texas

		Committee Meeting	Board Meeting	Page
7.	**U. T. El Paso: Authorization to ground lease approximately 0.73 acres located on Oregon Street between Glory Road and Cincinnati Avenue and consisting of Lots 11 through 20, Block 224, Alexander Addition, El Paso, El Paso County, Texas, to the City of El Paso for a term of 30 years plus a period for design, permitting, and construction, for the construction and operation of a transit terminal with parking garage; and authorization to lease back parking spaces from the City of El Paso**	*3:01 p.m.* **Action** *President Natalicio Ms. Mayne*	**Action**	**138**
8.	**U. T. El Paso: Authorization to purchase approximately 4.6 acres and improvements located at 212, 300, 303, 315, and 400 West Schuster Avenue, and 1617 Randolph Drive, El Paso, Texas, and described as Lots 1 through 10, Block 52; Lots 1 through 9 and 12 through 20 and 16 feet of Lots 10 and 11, Block 53; Lots 11 through 20, Block 54; Lots 1 through 8 and 13 through 20, Block 80, all in the Alexander Addition, an addition to the City of El Paso, El Paso County, Texas, from Richard C. and Jean W. Price for a total purchase price of $4.6 million for relocation of U. T. El Paso's child care center that is currently located on the future site of U. T. El Paso's planned Physical Sciences/Engineering Core Facility, and for future programmed development of campus expansion; and resolution regarding parity debt**	*3:04 p.m.* **Action** *President Natalicio Ms. Mayne*	**Action**	**142**
9.	**U. T. Pan American: Authorization to purchase approximately 4.5 acres of unimproved land located on FM 3167 immediately south of South Texas College's Starr County Campus, out of Lots 44, 45, 46, and 47, Unit 2, Valle Rico Del Rio Grande Little Farms, in Porcion No. 76, Rio Grande City, Starr County, Texas, from South Texas College, a public community college, for a purchase price of $441,000 for U. T. Pan American's Starr County Upper Level Center**	*3:07 p.m.* **Action** *President Cárdenas Ms. Mayne*	**Action**	**147**
10.	**U. T. System: Report and discussion of enrollment management including potential changes in admission standards, retention, and graduation rates**	*3:10 p.m.* **Report** *Dr. Prior*	Not on Agenda	**150**
Adjourn		*3:30 p.m.*		

1. **U. T. System: Requested expansion of degree planning authority**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs and the presidents of the academic institutions that proposed changes to the institution Table of Programs for U. T. Arlington, U. T. El Paso, U. T. Permian Basin, U. T. San Antonio, and U. T. Tyler on Page 125 be approved and forwarded to the Texas Higher Education Coordinating Board for consideration.

BACKGROUND INFORMATION

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

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

Requested Expansion of Degree Planning Authority

The University of Texas at Arlington

Ph.D. in Social Sciences

The University of Texas at El Paso

Master of Rehabilitation Counseling Program
Master of Science in Clinical Research
Master of Science in Intelligence and National Security Studies
Master of Science in Construction Management
Master of Science in Clinical Laboratory Science
Master of Science and Ph.D. in Biomedical Engineering
Ph.D. in Communication
Ph.D. in Transnational Society, Culture, and Politics
Doctorate in Public Administration (DPA)
Doctorate in Physical Therapy (DPT)

The University of Texas of the Permian Basin

Bachelor of Science in Physics
Bachelor of Science in Chemical Engineering; Mechanical Engineering; and Petroleum Engineering
Bachelor of Science in Nursing
Master of Health Services Administration

The University of Texas at San Antonio

Bachelor in Public Health
Ph.D. in Mathematics

The University of Texas at Tyler

Bachelor of Arts in Religious Studies
Bachelor of Science in Chemical Engineering
Bachelor of Science in New Media Technology

2. U. T. El Paso: Approval regarding proposed revisions to Mission Statement

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Academic Affairs and President Natalicio that proposed changes to the U. T. El Paso Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Proposed Revised Mission Statement

The University of Texas at El Paso is dedicated to the advancement of the El Paso region through education, creative and artistic production, and the generation, interpretation, application and dissemination of knowledge. UTEP embraces its role as an intellectual, cultural and socio-economic asset to the region, offering programs to meet human resource needs and contribute to the quality of life.

As a public university, UTEP is committed to providing access and opportunity to the people of the El Paso region and the State of Texas. UTEP's mission of ensuring access is coupled with a commitment to excellence, reflected in rigorous programs which prepare students to make significant contributions to their professions, their communities and the world.

As a research/doctoral institution, UTEP fosters a climate of scholarly inquiry, with a special focus on applying innovative interdisciplinary approaches to explore and address major issues that confront the United States and Mexico border region.

Current Mission Statement

The University of Texas at El Paso (UTEP) is dedicated to teaching and to the creation, interpretation, application and dissemination of knowledge. UTEP prepares its students to meet lifelong intellectual, ethical and career challenges through quality educational programs, excellence in research and in scholarly and artistic production, and innovative student programs and services, which are created by responsive faculty, students, staff and administrators.

As a component of The University of Texas System, UTEP accepts as its mandate the provision of higher education to the residents of El Paso and the surrounding region. Because of the international and multicultural characteristics of this region, the University provides its students and faculty with distinctive opportunities for learning, teaching, research, artistic endeavors, cultural experiences and service.

Approved by U. T. System Board of Regents on 5/11/2000.

BACKGROUND INFORMATION

U. T. El Paso's new Mission Statement is the product of a two-year strategic thinking process that involved an extensive scan of the environment and a comprehensive assessment of the institution's strengths, challenges, and opportunities. This process drew a broad campus and community participation, including the Centennial Commission (100 community and alumni stakeholders), as well as three Commission Task Forces and the Strategic Thinking Committee, both comprised of U. T. El Paso faculty, staff, and students. The resulting draft statements of mission, vision, and strategic initiatives were then communicated electronically to U. T. El Paso faculty and staff, and formal input was sought from the Faculty Senate, the Student Government Association, the U. T. El Paso Development Board, and other external constituents.

3. U. T. Permian Basin: Approval regarding proposed revisions to Mission Statement

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Academic Affairs and President Watts that proposed changes to the U. T. Permian Basin Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Proposed Revised Mission Statement

The University of Texas of the Permian Basin is a general academic university of The University of Texas System. The University of Texas System is committed to pursue high-quality educational opportunities for the enhancement of the human resources of Texas, the nation, and the world through intellectual and personal growth.

The mission of The University of Texas of the Permian Basin is to provide quality education to all qualified students in a supportive educational environment; to promote excellence in teaching, research, and service; and to serve as a resource for the intellectual, social, economic, and technological advancement of the diverse constituency in Texas and the region.

BACKGROUND INFORMATION

U. T. Permian Basin undertook a strategic planning process in Spring 2005 by instituting the president's listening tour. President Watts and other University administrators visited community leaders in 19 West Texas communities asking how the University could best meet the needs of West Texas in the coming 30 years. Information from the listening tour was transcribed and provided to a special task force, known as the Group of Thirty, which consisted of 30 community leaders from West Texas. The Group of Thirty developed a list of directions it recommended U. T. Permian Basin follow in its strategic planning.

The University's standing Budget and Planning Committee has taken the Group of Thirty's recommendations, the strategies and strategic initiatives from The University of Texas System Strategic Plan for 2007-2017, and other inputs and is drafting a new University strategic plan. A key element in the institution's strategic planning is its mission statement. The Committee, which consists of representatives from the administration, the Faculty Senate, the Student Government, and the staff, recommended the proposed changes to the University community. This statement provides a much more concise and succinct statement of the University's mission on which its strategic planning can focus as compared to the current statement.

The draft statement was shared with the University faculty, staff, and student leadership. In addition to being recommended by the Budget and Planning Committee, it was endorsed unanimously by the University's Administrative Council, which includes University administrators, the President of the Faculty Senate, the President of the Student Government, and the Chair of the Staff Advisory Council.

The previous Mission Statement was approved by the Board of Regents in May 1998 as part of the institution's Strategic Plan.

4. U. T. Tyler: Approval regarding proposed revisions to Mission Statement

RECOMMENDATION

The Chancellor concurs with the recommendation of the Executive Vice Chancellor for Academic Affairs and President Mabry that proposed changes to the U. T. Tyler Mission Statement as set forth below be approved by the U. T. System Board of Regents and forwarded to the Texas Higher Education Coordinating Board for approval.

Proposed Revised Mission Statement

The University of Texas at Tyler is a comprehensive institution of higher education offering undergraduate and graduate degree programs as an institution of the renowned University of Texas System. The University of Texas at Tyler's vision is to be nationally recognized for its high quality education in the professions and in the humanities, arts and sciences, and for its distinctive core curriculum. Guided by an outstanding and supportive faculty, its graduates will understand and appreciate human diversity and the global nature of the new millennium. They will think critically, act with honesty and integrity, and demonstrate proficiency in leadership, communication skills, and the use of technology.

The University is committed to providing a setting for free inquiry and expects excellence in the teaching, research, artistic performances and professional public service provided by its faculty, staff, and students. As a community of scholars, the University develops the individual's critical thinking skills, appreciation of the arts, humanities and sciences, international understanding for participation in the global society, professional knowledge and skills to enhance economic productivity, and commitment to lifelong learning.

Within an environment of academic freedom, students learn from faculty scholars who have nationally recognized expertise in the arts and sciences, and in such professions as engineering, public administration, education, business, health sciences, and technology. The faculty engages in research and creative activity, both to develop and maintain their own scholarly expertise and to extend human knowledge. The results of that research and other creative efforts are made available to students in the classroom and to the general public through publication, technology transfer, and public service activities. The institution also seeks to serve individuals who desire to enhance their professional development, broaden their perspectives, or enrich their lives.

BACKGROUND INFORMATION

In Fall 1999, U. T. Tyler developed its New Millennium Vision -- a vision statement, mission statement, and strategic plan that reflected what the University wanted to see U. T. Tyler become in the next decade as it entered the 21st century. At the time, a mission statement was written and approved by faculty and staff, approved by the U. T. System and the Texas Higher Education Coordinating Board, but not submitted for Board approval. In 2002, a group of faculty reviewed the New Millennium Vision and realized that the mission statement did not adequately portray the excellence and strengths of the University, did not fully develop the role of the University as a four-year institution, and did not express the University's desire to make research a significant component of faculty and student teaching and learning.

5. **<u>U. T. Arlington: Authorization to purchase approximately 0.93 acres and improvements located at 108 West Second Street and 115 West Third Street, Arlington, Tarrant County, Texas, from DZFL LLC, a Texas limited liability company, for a purchase price not to exceed fair market value as established by an independent appraisal, for initial use as expansion of adjacent surface parking and for future programmed development of campus expansion</u>**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Spaniolo that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Arlington, to

a. purchase approximately 0.93 acres and improvements located at 108 West Second Street and 115 West Third Street, Arlington, Tarrant County, Texas, from DZFL LLC, a Texas limited liability company, for a purchase price not to exceed fair market value as established by an independent appraisal, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for initial use as expansion of adjacent surface parking and for future programmed development of campus expansion; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

The subject 0.93-acre property consists of two contiguous mid-block tracts that extend from West Second Street to West Third Street in Arlington, Texas. The property abuts portions of U. T. Arlington's campus on both sides, and completes the assembly of the block in which the parcels are located. It lies within the boundaries of the institution's Campus Master Plan approved by the Board on May 11, 2000, and the institution's Campus Master Plan that was presented to the Board on May 9, 2007. The property is also in U. T. Arlington's legislatively-approved acquisition zone.

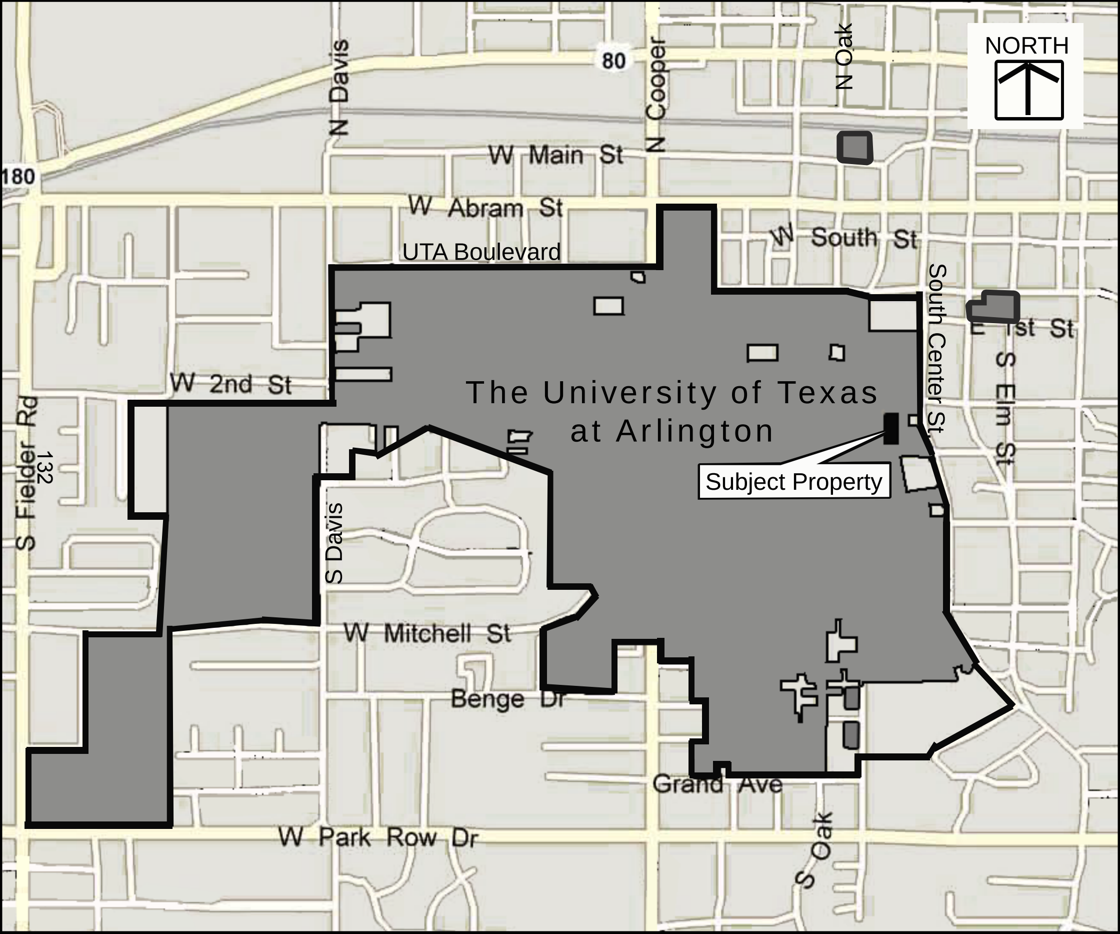
The property is improved with two apartment complexes under common ownership and operated as one, known as the Alpha Delta Apartments. The complexes contain a total of 48 units, comprising approximately 26,040 gross square feet. They are approximately

40 years old and suffer from physical deterioration. U. T. Arlington proposes to demolish the improvements after existing leases expire. The property will be used to expand adjacent surface parking and subsequently for future programmed development of campus expansion.

Institutional funds from operations will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below:

<u>Transaction Summary</u>

Institution:	U. T. Arlington
Type of Transaction:	Purchase
Total Area:	Approximately 0.93 acres
Improvements:	Two apartment complexes, totaling approximately 26,040 gross square feet
Location:	108 West Second Street and 115 West Third Street, Arlington, Tarrant County, Texas; see attached map
Seller:	DZFL LLC, a Texas limited liability company
Purchase Price:	Not to exceed fair market value as established by an independent appraisal
Appraised Value:	$1,350,000 (James Hanes, MAI, Hanes Appraisal Company, September 25, 2007)
Source of Funds:	Institutional funds
Intended Use:	Expansion of adjacent surface parking; future programmed development of campus expansion


NORTH
80
180
132
N Davis
N Cooper
N Oak
W Main St
W Abram St
W South St
UTA Boulevard
South Center St
E 1st St
S Elm St
W 2nd St
The University of Texas at Arlington
Subject Property
S Fielder Rd
S Davis
W Mitchell St
Benge Dr
Grand Ave
W Park Row Dr
S Oak

6. **U. T. Dallas: Authorization to acquire approximately 20.59 acres of unimproved real property located at 3410 and 3420 Waterview Parkway, Richardson, Collin County, Texas, from the Dallas International School, a Texas nonprofit corporation, in exchange for the conveyance to the Dallas International School of approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres of unimproved real property out of the U. T. D. Synergy Park - Phase I, plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas, and the payment of cash compensation to constitute an even exchange of fair market values as established by independent appraisals, with the 20.59-acre tract to be used as the future main entrance to the U. T. Dallas campus and for future programmed development of campus expansion**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Daniel that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Dallas, to

a. acquire approximately 20.59 acres of unimproved real property located at 3410 and 3420 Waterview Parkway, Richardson, Collin County, Texas, (the Richardson Tract) from the Dallas International School, a Texas nonprofit corporation, to be used as the future main entrance to the U. T. Dallas campus and for future programmed development of campus expansion;

b. convey to the Dallas International School, approximately 13.8 acres located on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of approximately 12.8 acres of unimproved real property out of the U. T. D. Synergy Park - Phase I, plus approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas (the Dallas Tracts), together with the payment of sufficient cash compensation to constitute an even exchange of fair market values as established by independent appraisals; and

c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

On August 23, 2007, the Board of Regents approved the ground lease of a 12.8-acre unimproved tract, plus approximately one acre of land located at 17919 Waterview Parkway, both in Dallas, to the Dallas International School for use as a private school offering prekindergarten through secondary education.

Subsequently, the Dallas International School has contracted to purchase the Richardson Tract for approximately $6.3 million from Waterview Commons L.P., a Texas limited partnership. The Board of Regents sold the Richardson Tract to Asset XVI Holdings Company L.L.C., a Massachusetts limited liability company and an affiliate of STB Systems, Inc. in 1997; Waterview Commons L.P., which is controlled by Stanford University, subsequently bought the property as an investment and is now marketing the property for sale.

Although the Dallas International School has placed the Richardson Tract under contract, it prefers to locate its proposed school on the Dallas Tracts, and also prefers to own its school site. Therefore, it approached U. T. Dallas regarding the exchange of the Richardson Tract for the Dallas Tracts together with the payment by U. T. Dallas of sufficient cash compensation to constitute an even exchange of fair market values.

U. T. Dallas desires to acquire the Richardson Tract to create a northern entrance that links the campus to the President George Bush Turnpike, which has become a significant conductor of traffic to the institution. In addition, the City of Richardson has designated the Richardson Tract as the preferred location for a future Dallas Area Rapid Transit station. Ownership of this vital property will enable U. T. Dallas to control the approaches to its campus, as well as to have greater control regarding possible future transit-oriented uses.

The Dallas International School is a private, coeducational school currently offering a rigorous prekindergarten through middle school curricula featuring an international perspective and extensive instruction in French, English, and Spanish. The Dallas International School is affiliated with the Mission Laique, a French nonprofit corporation that promotes French-speaking schools worldwide. The Dallas International School may initially construct a middle and high school on the Dallas Tracts.

The institution's Excellence in Education Foundation endowment will be used to partially fund the proposed property exchange, the terms and conditions of which are specified in the transaction summary below:

Transaction Summary

Acquisition of Richardson Tract

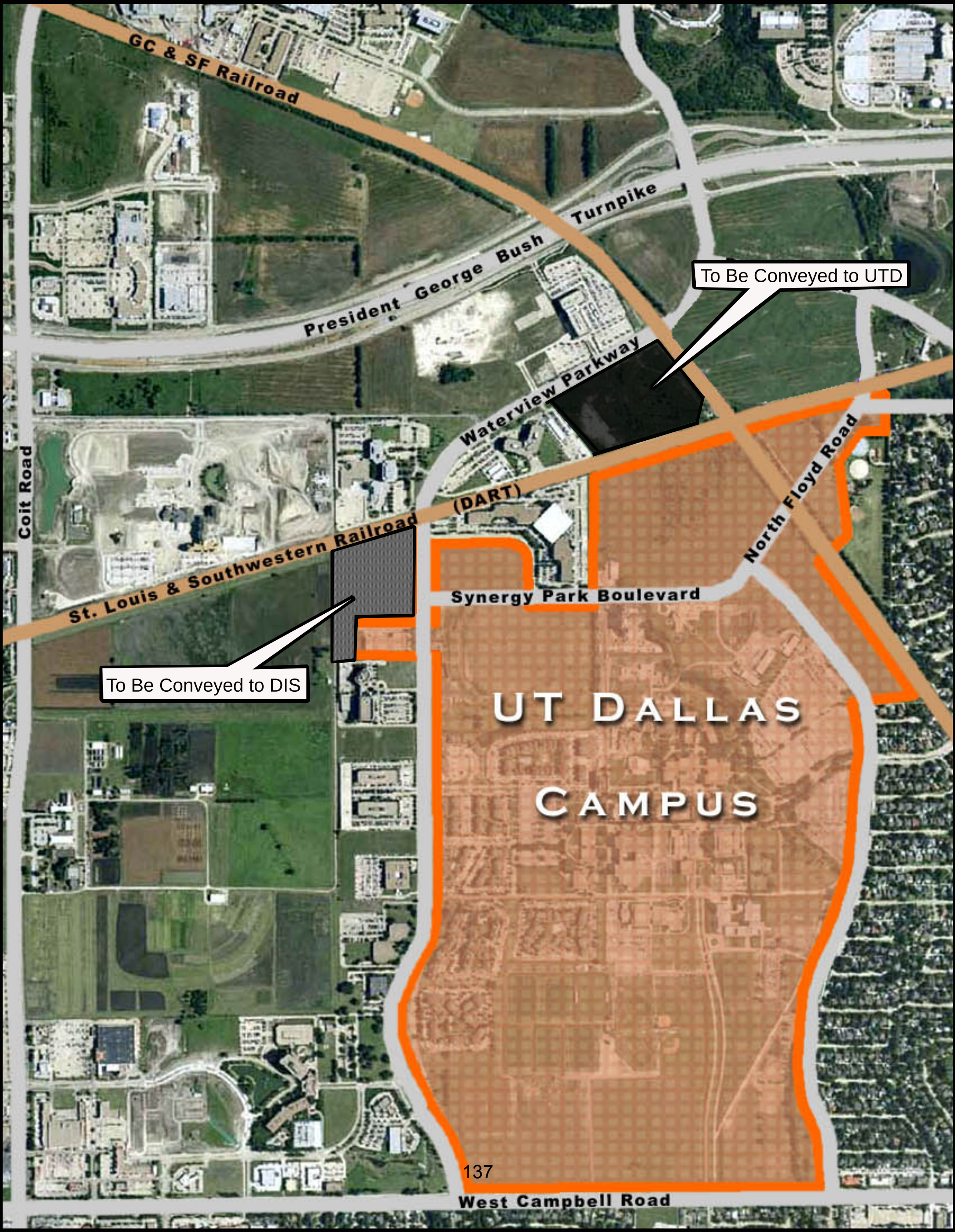
Institution: U. T. Dallas

Type of Transaction:	Exchange
Total Area:	Approximately 20.59 acres
Improvements:	None
Location:	3410 and 3420 Waterview Parkway, Richardson, Collin County, Texas; see attached map
Seller:	Dallas International School, a Texas nonprofit corporation
Consideration:	Conveyance to Dallas International School of the Dallas Tracts, together with the payment by U. T. Dallas to the Dallas International School of sufficient cash compensation to constitute an even exchange of fair market values as established by independent appraisals; cash compensation is anticipated to be approximately $3 million
Appraised Value:	$6,000,000 (James Underhill, MAI, Appraisal Lynx, Inc., September 14, 2007) Second appraisal pending
Source of Funds:	Excellence in Education Foundation endowment
Intended Use:	Campus entrance from Waterview Parkway leading to the George Bush Turnpike; future programmed development of campus expansion

Conveyance of Dallas Tracts

Institution:	U. T. Dallas
Type of Transaction:	Exchange
Total Area:	Approximately 13.8 acres in two parcels
Improvements:	None, except for a small amount of paving at the rear of 17919 Waterview Parkway
Location:	Approximately 12.8 acres on Waterview Parkway, south of the Dallas Area Rapid Transit right-of-way, consisting of the remainder of U. T. D. Synergy Park – Phase I, and approximately one acre at the rear of 17919 Waterview Parkway, Dallas, Collin County, Texas; see attached map
Buyer:	Dallas International School, a Texas nonprofit corporation

Consideration:	Conveyance to the Board of Regents of the Richardson Tract
Appraised Value:	12.8-acre tract: $2,900,000 (James Underhill, MAI, Appraisal Lynx, Inc., June 21, 2007); the same per square foot value is assumed for the additional one-acre parcel


GC & SF Railroad
President George Bush Turnpike
To Be Conveyed to UTD
Waterview Parkway
Coit Road
St. Louis & Southwestern Railroad (DART)
Synergy Park Boulevard
North Floyd Road
To Be Conveyed to DIS
UT DALLAS CAMPUS
West Campbell Road

7. **<u>U. T. El Paso: Authorization to ground lease approximately 0.73 acres located on Oregon Street between Glory Road and Cincinnati Avenue and consisting of Lots 11 through 20, Block 224, Alexander Addition, El Paso, El Paso County, Texas, to the City of El Paso for a term of 30 years plus a period for design, permitting, and construction, for the construction and operation of a transit terminal with parking garage; and authorization to lease back parking spaces from the City of El Paso</u>**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. El Paso, to

a. ground lease approximately 0.73 acres located on Oregon Street between Glory Road and Cincinnati Avenue, and consisting of Lots 11 through 20, Block 224, Alexander Addition, El Paso, El Paso County, Texas, to the City of El Paso, for a term of 30 years plus a period for design, permitting, and construction, on the terms stated below, for the construction and operation of a transit terminal with parking garage;

b. enter into a lease with the City of El Paso for parking spaces under the terms and conditions described below; and

c. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendations.

BACKGROUND INFORMATION

The City of El Paso, for the benefit of Sun Metro, its mass transit department, has requested to lease the subject property, located across Glory Road from the Don Haskins Special Events Center on a site on the edge of U. T. El Paso's campus, to construct and operate a transit terminal with parking garage. The property is currently improved with surface parking sufficient to accommodate 110 vehicles. The transit terminal with parking garage will consist of a ground level bus terminal and multilevel structured parking to accommodate approximately 500 vehicles.

The institution proposes to ground lease the property to the City for a term of 30 years, plus a 36-month period for design, permitting, and construction. During the 30-year term, U. T. El Paso may lease back 220 weekday parking spaces, approximately

475 spaces on 20 event days, and 160 parking spaces for eight commencement and other campus events at a cost that approximately matches the ground lease rent and U. T. El Paso's share of gross parking revenues. The City of El Paso will have use of the garage's other parking spaces at all other times, and constant use of the bus terminal facilities.

The ground rent and the weekday parking rate will be increased (but not decreased) every 10 years based on a reappraisal of the land. U. T. El Paso's gross parking revenue floor, as well as the cost of event, commencement, and other campus event parking will be increased (but not decreased) every 10 years based on changes to the Consumer Price Index. Rental details are included in the transaction summary below.

The property is located immediately across the street from U. T. El Paso's Don Haskins Special Events Center arena and is a short walk from Sun Bowl Stadium. The proposed transit terminal is expected to improve bus service to major events held at these facilities and to the institution. The parking garage component of the facility will increase the capacity and the convenience of parking at U. T. El Paso, particularly for events at the Don Haskins Special Events Center. This arena hosts many U. T. El Paso sponsored events, including men's and women's basketball games and commencement ceremonies. In addition, the Don Haskins Special Events Center hosts a number of community outreach and private events, including high school graduations, career and science fairs, cheerleader camps, and concerts.

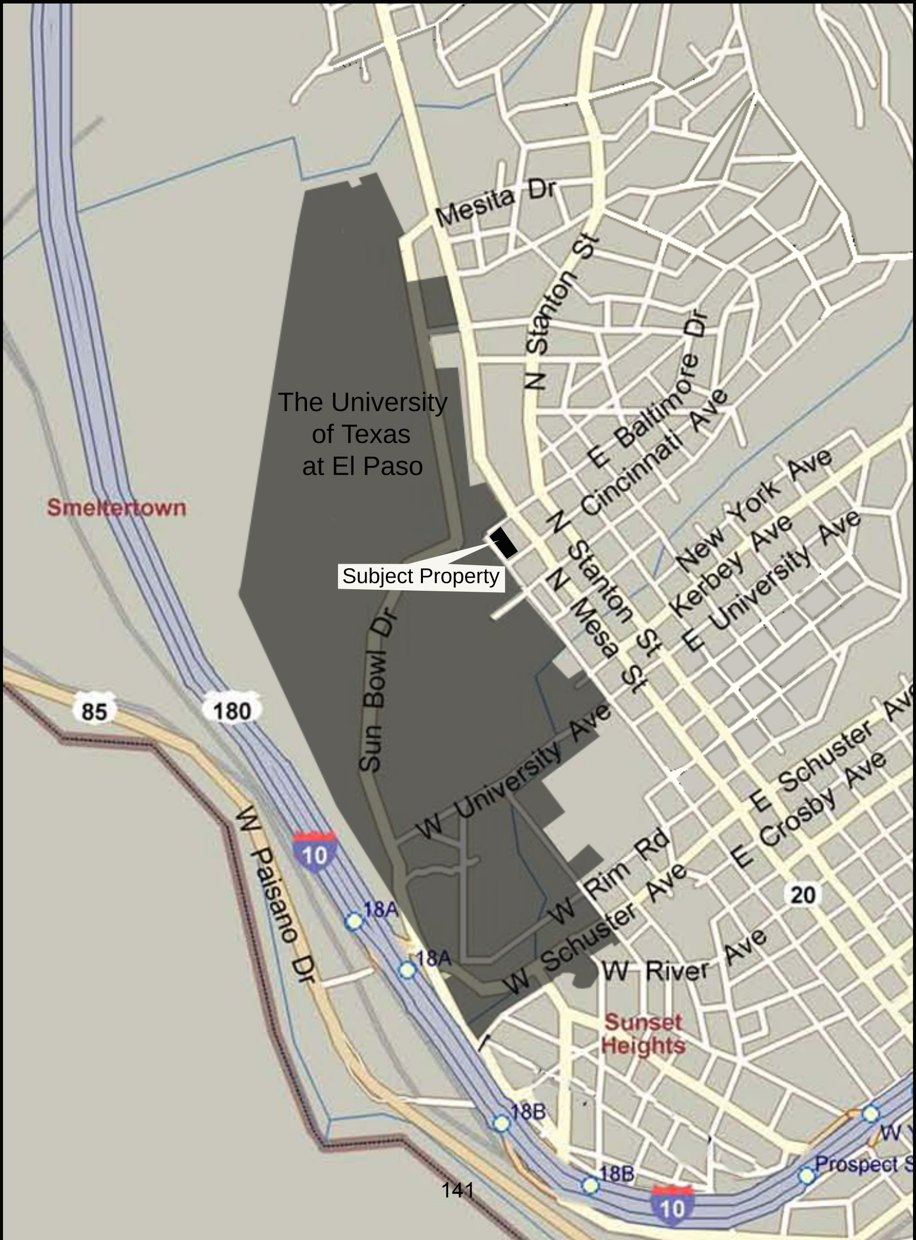
The City of El Paso will construct the facilities at its own expense, using a combination of grants from the Federal Transit Administration and local transit funds. The City will operate the facility at all times and at its own expense, and will pay all taxes. The lease will give U. T. El Paso the right to approve the plans and specifications of the proposed improvements and will limit the use of the property to a transit terminal with parking garage. The federal grants similarly limit the use of the property. The ground lease will also contain provisions in which the tenant, to the extent allowed by the laws and Constitution of the State of Texas, indemnifies the landlord for all matters arising from the tenant's use of occupancy of or activities on the premises.

The terms and conditions of the proposed ground lease and lease back of parking spaces are specified in the transaction summary below:

<u>Transaction Summary</u>

Institution:	U. T. El Paso
Type of Transaction:	Ground lease and lease back of parking spaces
Tenant:	City of El Paso
Total Area:	Approximately 0.73 acres

Improvements:	Paved surface parking; the ground tenant will demolish the surface parking and construct a transit terminal with parking garage
Location:	Northeast side of Oregon Street, between Glory Road and Cincinnati Avenue, Lots 11-20, Block 224, Alexander Addition, El Paso, El Paso County, Texas
Ground Rent and Other Revenues:	Initial annual ground rent will be $79,300, to be increased (but not decreased) every 10 years based on reappraisal of the land. In addition, U. T. El Paso will receive 13% of gross parking revenues, but no less than $50,000 annually, this floor to be increased (but not decreased) every 10 years based on changes to the Consumer Price Index
Parking Rent Paid:	220 parking spaces for weekday use at a monthly rate of $30.00 per space ($79,200 annually) to be increased (but not decreased) every 10 years based on reappraisal of the land; approximately 475 spaces for 20 event days at a cost of $5.00 per space ($47,500 annually); 160 spaces for up to eight commencement and other campus events at a cost of $4.00 per space (up to $5,120 annually), to be increased (but not decreased) every 10 years based on changes to the Consumer Price Index
Appraised Value:	$793,000 (Curtis Sellers, CRE, Ralph Sellers & Associates, March 16, 2007)
Lease Term:	30 years plus initial design, permitting, and construction period not to exceed 36 months
Uses:	Transit terminal with parking garage



Mesita Dr
N Stanton St
E Baltimore Dr
N Cincinnati Ave
New York Ave
Kerbey Ave
E University Ave
N Mesa St
The University
of Texas
at El Paso
Smeltertown
Subject Property
Sun Bowl Dr
W University Ave
85
180
10
W Paisano Dr
18A
18A
W Rim Rd
W Schuster Ave
E Schuster Ave
E Crosby Ave
20
W River Ave
Sunset
Heights
18B
18B
10
Prospect S

8. **U. T. El Paso: Authorization to purchase approximately 4.6 acres and improvements located at 212, 300, 303, 315, and 400 West Schuster Avenue, and 1617 Randolph Drive, El Paso, Texas, and described as Lots 1 through 10, Block 52; Lots 1 through 9 and 12 through 20 and 16 feet of Lots 10 and 11, Block 53; Lots 11 through 20, Block 54; Lots 1 through 8 and 13 through 20, Block 80, all in the Alexander Addition, an addition to the City of El Paso, El Paso County, Texas, from Richard C. and Jean W. Price for a total purchase price of $4.6 million for relocation of U. T. El Paso's child care center that is currently located on the future site of U. T. El Paso's planned Physical Sciences/Engineering Core Facility, and for future programmed development of campus expansion; and resolution regarding parity debt**

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Natalicio that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. El Paso, to

a. purchase approximately 4.6 acres and improvements located at 212, 300, 303, 315, and 400 West Schuster Avenue, and 1617 Randolph Drive, El Paso, Texas, and described as Lots 1 through 10, Block 52; Lots 1 through 9 and 12 through 20 and 16 feet of Lots 10 and 11, Block 53; Lots 11 through 20, Block 54; Lots 1 through 8 and 13 through 20, Block 80, all in the Alexander Addition, an addition to the City of El Paso, El Paso County, Texas, from Richard C. and Jean W. Price for a total purchase price of $4.6 million, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for relocation of U. T. El Paso's child care center and future programmed development of campus expansion;

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation; 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;

- U. T. El Paso, which is a "Member" as such term is used in the Master Resolution, possesses the financial capacity to satisfy its direct obligation as defined in the Master Resolution relating to the issuance by the U. T. System Board of Regents of tax-exempt parity debt in the aggregate amount not to exceed $5 million; 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.

BACKGROUND INFORMATION

The subject 4.6-acre property consists of six tracts: four contiguous tracts on the south side of West Schuster Avenue and two tracts on the north side of West Schuster Avenue. The tracts are approximately one-half block from the campus boundaries. Purchase of the subject property will provide significant additional acreage for future development of campus expansion. The property lies within the boundaries of an identified possible acquisition area of the institution's Campus Master Plan approved by the Board on February 10, 2000. U. T. El Paso sees the acquisition as a strategic one, as it is not likely that all of the parcels will soon be offered again for sale as a unit.

The property is improved with five apartment complexes and one duplex. The improvements contain a total of 138 units, comprising approximately 110,000 gross square feet. U. T. El Paso proposes to remodel and renovate the improvements on the north side of West Schuster Avenue (303 and 315 West Schuster Avenue) to serve as U. T. El Paso's child care center. That action will enable the current child care center in the campus core to be demolished and the site cleared in preparation for construction of U. T. El Paso's new Physical Sciences/Engineering Core Facility, which was added to the Capital Improvement Program on August 10, 2006. Renovation costs for the child care center are included within the project budget for the Physical Sciences/Engineering Core Facility.

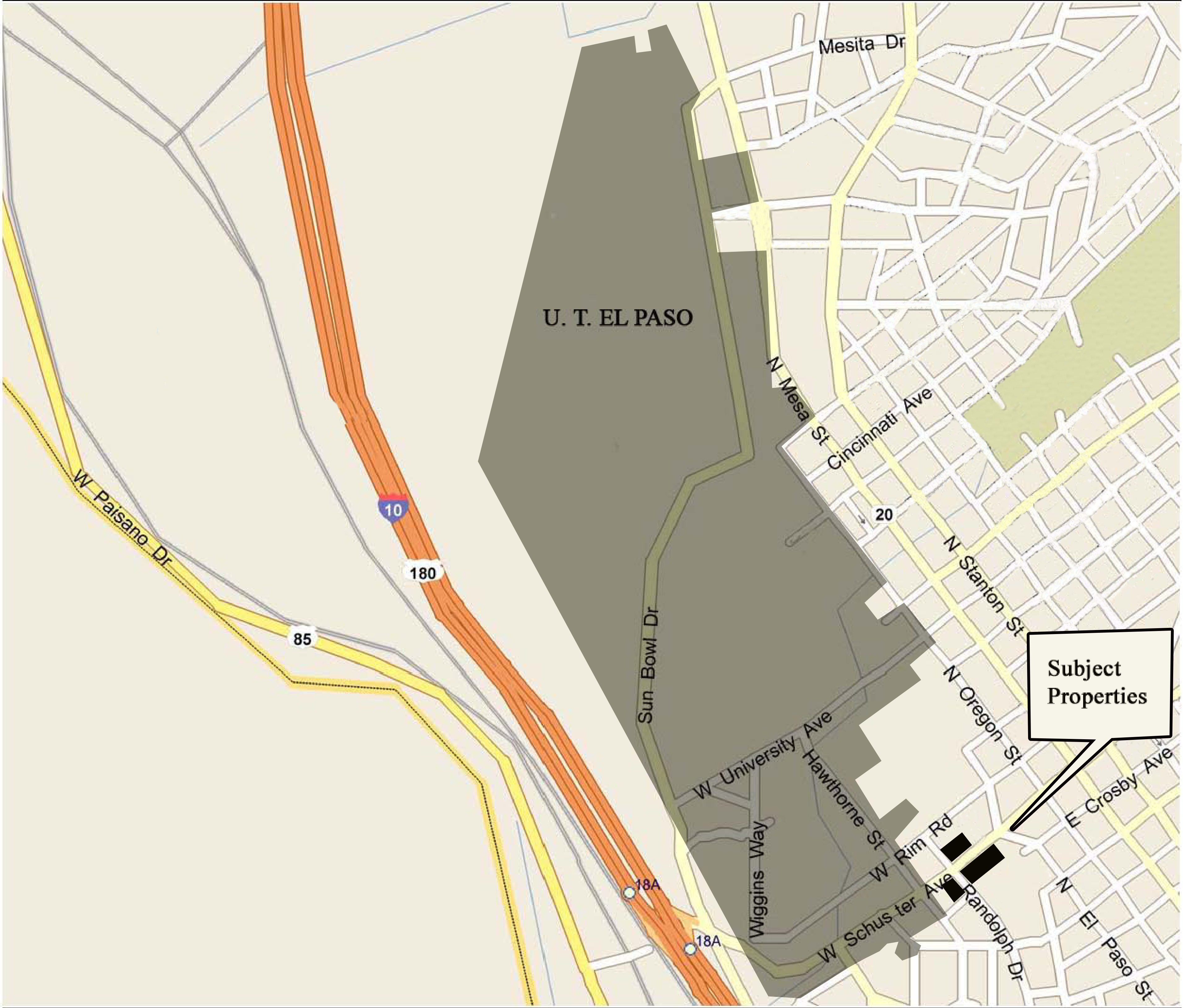
While the acquisition is a strategic one, the University has no immediate campus use for the four parcels on the south side of West Schuster Avenue (212, 300 and 400 West Schuster Avenue, and 1617 Randolph Drive). Consequently, the closing on the acquisition of those parcels will occur later than the closing on the two parcels on the north side of West Schuster Avenue. During the interim, U. T. El Paso will incorporate the site in its long-range planning process.

Revenue Financing System debt not to exceed $5 million, to be repaid from institutional funds from operations, will be used to fund the purchase. The institution's debt service coverage ratio is expected to be at least 1.4 times and to average 2.1 times during the period from Fiscal Year 2008 through Fiscal Year 2013. The terms and conditions of the acquisition are reflected in the summary of the transaction below:

Transaction Summary

Institution:	U. T. El Paso
Type of Transaction:	Purchase
Total Area:	Approximately 4.6 acres
Improvements:	Five apartment complexes and one duplex totaling 110,000 gross square feet
Location:	212, 300, 303, 315, and 400 West Schuster Avenue, and 1617 Randolph Drive, El Paso, Texas, and described as Lots 1 through 10, Block 52; Lots 1 through 9 and 12 through 20 and 16 feet of Lots 10 and 11, Block 53; Lots 11 through 20, Block 54; Lots 1 through 8 and 13 through 20, Block 80, all in the Alexander Addition, an addition to the City of El Paso, El Paso County, Texas; see attached map
Seller:	Richard C. and Jean W. Price
Purchase Price:	$4.6 million total purchase price, broken down as follows: 303 and 315 West Schuster Avenue: $1,357,084 212, 300, and 400 West Schuster Avenue, and 1617 Randolph Drive: $3,242,916
Appraised Value:	$5.227 million when combined as a single unit, or $5,159,000 when based on individual values and allocated as follows: 303 and 315 West Schuster Avenue: $1,522,000 212, 300, and 400 West Schuster Avenue, and 1617 Randolph Drive: $3,637,000 (Curtis R. Sellers, CRE, GAA, Ralph Sellers & Associates, June 22, 2007) $4.312 million total value, allocated as follows: 303 and 315 West Schuster Avenue: $1,200,000 212, 300, and 400 West Schuster Avenue, and 1617 Randolph Drive: $3,112,000 (John P. Kemp, Jr., MAI, July 19, 2007)

Source of Funds:	Revenue Financing System debt not to exceed $5 million, to be repaid from institutional funds from operations
Intended Use:	Child care center and future programmed development of campus expansion


U. T. EL PASO
Subject Properties
Mesita Dr
N Mesa St
Cincinnati Ave
20
N Stanton St
N Oregon St
E Crosby Ave
Sun Bowl Dr
W University Ave
Hawthorne St
Wiggins Way
W Rim Rd
W Schuster Ave
Randolph Dr
N El Paso St
W Paisano Dr
10
180
85
18A
18A

9. U. T. Pan American: Authorization to purchase approximately 4.5 acres of unimproved land located on FM 3167 immediately south of South Texas College's Starr County Campus, out of Lots 44, 45, 46, and 47, Unit 2, Valle Rico Del Rio Grande Little Farms, in Porcion No. 76, Rio Grande City, Starr County, Texas, from South Texas College, a public community college, for a purchase price of $441,000 for U. T. Pan American's Starr County Upper Level Center

RECOMMENDATION

The Chancellor concurs in the recommendation of the Executive Vice Chancellor for Academic Affairs, the Executive Vice Chancellor for Business Affairs, and President Cárdenas that authorization be granted by the U. T. System Board of Regents, on behalf of U. T. Pan American, to

a. purchase approximately 4.5 acres of unimproved land located on FM 3167 immediately south of South Texas College's Starr County Campus, out of Lots 44, 45, 46, and 47, Unit 2, Valle Rico Del Rio Grande Little Farms, in Porcion No. 76, Rio Grande City, Starr County, Texas, from South Texas College, a public community college, for a purchase price of $441,000, plus all due diligence expenses, closing costs, and other costs and expenses to complete the acquisition of the property as deemed necessary or advisable by the Executive Director of Real Estate, for U. T. Pan American's Starr County Upper Level Center; and

b. authorize the Executive Director of Real Estate to execute all documents, instruments, and other agreements, subject to approval of all such documents as to legal form by the Office of General Counsel, and to take all further actions deemed necessary or advisable to carry out the purpose and intent of the foregoing recommendation.

BACKGROUND INFORMATION

U. T. Pan American desires to purchase the subject property, consisting of approximately 4.5 acres of unimproved land for a purchase price of $441,000. The property, located on FM 3167, is immediately south of South Texas College's Starr County Campus. The property will be used as the campus for U. T. Pan American's Starr County Upper Level Center.

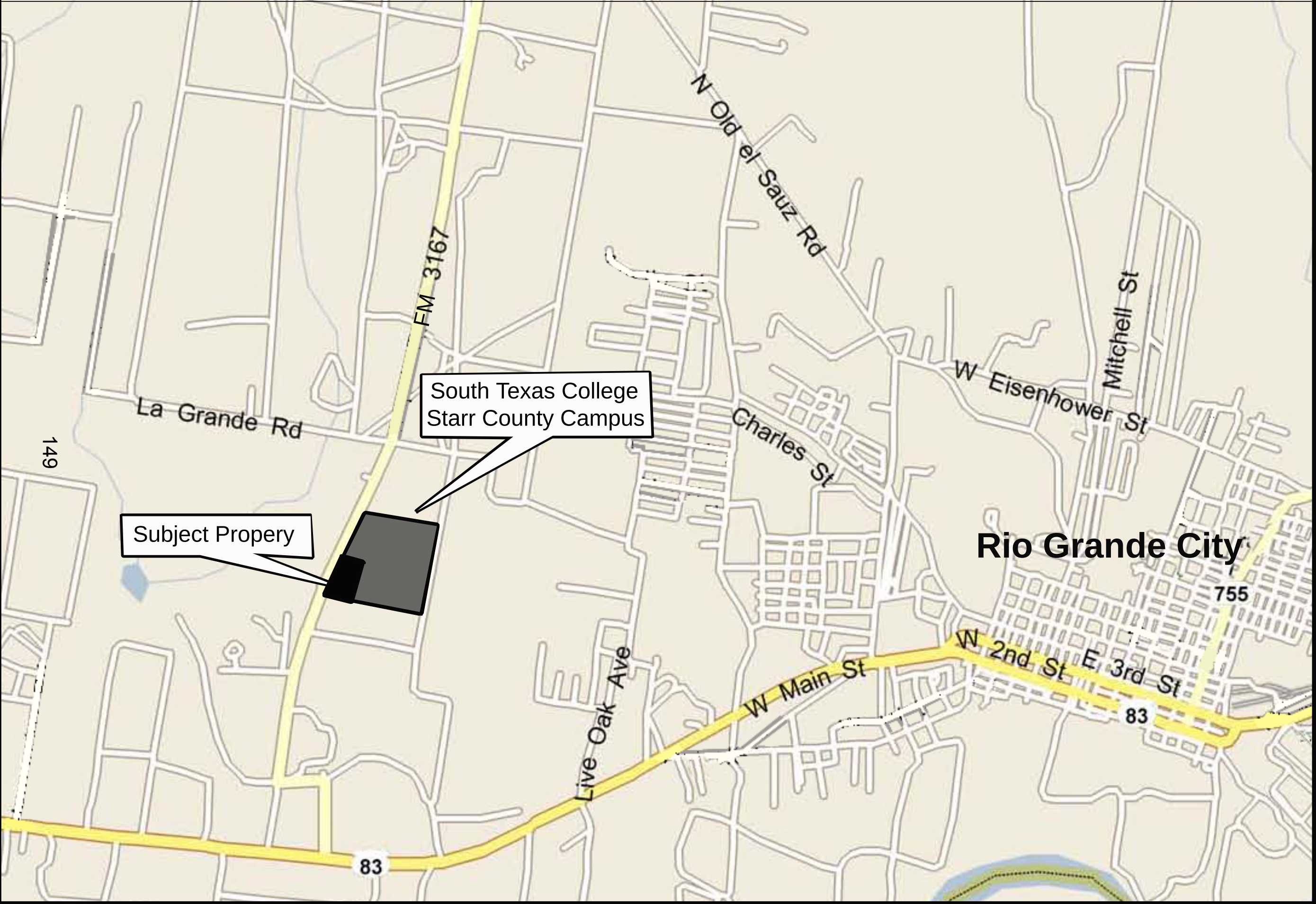
The 79th Texas Legislature approved Tuition Revenue Bonds in the amount of $6 million to fund the construction of the Starr County Upper Level Center. The estimated cost of the facility is $7.5 million. On August 10, 2006, the Board of Regents approved the use of Revenue Financing System debt to fund the $1.5 million balance of the facility costs.

Although the subject property is not included in the institution's Campus Master Plan, the 77th Texas Legislature authorized U. T. Pan American to establish an extension campus in Rio Grande City if the institution elected to enter into a cooperative agreement with South Texas College to offer upper-division courses (*Texas Education Code* Section 77.12).

The Higher Education Assistance Fund (HEAF) will be used to fund the purchase, the terms and conditions of which are reflected in the summary of the transaction below:

<u>Transaction Summary</u>

Institution:	U. T. Pan American
Type of Transaction:	Purchase
Total Area:	Approximately 4.5 acres
Improvements:	None
Location:	On FM 3167, immediately south of the South Texas College's Starr County Campus, out of Lots 44, 45, 46, and 47, Unit 2, Valle Rico Del Rio Grande Little Farms, in Porcion No. 76, Rio Grande City, Starr County, Texas; see attached map
Seller:	South Texas College, a public community college
Purchase Price:	$441,000
Appraised Value:	$490,000 (Joe Patterson, MAI, SRA, Aguirre & Patterson, Inc., June 22, 2007) $390,000 (B.C. Prothero, MAI, SRA, Professional Appraisal Services, Inc., May 23, 2007)
Source of Funds:	Higher Education Assistance Fund (HEAF)
Intended Use:	Starr County Upper Level Center



South Texas College
Starr County Campus
Subject Propery
Rio Grande City
FM 3167
La Grande Rd
149
N Old el Sauz Rd
W Eisenhower St
Mitchell St
Charles St
Live Oak Ave
W Main St
W 2nd St
E 3rd St
83
755
83

10. **U. T. System: Report and discussion of enrollment management including potential changes in admission standards, retention, and graduation rates**

REPORT

The Board of Regents charged the U. T. System to develop an enrollment management plan that addressed goals and strategies to improve student persistence, retention, and success, including graduation rates.

Executive Vice Chancellor Prior will report on progress to develop enrollment management models that integrate increasing student admission standards, progress on graduation rates, and enrollment goals throughout the academic institutions. Executive Vice Chancellor Prior will also demonstrate a student enrollment management model.

Supplemental Materials: Enrollment Management Report for November 2007 on Pages 83 - 108 of Volume 2.

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

Committee Meeting: 11/9/2007
Austin, Texas

B. RECESS TO EXECUTIVE SESSION PURSUANT TO *TEXAS GOVERNMENT CODE*, CHAPTER 551

1. Personnel Matters Relating to Appointment, Employment, Evaluation, Assignment, Duties, Discipline, or Dismissal of Officers or Employees - Section 551.074

   U. T. System: Discussion with institutional auditors and compliance officers concerning evaluation and duties of individual System and institutional employees involved in internal audit and compliance functions — *Mr. Terry Reeves, U. T. Medical Branch - Galveston; Ms. Diane Salvador, U. T. Health Science Center – San Antonio*

2. Consultation with Attorney Regarding Legal Matters or Pending and/or Contemplated Litigation or Settlement Offers - Section 551.071

C. RECONVENE IN OPEN SESSION TO CONSIDER ACTION, IF ANY, ON EXECUTIVE SESSION ITEMS AND ADJOURN — *10:00 a.m.*

1. U. T. System Board of Regents: Report on results of the audits of funds managed by The University of Texas Investment Management Company (UTIMCO)

REPORT

Mr. Tom Wagner and Mr. Rodney Lenfant, Deloitte & Touche LLP, will report on the results of the financial statement audits of the Permanent University Fund (PUF), General Endowment Fund (GEF), Permanent Health Fund (PHF), Long Term Fund (LTF), and Intermediate Term Fund (ITF).

A copy of Deloitte & Touche's report was mailed separately in advance of the meeting.

BACKGROUND INFORMATION

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

On July 11, 2007, the Board authorized U. T. System staff to negotiate and enter into an auditing services contract with Deloitte & Touche LLP to perform a financial audit of the Funds managed by UTIMCO for the fiscal year ending August 31, 2007. The contract provides for the option to renew for four additional one-year terms.

2. U. T. System: Report on Environmental Health and Safety at U. T. System institutions

REPORT

The U. T. System Environmental Health and Safety Advisory Committee, initially formed in 1990, is comprised of health and safety program representatives from the U. T. System institutions and designated representatives from U. T. System Administration. The mission of the Committee, which is institutionally led, is to provide expert advice and recommendations to U. T. System in support of the development and implementation of appropriate programs and to serve as the mechanism for the free exchange of information and cooperation among U. T. System institutions and U. T. System Administration with regard to health and safety issues.

Mr. Bruce Brown, Chair of the Environmental Health and Safety Advisory Committee, will report on U. T. System-wide environmental health and safety efforts at U. T. System institutions. Mr. Brown is the Director of Environmental Health & Safety at U. T. Health Science Center - Houston.

Supplemental Materials: PowerPoint presentation on Pages 109 - 112 of Volume 2.

3. U. T. System: Annual Report on the System-wide Compliance Program and Institutional Compliance Program report for U. T. Medical Branch - Galveston

REPORT

Mr. Terry Reeves, Institutional Compliance Officer at U. T. Medical Branch - Galveston, will present an overview of the institutional compliance program at U. T. Medical Branch - Galveston.

Mr. Charles Chaffin, System-wide Compliance Officer, will present the annual report of the System-wide Compliance Program. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on a quarterly basis. The last activity report was sent on October 19, 2007.

Mr. Chaffin will also report on the overall number and types of compliance "hotline" calls received System-wide during Fiscal Year 2007.

Supplemental Materials:

- **U. T. Medical Branch - Galveston PowerPoint presentation on Pages 113 - 116 of Volume 2.**
- **Annual report of the System-wide Compliance Program on Pages 117 - 122 of Volume 2.**

4. U. T. System: Report on the U. T. System Financial Statements Audit

REPORT

Ms. Amy Barrett, Assistant Director of the U. T. System Audit Office, will report on the progress and preliminary results of the U. T. System Financial Statements Audit for Fiscal Year 2007.

BACKGROUND INFORMATION

In November 2003, the U. T. System Board of Regents approved an initiative to implement the "Spirit" of the Sarbanes-Oxley Act as a good faith effort toward manifesting financial accountability and compliance in the public sector. As a result, in June 2004, the Board of Regents sought proposals for a comprehensive annual financial statement audit by an independent certified public accounting firm to obtain assurance that U. T. System has a sound financial base and adequate resources to support the mission of the organization and the scope of its programs and services.

A contract with Deloitte & Touche LLP was negotiated to provide an audit of the U. T. System Consolidated Financial Statements for the fiscal year ending August 31, 2005. The contract commenced on August 30, 2004, and terminated on April 1, 2006. On March 28, 2006, the Board authorized a renewal of the contract for the fiscal year ending August 31, 2006. The contract commenced on April 1, 2006, and terminated on April 1, 2007. On April 16, 2007, the Board of Regents voted not to renew the contract for the fiscal year ending August 31, 2007, but expressed confidence in the financial audit work that could be performed by the institutional and U. T. System auditors. As a result of that decision, the System Audit Office developed a plan to oversee and coordinate the internal audit of the Fiscal Year 2007 U. T. System Consolidated Financial Statements.

5. U. T. System: Report on the System-wide internal audit activities and Internal Audit Department report for U. T. Health Science Center - San Antonio

REPORT

Ms. Diane Salvador, Director of Internal Audits at U. T. Health Science Center - San Antonio, will present an overview of the internal audit department and the results of the recent follow-up peer review at U. T. Health Science Center - San Antonio.

Mr. Charles Chaffin, Chief Audit Executive, will report on the annual report of the U. T. System-wide Internal Audit Program for Fiscal Year 2007. Activity reports are presented to the Audit, Compliance, and Management Review Committee of the Board of Regents on an annual basis. The last activity report was sent on October 19, 2007.

Additionally, Mr. Chaffin will report on the status of significant audit recommendations. The fourth quarter activity report on the Status of Outstanding Significant Recommendations is set forth on Pages 155 - 156. The report shows that satisfactory progress is being made on the implementation of all significant recommendations. Additionally, a list of other audit reports issued by the System-wide Audit Program follows on Pages 157 - 158.

BACKGROUND INFORMATION

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

Supplemental Materials:

- **U. T. Health Science Center - San Antonio PowerPoint presentation on Pages 123 - 126 of Volume 2.**

- **Internal Audit Program for Fiscal Year 2007 on Pages 127 - 130 of Volume 2.**

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

Report Date	Institution	Audit	3rd Quarter 2007 Ranking	3rd Quarter 2007 # of Significant Findings	4th Quarter 2007 Ranking	4th Quarter 2007 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
2007-05	UTARL	General IT Controls – Planning and Organization		1		1	10/31/2007	Satisfactory
2007-06	UTARL	Implementation Progress of UTS 163: Guidance on Effort Reporting Policies				1	10/31/2007	Satisfactory
2007-06	UTARL	Protecting the Confidentiality of Social Security Numbers				3	8/31/2008	Satisfactory
2007-07	UTARL	Animal Subjects Research Audit				1	12/31/2007	Satisfactory
2007-06	UTAUS	UTS163: Guidance on Effort Reporting Policies				1	8/31/2008	Satisfactory
2007-08	UTAUS	Payment Card Industry Data Security Standard (PCI DSS)				1	12/31/2007	Satisfactory
2004-03	UTB	Contracts and Grants		1		1	12/15/2007	Satisfactory
2004-06	UTB	2003 Financial and Applications Controls Audit of the Financial Aid Office		1		1	1/31/2008	Satisfactory
2004-10	UTB	Physical Plant		2		2	11/30/2007	Satisfactory
2007-06	UTB	Student Health Services				8	12/31/2007	Satisfactory
2007-06	UTB	Research Centers				1	8/31/2007	Satisfactory
2003-12	UTD	Lab and Biological Safety		1		0	8/31/2007	Implemented
2007-01	UTD	Annual Financial Report Audit		1		1	2/28/2008	Satisfactory
2007-06	UTD	Waterview Park Phases V-IX				1	11/30/2007	Satisfactory
2005-05	UTEP	Office of the Registrar		1		1	10/26/2007	Satisfactory
2005-08	UTEP	Texas Success Initiative		1		0	8/31/2007	Implemented
2007-02	UTEP	Campus-wide Information Technology Applications		5		5	1/30/2008	Satisfactory
3007-04	UTEP	Bid and Contract Processes		1		0	8/31/2007	Implemented
2007-05	UTPA	Grants & Contracts - Cost Sharing		6		1	10/31/2007	Satisfactory
2007-08	UTPB	UTS163: Guidance on Effort Reporting Policies				2	9/18/2007	Satisfactory
2004-09	UTSA	Research Compliance - Time and Effort Reporting		1		1	11/15/2007	Satisfactory
2006-07	UTSA	Information Technology Change Management		1		0	6/25/2007	Implemented
2006-10	UTSA	Library Audit		1		0	9/1/2007	Implemented
2007-04	UTSA	Confidentiality of SSNs		1		0	9/1/2007	Implemented
2006-05	UTSMC - Dallas	Accounts Payable		1		1	8/31/2007	Satisfactory
2006-09	UTSMC - Dallas	Hospital Compliance Program		1		1	11/30/2007	Satisfactory
2005-03	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Institutional)		1		1	2/29/2008	Satisfactory
2005-07	UTMB - Galveston	Compliance Update with the HIPAA Final Security Rule (Correctional Managed Care)		2		1	11/30/2007	Satisfactory
2006-11	UTMB - Galveston	Wireless Access		1		1	11/30/2007	Satisfactory
2006-10	UTHSC - Houston	Patient Registration		1		1	10/1/2007	Satisfactory
2007-05	UTHSC - Houston	Billing Collection Process and Review of Selected Applications of the Billing System		2		1	6/30/2008	Satisfactory
2007-05	UTHSC - Houston	Medical School Charge Capture Processes		1		1	1/31/2008	Satisfactory
2007-05	UTHSC - Houston	Security of Credit Card Data		5		5	8/31/2008	Satisfactory
2006-04	UTHSC - San Antonio	Medical Services, Research and Development Plan Collections		1		1	12/31/2007	Satisfactory
2007-06	UTHSC - San Antonio	Protection of Digital Research Data				2	1/30/2008	Satisfactory
2001-08	UTMDACC - Houston	Lotus Notes Environment		1		1	8/31/2008	Satisfactory
2004-01	UTMDACC - Houston	PeopleSoft Payroll		1		0	8/28/2007	Implemented
2006-07	UTMDACC - Houston	Pharmacy Inventory Review		3		0	8/31/2007	Implemented
2006-09	UTMDACC - Houston	Centralized Backup, Storage and Recovery		2		2	8/31/2008	Satisfactory
2007-06	UTMDACC - Houston	Conflict of Interest				5	2/28/2008	Satisfactory
2005-04	UTHC - Tyler	*Texas Administrative Code* 202 Compliance		1		1	2/28/2008	Satisfactory
2005-11	UTHC - Tyler	IT Security Audit of Meditech and Lake Superior Software Patient Information Systems		1		1	12/31/2007	Satisfactory
2006-06	UTHC - Tyler	Review of the Office of the President's Travel & Entertainment		1		1	11/30/2007	Satisfactory
2005-12	UTSYS ADM	System-wide Financial Audit		3		3	9/1/2009	Satisfactory
2006-05	UTSYS ADM	UTIMCO Institutional Investment and Compliance Audits		3		3	12/31/2007	Satisfactory
		Totals		**57**		**66**		

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

Report Date	Institution	Audit	3rd Quarter 2007 Ranking	3rd Quarter 2007 # of Significant Findings	4th Quarter 2007 Ranking	4th Quarter 2007 # of Significant Findings	Targeted Implementation Date	Overall Progress Towards Completion (Note)
STATE AUDITOR'S OFFICE AUDITS								
2007-03	UTPB	2006 Statewide Single Audit - Student Financial Aid Cluster		2		2	12/13/2007	Satisfactory
2004-02	UTSA	Financial Review		1		1	12/31/2007	Satisfactory
2006-02	UTTY	2006 Single Audit-Financial Aid Cluster				1	1/31/2008	Satisfactory
2006-02	UTMB - Galveston	Federal Portion of Statewide Single Audit FY 2005		2		2	12/31/2007	Satisfactory
2004-06	UTHSC - San Antonio	Protection of Research Data at Higher Education Institutions		1		1	12/31/2007	Satisfactory
2005-02	UTMDACC - Houston	Federal Portion of the Statewide Single Audit FY 2004		2		2	11/30/2007	Satisfactory
2002-11	UTMDACC - Houston	Security Over PHI		1		1	8/31/2010	Satisfactory
2007-05	UTMDACC - Houston	Charity Care at Health-Related Institutions		1		0	5/1/2007	Implemented
		Totals		**10**		**10**		

Color Legend:

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

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

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2007 through 8/2007	
Institution	**Audit**
UTARL	Development Audit - Gift Acceptance Processes and Procedures
UTARL	Fixed Asset Management Audit
UTAUS	Department of Government Departmental Review
UTAUS	Plan II Honors Program Departmental Review
UTAUS	Language and Area Center for Latin American Studies/Teresa Lozano Long Institute of Latin American Studies Departmental Review
UTAUS	Department of Petroleum and Geosystems Engineering Departmental Review
UTAUS	College of Fine Arts Departmental Review
UTAUS	Department of Theater and Dance Departmental Review
UTAUS	Technology Resources for Employee and Campus Services Departmental Review
UTAUS	Department of Linguistics Departmental Review
UTAUS	National Collegiate Athletic Association Recruiting (Bylaw, Article 13)
UTAUS	National Collegiate Athletic Association Eligibility (Bylaw, Article 14)
UTAUS	Center for Asian American Studies Departmental Review
UTAUS	Department of Marketing Departmental Review
UTAUS	National Automated Clearinghouse Association (NACHA) Audit
UTAUS	Health Insurance Portability and Accountability Act (HIPAA): University Health Services Audit
UTAUS	BPM 53 (Superseded by UTS 165) - College of Engineering
UTB	Travel and Entertainment for Vice Presidents and Provost Audit
UTB	UTS165, Section 10 - Reduction of Use and Collection of Social Security Numbers Audit
UTB	UTS163: Guidance on Effort Reporting Policies Audit
UTD	Lena Callier Trust for the Hard of Hearing and the Deaf Audit
UTD	Emergency Operations Plan Audit
UTD	Time and Effort Reporting Audit
UTD	Purchasing Cards Audit
UTD	Cash Handling Audit
UTD	*Texas Administrative Code* Section 202 Compliance Audit
UTD	Contracts and Grants Audit
UTEP	Advanced Research Program/Advanced Technology Program (ARP/ATP) Audit
UTPA	Time & Effort Reporting Audit
UTSA	Institutional Review Board Audit
UTSA	UTS163: Guidance on Effort Reporting Policies Audit
UTSA	Athletics Compliance Review (Report by Bond, Schoeneck & King, PLLC)
UTTY	Time and Effort Reporting Principles, UTS163 Audit
UTTY	Locally Managed Construction Projects Audit
UTTY	Compliance w/ Business Procedures Memorandum 66: Protecting Confidentiality of Social Security Numbers (Superseded by UTS165) Audit
UTTY	The University of Texas at Tyler Health Clinic Audit
UTTY	Dean's Office of the College of Arts and Sciences Fiscal Year 2007 Audit
UTSMC - Dallas	Institutional Review Board Audit
UTSMC - Dallas	Hospital and Campus Pharmacy Operations Audit
UTSMC - Dallas	Accounts Receivable Audit
UTSMC - Dallas	Review of Epic® Implementation
UTSMC - Dallas	St. Paul Emergency Operations Audit
UTSMC - Dallas	Audit of Implementation of UTS163, Effort Reporting Policy
UTSMC - Dallas	Audit of Implementation of UTS165, Identity Protection of Social Security Numbers
UTMB - Galveston	Laboratory Safety Audit
UTMB - Galveston	Medical Billing Compliance Audit
UTMB - Galveston	Confidentiality of Social Security Numbers Audit
UTMB - Galveston	Payment Card Industry Data Security Standard (PCI DSS) Audit
UTMB - Galveston	Decentralized Information Technology Operations Review: Biochemistry and Molecular Biology
UTMB - Galveston	Decentralized Information Technology Operations Review: Bioinformatics Program
UTMB - Galveston	Decentralized Information Technology Operations Review: Sealy Center for Vaccine Development
UTMB - Galveston	Wireless Access Audit
UTMB - Galveston	Patient Information Management Processes Audit
UTMB - Galveston	Change in Management Review: Office of the Executive Vice President
UTMB - Galveston	Hospital Unsponsored Charity Care Audit
UTMB - Galveston	President and Spousal Travel, Entertainment, and Housing Expenses Audit
UTMB - Galveston	Joint Admission Medical Program (JAMP) Review
UTMB - Galveston	Family Practice Residency Program Audit
UTMB - Galveston	Graduate Medical Education Program Audit
UTMB - Galveston	A Design Review of UTMB's Conflict of Interest Policy
UTMB - Galveston	UTS163: Guidance on Effort Reporting Policies Implementation Audit
UTHSC - Houston	Advanced Research Program/Advanced Technology Program (ARP/ATP) Audit
UTHSC - Houston	UTS163: Time and Effort Reporting Audit
UTHSC - Houston	Willed Body Program Audit
UTHSC - Houston	Dental Service Research and Development Plan Audit
UTHSC - Houston	Compliance Design Audit - Research
UTHSC - Houston	Disaster Relief and Emergency Medical Services Project (DREAMS) Subrecipient Monitoring Audit
UTHSC - Houston	Follow-Up Audit on Open Recommendations
UTHSC - San Antonio	Institutional Follow-Up Audit Fiscal Year 2007 - 3rd Quarter
UTHSC - San Antonio	Effort Reporting Audit
UTHSC - San Antonio	Medical Billing Compliance Program Audit
UTMDACC - Houston	Capture and Maintenance of Patient Financial and Demographic Information Audit

OTHER U. T. SYSTEM AUDIT REPORTS RECEIVED BY SYSTEM AUDIT 6/2007 through 8/2007	
Institution	**Audit**
UTMDACC - Houston	Patient Safety - Incident Reporting Audit
UTHC - Tyler	UTS163: Effort Reporting Compliance Review
UTSYS ADM	Business Continuity Plan Audit
UTSYS ADM	University Lands - West Texas Operations Oil and Gas Company Audit
UTSYS ADM	The University of Texas at Austin Jackson School of Geosciences: Geology Foundation's Jackson Estate Trust Minerals Audit
UTSYS ADM	The University of Texas Health Center at Tyler: Information Technology Resources Audit
UTSYS ADM	Time and Effort Reporting Policies & Procedures Audit
UTSYS ADM	University Lands Departmental Audit
UTSYS ADM	Self-Insurance Plans and the Office of Risk Management's Protection of Social Security Numbers Audit
UTSYS ADM	The University of Texas Investment Management Company Internal Controls over Financial Reporting: Intermediate Term Fund Audit
UTSYS ADM	Follow-Up Audits for Fiscal Year 2007
UTSYS ADM	Confidential Data Audit

STATE AUDITOR'S OFFICE AUDIT REPORTS RELEASED 6/2007 through 8/2007	
Institution	**Audit**
UTPA	An Audit Report on Proprietary and Emergency Procurements at Selected State Agencies and Higher Education Institutions
UTARL	An Audit Report on Enrollment Reporting by Texas Public Universities
UTAUS	
UTB	
UTD	
UTEP	
UTPA	
UTPB	
UTSA	
UTTY	
UTSMC - Dallas	
UTMB - Galveston	
UTHSC - Houston	
UTHSC - San Antonio	
UTMDACC - Houston	
UTHC - Tyler	